## **Texas Department of Agriculture**

## Food and Nutrition Industry Task Force Call July 28, 2021

- 1. USDA Foods and Inventory Update
  - a. Inventory
    - i. Redistribution (formerly referred to as carry-over sweep) is underway. As of Monday July 26, all processors have submitted reports for reconciliation.
    - ii. TDA has over 23 million pounds that need to be distributed as fair share prorations. These will befree pounds.
      - 1. Excess pounds will be applied to round one and two ordering allocations. TDA will be cancelling truckloads to offset.
    - iii. Requests for additional pounds for further processing are on hold. CEs were told at the last school call that redistribution and requests for additional pounds could happen simultaneously, but TDA has more excess pounds than ever before in history so this is not possible. It will take significant staff resources to address the fair share proration of state pounds.
      - 1. CEs (not co-ops or processors) must submit additional pounds requests to <a href="mailto:commodityoperations@texasagriculture.gov">commodityoperations@texasagriculture.gov</a> with a commodity calculator.
    - iv. 70% of Monthly Performance Reports for June 2021 have been received.

## b. Ordering

- i. TDA is working to apply fair share prorations to round two ordering.
  - 1. More than likely, all of round two pounds will be free due to large quantity of pounds available in the state account.
  - 2. TDA currently has a negative entitlement balance as a state. TDA is hopeful that truckload cancellations, pending official rate of assistance for PY 22, and total lunches served adjustments will push entitlement into the positive and allow for round four ordering.
- ii. TDA will send out a communication prior to next week's school call that CEs should wait for allocations to post as some processors have not posted round one allocations.
- iii. TDA is completing reconciliation of DOD's fresh fruits and vegetables usage. This should be complete by COB today.
- iv. TDA is applying final weighted average cost adjustment to further processing and farm to school.

## c. Questions

- i. Q: How are redistribution topics being communicated? What is the best approach for industry to help TDA's initiative?
  - 1. A: TDA just received data regarding the quantity of pounds in the state account. We will communicate this number to schools in next week's school call. We will ask CEs to revisit their forecasts after this information is released.

- ii. Q: Is TDA going to go processor to processor to cancel truckloads that can be fulfilled by state account pounds? Will CEs be able to request additional pounds in the future?
  - 1. A: Yes. There may be an opportunity for fourth round ordering of pounds in the fall, closing early to mid-December if entitlement is available.
- 2. Vendors not Honoring Bid Prices
  - a. TDA has been receiving consistent communications that vendors are not honoring bid prices. If price increase comes from the manufacturer and is not absorbed by the distributor, CEs can emergency procure another product or a different SKU.
  - b. CE Impacts of Price Increases
    - i. Schools report increases in all areas (some report that non-food items are experiencing largest increases; schools are concerned about what they will serve meals on).
    - ii. Schools appreciate that emergency procurement is an option, but district policies for procurement and bidding can pose a barrier.
    - iii. Schools report that menu changes have been necessary multiple times over the last month due to product discontinuation and price increases (e.g. \$40/case increase for certain food items and 30% increase for paper and plastic goods).
      - 1. Some products on new menus have not been tested with students.
  - c. Non-Food Manufacturer Perspective
    - i. Raw material prices have increased, but this is not the greatest challenge.
    - ii. Because of high demand for foam hinge lid/to-go containers in restaurant market AND labor shortages, manufacturer has opted for just black trays in K-12 market.
  - d. Distributor Perspective
    - i. Distributors report extended lead times. Supply chain issues may continue through the entirety of SY22.
    - ii. Schools reporting concern over increase of distributors leaving the K-12 market nationally.
- 3. Follow-Up Meeting?
  - a. TDA proposed a follow up meeting next week to talk through agenda items we did not get through today.
  - b. TDA will make sure that these topics are on the next school call for statewide discussion.