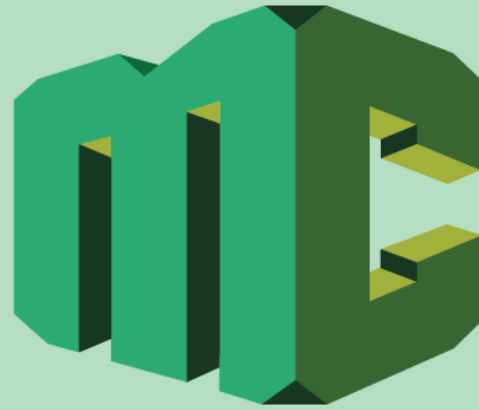


# The Nuts & Bolts of Processing: How A Chicken Becomes A Nugget



TEXAS DEPARTMENT OF AGRICULTURE  
**COMMISSIONER SID MILLER**



**Angela Hodapp**

Food Ordering Specialist, TDA

**Paige Applegate**

Food Ordering Specialist, TDA



# Meet our Speakers



**Angela Hodapp**

Food Ordering Specialist,  
TDA



**Paige Applegate**

Food Ordering Specialist,  
TDA



# Questions





# Acknowledgement Statement

---

## **You understand and acknowledge that:**

- The training you are about to take does not cover the entire scope of the program; and that
- You are responsible for knowing and understanding all handbooks, manuals, alerts, notices, and guidance, as well as any other forms of communication that provide further guidance, clarification, or instruction on operating the program.



# Overview

Processing Diversion

Processing Benefits

Processing Fees

Inventory



# What is Processing?



A close-up, slightly blurred photograph of a calendar grid. The grid consists of light gray squares separated by white lines. Some squares contain handwritten numbers in a light green or blue ink, including 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 27, 28, and 29. A black pencil with a sharpened red pencil lead tip lies horizontally across the bottom right portion of the calendar, pointing towards the left. The overall lighting is soft and even.

# What is the Timeline?



# Processing Timeline



Planning



Commodity processing procurement

USDA foods delivered to Processor



End product production & ordering



WBSCM Ordering

Use & manage inventory



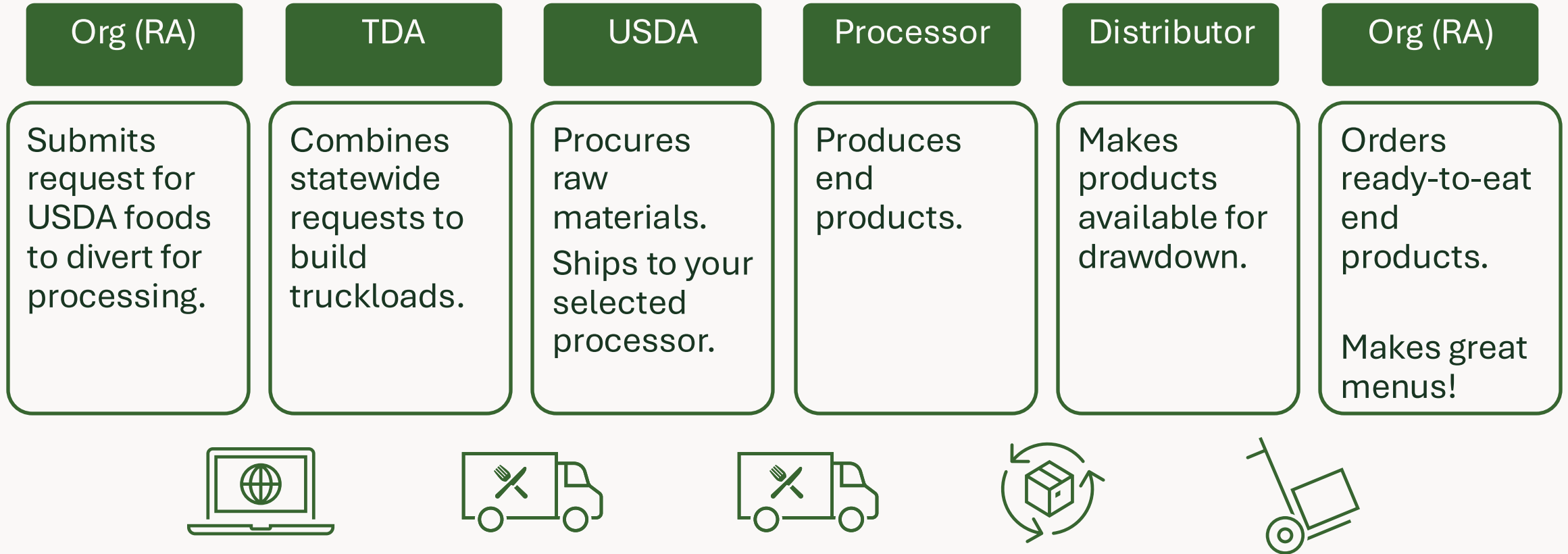


# How Does Processing Diversion Work?





# How Does It Work?





USDA raw commodities are converted into ready-to-eat forms.



Chicken  
Nuggets



Chicken  
Taco



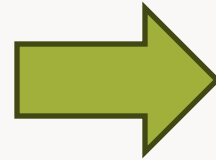
Chicken  
Tenders



# Let's Practice!



Bulk USDA  
Mozzarella Cheese



Pizza = Processor's  
End Product



# Which Foods Could Be from Processing?





# Which Foods Could Be from Processing?





# Which Foods Could Be from Processing?



What are  
the  
benefits?





Stretches USDA dollars by ordering bulk products at a lower cost.



# Let's Explore: Applesauce



## Commercial Cost (avg.)

Per Case - \$34.36  
Per Serving - \$0.36

## Processing Cost

Per Case - \$23.68  
Per Serving - \$0.25

## USDA Food 110361

**FREE!**

# Let's Explore: Cheese Slices



## Commercial Cost (avg.)

100 cs = \$7,040  
1000 cs = \$70,400

## Processing Cost

100 cs = \$3,257  
1000 cs = \$32,570

## USDA Food 100018

**FREE!**



Ensures food safety by limiting raw food handling in school food service operations.





Reduces storage  
and delivery  
costs.





Allows for flexible  
delivery.





# What Additional Fees Should I Consider?





# Value Pass Through Methods



Fee for Service



Net off Invoice



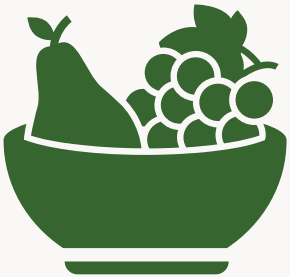
Refund or Rebate



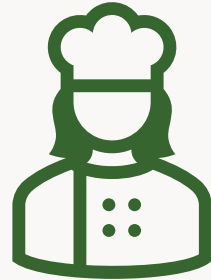
Direct Discount



# Fee for Service: Costs other than USDA Foods



Ingredients  
other than  
USDA Foods



Labor



Overhead



Packaging



# Fee for Service Invoicing

1



Processor's Fee for  
Service Invoice

2



Distributor's Delivery  
and Storage Invoice



# Fee for Service Invoicing

Processors may arrange delivery with a distributor on behalf of the organization.



## One Invoice

Separate, identifiable charges.

1. Fee for Service
2. Distributor's Charge





# Net Off Invoice (NOI)



Processors sell end products containing USDA foods to distributors at **gross price**.



Distributors sell products to eligible organizations at **commercial price *plus* delivery *minus* value of USDA Foods**.



# Net Off Invoice (NOI)

Distributors submit reports to processors for the value of the USDA Foods discounted to the organization as a rebate.

## INVOICE

ACCOUNT NUMBER	INVOICE NUMBER	INVOICE DATE	CUSTOMER NUMBER	PURCHASE ORDER #	SALES LOCATION	SALES REP	DATE ORDERED
	4076287	11/27/2012			3170	401	
FREIGHT TERMS	ORDER NUMBER	PAYMENT TERMS	ROUTE NUMBER	SPECIAL INSTRUCTIONS			
	62987	NET 10 EOM	2133				

### INVOICE LINE DETAILS

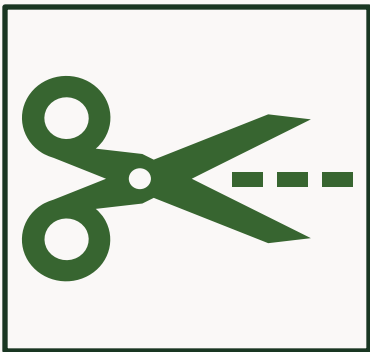
QUANTITY			SALES UNIT	PRODUCT NUMBER	DESCRIPTION	LABEL	PACK SIZE	CODE	WEIGHT	PRICING UNIT	UNIT PRICE	EXTENDED PRICE
ORD	SHP	ADJ										
7	7	0	CS	9526567	CEREAL, COCOA PUF RS	GENL MILLS	96/88 OZ			CS	\$17.2700	\$120.89
2	2	0	CS	3649316	CEREAL, KIX BRRY SS BWL	GENL MILLS	96/69 OZ			CS	\$17.2700	\$34.54
1	1	0	CS	4494555	CHEESE, CHEDR MILD SHRD V/PK <i>READY TO EAT - Please refer to return policy</i> <i>FIDELIS ALLOWANCE - LOL</i>	LAND O'LKS	4/5 LB			CS	\$51.4400	\$51.44 (\$30.75)



# Refund or Rebate



Processors sell end products to organizations at **commercial prices**.



Processors provide a **refund or rebate** for the value of USDA Foods contained in end products.



# What About Inventory and Excess Inventory?





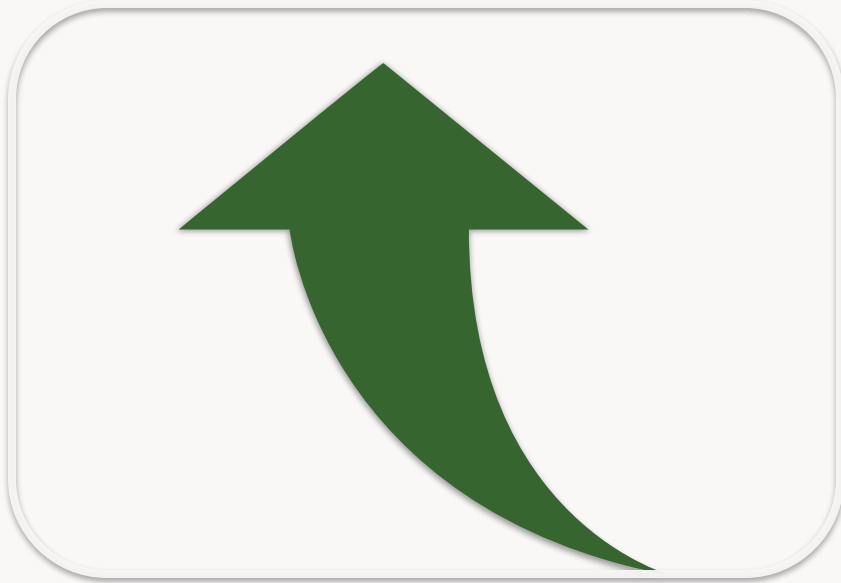
# What is Excess Inventory

An organization has used their entitlement to order processed foods but has not drawn down on the order.

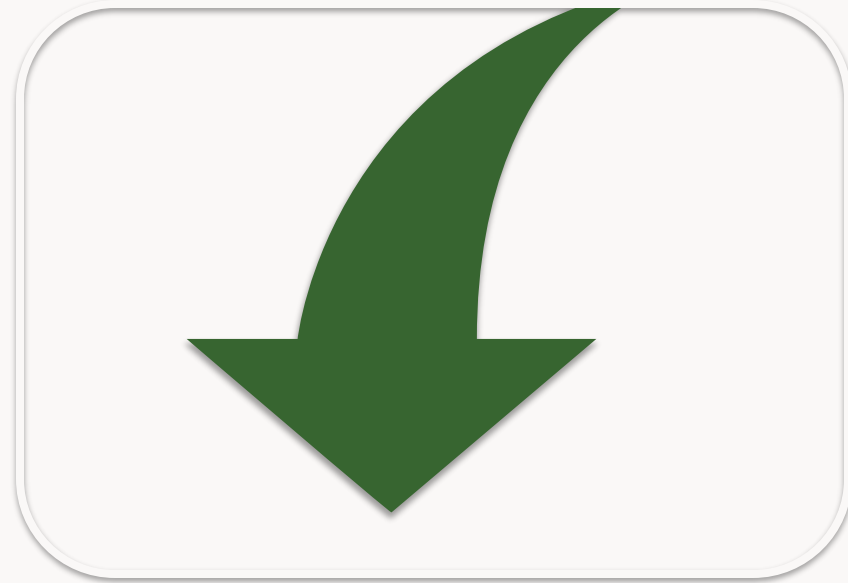




# Causes of Excess Inventory



Overestimating  
need leads to  
excess pounds.



Underestimating  
demand leads to  
shortages.

# Why is Excess Inventory a Risk?



Unused assets and dollars for the district.



Liability for the processor.



Non-compliance with TDA Roles & Responsibilities Form.



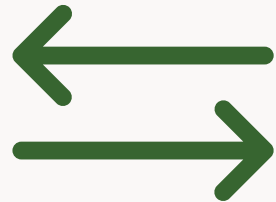
# How Can I Avoid It?



Adjust menus to utilize excess pounds.



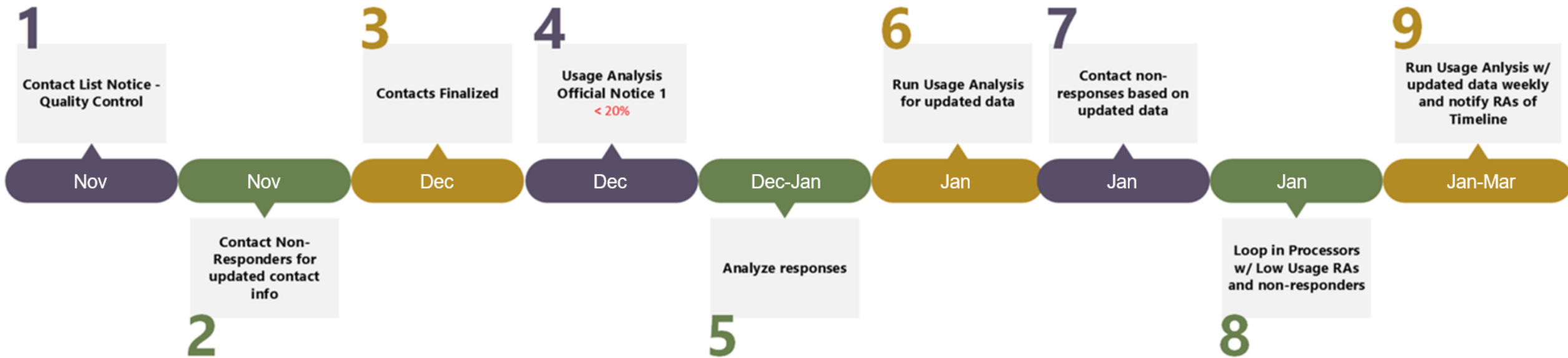
Communicate with co-ops, brokers, or processors for assistance.



Transfer in and out of state account.



# How TDA Analyzes Inventory





# Let's Recap

Processing Diversion

Processing Benefits

Processing Fees

Inventory



# *Questions?*



Leave Us Your  
Feedback!



# Contact Us



(877) TEX MEAL  
(877) (839-6325)



[SquareMeals@Texasagriculture.gov](mailto:SquareMeals@Texasagriculture.gov)



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The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

1. mail:  
U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410; or

2. fax:  
(833) 256-1665 or (202) 690-7442; or

3. email:  
[program.intake@usda.gov](mailto:program.intake@usda.gov)

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