USDA Foods

Processing Programs Manual

Guidance for USDA Foods Processors

Wisconsin Department of Public Instruction

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# Introduction

The Wisconsin Department of Public Instruction (DPI) USDA Foods Team offers School Food Authorities (SFAs) two processing options on an annual basis.

1. Direct Diversion Processing Program
2. State Processing Program

a. Cheese Processing Program

All SFAs that participate in the USDA Foods Program must place an annual USDA Foods order through the *Wisconsin USDA Foods Ordering System*. When placing the order, each SFA must select one of the processing programs mentioned above. Once selected, the SFA must participate in this processing program for the entire school year. However, if desired, the SFA may switch to the other processing program for the following school year by making this selection on the next school year’s annual Wisconsin USDA Foods Order.

# Application Process

All processors who participate in the State of Wisconsin processing program(s) must have a USDA-approved National Processing Agreement (NPA) on file with USDA.

The specific details for participating in each processing program are outlined below.

**Direct Diversion Processing Program:**

The Direct Diversion Processing Program is an option for SFAs to process selected bulk USDA Foods into finished end products. With this option, the SFA is responsible for the procurement of their finished end products that have been processed from bulk USDA Foods. SFAs have the flexibility of processing as many bulk USDA Foods as chosen for their SFA’s nutrition program.

The timeline for establishing eligible direct diversion processors is as follows:

Mid-summer: DPI sends an application packet to all processors on the USDA-Approved NPA Processors list posted on USDA’s website. This packet contains details on the Direct Diversion Processing Program, the Marketability Plan, and the required paperwork to be completed for applying to participate.

Late summer: DPI reviews all processors’ submissions.

Early fall: DPI notifies all processors regarding eligibility:

* + - Eligible processors will receive an approval letter and information on the Fall Wisconsin/SNA Direct Diversion Food Show.
    - Ineligible processors will receive a disqualification letter.

DPI posts the list of eligible processors on the DPI website. Wisconsin SFAs choosing to participate in the Direct Diversion Processing Program for the upcoming school year should begin their procurement process now.

Late fall: DPI/SNA Direct Diversion Food Show is held—attendance by the eligible processors is optional. All SFAs and commercial distributors participating in Wisconsin USDA Foods Program are invited to attend the food show.

Early fall to

Early winter: SFAs send applicable procurement documents to processors/prime vendors.

Late winter: DPI opens the annual Wisconsin USDA Foods Order and SFAs enter their USDA Foods order for the upcoming school year. This order includes all USDA Foods brown box products and the USDA Foods bulk pound commitments for direct diversion processing.

Early spring: DPI processes all order results, compiling the orders into truckloads. Full and half truckloads are ordered through WBSCM.

Late spring: DPI notifies all processors of survey results. Processors who did not receive sufficient bulk pound commitments (less than one half truckload) will receive notification regarding ineligibility for participation. Processors with sufficient bulk pound commitments will receive a report(s) of SFAs contact information and bulk pound commitments, as well as required paperwork to complete and return to DPI. SPA is sent out at this time and must be returned by deadline.

**State Processing Program:**

The State Processing Program is an option for SFAs to receive further processed finished end products where the Wisconsin USDA Foods Team handles the entire procurement process and manages the administration of the contracts. For this option, the SFA orders the processed finished end products on their annual Wisconsin USDA Foods Order.

The DPI has a Wisconsin Task Force on USDA Foods (WiTF) that works closely with the USDA Foods Team to determine the finished end products to process through the State Processing Program. These products are selected through a Request for Bid (RFB) procurement process conducted by the USDA Foods Team. The WiTF and USDA Foods Team has established nutrition standards for the state processed products.

On an annual basis, the WiTF and USDA Foods Team makes any necessary updates to the Wisconsin nutrition standards to ensure they meet the nutrition standards outlined in the Healthy, Hunger-Free Kids Act (HHFKA). The group then reviews all of the state processed products to ensure they meet the Wisconsin nutrition standards. This review is done annually during a task force meeting held each fall.

For potential new state processed products, the following outlines the steps for processors who are interested in presenting a finished end product(s) to be considered for the Wisconsin State Processing Program:

1. Processor must submit an email request to Claire Nagel, Department of Public Instruction at [claire.nagel@dpi.wi.gov](mailto:lynne.slack@dpi.wi.gov). Request must contain the following:

Name and description of finished end product.

Bulk USDA Food(s) contained in finished end product

Point of sale (POS) information for finished end product

Nutrition information for the finished end product

Current SEPDS

Copy of CN Label (product must be CN labeled at time of submission)

1. Processor must submit request between September 1st and January 1st.
2. Requests will be shared with the WiTF.
3. If WiTF members choose to explore the finished end product(s), the DPI will contact processor by January 15th and request samples to be sent to a Wisconsin SFA for an informal taste test with WiTF members. Taste test location will be provided to the processor in the correspondence.
4. Samples must arrive at the location by February 20th. Taste test will be conducted on a selected date (determined by the WiTF members) between February 22nd and March 21st.
5. Finished end product(s) selected by the group will then be included in the state procurement process and a RFB will be developed for the finished end product. This RFB would be released in approximately August; awarded finished end product would be available to SFAs for ordering during the next annual order period.

All state processed products are procured through a Request for Bid (RFB) process. Below is the timeline for the RFB process:

Mid-July: Wisconsin Department of Administration (DOA) releases the RFBs through the State of Wisconsin’s eSupplier Portal (the State’s electronic purchasing information system).

Mid to Late

August: Bid submissions are due to DOA.

Beginning of

September: DPI conducts paper screen and requests samples from all vendors who passed the paper screen.

End of

September: Samples due to taste test locations (three SFAs conduct taste tests with students).

By end of

October: SFAs conduct taste tests and return ballots to DPI

First part of

November: DPI compiles taste test ballots.

Mid-November: DPI reviews all bid submissions and makes bid award recommendation to DOA.

By end of

December: DOA reviews recommendation and sends out “Intent to Award” letters.

End of

January: Contracts in place with DPI.

Late winter: DPI opens the annual Wisconsin USDA Foods Order and SFAs enter their USDA Foods order for the upcoming school year. For SFAs participating in the State Processing Program, the survey will include all USDA Foods brown box products and the USDA Foods state processed products.

Early spring: DPI processes all order results, compiling the orders into truckloads. Full and half truckloads are ordered through WBSCM, including the trucks needed for processing the state processed products.

Late spring: DPI notifies all processors of survey results, including delivery amounts and dates of state processed products. SPA is sent out at this time and must be returned by deadline.

Throughout the school year, products are received at the state-contracted warehouses.

**Cheese Processing Program:**

All SFAs participating in the State Processing Program have the option of participating in the Cheese Processing Program. In this program, the SFAs have the opportunity to commit bulk pounds of mozzarella cheese to their procured processor(s) for the purchase of pizza and pizza-type finished end products. SFAs file rebates for all eligible products purchased.

To participate in this program, processors must meet the following requirements:

1. Have a USDA-approved NPA on file with USDA.
2. Receive a passing score on their submitted marketing plan.

All cheese processors who have met these two requirements will receive the cheese processing program application packet.

December: Cheese processors will receive a cheese processing packet which contains information on the program and the required information for applying to participate in the program.

Early January: Commitment form and supporting documentation is due to DPI. DPI approves the applications.

DPI notifies all processors.

* + - Eligible processors will receive an approval letter.
    - Ineligible processors will receive a disqualification letter.

Detailed information on each eligible processor is posted on the DPI website. Information on the cheese processing program is included in the “Annual Order” letter sent out to all SFAs. This information includes a link to the website for the Cheese Processing Program.

Late winter: DPI opens up the annual Wisconsin USDA Foods Order and SFAs choosing to participate in the Cheese Processing Program will enter their USDA Foods bulk commitments to their procured processor(s).

Early spring: DPI compiles all order results, rolling orders into full truckloads. Full truckloads are ordered through WBSCM.

Late spring: DPI notifies all processors of survey results. Processors who did not receive sufficient bulk pound commitments (less than one half truckload) will receive notification regarding ineligibility for participation. Processors with sufficient bulk pound commitments will receive a report(s) of SFAs contact information and bulk pound commitments, as well as required paperwork to complete and return to DPI. SPA is sent out at this time and must be returned by deadline.

# Recordkeeping and Reporting Requirements:

Recordkeeping Requirements:

Processor shall fully account for all bulk USDA Foods delivered or carried forward from previous school year into its possession. All records and documents to substantiate information provided on reports shall be maintained on file for a period of three years from the close of the federal fiscal year in which they pertain, unless longer retention is required for the resolution of an audit, litigation, or claim. Accountability records are as outlined in the USDA NPA, Section 16.

Reporting Requirements:

Processor shall submit MPRs to the DPI, USDA Foods Team. MPRs submitted monthly, postmarked or transmitted electronically no later than 30 days after the close of the reporting period. If no activity took place during the reporting month, processor is still required to submit the MPR reflecting no activity.

The MPR shall follow USDA report format to include the required information, as outlined in the USDA NPA, Section 15.A)

# Monitoring and Review:

Monthly invoices for the state processed products are received by DPI Business Office who sends copies to the USDA Foods Team. The USDA Foods Team then reviews and approves the invoices for payment.

The submitted MPRs are reviewed by the USDA Foods Team Contracts Specialist. All discrepancies, issues, etc. are forwarded to the processor for resolution.

# Inventory Controls:

Processor shall reduce bulk pound inventory for end products processed and delivered to SA and/or RAs. The timing of the drawdown should follow the policies outlined in USDA Policy Memo FD-040: Commodity Inventory Reduction at Further Processors

DPI prior to SY 2019-20 allowed SFAs to carry over bulk inventory from one school year to the next school year is limited to 30% of the SFAs’ original commitment to be utilized by October 31 of the new school year, or the bulk pounds are swept to the state account. Starting SY 2019-20 SFA’s will be allowed to carry over all remaining bulk inventory into SY 2020-2021 with expectation of utilization by September 30, 2020. Any remaining bulk pounds from SY 2020-21 will be swept into the State Agency account on September 30, 2020.

SFA’s allocated bulk pounds for SY 2020-21 must be used within the allocated SY and will not be allowed to be carried over to the following SY. Any remaining bulk pounds from SY 2020-21 will be swept into the State Agency account on June 30, 2021.

# Refund Applications:

Wisconsin DPI allows processing utilizing the Refund System Value-Pass-Through Method. Processor shall follow the procedures outlined in the USDA NPA, Section 3.A. 1) b. and Section 3.A. 2) b.

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