

USDA Foods Challenge

How to get the best bang for your buck by
utilizing USDA Foods entitlement

USDA Foods Entitlement

- **Entitlement represents the VALUE of the food received through USDA Foods**
- Annual allocations are estimated using this formula:

$$\begin{array}{|c|} \hline \text{Total lunches} \\ \text{served} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Commodity rate} \\ \text{of assistance} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Estimated} \\ \text{entitlement} \\ \hline \end{array}$$

- TDA calculates the total reimbursable lunches served for each CE in January based on the previously completed year and update it after the current school year is completed
- Entitlement Updates:
 - July- USDA publishes the actual rate of assistance.
 - October – Actual total lunches served are multiplied by the newly approved commodity rate of assistance, accounts are reconciled with the actual numbers.
 - January & October– TDA could change entitlement based on current prices of goods.

Know Your Deadlines

- Missing deadlines could mean missing the opportunity to spend entitlement since any remaining entitlement at the end of the school year gets redistributed.
- Know where to find important dates and deadlines by logging into TX-UNPS .
- Pay attention to your emails for updates from USDA Foods/TDA and opportunities to get surplus.

USDA Foods Programs

- **Department of Defense Fresh Fruit and Vegetable Program (DoD/FFV)**
 - Ordered through online system: FFAVORS
 - Be aware of minimum delivery requirements, whether this program is successful in your area, and if you can meet the volume needed.
 - Brother's Produce is the current vendor, providing weekly deliveries with a minimum drop of \$150.
- **Farm To School Program “Local Grown”**
 - Supports local farmers!
 - Seasonal and limited produce: apples, watermelons, peaches, grapefruit, pears, oranges
 - Deliveries to the contracted warehouse are monthly.

USDA Foods Programs

- **Regular USDA Foods – “Brown Box” “Direct Delivery”**
 - Foods with no or minimal processing, most beneficial for districts using scratch cooking and often used in combo with other entitlement options.
 - Once-a-month delivery from TDA-contracted warehouse (for most) with delivery request made via TX-UNPS.
 - Product options:
 - Raw meats and some cooked meats
 - Dry, refrigerated and frozen products
 - Fresh produce

- **Regular USDA Foods – “Brown Box”**
 - **Storage & Delivery Fees**
 - Consider freezer and refrigerator space as well as dry storage since deliveries are monthly.
 - View the “Weekly Commodity Bulletin” report each week to see what is in the warehouse for your district and draw down those products.
 - TDA updates the system Tuesday and Thursday evenings
 - Consider indirect costs from warehousing and storage associated with direct delivery items:
 - Warehouse charge for short term storage (46-180 days)
 - Warehouse charge for long term storage (181 days or longer)

USDA Foods Programs

- **Bulk Foods for Further Processing aka Commodity Processing**
 - Raw USDA Foods such as bulk ground beef, bulk chicken, tomato paste, cheese, etc. are also known as CE's "banked pounds" or "commodity pounds" with a manufacturer.
 - Bulk foods are used by manufacturers to produce an end product such as chicken nuggets, beef patties, pizza, etc.
 - The "further processing" requires compliance with procurement rules and regulations.

Commodity Processing

- Processors provide "commodity calculator" to assist with determining raw food pounds needed.
- CE inputs number of servings planned and how many times the product is offered in a school year.
- The calculator then determines how many cases are needed for the school year.
- CE pays for the "service of making the product" or fee for service while the "banked pounds" hold a dollar value for the raw material that went into making that product.
- CEs get a "commodity discount" which helps minimize out-of-pocket expenses.

Value Pass-Thru (VPT) Methods

- VPT is a Method/Bill used by processors to pass the value of the “banked pounds” back to the CEs as a cost savings.
- Least expensive to utilize entitlement but value may be diminished with storage and distribution costs for CEs not large enough to receive direct shipments from processors.

Value Pass-Thru (VPT) Methods

- Types of Fee For Service:
 - Fee For Service through Contracted Warehouse (FFSCW)
 - Larger quantities delivered monthly along with brown box. Fees are based on sliding scale.
 - Allows for CEs to increase volume delivered by contracted warehouse
 - Fees are based on sliding scale
 - Higher the volume, lower the rate per case
 - There are two fees:
 1. Fee for Service invoice from processor
 2. Fee for delivery invoice from contracted warehouse
- **Be aware of delivery fees.

Value Pass-Thru (VPT) Methods

- Types of Fee For Service:
 - Fee For Service Direct to District (FFSDD)
 - CE must be able to receive deliveries directly from processor.
 - CE must meet processor's minimum pallet and/or case order requirements.
 - Approval from cooperative coordinator is required if participating with a cooperative for further processing.
 - Net Off Invoice through Distributor (NOI)
 - CE purchases commodity end products through their assigned distributor.
 - CE receives a discount from the awarded commercial price.
 - The discount is equal to the value of the USDA donated foods contained within each case.
 - The CE must have banked pounds with the processor to receive a discount.

Value Pass-Thru (VPT) Methods

- Types of Fee For Service:
- Fee For Service through Distributor (FFSD)
 - CE purchases their commodity end products through their assigned distributor.
 - FFSD is a bid price for converting raw commodity to a finished product.
 - Beef, pork, and some fruit products
 - Distributors apply a percentage markup or fixed delivery fee.
 - CE pays the distributor the bid price including the distributor's mark-up (similar to FFSCW).

Decision Factors

How you spend your entitlement depends on several factors that are specific to your district...

- Know your menu and where you can be flexible:
 - ✓ Select products that have multiple uses in different entrees
 - ✓ Plan and be prepared to substitute
 - ✓ Don't request products or bank pounds on foods you have not taste tested
 - ✓ Determine if staff are trained to handle raw foods
 - ✓ Confirm that there are proper work areas and equipment for scratch cooking

- Use the commodity calculators provided by processors to prevent over ordering, which leaves banked pounds in the processor's accounts and puts them at risk for having excess inventory.

- When comparing products, make sure you pay attention to “pack sizes.” It is often better to calculate “per serving costs” or “per pound cost” to ensure you are looking at the pricing correctly.

Additional Decision Factors

- Are you located in a remote area? Make sure the vendors will deliver to your district.
- Can you handle one monthly delivery or does storage space require more frequent deliveries?
- Have you compared your costs, especially the “hidden” costs?
- Do you know your delivery fee per case? What are your storage fees?
- Should you participate in the DoD Fresh Fruit and Vegetable Program or Farm to School program?
- Should you send foods to process, use brown box, use DoD or all three?
- Have the processors discontinued any of your products from last year?
- Will you have to pick another product, and will it cost more or less?

Pricing Comparisons

▪ **Brown Box**

- #100019, Sliced White American
- 6/5#, \$68.26/case
- \$2.28/lb

• **Commercial**

- #XYZ987, Sliced White American
- 1/5#, \$11.55/case
- \$2.31/lb

While the price difference is small, consider your “out-of-pocket” budget—remember that brown box uses your entitlement funds whereas commercial foods uses **cash**.

Pricing Comparisons

▪ **Brown Box**

- #100364, Vegetarian Beans
- 6/#10, \$16.48/case
- \$2.75/#10 can

• **Commercial**

- #ABC123, Vegetarian beans
- 6/#10 costs \$25.42/case
- \$4.24/#10 can

Consider that even if you paid the highest contracted warehouse delivery fee, the Brown Box beans are a better bang for your buck.

Pricing Comparisons

- Processors must provide a USDA/TDA approved Summary End Product Data Schedule (SEPDS) to TDA with their state participation agreement.
- CEs should review the SEPDS to ensure awareness of Donated Food Values and Discounts. It can assist with drafting bids for processed end products.
- Forgotten or “hidden” costs can add up and be costly on your budget. When comparing products, make sure you pay attention to “pack sizes.” It is often better to calculate “per serving costs” or “per pound cost” to ensure you are looking at the pricing correctly.

Tracking and Record Keeping

- There are 2 tracking websites: K12 Foodservice and ProcessorLink
- Some processors use their own software. For example, Nardone Bros. has a new web-based program that provides detailed commodity usage reports.
- Before each school year starts:
 - Double and triple check that all your accounts are set up correctly. Sales Channels or Distributor Assignments must be correct, or you will not get your commodity discount or draw down.
- Don't let this go for several months!

Tracking and Record Keeping

▪ **Pay attention to your pounds**

- Track your commodity usage on a **monthly basis** to catch any errors such as ordering products that do not draw down your pounds.
- Be aware of historical purchasing on ordering software programs. If the distributor subbed an item the previous week that wasn't a commodity, even if you ordered a commodity product, you may inadvertently continue to re-order that subbed item because you order based off "history" and not your own order guide.
- Print order guides for your ordering managers to also avoid ordering off-bid or commercial products that are more costly or do not draw down your pounds.

Final thoughts...

- What happens when pounds aren't used?
 - You overpay for foods
 - Processor is at risk for excess inventory
 - You could hurt other districts
 - If your pounds are not utilized, you are leaving entitlement money on the table that cannot be recovered. Use it or lose it!
- Stay organized!
 - Focus on a few processors. It is easier to monitor usage when your commodity dollars are only going to three or four companies. Choose the most popular and versatile foods that can be used in many different recipes.
 - Review reports monthly