

A PURCHASING
SYSTEMS
MANUAL
FOR SCHOOL
FOOD SERVICE

FIRST
CHOICE

2nd Edition

FIRST CHOICE

A Purchasing Systems Manual for School Food Service

2nd Edition

Produced by the
National Food Service Management Institute
Through a Cooperative Agreement
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School food service personnel will notice several temperature differences in the recommendations given in this manual and those typically given by USDA, Food and Nutrition Service (FNS). FNS recommends simpler and slightly more conservative food handling practices than does the FDA Food Code in order to build in an added measure of safety for the population served by the Child Nutrition Programs (CNP). School food service personnel can be assured that diligently following either set of recommendations, FNS or Food Code, will result in the service of safe food to children participating in the CNPs. To learn more about food handling ordinances applicable to your specific locale, please contact your city, county or State health department.

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FIRST CHOICE

A Purchasing Systems Manual for School Food Service

Second Edition

January 2002

Authored by

Marlene Gunn, MS, RD

With Contributions by

Carol Trefry, MEd



National Food Service Management Institute

The University of Mississippi

P.O. Drawer 188

University, Mississippi 38677-0188

Phone: 662-915-7658

Fax: 662-915-5615

NFSMI Order Number EX59-02

United States Department of Agriculture

Food and Nutrition Service

Child Nutrition Division

3101 Park Center Drive, Room 1010

Alexandria, VA 22302

Phone: 703-305-1624

Fax: 703-305-2879

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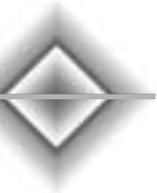


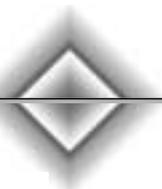
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INTRODUCTION

The first edition of this reference was written to provide child nutrition professionals with a resource to guide them in their procurement procedures. This edition updates procurement information and integrates food safety information to assist the purchaser in establishing procedures to assure the receipt of a safe product as specified.

These six NFSMI principles served as the basis for the first edition of the manual.

- 1) Food procurement for Child Nutrition Programs occurs in a dynamic environment that influences availability, cost, acceptability, and nutritive value of foods.
- 2) This dynamic environment requires continual evaluation of program needs, products, and food procurement methods.
- 3) Food procurement is inextricably linked to the nutritious meals served and to implementation of the Dietary Guidelines for Americans.
- 4) Food procurement is integrally related to the financial management of Child Nutrition Programs.
- 5) Food procurement decisions are based on scientific information, government regulations, cost, product quality, customer demands, and environmental constraints in order to provide nutritious and acceptable meals to America's children.

- 6) Food procurement for Child Nutrition Programs is performed in an ethical manner by qualified professionals.

For the second edition of the manual a seventh principle was added. The seventh principle reads:

- 7) Food procurement is integrally related to food safety.

The material in the manual is presented in four parts, which are:

Practice - a series of dialogues that mirrors current practice;

Information - history, experience, and the opinions of other authors and peers;

Summary - a brief review of the material presented in each chapter;

Tools - ready-made forms.

Whether purchasing for the private sector (such as restaurants) or the public sector the process is the same. Public sector purchasing has the added dimension of accountability to taxpayers for the expenditure of funds. Accountability makes it more difficult to obtain the quality necessary for service to our children.

The implementation of quality improvement programs in school districts has implications in the purchasing area. What do authors who write about quality improvement recommend? One of them, W. Edwards Deming, wrote so powerfully on the subject of quality that his 14 points for improvement in purchasing were used to establish the goals for this manual.

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In public purchasing ways must be identified to accomplish the task that allow application of Deming's standards for quality. Deming's 14 points for quality present some challenges for those involved in purchasing in the public sector. His points are presented below.

- 1) *Create constancy of purpose toward improvement of product and service.*
- 2) *Adopt a new philosophy.*
- 3) *Cease dependence on inspection to achieve quality.*
- 4) *End the practice of awarding business on the basis of price tag. Instead, minimize total cost.*
- 5) *Move toward a single supplier for any one item, on a long term relationship of loyalty and trust.*
- 6) *Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease cost.*
- 7) *Institute training on the job.*
- 8) *Institute leadership. The aim of supervision should be to help people and machines and gadgets to do a better job.*
- 9) *Drive out fear, so that everyone may work effectively for the company.*
- 10) *Break down barriers between departments. People in research, design, sales, and production must work as a team.*
- 11) *Eliminate slogans, exhortations, and targets for the work force asking for zero defects . . . the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.*

- 12) *Eliminate work standards . . . substitute leadership.*
- 13) *Remove barriers that rob . . . employees of the right to pride of workmanship.*
- 14) *Institute a vigorous program of education and self-improvement.*
- 15) *Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.*

Deming stated so well the task before purchasers that the quote verbatim is included in this manual:

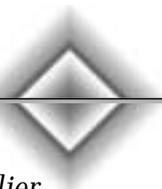
Purchasing managers have a new job. Economists teach the world that competition in the market place gives everyone the best deal. This may have been so in days gone by, when the baker had his customers, the tailor his, the cheese-maker his, and so forth. In those days, it was fairly easy to make an intelligent purchase.

It is different today. The price tag is still easy to read, but an understanding of quality requires education.

The purchasing department must change its focus from lowest initial cost of material purchased to lowest total cost. This means education in purchasing.

It is also necessary to learn that specifications of incoming materials do not tell the whole story about performance. What problems does the material encounter in production?

Materials and components may all be excellent, each by itself, yet not work well together in production or in the finished product. It is thus necessary to follow a sample of materials through the whole



production process into complex assemblies, and onward, finally, to the customer.

There was nothing wrong with the glass in a large building in Boston, nor with the steel. Both met the specifications. Yet somehow they did not work well together in service. Glass windows fell from the steel frames to the ground below.

In one instance, the man in charge of procurement of materials, in attendance at a seminar, declared that he has no problems with procurement, as he accepts only perfect materials.

(Chuckled I to myself, "That's the way to do it.") Next day, in one of his plants, a superintendent showed to me two pieces of a certain item from two different suppliers, same item number, both beautifully made; both met specifications, yet they were sufficiently different for one to be usable, the other usable only with costly rework, a heavy loss to the plant.

The explanation was that one supplier understood what the blocks were to be used for, the other did not he merely satisfied the specifications.

Advantages of a single source and long term relationship. A long term relationship between purchaser and supplier is necessary for best economy. How can a supplier be innovative and develop economy in his production process when he can only look forward to short term business with a purchaser?

Moreover, one should not overlook the simplification in the accounting and paperwork due to decrease in number of suppliers and fewer shipping points.

A worthy customer should expect his suppliers, if they are wise and looking ahead with constancy of purpose, to

compete for selection as the single supplier.

A supplier should himself work toward a single supplier for any one item.

A second source, for protection, in case ill luck puts one vendor out of business temporarily or forever, is a costly policy.

There is lower investment and lower total inventory with a single vendor than with two.

Japanese management had a head start in 1950 on the need to improve incoming materials, and on advice to establish with every vendor a long term working relationship of loyalty and trust.

Uncertainty about date of delivery and quality drives some customers to engage two or three vendors in the hope that one of them will come through."

Any school district or individual with a vision to change the purchasing systems that support delivery of nutritious meals to children should read additional material from Deming. He has several books in print and each carries the same message related to quality and the impact of purchasing.

The challenge before us is to explore opportunities in public purchasing to apply the Deming philosophy. We hope you will approach the reading of this manual or the presentations as part of a class with a flexible attitude.

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CHAPTER 1

Step by Step

Purchasing decisions must be based on the nutritional needs of children and support for the staff at the school site who are responsible for food preparation and service.

Purchasing supports the primary goal of the Child Nutrition Programs, which is “to protect the health and well being of the nation’s children,” as stated in the National School Lunch Act of 1946.

The steps in the purchasing function are as follows:

1. **Plan menus.**
2. **Determine products necessary to produce menus.**
3. **Estimate quantities needed.**
4. **Develop acquisition/critical path plan.**
5. **Develop quality standards.**
6. **Determine product movement policies.**
7. **Document purchasing process.**
8. **Analyze market and evaluate vendors.**
9. **Determine the purchasing system.**
10. **Issue request for prices.**
11. **Evaluate responses**
12. **Make vendor selection.**
13. **Place orders.**
14. **Receive product.**
15. **Store products**
16. **Prepare meals**

The person responsible for purchasing is involved in all of these basic steps. Many other steps could be added, but they are dependent on variables and are not applicable to every situation. The school system may operate a single site with no support from a central administrative unit. In larger school districts the task may be divided among several individuals. Regardless of the setting in which the

school operates, it must accomplish all of the tasks. The resources available will determine the manner in which the purchaser performs each task. Where one person has the entire purchasing responsibility, inevitably some of the steps get more attention, while other steps are ignored.

The purchaser who simply places food orders contacts directly the sales person who calls on the school by

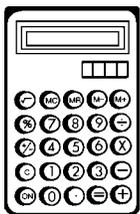
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telephone or through some automated method. However, placing food orders is only one of multiple tasks involved in the purchasing function. Managing the whole process requires making decisions at each step in the purchasing process.

The steps are the same whether purchasing for the private sector (such as restaurants) or the public sector. Public sector purchasing has the added dimension of accountability to taxpayers for how funds are used. Accountability can make it more difficult to assure the quality necessary for service to children.

Planning menus, determining products necessary to produce the menu, storing products, and preparing meals are steps outside the scope of purchasing and therefore are not included in this manual. The manual does present material on all the other steps.

PUBLIC PURCHASING GUIDELINES



Did you ever wonder about a rule related to purchasing, such as having a signed original of a bid response? Public purchasing protocol is developed the same as protocol for any profession.

Public purchasing professional organizations and the American Bar Association (ABA) take leadership roles in developing public purchasing models. The National Institute of Governmental Purchasing (NIGP) is one public purchasing professional organization.

Other purchasing management professional organizations are the National Association of Purchasing Management,

National Contract Management Association, and the Purchasing Management Association of Canada. All of these organizations offer excellent purchasing resources through their publication offices. A certification program to become a Certified Public Purchasing Buyer (CPPB) and a Certified Public Purchasing Official (CPPO) is available through these organizations.

The American Bar Association provides a model procurement code that states or local political jurisdictions can adopt. The term model is used rather than the term code. ABA is committed to a model (as opposed to a code) because of the diverse organization structures used by states and local government bodies and the differences in their procurement needs. Schools can purchase the 2000 ABA Model Procurement Code from ABA at <http://www.abanet.org/> or NIGP at <http://www.nigp.org/>.

Public Purchasing guidelines take two basic forms:

- ▲ Laws or regulations are issued by states or local jurisdictions, often based on the ABA model procurement code.
- ▲ Protocol, common law, common practice, or accepted practice are all terms used to describe the

second form. These are based on the ABA model, the decisions of courts, and sometimes just the recurring practices of purchasing professionals. These guidelines are not law or regulation but are considered an accepted way of doing business.

Ethics in purchasing

Newspaper headlines clearly show that ethics create problems for both school purchasers and industry partners. Such headlines as “Cafeteria manager indicted for mail fraud,” “XYZ dairy company officials convicted of rigging school milk bids,” and “Schools play favorites with food contracts” indicate the depth of the problem. The amount of money spent and the competitive nature of the marketplace make it essential that school purchasers adhere to the highest ethical standards.

Questions related to ethics do not always have clear answers. A good general rule: “If you question an action, then you should not proceed.”

The purchasing profession agrees these three actions are unethical behavior:

- ▲ providing one supplier’s cost information to another supplier prior to supplier selection,
- ▲ accepting gifts or cash from a supplier, and
- ▲ showing preference to suppliers because of pressure from management.

The reputation of a school suffers immeasurable damage when the public becomes aware of unethical behavior. Ethics must be considered as a moral issue. The actions of both public and private purchasers should be judged the same, but taxpayers expect higher ethical behavior from public sector employees.

Some additional ethical issues to which public purchasers should pay close attention:

- ▲ allowing personality to enter into purchasing decisions,
- ▲ giving preference to supplier based on long-term business relationship,
- ▲ giving preference to supplier based on political connections,
- ▲ obtaining proprietary information from one supplier and sharing it with a competing supplier, and
- ▲ accepting free trips and entertainment.

Appendix 7 contains a sample procurement plan that can be used as a guide for managing the ethical issues related to purchasing. *Ethics and Quality Public Purchasing* by Stanley D. Semansky provides some thought-provoking reading. This publication can be purchased from NIGP. The ABA model procurement code contains a code of ethics that could be helpful in developing procurement procedures.

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Administrative hearing procedures

Prospective vendors may protest a purchasing decision. Maintaining a procedure to resolve disputes is good business practice. If a dispute can be resolved without legal action, the cost to both parties is reduced. The North American Free Trade Agreement and the World Trade Organization Government Procurement Agreement require sub units of national government (state and local governments) to maintain bid protest procedures. The school district, city, or county government probably has a procedure. Obtain a copy and become familiar with the procedure. If a copy is not available, use the ABA 2000 model procurement code as a guide.

Below are some of the elements of an administrative hearing procedure:

- ▲ Identify the position to whom the protest should be addressed, preferably an individual not involved in the day-to-day purchasing activities.
- ▲ Specify the number of days after an action that a potential vendor has to enter a protest.
- ▲ Require that the protest be in writing.
- ▲ Ask the hearing officer to provide the decision in writing and state the reason for the decision.
- ▲ Make sure the decision advises the protestor of his right to an additional hearing or judicial review.

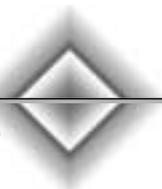
- ▲ Identify the method for notifying the protestor of the decision.
- ▲ Notify the employees not to proceed with the procurement until the decision is rendered.
- ▲ Establish an emergency procedure if the service/product under protest is essential to daily operations.

Search the World Wide Web for state information.

Many states maintain web sites that contain state purchasing laws and regulations. States often have ethics guidelines, administrative hearing procedures, and purchasing plans that can be used as models for developing local purchasing related documents.

Understanding product terms

To communicate with each other about products, both supplier and purchaser must use and understand the same terminology. To communicate with the reader, this manual must use certain purchasing terminology that the reader understands. However, the school segment of the food service industry has no standard terminology for products purchased. The terminology used in this manual is standard in many segments of the food purchasing industry. New terms are defined when first used and then used consistently in context. The glossary at the end of this manual also lists all terms used and defines each one.



Summary

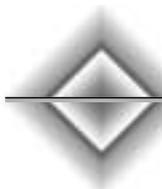
The steps in the purchasing process are the same whether operating in the public or private sector. The resources available to school purchasers will determine whether they place food orders or manage the entire purchasing function.

Each school district should have a purchase or acquisition plan. The plan outlines how purchasing for products will be implemented. The acquisition plan should contain a code of ethics and an administrative hearing procedure.

Public purchasers are obligated to pay special attention to ethical issues related to employee conduct. Ethics must be considered as a moral issue, and many situations will arise for which there are no clear guidelines. A general rule of thumb: "If you question the activity, don't do it."

The American Bar Association, in cooperation with professional purchasing associations, writes and publishes a model procurement code. This code serves as a guide when many state purchasing laws are written or revised.





Notes

A large, empty rectangular box with a thin black border, intended for taking notes.

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CHAPTER 2

The Regulatory Environment



Practice

The following dialogue between two school purchasers illustrates their feeling about the regulatory environment:

"The Robinson-Patman Act, 7 CFR Part 3016, the Food, Drug and Cosmetic Act, the Nutrition Labeling and Education Act, the Sherman Act, the Meat Inspection Act, etc., etc., etc."

"I only purchase food for two small schools. Why do I need to know about all of these laws?"

"Well, I think 3016 is one of those USDA rules that you have to follow."

"Mary told me I didn't need to include drained weight in my descriptions for fruits and vegetables, that it is covered by something called a standard of identity."

"I think that's right, but what bothers me is I don't know where you find copies of the standards of identity. I don't even know what they look like."

"Let's put standards of identity reference on our to-do list."

I've heard some school districts are requiring their distributors to submit HACCP plans.

What is a HACCP plan?

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A school purchaser must be a combination of food technologist, business manager, nutritionist, lawyer, and communication expert, along with having a working knowledge of several other specialties. One of the purchaser's most complex but crucial areas of expertise is the regulatory environment.

Information

The USA enjoys one of the safest food supplies in the world. The laws and regulations required to achieve that safe food supply are long and complicated. School purchasers cannot expect to understand all of the food-related laws. A realistic goal is to understand the basic purpose of each of the laws, and know where to go for additional information when necessary.

The challenge for all school purchasers is to understand the laws and minimize the constraints. Taxpayers demand accountability.

Child Nutrition purchasing regulations

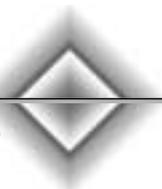
The regulations for school districts or individual schools implementing or operating a procurement system are in Volume 7, Code of Federal Regulations. The internet site <http://www.nara.gov> contains the full text of the purchasing regulations. Below is a review of some components of these regulations.

Schools/school districts will:

- ▲ Use their own procurement procedures which reflect applicable state and local laws and regulations, provided that the

procurements conform to applicable Federal law.

- ▲ Maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- ▲ Maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts.
- ▲ Provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items.
- ▲ Consider consolidating or breaking out procurements to obtain a more economical purchase.
- ▲ Where appropriate, an analysis will be made of lease versus purchase alternatives and any other appropriate analysis to determine the most economical approach. To foster greater economy and efficiency, schools/school districts are encouraged to enter into state and local intergovernmental agreements for procurement or use of common goods and services.
- ▲ Make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Give consideration to such matters as contractor integrity, compliance with public policy, record of past



performance, and financial and technical resources.

- ▲ Conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals.
- ▲ Write selection procedures for procurement transactions. These procedures will ensure that all solicitations:
 - (i) incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equal" description may be used as a means to define the performance,
 - (ii) identify all requirements which the bidders must fulfill and all

other factors to be used in evaluating bids or proposals.

- ▲ Ensure that all pre-qualified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, schools/school districts will not preclude potential bidders from qualifying during the solicitation period.
- ▲ Conduct all procurement transactions in a manner providing full and open competition. Some of the situations considered to be restrictive of competition include but are not limited to:
 - (i) placing unreasonable requirements on firms to qualify to do business,
 - (ii) requiring unnecessary experience and excessive bonding,
 - (iii) noncompetitive pricing practices between firms or between affiliated companies,
 - (iv) noncompetitive awards to consultants that are on retainer contracts,
 - (v) organizational conflicts of interest,
 - (vi) specifying only a brand-name product instead of allowing an "equal" product to be offered and describing the performance of other relevant requirements of the procurement, and
 - (vii) any arbitrary action in the procurement process.

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- ▲ Be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to source evaluation, protests, disputes, and claims.
- ▲ Maintain records to detail the significant history of their purchases, including but not limited to:
 - (i) rationale for the method of procurement,
 - (ii) selection of contract type,
 - (iii) contractor selection or rejection, and
 - (iv) the basis for the contract price.

Chapter 10 provides additional information on the procurement regulations related to purchasing methods. **Appendix 7** contains a sample procurement plan. A procurement plan has two advantages:

- ▲ The plan can clarify the procurement practices of an SFA for the benefit of its staff.
- ▲ The plan can document the methods of procurement for the products purchased.

FOOD, DRUG, AND COSMETIC ACT

The Food, Drug and Cosmetic Act was enacted in 1938 and amended in 1990. The Nutrition Labeling and

Education Act (NLEA) of 1990, which made several important changes in food product labeling, was an amendment to the Food, Drug and Cosmetic Act. The Food and Drug Administration, (FDA) part of the Department of Health and Human Services, is responsible for administration of the legislation.

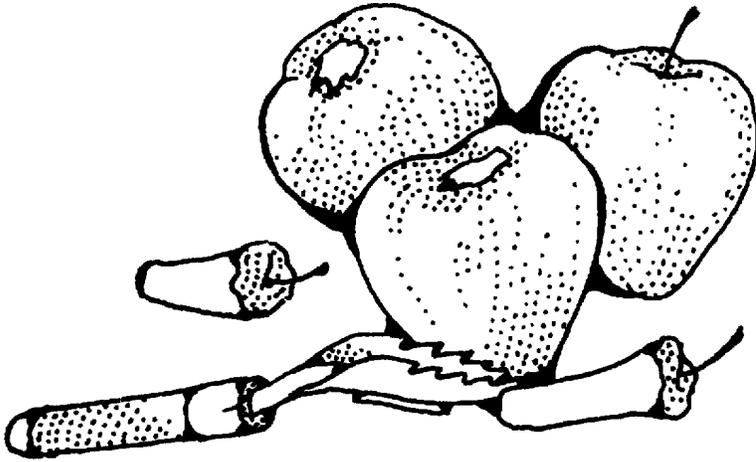
The overriding purpose of the act is to protect the public health. The stated purpose is to protect the public from products not proven to be safe and effective for their alleged uses and to safeguard public health by enforcement of certain standards of purity and effectiveness.

The reach of the act is broad, and the provisions touching the public interest in a direct way are given a liberal construction. The total scheme contemplates judicial obligation to enjoin distribution of unsafe foods even in absence of formally promulgated regulation.

The law makes the following contribution to the safety of our food supply:

- ▲ Prohibits the shipment in interstate commerce of misbranded food product. A food is misbranded if the label contains false or misleading statements.
- ▲ Prohibits the shipment in interstate commerce of adulterated food products. A food is adulterated if it contains any harmful substance that makes it injurious to health.
- ▲ Established definitions and standards of identity, standards of quality, and standards of fill for containers of food.

Standards of identity, quality, and fill for containers are in 21 CFR Part 100 of the Food, Drug and Cosmetic Act regulations. This information helps school districts develop specifications/descriptions. The applesauce standard of identity is an example:



Definition

(a) (1) Canned applesauce is the food prepared from comminuted or chopped apples (*malus domestica* Borkhausen), which may or may not be peeled and cored, and which may have added thereto one or more of the optional ingredients specified in paragraph (a) (2) of this section. The apple ingredient is heated and, in accordance with good manufacturing practices, bruised apple particles, peel, seed, core material, carpel tissue, and other coarse, hard, or extraneous materials are removed. The food is sealed in containers. It is so processed by heat, either before or after sealing, as to prevent spoilage. The soluble solids content, measured by refractometer and expressed as percent sucrose

(degrees Brix) with correction for temperature to the equivalent at 20 degrees C (68 degrees F) is not less than 9 percent (exclusive of the solids of any added optional nutritive carbohydrate sweeteners) as determined by the method prescribed in "Official Methods of Analysis of the Association of Official Analytical Chemists," 13th Ed. (1980), section 22.024, "Soluble Solids (by Refractometer) in Fresh and Canned Fruits, Jams, Marmalades, and Preserves--Official First Action" which is incorporated by reference but without correction for invert sugar, or other substances.

Optional Ingredients

- (2) The following safe and suitable optional ingredients may be used:
- i. Water.
 - ii. Apple juice.
 - iii. Salt.
 - iv. Any organic acid added for the purpose of acidification. (Organic acids generally recognized as having a preservative effect are not permitted in applesauce except as provided for in paragraph (a) (2) (viii) of this section.)
 - v. Nutritive carbohydrate sweeteners.
 - vi. Spices.
 - vii. Natural and artificial flavoring.
 - viii. Either of the following:
 - (a) Erythroic acid or ascorbic

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acid as an antioxidant preservative in an amount not to exceed 150 parts per million; or

(b) Ascorbic Acid (vitamin C) in a quantity such that the total vitamin C in each 113 g. (4 ounces) by weight of the finished food amounts to 60 mg this requirement will be deemed to have been met if a reasonable overage of the vitamin, within limits of good manufacturing practice, is present to insure that the required level is maintained throughout the expected shelf life of the food under customary conditions of distribution.

ix. Color additives in such quantity as to distinctly characterize the food unless such addition conceals damage or inferiority or makes the finished food appear better or of greater value than it is.

Nomenclature

(3) The name of the food is "applesauce." The name of the food shall include a declaration indicating the presence of any flavoring that characterizes the product as specified in 101.22 of this chapter and a declaration of any spice that characterizes the product. If a nutritive sweetener as provided for in paragraph (a) (2) (v) of this section is added and the soluble solids content of the finished food is not less than 16.5 percent as determined by the method referenced to in paragraph

(a) (1) of this section, the name may include the word "sweetened." If no such sweetener is added, the name may include the word "unsweetened."

Label Declaration

(4) Label declaration. Each of the ingredients used in the food shall be declared on the label as required by the applicable sections of parts 101 and 130 of this chapter. However, when ascorbic acid (Vitamin C) is added as provided for in paragraph (a) (2) (viii) (b) of this section, after the application of heat to the apples, preservative labeling requirements do not apply.

Fill of Container

(c) (1) The standard of fill of container for canned applesauce is a fill of not less than 90 percent of the total capacity of the container, as determined by the general method for fill of containers prescribed in 130.12(b) of this chapter, except that in the case of glass containers having a total capacity of 192 ml (6 1/2 ounces) or less, the fill is not less than 85 percent.

(2) Sampling and acceptance procedure: A lot will be deemed to fall below the standard of fill when the number of "defectives" exceeds the acceptance number "c" in the sampling plan. See "Sampling and Acceptance Procedure" 145.3(p) in General Provisions at beginning of

fruit standards. AQL for applesauce is 6.5%.

(3) *If canned applesauce falls below the standard of fill of container prescribed in paragraph*

(c) (1) of this section, the label shall bear the general statement of substandard fill specified in 130.14(b) of this chapter, in the manner and form therein specified.

The standards of identity for meat products are in USDA regulations, Volume 9 CFR, Part 300. An example of a standard of identity for meat can be found on page 28.

General Instructions

To avoid lengthy additions to specifications and/or descriptions, school purchasers can incorporate standards of identity and fill of container regulations in the general instructions.

School purchasers need to know and understand the details of standard of identity regulations.

Understanding will allow school purchasers to incorporate the standards in bid/quote instructions, and to avoid wording in descriptions/specifications that is in conflict with the standards.

Appendix 8 lists foods for which standards exist. The standards are available at <http://www.nara.gov/>. The standards issued under the Food , Drug and Cosmetic Act are in volume 21 CFR and those issued under the Meat and Poultry Inspection Acts are in volume 9 CFR, a copy of any standard of identity is also available through the information clearing house at the

National Food Service Management Institute. Call toll free, 800-321-3054. Request the standard of identity by the product name and the number of the code of Federal Regulations.

Appendix 16, standard contract language, provides suggested wording for incorporating into your school district bid documents or instructions the standards of identity, fill of containers, drained weights, and net container quantity regulations found in 21 and 9 CFR.

Agricultural Marketing Act

This act passed in 1953 and amended in 1957 orders USDA to create various agencies to establish standards and grades for food. USDA inspection is a voluntary and self-supporting service of the Processed Products Branch, Fruit and Vegetable Division, Agricultural Marketing Service (AMS). Applicants may use this service for any product on a service fee basis. The types of inspections available:

- 1) **Continuous inspection:** One or more inspectors are present at all times while the plant is in operation. Inspectors check the preparation, processing, packing and warehousing of all products under contract and assure compliance with sanitary requirements. This inspection is available only in an approved plant.
- 2) **Designated lot inspection:** Inspectors grade and certify only those lots designated in applicant's contract.

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- 3) **Lot inspection:** Specific lots of processed fruits and vegetables are inspected and graded where they are located – plant warehouses, commercial storage, railway cars, trucks, or any other storage facility or conveyance.
- 4) **Approved plant lot inspection:** Same as lot inspection, but the lot is certified as produced in an approved plant. This means the plant facilities, sanitation, and general operating procedures have been approved for certain products.
- 5) **Pack certification:** Same as continuous inspection except the inspector is not present at all times.
- 6) **Quality assurance contract:** Inspectors use information available from the applicant's quality control records to certify lots. Lots are graded at random as often as necessary to verify the reliability of the applicant's quality control system.

The quality control program of most private label packers is adequate to meet the quality standards of school districts. Few school districts find it necessary to require grading certificates for fruits and vegetables. AMS maintains regional offices and close partnerships with state agricultural agencies. Should the need arise for random testing of fruits and vegetables, school districts could contact AMS headquarters at the address below, and ask for the contact

person in the nearest regional office:

**Processed Products Branch
Fruit and Vegetable Division, AMS, USDA
Room 0709 South Building 14th Street
and Independence Ave S. W.
Washington, D. C. 20250
Phone: (202) 720-4693**

A list of the inspection offices and the contact information for each office is available online at <http://www.ams.usda.gov>.

This voluntary service has proved invaluable for purchasers of processed fruits and vegetables. The grade standards established by USDA are used throughout the industry for establishing quality standards.

The standards of identity specify what ingredients a product must contain for the product to have a specific name. The grade standards address quality issues such as color, defects, and uniformity.

USDA quality grade standards contain several general sections. Some of the topics covered are fill of container, drained weights, headspace, syrup density, fill weights, lot compliance and grade determination. The regulations on grade standards are in 7 CFR Part 52. The grade standards for fruits and vegetables can be accessed online at <http://www.ams.usda.gov>. The standard of identity for canned applesauce was presented earlier in this chapter. Now let's look at the grade standard for applesauce.



UNITED STATES STANDARDS
FOR GRADES OF CANNED APPLESAUCE
(FIFTH ISSUE - EFFECTIVE MARCH 11, 1982)

Canned Applesauce as defined in the Standards of Identity for Canned Applesauce (21 CFR) issued pursuant to the Federal, Food, Drug and Cosmetic Act.

COLOR TYPES:

Natural color. (1) Color derived wholly from the apple ingredient. (2) Consideration is given to the color, if any, imparted by added spice or spices.

Artificially colored. Color derived from an artificial color in substance as permitted in the FDA definition and standards of identity.

FLAVOR TYPES:

Natural Flavor. Flavor is derived from the apple ingredient and other permitted additives exclusive of flavorings or spices.

Flavored. Flavor derived substantially from an added flavoring ingredient, including artificial flavorings.

Spiced. Flavor is derived substantially from added spice or spices.

TYPES OF PACK:

Unsweetened. Without the addition of nutritive carbohydrate sweeteners. Test not less than 9 degrees Brix.

Sweetened. With nutritive carbohydrate sweeteners added.

STYLES:

Regular (or comminuted). Comminuted into granular particles.

Chunk (or chunky). Chopped into small pieces.

DEFINITION OF TERMS:

- a) Absence of defects means the degree of freedom from particles of seeds, discolored apple particles, peel, carpel tissue, stamens, and other objectionable particles.
- b) Brix means the percent, by weight, of natural apple soluble solids and added sweeteners, if any, corrected to 20 degrees centigrade (68 degrees) Fahrenheit.
- c) Carpel tissue means the tough, sometimes hard and sharp tissue from the center portion (core) of the apple surrounding the seed cavity.
- d) Color means the color typical of the variety or varieties used in other than "spiced flavored" or "artificially colored."

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- e) Consistency means the flow characteristic of the product and the degree of separation of free liquid.
- f) Discolored apple particles mean apple particles that are discolored by bruise or other means to the extent that they do not blend well with the normal color of the product and are noticeable.
- g) Finish means the following: the texture and tenderness of the apple particles; the evenness of the division of apple particles in regular (or comminuted) style; and the proportion of chunks or pieces of apples in relation to fine apple particles in chunk (or chunky) style.
- h) Flavor means the degree of excellence of the natural flavor and aroma of the apple ingredient; the apparent relationship of the acidity to sweetness; the freedom from undesirable flavors; and with respect to flavored and spiced types, the flavor balance of the apple ingredient in relation to the added flavor of spice ingredient(s).
- i) Peel means apple peel that does not blend well with the normal color of the product and is noticeable or that is tough whether or not is visually noticeable.
- j) Seed particles mean whole seeds or pieces of seed and portion of the core of the apple.
- k) Stamen means the dark hairlike substance from the blossom end of the apple.

GRADES OF APPLESAUCE

U. S. Grade A is the quality of canned applesauce that: (1) Meets the applicable requirements presented below; and (2) Scores not less than 90 points.

U. S. Grade B is the quality of canned applesauce that: (1) Meets the applicable requirements presented below and; (2) Scores not less than 80 points.

Substandard is the quality of canned applesauce that fails to meet the requirements for U. S. Grade B.

Color: Natural (Grade A score points 18 to 20: Grade B score points 16 to 17)

Grade A - Bright, practically uniform, typical of variety or varieties used, no discoloration due to oxidation or scorching.

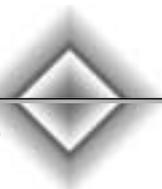
Grade B - Dull, reasonably uniform, typical of variety or varieties used, slightly brown, slightly pink or slightly grey.

Spice flavored

Grade A - Characteristic of the color imparted by added spice. Free from discoloration due to oxidation or scorching.

Grade B - The color imparted by added spice may be slightly affected by pink or grey color, but is not off color.



**Artificially colored**

Grade A - Bright and distinct

Grade B - reasonably bright and distinct

Consistency: (*Grade A* score points 18 to 20: *Grade B* score points 16 to 17)

Product Flow: *Grade A* - not more than 6.5 cm (2.5 in) *Grade B* - not more than 8.5 cm (3.3 in)

Free Liquids: *Grade A* - not more than .7 cm (.3 in) *Grade B* - not more than 1 cm (.4 in)

Absence of defects; (*Grade A* score points 18 to 20: *Grade B* 16 to 17)

Dark Stamens - *Grade A* is not more than 3, *Grade B* is not more than 5.

Seed particles, peel, discolored apple particles, carpel tissue - *Grade A* not more than .5 cm total, *grade B* is not more than 1 cm total.

Medium and dark colored particles - *Grade A* not more than .25 cm, *Grade B* not more than .5 cm

Finish (*Grade A* score points 18 to 20: *Grade B* score points 16 to 17)

Grade A - Evenly divided, not lumpy, pasty, or salvy.

Grade B - Evenly divided, slightly salvy or pasty.

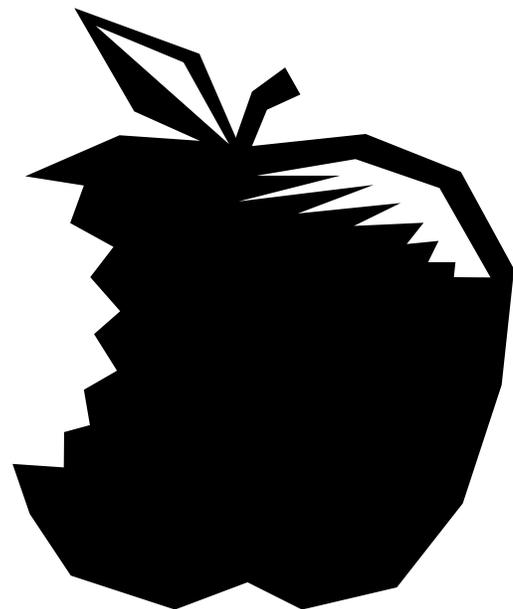
Flavor (*Grade A* score points 18 to 20: *Grade B* score points 16 to 17)

Grade A - Good natural sugar acid balance.

Grade B - reasonably good natural sugar acid balance.

Analytical: Brix unsweetened - Not less than 9.0 degrees for both grades.

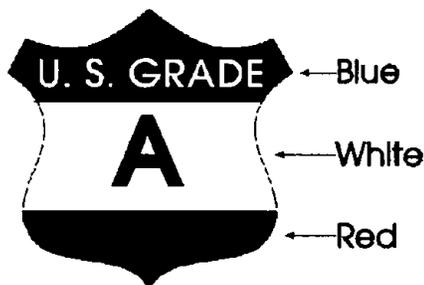
Brix sweetened - not less than 15.5 degrees for *Grade A* and 14.5 degrees for *Grade B*.



CHOICE

The USDA marks products that the agency inspects and grades during packing. All 15 styles of label designations are either in a grade shield or are labeled packed or inspected by the U.S. Department of Agriculture. The shield may or may not contain the grade assigned to the fruit or vegetables. Below are some examples of the label designations.

PACKED UNDER
CONTINUOUS
INSPECTION
OF THE
U. S. DEPT. OF
AGRICULTURE



The processed products branch also provides voluntary services related to fresh fruits and vegetables. In 1999 AMS, Fruit and Vegetable Program's Qualified Through Verification (QTV) service was offered to producers of minimally processed fruits and vegetables. Under QTV, AMS reviews and assesses a firm's documented HACCP-based food safety QTV plan. After a plan is found to meet QTV program requirements, AMS uses onsite audits to determine the suitability of a firm's implementation of its plan.



If precut or value added produce is produced in a plant that meets the requirements of the QTV program and the company has an ongoing contract with AMS for inspection, the product may be marked with the QTV label.

If a school district is purchasing processed fresh fruits and vegetables from a pre-cutter that does not use the services of the QTV program, AMS offers two other services that would be of value to a school district. One is a plant survey, which is performed once a year and assesses a processor's compliance with Good Manufacturing Practices (GMP's). The second service is a Plant Systems Audit (PSA). This includes a review of the sanitation conditions at the time of the audit. The QTV program, plant surveys, and plant systems audits are voluntary services and fees are charged for the service.

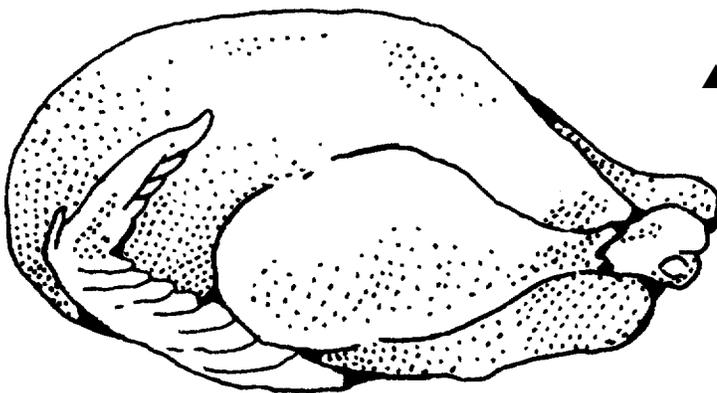
Voluntary Federal inspection for animals not covered under mandatory inspection (i.e., buffalo, rabbit, reindeer,

elk, deer, antelope) is also handled under the Agricultural Marketing Act. Businesses that request voluntary inspection must pay an hourly fee for the service.

Poultry products inspection laws

The Poultry Products Inspection Act of 1957 and the Wholesome Poultry Products Act of 1968 established compulsory federal inspection of all poultry moving across state lines and in foreign commerce. In 1968 the act was broadened to require that state standards be at least equal to federal standards.

The Congressional declaration of policy for these acts reads "It is hereby declared to be the policy of the Congress to provide for the inspection of poultry and poultry products and otherwise regulate the processing and distribution of such articles to prevent the movement or sale in interstate or foreign commerce of, or the burdening of such commerce, by poultry products which are adulterated or misbranded." (21 USC, 451 and 452)



The Meat Inspection Act

The purpose of this act was to insure a high level of cleanliness and safety of meat products. Congress in passing this Act focused primarily on dangers presented by the sale of unwholesome foods, but the authority to promulgate standards of identity was conferred to prevent economic adulteration, the erosion of food integrity and the sale of products inferior to those that the consumer expected to receive. (21 U.S. Code)

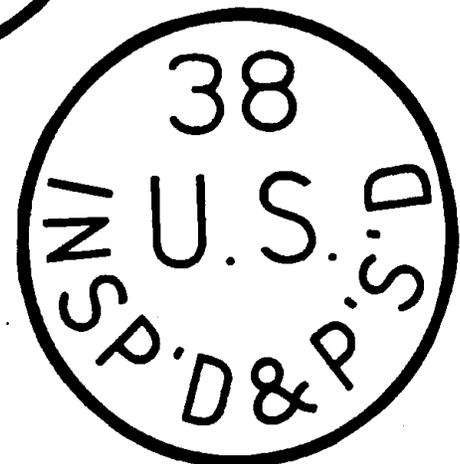
The regulations implementing this act are very broad. Summarized below are items that are important to school purchasers.

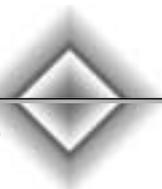
- ▲ All meats sold in interstate commerce shall be inspected for wholesomeness.
- ▲ Meats shall not be manufactured containing harmful substances.
- ▲ Meats shall not be labeled in a false and deceptive manner.
- ▲ Meats shall be processed in a clean and sanitary manner.
- ▲ All meats shall be labeled with the federal inspection circle of wholesomeness.
- ▲ Uniform standards shall be established for state and federal meat inspection.

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All meat products will have the establishment number of the manufacturing facility in which the product was converted to the form in which it is sold in the inspection mark. School purchasers should look for this establishment (est.) number to identify the manufacturer of a product when approving brands or during the

receiving process. The provisions of the Meat Inspection Act and the Poultry Products Inspection Act are the responsibility of the United States Department of Agriculture. Below are examples of the three types of inspection marks the way the marks appear, from left to right, on processed meat, on raw poultry, and on raw meat.





HACCP/Pathogen Reduction Rule

HACCP (*Hazard Analysis Critical Control Point*) is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. The HACCP/Pathogen Reduction Rule is covered by the following federal regulations:

9CFR Part 304, 308, 310, 320, 327, 381, 416, and 417. For successful implementation of a HACCP plan, management must be strongly committed to the HACCP concept. A firm commitment to HACCP by top management provides company employees with a sense of the importance of producing safe food. Listed below is a description of the HACCP program and the seven steps for implementation.

HACCP involves seven principles:

- ▲ **Analyze hazards.** Identify potential hazards associated with a food, and the steps or measures needed for control. The hazards could be biological, such as a microbe; chemical, such as a toxin; or physical, such as glass or metal fragments.
- ▲ **Identify critical control points.** These are points in a food's production from its raw state through processing and shipping to consumption by the consumer at which the potential hazard can be controlled or eliminated. Examples are cooking, cooling, packaging, and metal detection.
- ▲ **Establish preventive measures with critical limits for each control point.** For a cooked food, for example, this might include setting the minimum cooking temperature and time required to ensure the elimination of any harmful microbes.
- ▲ **Establish procedures to monitor the critical control points.** Such procedures might include determining how and by whom cooking time and temperature should be monitored.
- ▲ **Establish corrective actions to be taken when monitoring shows that a critical limit has not been met.** For example, reprocessing or disposing of food if the minimum cooking temperature is not met.
- ▲ **Establish procedures to verify that the system is working properly.** For example, testing time and temperature recording devices to verify that a cooking unit is working properly.
- ▲ **Establish effective record keeping to document the HACCP system.** This would include records of hazards and their control methods, the monitoring of safety requirements, and action taken to correct potential problems. Each of these principles must be backed by sound scientific knowledge: for example, published microbiological

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studies on time and temperature factors for controlling foodborne pathogens.

Food Irradiation

Food irradiation is a process in which products are exposed to radiant energy including gamma rays, electron beams, and x-rays in amounts approved by the Food and Drug Administration.

Irradiation is only one of many processes that can be used to prevent foodborne illness. It is not a substitute for good manufacturing practices. Establishments that use irradiation must meet the same sanitation and processing standards required by all meat and poultry plants. USDA/FSIS oversees the irradiation of raw meat and poultry.

Food is irradiated to make it safer. It can reduce the risk of foodborne illness by destroying harmful bacteria, parasites, insects, and fungi. Irradiation does not destroy all pathogens, but it does reduce their number. Meat and poultry that has been irradiated must be properly labeled. The Radura symbol must be on the label of packages of product where the entire content was irradiated.

For additional information on irradiation see USDA/FSIS consumer publication online at <http://www.fsis.usda.gov>.

Fish and Wildlife Act

The Fish and Wildlife Act of 1956 provides for a voluntary seafood inspection program operated by the



National Marine Fisheries Service, a division of the Federal Department of Commerce. These voluntary services include plant

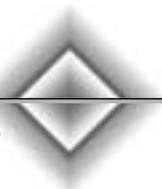
sanitation inspection, product inspection and grading, lot inspections, HACCP (Hazard analysis critical control point)-based inspection program, and laboratory analytical services. The PUFIs seal on seafood is part of the sanitation inspection of the National Marine Fisheries Service. A seafood product with the PUFIs seal means the manufacturer has taken advantage of the voluntary plant sanitation inspection. An example of the PUFIs seal is pictured on the right.



Public Health Service Act

U.S. Public Health Service (PHS) activities in the area of food protection began at the turn of the century with studies on the role of milk in the spread of disease. These studies lead to the conclusion that effective disease prevention requires the application of comprehensive food sanitation measures from production to consumption.. Next, PHS developed model codes to assist state and local governments to initiate and maintain effective programs to prevent foodborne illness.

Today, FDA maintains an updated *Model Food Code* to assist food control jurisdictions at all levels of government. The code provides a scientifically sound technical and legal basis for regulating the retail segment of the food industry. The retail segment includes those



establishments or locations in the food distribution chain where the consumer takes possession of the food.

The *Model Food Code* is neither federal law nor federal regulation and is not preemptive. Rather, it represents FDA's best advice for a uniform system of regulation to ensure that food at the retail level is safe and properly protected and presented.

Providing *Model Food Codes* and *Model Food Code* interpretations and opinions is the mechanism through which the FDA, as lead federal food control agency, promoted uniform implementation of national food regulatory policy among the several thousand federal, state, and local agencies and tribes that have primary responsibility for the regulation or oversight of retail level food operations. The most recent *Model Food Code* is available online at <http://www.fda.gov/>.

The Tariff Act

The Tariff Act of 1930 related to import foods. According to the *Almanac of the Canning and Freezing Industry*, 1993 edition, the Food, Drug, and Cosmetic Act does not require a statement of the country of origin on the label of imported foods. This is a requirement of the U.S. Customs Service under the Tariff Act. The regulations for this act are in 19 CFR.

Every container of food of foreign origin imported into the United States must be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the container will permit. The label shall indicate to the ultimate purchaser in the United States the

English name of the country of origin of the food.

The term "ultimate purchaser" is defined in the Customs Regulations as the last person in the United States who will receive the article in the form in which it was imported. A processor who converts or combines an imported article into a new product one having a new name, character, or use is considered the "ultimate purchaser" of the imported article. Such new products are considered to have undergone "substantial transformation" and are excluded from marking.

An imported product that has only been repackaged must be marked with the name of the country of origin of the product. On every food container and shipping container bearing a U.S. name and address, the customs regulations require that the name of the country of origin appear "in close proximity to" and "in at least a comparable size" as the U.S. name and address, preceded by "Made in," "Product of," or words of similar meaning.

U.S. Customs Service has determined that imported fruit juice concentrate used in the production of concentrated or reconstituted fruit juices is substantially transformed in processing and blending in the United States with other batches of concentrate of the same fruit, and that marking is required on single fruit juices and concentrates containing the imported concentrate.

The Antitrust Laws

The antitrust laws are the Sherman Act of 1890, Clayton Act of 1914,

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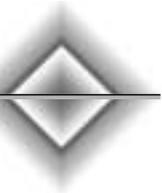
Federal Trade Commission Act of 1914, and the Robinson-Patman Act of 1936 (an amendment to the Clayton Act). When these laws are effectively and responsibly enforced they can save school districts millions of dollars a year in illegal overcharges. Most states have antitrust laws also. These laws prohibit business practices that unreasonably deprive all consumers (schools and the general public) of the benefits of competition. Violations of antitrust laws often result in higher prices for inferior products and services.

Indictments in recent years related to several products (milk, bread, and poultry) have alerted school purchasers to the importance of the antitrust laws. Price-fixing and bid-rigging conspiracies are, by their nature, secret and therefore difficult to detect. Law enforcement officials rely on complaints and information from consumers and competitors.

Price-fixing and bid-rigging conspiracies are most likely where there are relatively few sellers to conspire together. More sellers means more competition and usually better prices. School purchasers should be alert to any of the signs of price fixing and bid rigging. Some examples of these practices:

- ▲ Any evidence that two sellers of similar products have agreed to price their products a certain way, to sell only a certain amount of their product, or to sell only in certain areas or to certain customers.
- ▲ Large price changes involving more than one seller of similar products of different brands, particularly if the price changes are of equal amount and occur at the same time.
- ▲ A seller stating, "We can't sell to you; according to our agreement, so-and-so (the seller's competitor) is the only firm that can sell to you."
- ▲ Fewer competitors than normal submitting bids on a project or product.
- ▲ Competitors submitting identical bids.
- ▲ The same company repeatedly the low bidder and getting contracts for a certain service or a particular area.
- ▲ Bidders appearing to win bids on a fixed rotation.
- ▲ An unusual and unexplainable large dollar difference between the winning bid and all other bids.
- ▲ The same bidder substantially higher on some bids than on others, with no logical cost reason to explain the difference.

These signs are by no means conclusive evidence of antitrust violations. Trained investigators are necessary to determine if an actual violation has occurred. However, these may be indications of a violation. The Federal Trade Commission and Justice Department would like to hear about any signs of potential bid rigging or price fixing.



You can call or write these agencies at the following locations:

Antitrust Division, Department of Justice

**10th St. and Pennsylvania Ave. NW
Washington, D. C. 20530
Phone: (202) 633-3543**

This agency maintains field offices in Atlanta, Georgia; Chicago, Illinois; Cleveland, Ohio; Dallas, Texas; New York, New York; Philadelphia, Pennsylvania; and San Francisco, California.

Consult the local phone directory for the number of any of these field offices.

**Federal Trade Commission
6th St. and Pennsylvania Ave. NW
Washington, D. C. 20580
Phone: (202) 326-2222
<http://www.ftc.gov>**

This agency maintains field offices in Atlanta, Georgia; Chicago, Illinois; Cleveland, Ohio; Dallas, Texas; Los Angeles, California; New York, New York; San Francisco, California; and Seattle, Washington. Consult the local phone directory or the FTC web site for the number of any of these offices. A complaint can be filed online with the FTC at <http://www.ftc.gov>.

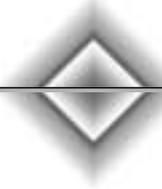
It will take time to get answers to your questions. Violation of the antitrust laws is a criminal offense, and all complaints must be investigated. The investigation is detailed and time consuming. These agencies can help school purchasers with long-term solutions to potential price-fixing or bid-

rigging. Below are the basic purposes of each of the acts:

The Sherman Act outlaws all contracts, combinations (mergers and buyouts), and conspiracies that unreasonably restrain interstate trade. This includes agreements among competitors to fix prices, rig bids, and allocate consumers. The Sherman Act also makes it a crime to monopolize any part of interstate commerce. An unlawful monopoly is when only one firm provides a product or service, and it has become the only supplier not because its product or service is superior to others but by conduct that suppresses competition. The Act is not violated simply because one firm's vigorous competition and lower prices take sales from its less efficient competitors. Sherman Act violations are punished as criminal felonies.

The Clayton Act is a civil statute (carries no criminal penalties). The Clayton Act prohibits mergers or acquisitions that are likely to lessen competition. A key provision of the Clayton Act authorizes private parties to sue for triple damages when they have been harmed by violations of either the Sherman or Clayton Acts.

The Robinson-Patman Act (an amendment to the Clayton Act) prohibits certain discriminatory prices, services, and allowances in dealings between merchants. Under certain circumstances, the Act prohibits a seller from granting lower prices to favored buyers, whether the price discrimination is instigated by the seller or forced upon the seller by the buyers. The Act does not make all price

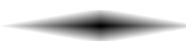


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discrimination illegal. Certain defenses are provided, such as if discounts are made to meet competitors lower prices. The Act imposes criminal sanctions for certain practices and for sales at unreasonably low prices if the purpose is to destroy competition.

The Federal Trade Commission Act prohibits unfair methods of competition

in interstate commerce but carries no criminal penalties. Even if a particular practice does not violate the Sherman, Clayton, or Robinson-Patman Act, it may still violate the FTC Act. The FTC Act is used to prevent violations of both the specific antitrust laws and the public policy expressed in those laws.



Summary

Residents of the United States enjoy the safest food supply in the world. The link between food laws and specifications is important to the school purchaser. School purchasers should know the laws in general, their purpose, and where to find additional information.

Department of Commerce - The Fish and Wildlife Act provides for labeling of seafood with the PUFI (Packed Under Federal Inspection) seal.

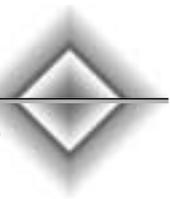
Health and Human Services - The Food, Drug and Cosmetic Act controls the labeling of food products and contains the federal standards of identity for food. The 1990 amendment updated the nutrition labels on foods.

The Public Health Service Act gives the Public Health Service authority to create model food codes for use by all levels of government to impact the safety of food served at the retail level. Retail level includes schools.

United States Customs Service - The Tariff Act of 1930 covers the labeling of imported foods

United States Department of Agriculture - Child Nutrition Purchasing Regulations: 7 CFR regulate purchasing under a federal grant and apply to purchases with school nutrition funds.

HACCP/Pathogen Reduction Rule: A management system that addresses food safety through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement, and handling, to manufacturing, distribution, and consumption of the finished product



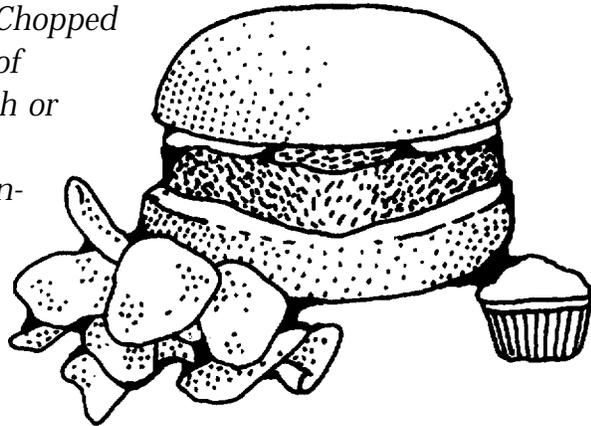
The Agricultural Marketing Act created the standards for processed fruits and vegetables. The USDA operates a voluntary grading service and maintains quality grade standards for processed fruits and vegetables and other products..

The Meat Inspection Act and **Poultry Products Inspection Act** established the inspection program that ensures meat products sold in interstate commerce are wholesome. All meat crossing state lines is labeled with an inspection mark and contains the number of the establishment where the product was manufactured.

The Antitrust Acts - The purpose of the Sherman, Clayton, Robinson-Patman and Federal Trade Commission Acts is to maintain open and free competition in the market place.

CHOICE**Volume 9 CFR Part 319.15 Miscellaneous beef products**

(a) *Chopped beef, ground beef.* "Chopped beef" or "ground beef" shall consist of chopped fresh and/or frozen beef with or without seasoning and without the addition of beef fat as such, shall contain not more than 30 percent fat, and shall not contain added water, phosphates, binders, or extenders. When beef cheek meat (trimmed beef cheeks) is used in the preparation of chopped or ground beef, the amount of such cheek meat shall be limited to 25 percent; and if in excess of natural proportions, its presence shall be declared on the label, in the ingredient statement required by 317.2 of this subchapter, if any, and otherwise contiguous to the name of the product.



(b) *Hamburger.* "Hamburger" shall consist of chopped fresh and/or frozen beef with or without the addition of beef fat as such and/or seasoning, shall not contain more than 30 percent fat, and shall not contain added water, phosphates, binders, or extenders. Beef cheek meat (trimmed beef cheeks) may be used in the preparation of hamburger only in accordance with the conditions prescribed in paragraph (a) of this section.

(c) *Beef Patties.* "Beef patties" shall consist of chopped fresh and/or frozen beef with or without the addition of beef fat as such and/or seasonings. Binders or extenders, mechanically separated (species) used in accordance with 319.6, and/or partially defatted beef fatty tissue may be used without added water or with added water only in amounts such that the product characteristics are essentially that of a meat patty.

(d) *This section of related to fabricated steak and is omitted from this text.*

(e) *Partially defatted beef fatty tissue.* "Partially defatted beef fatty tissue" is a beef byproduct derived from the low temperature rendering (not exceeding 120 degrees fahrenheit) of fresh beef fatty tissue. Such product shall have a pinkish color and a fresh odor and appearance.

CHOICE

CHAPTER 3

The Market Place Environment



Practice

The private conversations of manufacturer and distributor sales staff can teach school purchasers a lot about the failed communication process between schools and our business partners. The conversations below are typical:

**"Our brand is not approved.
We can't bid."**

"Go on and bid. They won't notice."

**"It's discouraging to work on this bid.
It's hard to tell what they want, and I
know our brand is better than our
competitor's."**

*"Why does doing business with schools have
to be so difficult? Why can't they be like
restaurants?"*

**"There really isn't a lot of difference. All
of the steps are the same, except they
have to issue formal request for prices
because they are spending tax dollars."**

*"There's no reason for us to waste our time
filling out this bid. They are going to
purchase from the same vendor they
always use."*

**"Maybe we will get lucky and they will
get mad at that vendor."**

*"But next time they'll get mad at us, and
we'll lose the business."*

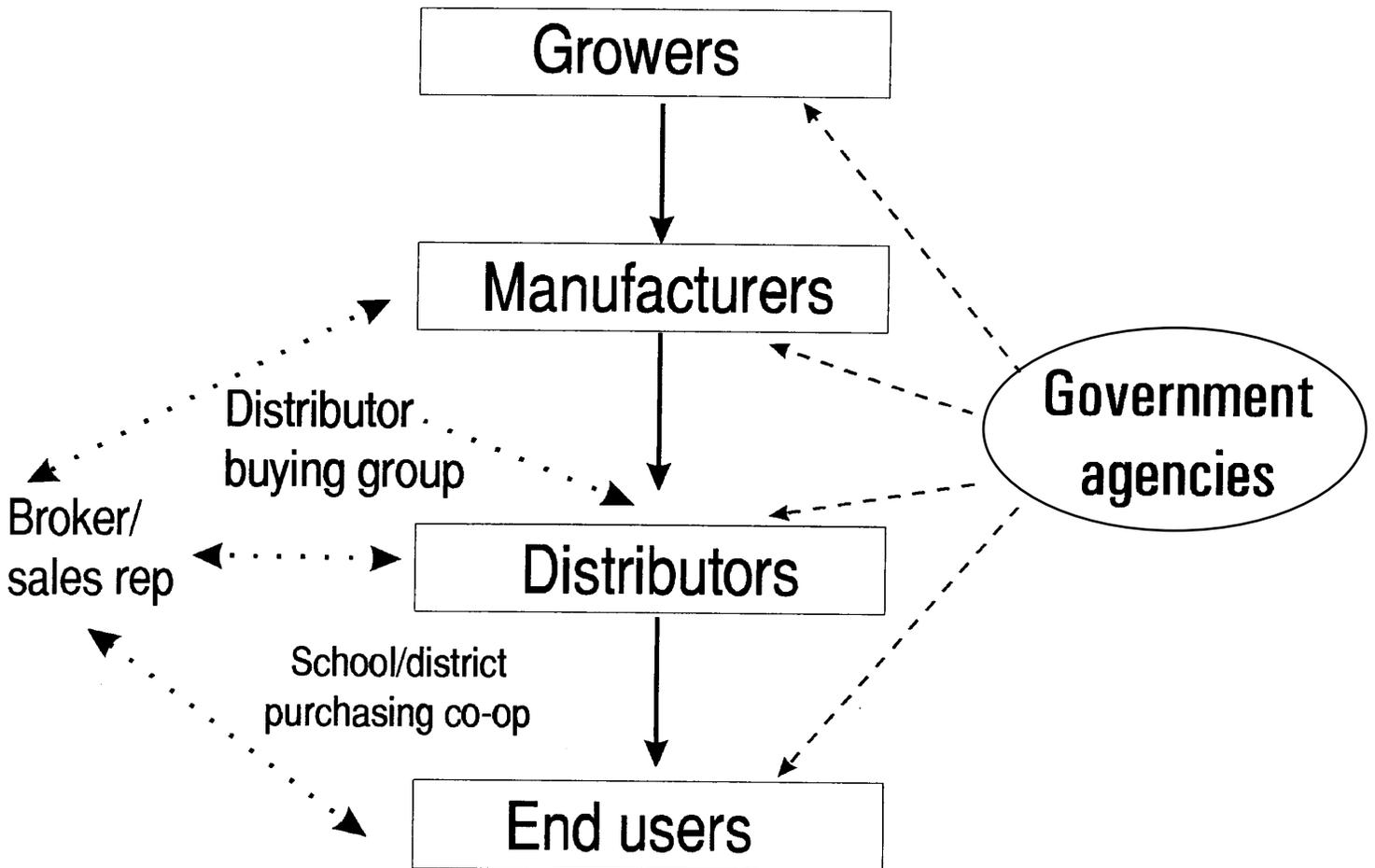
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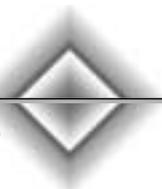
A general breakdown in communication between school purchasers and the business community has caused a lot of confusion about school business. Both schools and employees of our business partners must make an effort to understand each other.

Information

The food distribution chain has become increasingly complex over the years. To make wise decisions a school purchaser must understand the role of each player who has an effect on the quality of the product or service. An understanding of the players who take ownership of and liability for product should be considered when making purchasing decisions. The four players in the center of the chart below most often own the product. The flow chart shows the place of all of the players.

Food distribution chain from grower to school





Grower is the individual, corporation, or partnership that actually grows the product. The location where the product is grown can affect the product quality.

Manufacturer or processor is the firm that converts the raw product to a further processed state. Several manufacturers or processors may be involved in converting to the form purchased by schools. Packer is another term for the manufacturer or processor.

Government agencies protect the safety of the food supply. The Food and Drug Administration (a branch of the US Public Health Service), the USDA, and the Environmental Protection Agency are among the regulatory agencies. See the chapter on the regulatory environment for a discussion of their critical role. These agencies work in cooperation with industry trade associations to establish generally accepted manufacturing practices.

Broker or sales representative is the person or firm employed to sell the manufacturer or processor's products to the distributor. Manufacturers may hire an employee to sell their product to a distributor, or they may hire a brokerage firm as their sales representative. A broker will represent or sell the products of several manufacturers. The broker or manufacturer's sales representative also makes sales calls on school districts, restaurants, or other distributor customers.

The broker is paid a fee by the manufacturer, based on the dollar value of products sold. The actual sale of the product is from the manufacturer to the distributor. A broker's activities usually include:

- ▲ Selling product to the distributor
- ▲ Assisting distributors in obtaining prices and contracts for products
- ▲ Placing or tracing orders
- ▲ Assisting with problem resolution between the manufacturer/processor, the distributor, and the end user of the product (that is, the school)
- ▲ Providing training for the distributor's sales force

Distributor buying groups/corporate headquarters are purchasing groups formed by independent distributors or corporate groups. These groups maintain a private label for identity purposes, provide product quality control support, marketing, and other assistance to local distributors.

Distributor, wholesaler, jobber, or dealer is the company that purchases product, sells it to customers, and delivers the product to schools. A distributor is a professional at food purchasing, warehousing, sales, and delivery of a perishable product. Distributors can be classified in the following categories:

Full or broadline means that they carry almost all food, supply, and equipment items necessary to operate a kitchen. The typical distributor can carry in

CHOICE

inventory (stock) in excess of 7,000 products.

Broadliners account for \$73.9 billion or 48% of the \$154 billion in 1999 food service distributor sales.

The ten largest distributors had sales of \$41.1 billion or 31.4 percent of the total distributor sales.

Specialty wholesalers are companies that specialize in a particular product category. Some examples of specialty wholesalers are meat companies, produce companies, paper companies, and dry grocery companies. Milk and bread companies are specialty distributors and manufacturers.



Special breed distributors are companies that deliver products to national restaurant chains on a rigid structure. These special breed distributors delivered more than 13 percent of the overall \$154 billion in food service sales in 1999. The ten largest independent systems distributors

had sales of \$14.25 billion. Special breed distributors are discussing diversification of their customer base. When a restaurant chain sells or files for bankruptcy, the special breed distributor may lose a significant portion of its business volume. Schools should be aware of special breed distributors as potential new vendors.

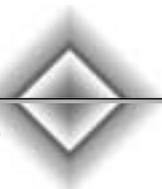
Supermarket or wholesale clubs are in every community. Many small residential centers participating in the National School Lunch and Breakfast Program purchase product at these locations. The disadvantage is that purchases are cash and carry. However, the product is not delivered, so the price is competitive.

School/district purchasing co-op administrator is the chief operating officer for a group of school districts that formed a purchasing cooperative. School districts form cooperatives for many of the same reasons that distributors formed cooperatives.

End user is the school district that purchases and serves the product to the final customer, the child. An end user also can be a cooperative purchasing group, representing the member schools.

A little bit of history

Food distribution has become a sellers' market. Understanding how this came about will help purchasers evaluate their purchasing process.



Vendors or distributors serving the school market were originally established to provide supplies for wagon trains journeying westward. That market dried up, but meanwhile families began to grow less of their food. As they purchased more food from the local grocery, the vendors developed this emerging market.

In 1946 when the National School Lunch Act was passed, schools became the first major wholesale customer for distributors. Early distributors served both the retail (grocery store or supermarket) and the wholesale business. Following the end of World War II, two major changes affected the food distribution business:

1. Major national chains bought the retail stores that were originally local "mom and pop" operations. These chains built warehouses and operated their own fleet of trucks. This change decreased the distributor's customer base.
2. For the next 20 years the eating-away-from-home index (people eating out in restaurants and public facilities) grew rapidly. This change boosted the professional foodservice distributor's customer base.

As the restaurant and health care market base increased, the products necessary to service these accounts began to change. In the late 1960s and early '70s distributors began to specialize in either retail or wholesale customers. Today it is unusual for a distributor to sell to both retail and

wholesale customers.

In the early '80s corporate mergers and buyouts gobbled up many small distributors. Though less common, mergers continue to change the face of the food distribution business. The specialty and independent distributors don't have high visibility, but they continue to deliver as much as 50 percent of the food sold to wholesale customers.

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During the '50s schools were the primary customer of wholesale distributors. Schools represented as much as 75 to 80 percent of the available customer base; it was a buyers' market. In the business climate of the early '60s and '70s distributors understood the value of schools as customers.

The business climate has changed. Schools that learn more about how the other customers do business will have the edge. The current customer base looks something like this:

CHOICE

Restaurants	40%
Convenience stores (C stores)	10%
Hotels/lodging	10%
Other commercial	10%
Health care	10%
School foodservice	10%
Colleges and universities	4%
Correctional foodservice	4%
Other non-commercial	2%

The figures show that schools no longer enjoy the luxury of a buyers' market. In a sellers' market, schools must compete with other customers and their methods of purchasing. Schools can sell themselves to potential distributor vendors, based on the following points:

- ▲ Schools are not sold nor is business lost through new ownership.
- ▲ Schools do not file for bankruptcy; payment is guaranteed.
- ▲ Yes, schools have to obtain competitive prices, but will work to make the process fair.
- ▲ Schools prefer delivery early in the week whereas commercial accounts demand the later part of the week.
- ▲ Schools do not require deliveries on major holidays; vendor employees get the day off.

Although it has become a sellers' market at the distributor's level, it remains a buyers market at the manufacturer's level. The manufacturer does not have to deliver small

quantities of product on a frequent basis. Schools can request pricing from manufacturers based in all fifty states. To take advantage of the competition at the manufacturer level a school must be large enough to purchase in truck loads and have a mechanism for delivery.

Successful purchasing depends on understanding business partners' perspective. Read a distributor-directed publication such as *ID: The Voice of Foodservice Distribution*. A distributor's representative will have a current copy you could borrow to preview. This publication is free to employees of distributors, but there is a charge to others. The January 2001 subscription rate was \$105.00. They can be contacted at P. O. Box 1254, Skokie, IL 60076-9201, or by phone at 847-647-7987, or Email iz@halldata.com. The web page can be accessed@ <http://www.restaurantbiz.com/id/index.shtml>.

Distributor vendor evaluation

School districts can better understand their potential distributor vendors if they visit the warehouse facilities and review operating procedures. The review should cover the following areas:

- ▲ Product line
- ▲ Physical facilities
- ▲ Delivery equipment and truck loading procedures (including truck loading software)
- ▲ Financial history
- ▲ Service levels
- ▲ Accounting practices
- ▲ Performance at pre-bid conferences

Appendix 1 contains a form for reviewing a potential distributor's operation. Information on evaluating manufacturers during the brand approval process will be discussed in Chapter 8. Some purchasing professionals review vendors after the bid is awarded. Others claim that responsible purchasers should know something about the potential vendor before making a recommendation. Many states do not have laws that require routine inspection of distributors' facilities. A school district has a responsibility to determine that product is coming from a clean storage facility.

A school district has a responsibility to determine that product is coming from a clean storage facility.

School district profiles

Developing a school district profile is one method that will improve communication with the business community. A purchasing profile tells vendors how your school district runs its purchasing. The profile will help vendors know how to work with you.

Organize the purchasing profile in a short, easy-to-read format. The purchasing profile should contain five main elements:

- ▲ Statistics about the district
- ▲ Request for prices

- ▲ Facts about how products are screened
- ▲ Sales call policy
- ▲ Special requirements for food products

A blank form for developing a profile for your school district is in Appendix 2.

Technical information sources

Since distributors typically stock 7,000 plus items, the sales staff can only have a general knowledge of the stock. The best source of descriptions of processed food products is the food manufacturers' technical staff.

This is the communication chain: The school is the distributor's customer. The distributor is the manufacturer's customer. Manufacturers cannot go directly to the schools without cutting the distributor out of the chain, risking damaging professional relations. However, the school can request assistance, and the manufacturer will gladly provide access to their technical staff.

To avoid increasing the manufacturer's operating cost, school districts can identify products on which they need assistance, and make one request. Schools can work cooperatively on product comparisons without actually forming a purchasing cooperative.



If this is your first attempt to access the manufacturer's technical staff, how do you start?

- 1) Make a list of those products on which you need assistance.

CHOICE

- 2) List the manufacturers who make this product.
- 3) Attend a trade association show to make contact with a manufacturer.
- 4) Request technical assistance from the manufacturer in writing.

Communicating with vendors

Controversy often develops as you

try to maintain a balance between free competition and what is best for the child. Communication with the vendor community is essential to success. You must structure requests for prices so all vendors have an opportunity to compete, but not at increased cost or at the expense of quality. Case histories explain the types of controversy in which schools get involved.

**CASE 1:
A QUALITY ISSUE**

A school district decided to serve children the best food available within budget constraints. Applying the philosophy to product quality, the school district specified whole fillets of fish, rather than a chopped and formed product.

One local manufacturer of fish products had an excess inventory of chopped and formed product. This manufacturer decided that the local school system would be a good place to sell this product. When the Child Nutrition purchaser told the processor that the district had decided to serve only solid muscle product, the manufacturer demanded to know who had the bid. As the bid award is public information, the school district allowed the manufacturer to review the product and price information. The rather aggressive sales person informed the district that it was wasting taxpayers' money purchasing solid muscle product for \$1.75 per pound when he could sell them the chopped and formed product for \$1.05 a pound. The school district tactfully thanked him for the information and reinforced their decision for product quality.

This aggressive sales person escalated the disagreement to the school purchasing department. The Child Nutrition purchaser explained the rationale for the decision, and the school purchasing department supported the decision. The escalation moved to the school board. Once again the Child Nutrition purchaser explained and actually served the school board both types of product. The school board supported the decision of the Child Nutrition office.

The vendor then decided to report this "waste of taxpayers' money" to the state auditor. The facts became somewhat twisted, and the state agency had to investigate. The school district maintained its position, and the state determined that the district had the right to make quality decisions and had made a fair decision. It would have been easy for the Child Nutrition purchaser to give up. School purchasers must be prepared to face such situations and do the right thing for the children.

**CASE 2:
QUOTES DOWN
AND COSTS UP**

A school district was getting fewer and fewer price quotes, and the cost of food was rising. The food service director decided that conversion to a bottom line bid award would guarantee vendors a cost-effective drop size. With this change more vendors agreed to offer prices.

A small specialty distributor heard "through the grapevine" that he would no longer be able to bid. The food service director was prepared for this controversy and communicated with the vendor, using the market area analysis as shown in Appendix 3. The vendor agreed that the district was making the responsible decision for the children. He saw that he still had an opportunity to compete for the business.

**CASE 3:
VENDOR EVALUATION**

A school district was considering purchasing pre-cut fruits and vegetables. The food service director and staff met to discuss the pros and cons of purchasing ready to eat product. Food safety was the biggest concern. They decided a inspection of the distributor was a necessity. In this particular case, the vendor was also the manufacturer of the produce. Did the vendor have a HACCP plan? What controls were in place to monitor appropriate temperature? Was the facility clean and sanitary? Using the HACCP Supplier checklist in Appendix 1, and the Physical Audit form in Appendix 23 the food service director was able to communicate the needs for a safe and wholesome product to his vendor.

**Conducting a market area
analysis**

On the next page is an example of a market area analysis for a school district with 20 food preparation sites and an annual food budget of \$1 million.

CHOICE**Market Area Analysis Worksheet**

Classify potential distributors as broadline or specialty. Check with nearby schools or districts to locate potential additional vendors.

1. Broadline vendor

Name	Warehouse location
ABC Wholesale	Oak township, USA
XYZ Foodservice Distributor	Poplar city, USA
OPQ Foods	Apple, USA
MNO Distribution	Pine, USA

2. Specialty Vendors

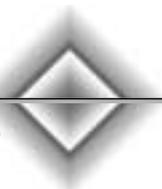
Name	Warehouse location	Products sold
RST Meats	Pork Chop, USA	Frozen and fresh meats
JQY Groceries	Green Bean, USA	Dry groceries
MVW Frozen Foods	Chicken, USA	Frozen meats, fruits and vegetables

When conducting a market area analysis for the purpose of converting to a bottomline bid it is not necessary to consider the broadline vendors. Broadline vendors can offer prices on

any items you may need. Grouping products is important to them only to determine the drop size, guarantee implied.

3. Review specialty vendors' history of sales to the school district

Name of distributor	Prior year sales to school district	Number of deliveries	Average dollar sales per delivery
RST Meats	\$16,000	18 of 36 weeks to 20 sites = 360	\$44.45
JQY Groceries	\$53,000	36 weeks to 20 sites = 720	\$73.60
MVW Frozen Foods	\$39,000	30 weeks to 20 sites = 600	\$65.00



4. Determine the potential dollar value of the products on which broadline and specialty vendors might offer a price = \$990,000.



Time saving tip: The total food budget, minus milk, ice cream, bread and fresh produce provides a fast, reasonable estimate of this number.

to bid on every item that they stock. The purpose of conferring with vendors is to find food groupings that give the school the most competitive price, makes the business attractive to more vendors, and allows vendors the opportunity to compete.

Discuss with each potential vendor the numbers obtained in steps 2, 3, and 4. Show vendor the prior year sales to the school district. Explain that you want to group the new bid to allow vendors to compete for more business than they have received in the past, but that they may not be able

The purpose of conferring with vendors is to find food groupings that give the school the most competitive price, makes the business attractive to more vendors, and allows vendors the opportunity to compete.

5. Determine which vendors have common product lines

Name of distributor	Common product line # 1	Common product line #2	Common product line #3
RST Meats	Frozen meats		
JQY Groceries		Dry groceries and some canned fruits and vegetables	
MVW Frozen Foods	Frozen meats		Frozen fruits and vegetables

CHOICE

6. Determine the dollar volume estimate for vendors with common product lines

Name of distributor	Product category	Estimated value of potential sales	Number of deliveries	Average value per delivery
RST Meats	Frozen meats	\$448,500	720	\$622.91
JQY Dry Groceries	Dry groceries and some canned fruits and vegetables	\$350,000	720	\$486.11
MVW Frozen Foods	Frozen meats and fruits and vegetables	Meats = \$448,500	720	\$622.91
		Frozen fruits and vegetables = \$50,000	720	\$69.44

During the conference to discuss steps 2, 3, and 4, obtain a copy of the product list from each vendor. Determine the common products stocked by all vendors in each identified category. Estimate the potential dollars of business using the quantities projected and the current price.

7. Determine the dollars left unclassified

- Record the total potential dollar value from #4 above: \$990,000
- Subtract the potential dollar value for specialty distributors = \$ (you complete)

8. Make the final product grouping decisions

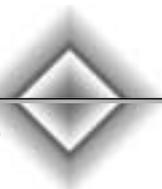
All groups should represent approximately one third of the total in order to provide the most cost effective delivery "drop" size to each potential

bidder. If the numbers for your school are typical the dollars in the meat group will be the largest. It may be necessary to move some meat/frozen items to the group that only the broadline distributor can bid on.

Allowing the meat/frozen vendors to bid on everything they stock at the expense of the cost paid for the remaining items is the point at which the school must balance the needs of children against the open and free competition issue. If the numbers for your school are typical this vendor will probably have the right to compete for more business than he has received in the past and should therefore be accepting of the grouping.

Communicating with specialty distributor

- ▲ The purpose of the conference is to develop product groups that will serve the best interest of the school district.

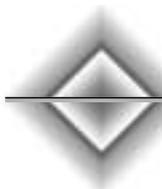


- ▲ An individual conference with each vendor will be more effective.
- ▲ Do not tell the specialty distributor how the final proposal will be structured.
- ▲ Request the cooperation of the specialty distributor in determining how to group items so that he will be able to bid, and at the same time protect the interest of the school children and taxpayers.
- ▲ From the report above share with the specialty distributor the following numbers:
 1. Total anticipated dollar value of the proposal
 2. Total dollar volume of business with this distributor in the past year
 3. Average dollar volume per delivery during the past year for this distributor
- ▲ Discuss the current cost per delivery and mention that it is your understanding that the industry average is between \$50 and \$100. Mention at this cost level that it would take a \$500 to \$1,000 order for them to realize a profit. Show the specialty distributor what they can expect their total dollar volume to be, based on your suggested product groups.
- ▲ Discuss the implications on the prices for the remaining items if they are allowed to select the items on which they bid.
- ▲ Compare the previous year's sales to this year's potential sales based on the school district groups.
- ▲ Inform each specialty distributor that when all conferences have been completed a management decision will be made as to final product groups. Tell distributors that you will advise them of the final decision and will seek to arrive at a decision that will be most beneficial to all concerned.

Summary

The food distribution chain has become increasingly complex over the years. The situation has changed from a buyers' to sellers' market. Schools are no longer the dominant market segment and must learn to sell themselves as customers.

Communication failure is the major source of controversy between the vendor community and the schools. Vendors and schools must make extra efforts to understand the demands of each other's role. Schools must adapt where possible to the methods used by the commercial segment.



Notes

CHOICE

CHAPTER 4

The Product Movement Process



Practice

Terminology can create a communication barrier. Have you ever heard a conversation like this?

"What is your product movement process?"

"Do you know what she is talking about?"

"We run an education facility, not a manufacturing business!"

"Those people in the administrative office must stay up at night thinking of ways to make it harder for us to order food."

"I order the same number of bags of whole wheat flour every week. With those fancy computers you would think they could keep up with it and order for me."

"The last bags of flour appeared to be water stained. I wonder if the warehouse has a leak somewhere. Do you think it's still okay to use the flour?"

CHOICE

How would you react to the question about your product movement process? If you don't know or don't think it applies to you, you are typical of most school food service management staff.

The typical food service operation needs from 500 to 1000 items of food, equipment, and supplies to operate, but fewer than one percent have a well developed policy on product movement.

How do those 500 to 1000 items get to the food preparation site? Whether to operate a warehouse or contract for delivery directly to the site is controversial. How much inventory to maintain (number of days of food and supplies) creates even more controversy. Most operators inherited a method of product movement management. Given no opportunity to evaluate the system, they continue to operate "the way we've always done it."

INFORMATION

When developing a product movement policy, two options are available:

1. Operate a warehouse owned or leased by the school district.
2. Have product shipped direct to the food preparation sites.

If you choose product delivery direct to the food preparation site, then you must decide delivery frequency:

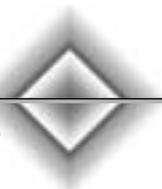
- ▲ Just in Time (JIT), which could mean once a week or more often.
- ▲ If not JIT, then how much inventory will be maintained?

The number of times inventory is turned per month is a major cost factor in food service operations and is critical to cost control. **Let's look at an example:**

ABC school serves 500 students lunch and breakfast. The monthly food purchases cost \$1,500. If the school district has an inventory turns policy of two times per month, then at no time would the inventory in this school kitchen exceed \$750 (\$1,500 divided by 2 = \$750). If a site receives once per week delivery, a seven day inventory should be adequate. A quick and accurate formula for establishing the dollar amount for a seven day inventory is presented below.

$$\begin{aligned} & \text{(Annual food purchases / Number of} \\ & \text{days meals served \{180 approximately\})} \\ & \quad \times 7 = \text{Seven day inventory} \end{aligned}$$

Food service distributors, seeking more efficient operation at lower cost, are increasing product inventory turns. In the commercial sector almost all restaurants operate on seven to nine days inventory, which converts to 36 inventory turns per year. Most distributors have a goal of 24 to 30 inventory turns per year. High volume items must be turned much more frequently to compensate for those low volume items which have a longer dwell time in the warehouse. Restaurants, food service distributors, and school food service must have well organized purchasing systems to maintain cost-effective inventory turns.



In the commercial segment management decides if food preparation sites are allowed to invest cash in food inventory with no cost control limits. School site managers should expect management direction on the amount of inventory that is acceptable. The value of the food and supply inventory is a major component of cost control.

School site managers should expect management direction on the amount of inventory that is acceptable.

But what about donated food? Although you can't control order placement or delivery schedules, donated foods represent only about 25 percent of school food needs. You can't use one-fourth as an excuse to avoid a positive product movement policy for the other three-fourths of items used. You can establish an objective to make the best use of the delivery system available in your state.

A majority of the schools in this country move product JIT-just in time. JIT means that the product arrives at the school just in time for food preparation. The cost of daily delivery is not practical; however, weekly delivery is feasible. JIT is not an option for some schools in Alaska that face some unusual weather problems affecting product movement.

The advantages of JIT product movement:

- ▲ Reduced inventory
- ▲ Reduced cost
- ▲ Reduced paper work

An option to JIT is to maintain a larger inventory for a longer period of time at the food preparation site. The amount of storage available and the cash available for inventory investment will affect this decision.

With a JIT order system you don't have costly man hours maintaining an inventory control system. If you maintain a month or six weeks of inventory, you may need a perpetual inventory record to control product usage. Don't confuse the frequency of food deliveries with the product movement policy. It is possible to have a weekly food delivery and maintain an inventory in excess of weekly needs.

Plan product movement so that a stable number of cases is ordered each delivery. If you order 100 cases one

Plan product movement so that a stable number of cases is ordered each delivery.

week, 200 cases the next week, and 50 cases the third week, the distributor is constantly having to modify truck routes. Erratic ordering adds to distributor's cost and eventually

CHOICE

increases the price you pay for product. In 1998 sixty eight percent of distributors reported a minimum order size. The average minimum order was \$250.00. The average size of a street order was \$459.00 and for a program order was \$1,496.00. A street order is an order taken through a sales person. The order can be taken on the phone, but most often is taken in person during a sales call. The distributor management has determined the upper and lower limits (may or may not reflect distributor cost) within which the product will be sold, the sales person makes the decision about pricing for each individual customer. A program order is based on a contract between the distributor and the customer. Program orders are most often placed over the phone or automatically via computer.

A warehouse operation increases the cost of managing inventory. Each school district must determine the cost of operating a school warehouse before making an informed decision about product movement policy. See Appendix 4 for an approach to costing warehouse operations. The ability of the school district to organize the movement of products with the purchasing process affects school site delivery vs warehouse operation. A well designed inventory control system is necessary with a warehouse operation.

An additional consideration which accompanies a school run warehouse, central kitchen, large storeroom and the delivery vehicles is the safety of the food. In these settings, a few standard food safety principles apply. It is

important to document these standards to verify that food safety is a priority in your establishment. These standards are cleanliness, FIFO (product rotation), time and temperature and appropriate packaging.

Cleanliness: Storage areas should be cleaned on a regular schedule. This include floors, walls, shelves, refrigerator/freezer gaskets, trays, carts and other equipment. Cleaning supplies and other chemicals should have their own separate storage away from food storage and food contact areas.

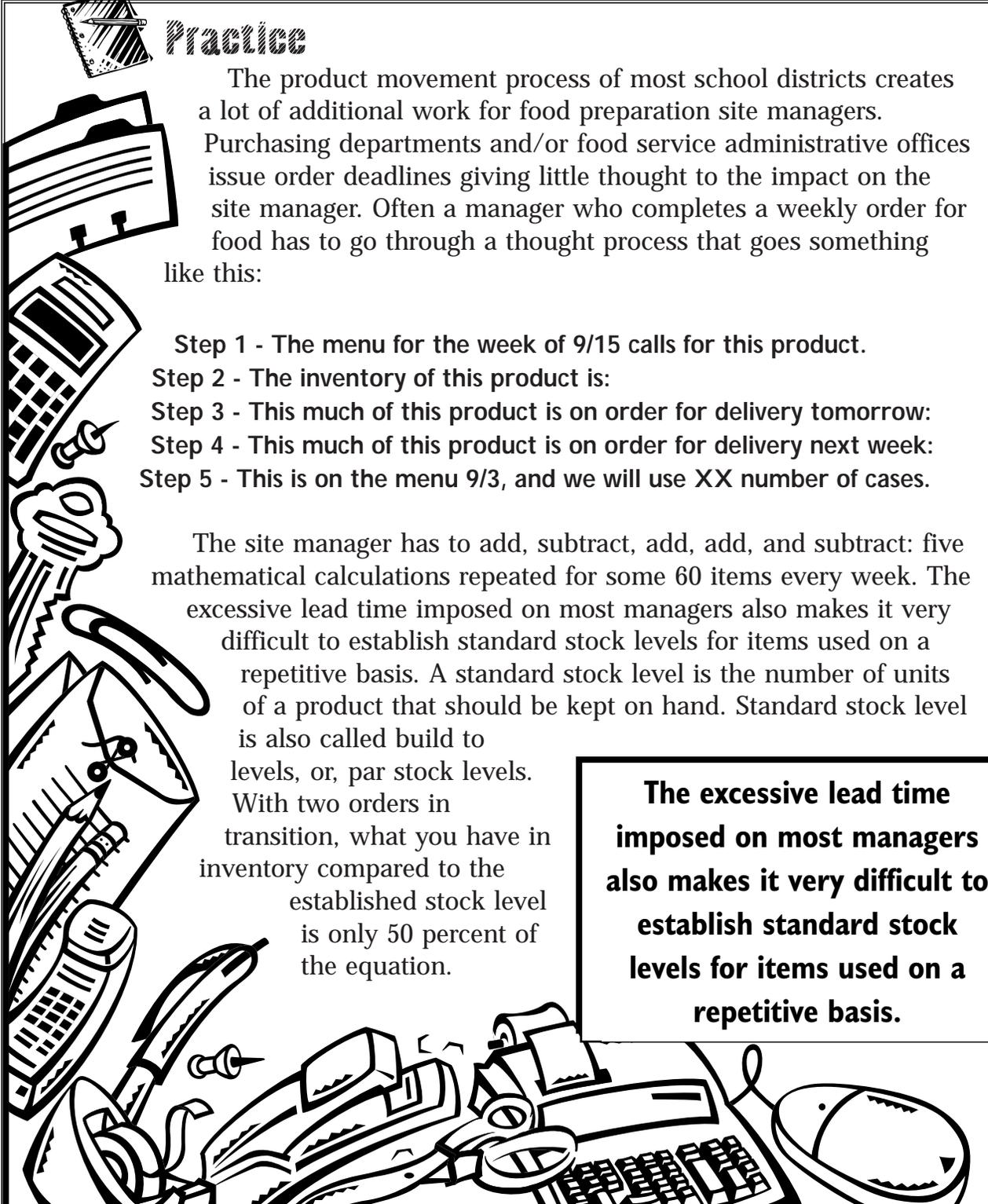
FIFO - First in first out: Properly label and date each product so that the older items are used first and the newer products are placed behind for future use. The age of the product is based on the pack date from the manufacturer, not the receipt date. Train employees to shelve items in this manner and check expiration dates.

Time and temperature: It is essential that food not be held in the temperature danger zone (41- 140 degrees F) for more than four hours (cumulative). This includes the time for receiving, preparing, transporting, cooling, reheating and serving the food. Also check temperature and humidity levels of storage areas, including refrigerators, freezers, and dry storage.

Appropriate packaging: Keep food in clean, original wrap when possible. If packaging becomes dirty, re-wrap in clean, food-grade material, label the contents and the date it was stored. In

high roach problem areas, it may be preferable to remove cardboard box shipping containers as a roach control method.

Sample forms for documenting these storage guidelines are located in Appendix 22 and 23.



Practice

The product movement process of most school districts creates a lot of additional work for food preparation site managers. Purchasing departments and/or food service administrative offices issue order deadlines giving little thought to the impact on the site manager. Often a manager who completes a weekly order for food has to go through a thought process that goes something like this:

- Step 1 - The menu for the week of 9/15 calls for this product.
- Step 2 - The inventory of this product is:
- Step 3 - This much of this product is on order for delivery tomorrow:
- Step 4 - This much of this product is on order for delivery next week:
- Step 5 - This is on the menu 9/3, and we will use XX number of cases.

The site manager has to add, subtract, add, add, and subtract: five mathematical calculations repeated for some 60 items every week. The excessive lead time imposed on most managers also makes it very difficult to establish standard stock levels for items used on a repetitive basis. A standard stock level is the number of units of a product that should be kept on hand. Standard stock level is also called build to levels, or, par stock levels. With two orders in transition, what you have in inventory compared to the established stock level is only 50 percent of the equation.

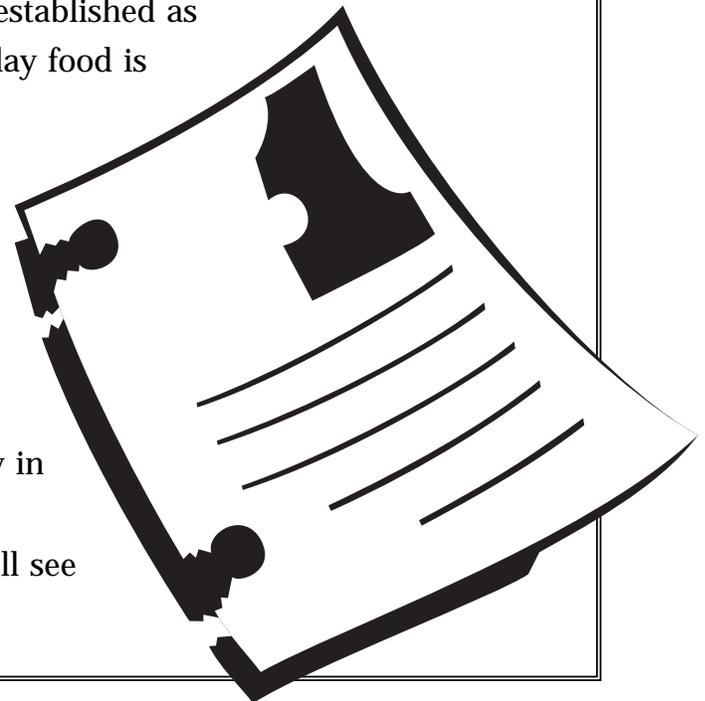
The excessive lead time imposed on most managers also makes it very difficult to establish standard stock levels for items used on a repetitive basis.

CHOICE

Can you identify with the school food service employee who might have made each of these comments?

- "School A forgot to order brown sugar again."
- "You would think she could get the order right for something she uses over and over."
- "Those people in purchasing got mad at me again for forgetting brown sugar. I wish I had a nice desk job with no interruptions while I was ordering."
- "I am concerned about what we are preparing for lunch today, and they expect me to worry about my grocery order for three weeks from now! They can just call back after lunch is served."
- "The distributor will be here for his orders at 1 p.m., and Mrs. Smith has not called in her order yet."
- "The garbage disposal has backed up again, that state monitor came for breakfast, and the central office is calling because my order is late. I just need to get lunch served today. I'll worry later about my grocery order for week after next."
- "The teachers have a work day on Tuesday week after next, and that is my regular grocery delivery day. Wonder if I will get a delivery?"

Most site managers must operate under a product movement policy that is not well defined, and they have few tools to make the job more efficient. In most school districts a single day of the week is established as orders-due date without considering what day food is delivered to a particular site. Many administrators take the position that, "We always place all orders on Friday," and see no need for an order placement calendar. Computers are gaining widespread use for meal counts, but rarely are they available to improve the product movement process. Technology used mostly in accounting and meal counts could prove invaluable in product movement, as you will see later in this chapter.



MENU SYSTEMS

The menu system determines the food and supply items that must be available daily.

A school uses one of the following menu systems:

- ▲ A single preplanned menu
- ▲ A cycle menu
- ▲ A menu that changes daily with choices that remain the same
- ▲ Some variation of these

The food and supply items separate into three types. An effective product movement policy must address the purchase and delivery of each of these types of product:

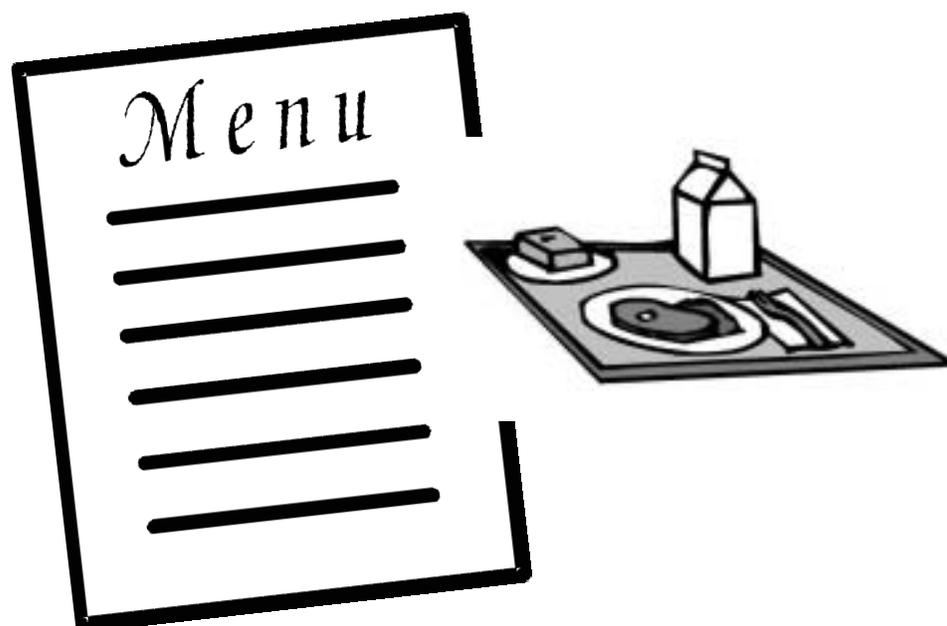
1. Those items used repeatedly, that can be placed on a standard stocking level.
2. Those items used in small quantities and ordered only once or twice per year.

3. Those items that vary, based on the planned menu.

The menu system will determine the category into which a product fits. As an example a school that offers a grilled chicken sandwich every day would place grilled chicken and bread on the standard stock list. Another school that offers that same grilled chicken once every other week on a planned menu would put grilled chicken and bread on the menu-as-planned list. If honey mustard is offered as the dressing on this and other sandwiches and lettuce is on the sandwich and is also used for other purposes, those two items might be standard stock items in both schools.

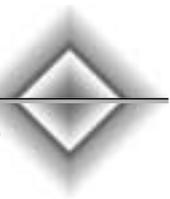
The following exercise gives practice classifying food by product movement type.

Remember, the answer should be based on your menu system.



Classifying foods by product movement

Food	Standard Stock	Annually	Menu
Apples, fresh	√		
Allspice		√	
Baking powder		√	
Bananas			√
Broccoli, spears, frozen			√
Chili powder			
Cinnamon			
Chicken tenders			
Chicken nuggets			
Fruit cocktail			
Flour, plain			
Food coloring, yellow			
Garlic powder			
Ham, breakfast			
Hot sauce, jalapeno			
Italian seasoning mix			
Juice, orange, 4 oz			
Jelly, assorted, pc			
Lettuce, iceberg			
Mustard, honey, pc			
Nutmeg			
Onions, red, fresh			
Oranges, fresh			
Pepper, black			
Poultry seasoning			
Peas, green, frozen			
Pickles, sliced dill			
Ranch dressing, low fat			
Sage			
Sugar, granulated			
Sausage Patties			
Squash, yellow, frozen			
Spaghetti			
Tomatoes, fresh			



Product	Product #	Stock Level	Date											
			1/5		1/12		1/19		1/26		2/2		2/9	
Individual catsup		10 cases		✓	9	1	5	5						
Individual mustard		3 cases	2	1	2	1	1	2						
Individual mayonnaise		1 cases	1	1/2	1	1/2		✓						
Dill pickle		1 - 5 gallon	1	0		✓	1	0						
Salt		15#												
Pepper		2#												
Sugar		50#												

Directions: Fill in amount on hand in shaded box. Put quantities to order in box left of shaded box. Post standing orders in the order box before copying the form.

Establishing standard stock levels

Set an established amount (standard stock level) for items that are used repeatedly to guide the manager as to when to re-order. Site managers who have ordered food and supplies for years would tell you that writing down when to reorder is unnecessary paper work. However, experts in product management have proved that establishing standard stock levels helps control inventory. A standard stock level ordering system also maintains continuity in delivery of services to children when the person who usually places orders is off from work. There is a base of data from which a new person can make quantity decisions. Use this

form to develop a standard stock level ordering system. A blank of this form is provided in Appendix 5.

In this example the cafeteria manager orders on Wednesday, the stock level for individual catsup is 10 cases, so on 1/5 the manager counts what is in the storeroom, and it is more than 10 cases, so the manager puts a check mark in the shaded box. On 1/12 one case is in stock, so the manager records the order as 9 cases in the order box.

What elements are necessary to establish build to stock levels if this is a new process for a school? The invoices for the previous year and delivery frequency are the most important pieces of information. Invoices show a pattern

CHOICE

of the amount ordered each delivery. Add 50 percent for a safety factor in case the order is delayed. As an example, if the review of invoices reveals 2/100# of whole-wheat flour used per week, then add the safety factor of 50 percent and establish standard stock level at 3/100# bags. If a major change in menus is planned it will be necessary to base stock levels on use projections. The historical information does not reflect menu changes. The next example shows another factor which must be considered when establishing standard stock levels. The stock level may have to be changed, based on the season.

Example: This school offers fresh fruit daily as a choice. They always include fresh oranges. A review of invoices reveals:

9/3 - ordered 5 cases

9/10 - ordered 6 cases

9/17 - ordered 5 cases

(The pattern stayed the same until after Christmas holidays.)



1/3 - ordered 5 cases

1/10 - ordered 9 cases

1/ 17 - ordered 7 cases

In this example, guess what happened. The quality of oranges in some regions of the country improves about December, and students selected them more often. The week after the holiday the school did not have oranges to offer for a choice on Friday. So they over ordered the next week and then a pattern began to develop.

The stock level for this item would be established as follows:

**August through December - 5×1.5
(safety factor) = 7.5 or 8**

In this example the manager would order enough to bring the stock level to 8.

**January through March - 7×1.5
(safety factor) = 10.5 or 11**

In this example the stock level would be established at 11.

Developing the appropriate stock level for an item also is based on experience. If the number established the first time is too high or low, you simply modify until you reach the workable number. Most site managers who order repeatedly can tell you from memory the amount they order each week. If you are fortunate to have this type of experience, just write down the amounts and verify for several weeks.

Remember that standard stock levels are efficient because you never have to repeat the task once it is completed. Annual maintenance of stock levels takes very little time.

Simplify standard stock levels with standing orders

Establishing standing orders can simplify an ordering system for product that is ordered each week. Pre-printed order forms with standing orders reduce order preparation time by as much as 25 to 50 percent. To increase or decrease amounts, simply mark through and insert the new amount. Standing orders programmed into an automated system will appear each time a site record is accessed.

Establishing standing orders can simplify an ordering system for product that is ordered each week.

Ordering low volume items

Many of the products in a food preparation kitchen are purchased only once or twice a year because volume is so small. The exercise earlier in this section identified examples of these products. Most schools maintain these items on the bid or price quote list for the entire year, and each site orders these items whenever they choose. A cost effective product movement policy would be to establish one or two weeks a year for ordering these products.

You could get a separate bid for these items, with a firm price effective for only one week. This product movement policy can reduce the typical food list by as many as 50 items. High volume concentrated in one delivery, compared to low volume for 18 or 20 deliveries, is cost effective.

When school is closed on delivery day

Most school districts' calendars contain a lot of weeks when students do not attend school a full week. School districts should consider not ordering when school is out on the regular delivery day. To reduce cost schools should follow the rule of placing as few restrictions on delivery as possible. Delivery equipment is a major cost

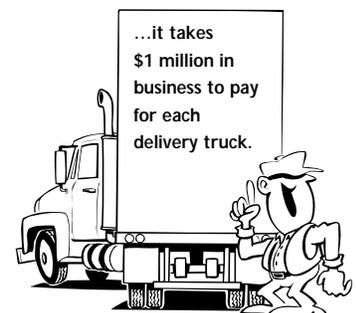
factor for distributors, so their objective is to make maximum use of the equipment. Distributors say that it takes \$1 million in business to pay for each delivery truck. You can make your needs more attractive if you don't require that distributors reorganize routes when you are not at school on a scheduled delivery day.

Many of the products in a food preparation kitchen are purchased only once or twice a year because volume is so small.

In the commercial segment managers are trained to receive their delivery no matter when it arrives. Some chain restaurant managers will tell you that they receive deliveries routinely at 10 p.m. The two options available to a school district that does not have sites open on a school holiday:

- 1) Have staff meet the truck to receive the regular delivery. In school districts with less than 10 sites, have one employee follow the truck from site to site and receive all deliveries.
- 2) Order extra the week before and skip a delivery on a school closing day.

The product movement policy should reflect the decision of your district.



CHOICE**Order Placement Calendar**

Delivery date week of	Menu week of	Order due week of	Comments
8/28	9/4 and 9/11 or 9/4	Placed before school dismissed in spring	For those sites with Monday delivery, no delivery week of 9/4 - Labor Day
9/4	9/11	8/28	
9/11	9/18	9/4	

In this example the site managers order two days before their scheduled delivery day. Notice that the calendar is organized by weeks, so that it is applicable to all sites.

Order placement calendars

If you make the cost-effective decision, you should develop an annual order placement calendar for the school district. All bids should reflect the policy of the district. See Appendix 6 for a blank form. The form when completed would look something like the following page.

The lead time to process orders for JIT delivery should be limited to two days in advance of delivery. No school should have to place an order while a previous order is in transition (placed, but not delivered). Every school in a district does not have to place orders on

No school should have to place an order while a previous order is in transition (placed, but not delivered).

the same day. There is no increase in the work load if the central processing office devotes one hour per day to this process for five days as opposed to five hours in one day. Modern computer

technology makes possible a product movement process that works something like this.

1. Delivery day is Wednesday.
2. Site manager places the order on Monday and transmits via modem to central administrative office.
3. Central administrative office (purchasing or food service) approves the order and transmits to appropriate contract distributor on the same day or overnight.
4. The contract distributor verifies "in stock" of the order against the inventory and notifies central administrative unit of any out-of-stocks on day 2.
5. Later in day 2 the central administrative unit makes any necessary decisions about reorders and, if necessary, places a second order. The receiving report is then transmitted to the school site.
6. On day 3 the school site receives the order.
7. On day 4 the school site begins work on the next order. Note that there is no order in transition.

When ordering items for a planned menu (the third type on page 49), we need to step outside our routine and ask why we think we have to order for a Monday-through-Friday week. The size of the inventory could be reduced by as much as three or four days for those sites that have a Tuesday through Friday delivery day. Example: if a school has a Tuesday delivery day, the week should be Thursday through Wednesday. Too many things can happen to delay a delivery, so it is wise to maintain in stock the items for the menu one day after scheduled delivery. To stop the thought process of "*Monday through Friday is a week,*" let's look at the whole week.

- ▲ Monday delivery day - order for Wednesday through Tuesday
- ▲ Tuesday delivery day - order for Thursday through Wednesday
- ▲ Wednesday delivery day - order for Friday through Thursday
- ▲ Thursday delivery day - (you complete)
- ▲ Friday delivery day - (you complete)

Applying the advantages of modern technology to the product movement process reduces the

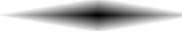
number of mathematical calculations the site manager must make. Let's repeat the site manager's ordering steps when technology supports the product movement process.

Step 1 - The menu for the week of 9/15 calls for this product:

Step 2 - The inventory of this product is:

All the manager has to do is subtract to know how much to order. If we refer to the example on page 47, the effective use of technology in the product movement process reduces the number of mathematical calculations by 240. We went from five to one calculation per item - a reduction of four. The typical site orders 60 items, $60 \times 4 =$ a 240-step reduction.





Summary

Cost-effective management in a food service operation requires an efficient product movement policy. The policy should include the following elements:

- ▲ A product movement method - warehouse, JIT, or site inventory
- ▲ Products classified by product movement type
- ▲ Standard stock levels for repeated use items
- ▲ Standing orders for many standard stock level items
- ▲ Twice-a-year order dates for low volume items
- ▲ Lead times that avoid orders in transition
- ▲ Effective use of technology to improve product movement
- ▲ Order calendars that communicate the delivery plan
- ▲ Food safety considerations when storing food (cleanliness, FIFO, time and temperature)

CHAPTER 5

Allocating Time Resources to Product Categories



Practice

Does this conversation sound familiar?

"The last bid we opened was a real nightmare. We had over 300 items and one of the vendors complained about the specification for Italian spice mix."

"How much do you spend a year on Italian spice mix?"

"The last report indicated we spend \$30 a year."

"There isn't enough time to develop detailed specifications for every item. I am very concerned about the fat content of the ground turkey we purchase."

"You just have to put your priorities on items that have the greatest impact on the nutritional well being of students."

"Maybe someday we'll have a full-time staff member to work on purchasing. It's not that specifications for spices are not important, there just isn't enough time for everything."

This conversation could take place between school purchasers in any location in the United States. Accountability takes a lot of time when you are getting so many Federal dollars. Establishing task priorities can be

very difficult, and dealing with daily crises is likely to take priority. Other duties often leave little time to devote to developing specifications, which is not a daily task.

The saying, "The squeaky wheel

CHOICE

gets the grease," applies here. In the purchasing market the product with the strongest sales representation probably gets the time allotted to developing specifications. The sales staff, rather than the school purchaser, establishes priorities for products.

INFORMATION

Whether working in a large district with a full-time purchasing specialist or a single site where staff has little time for purchasing, there is never enough time to research and develop specifications. School purchasers must have a priority list so they know on which items they spend the most money.

The first step to establish time priorities is to review expenditures by product categories.

The first step to establish time priorities is to review expenditures by product categories. The 1996/97 USDA school food purchase study indicated the following approximate percentages by product category:

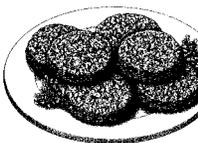
Milk and other dairy products . . .	25%
Bakery	10%
Fruits and fruit juices	10%
Vegetables	10%
Prepared Foods	10%
Red meats	10%
Poultry	10%
Other	15%

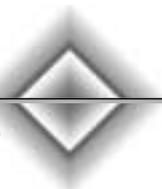
Milk specifications are not difficult as they are normally based on state definitions for various types of fluid milk. All school purchasers should maintain a reference copy of their state milk regulations.

The importance of quality produce to meals which meet the Dietary Guidelines makes the seven percent spent on fresh produce a top priority. The specifications for produce are not difficult to develop. Excellent reference materials on fresh produce standards are available. All schools should maintain a fresh produce reference. The difficulties associated with buying fresh produce are related not to specifications but to the choice of purchasing system, delivery, and receiving.

Establishing realistic time allocations for meat and all other dry, frozen, and refrigerated items is the most difficult. This area represents 200 to 300-plus items. A listing of expenditures by line item might look something like this example:

French fries	\$103,059
Pizza, sausage	81,944
Nuggets, chicken	49,518
Beef patty, precooked	38,425
Chicken patty, breaded	38,188
Chicken patty, grilled	38,002
Orange juice, 4 oz portion	36,029
Peaches, sliced, canned	21,526
<i>65% of dollars and 20% of items</i>	
Pizza, Mexican	19,111
Frankfurters	19,066
Corn, whole kernel	16,969
Pineapple, tidbits	13,415
Corn on the cob, frozen	13,080
Juice, mixed blend, 4 oz portion	11,204
<i>80% of dollars and 35% of items</i>	





Beans, green, canned	10,496
Broccoli, spears, frozen	10,286
Juice, apple, 4 oz portion	9,758
Pears, canned halves	8,924
Applesauce, canned	8,505
Potatoes, dried, granules	7,774
Beef, Salisbury steak	7,591
Corn dogs	6,732
Potatoes, rounds, bite size	6,298
Danish pastry	5,524
French fries, oven-ready	4,719
Chicken strips	4,593
Green peas, canned	4,512
Beef patty, raw	3,850
Breaded fish portion	3,824
Tomatoes, canned	3,367
Ham, chopped or diced	2,909
Beans, with pork or vegetarian	2,641
Pork, BBQ	2,493
Blueberry muffins	1,719
Turkey, deli sliced	1,519
Eggroll, vegetable	1,293
Tomato paste	1,250
Cinnamon-apple muffins	1,044
Biscuits, frozen	682

TOTAL \$621,839 for 39 items

The typical list would contain some 280 to 300 items costing many more dollars. For the purpose of this example only the top 39 items are listed. Rule of thumb: "80 percent of the dollars are spent on 20 percent of the items."

Rule of thumb: "80 percent of the dollars are spent on 20 percent of the items."

The 1996/97 USDA school food purchase study indicated a great diversity in the food items purchased. The school districts participating in the study purchased 842 different items. In this study ten food categories representing less than 7 percent of the items accounted for nearly 50 % of the value of purchases. Fluid milk, pizza, ground beef, cheese and potato products (frozen and chips) were the five leading food categories.

The objective is comparability on all items purchased, but that goal is not possible in most schools. Just as quality parameters are identified on a product, the manufacturing technology changes and the specification must be revised. By using time available on items that claim the majority of budget, the school district staff establishes priorities rather than allowing the marketing sales force to establish priorities.

Classifying foods in the following categories reduces the amount of time devoted to quality standards:

- 1) **One ingredient products.** Examples are sugar, flour, salt, and fresh produce. Some of these products have more than one ingredient but the descriptions required for purchase are simple and easy to develop. As an example saltine crackers contains several ingredients, but the research required and the approach to the description is similar to a one ingredient product. The Standards of Identity for the majority of

CHOICE

these foods have been in place for many years.

- 2) **Products that contain one major ingredient and seasoning ingredients.** Canned and frozen fruits and vegetables are in this classification. These products are packed under corporate/cooperative private labeling programs with consistent standards.
- 3) **Multiple ingredient products.** Such highly processed products account for about 65 percent of the food budget. Quality varies among brands, and quality control can be a problem within the same brand.

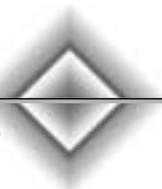
The way products are classified generally reflects the way they are approved, bid, and purchased.

Chapter 8 contains further information on brand approval.

- 1) **One ingredient** - Plain foods are commonly bid as "Distributors Choice," meaning the distributor can choose the brand to bid or quote.
- 2) **One major ingredient** - Group 2 foods are usually purchased as "Private Label." Most canned and frozen fruits and vegetables approved for purchase are Private Label. The chart in Appendix 11 identifies acceptable brands and may be used in quote or bid documents.
- 3) **Multiple ingredient** - Processed foods usually are approved by "Manufacturer's Brand."

On the following page is a product list by brand approval type. Remember that there are no right or wrong ways to categorize products. The objective is to reduce the time it takes to develop quality standards. Based on your purchasing experience categorize the products on the chart on the next page for your school district.





Product	Distributor's choice	Private label	Manufacturer's brand
Beef patties			
Chicken breast			
Eggs, fresh			
Mayonnaise, portion control			
Sugar, granulated			
Chicken base			
Corn on the cob			
Crackers, saltine			
Fruit, IQF or IF			
Mustard, individual			
Green beans, 6/10			
Bacon bits			
Rice			
Catsup 6/10			
Sausage, pizza			
Green peas, frozen			
Vinegar			
RTS pudding			
Corn dogs			
Dill pickles			
Ground beef			
Sliced peaches, 6/10			
Grape juice			
Jelly			
Chicken nuggets			
Taco shells			
Fish Squares			
Salt			
Ham			

CHOICE

Appendix 10 contains a form for classifying the products purchased in your district. Base your decision on the experience you have had with various products. The objective is to move as many products as possible to the "Distributor's Choice" and "Private Label" list to reduce the time you must devote to developing detailed specifications and quality standards. It is possible that the distributor will choose to bid Private Label on many of the Distributor's Choice items.

This time-saving approach to establishing quality standards was applied to one bid with 410 food and supply items and produced the following results:

Distributor's Choice56%
Manufacturer's Brand27%
Private Label17%

The school district limited the number of items with Manufacturer's

The school district in this example also took advantage of Distributor's Choice approval to maximize cost savings.



Brand approval to provide the distributor maximum flexibility to purchase much more effectively. In the example above the distributor can increase the number of Private Labels bid by offering the Private Label on many of the Distributor's Choice items. The information on how the bid award actually broke down was not available. The school district in this example also took advantage of Distributor's Choice approval to maximize cost savings.

Summary

School food service programs require technical expertise in diverse areas. Developing food specifications is only one of many tasks that require special attention. Daily tasks take so much attention that developing specifications is postponed until there is not adequate time to research all food products. School purchasers should develop a working policy of how to allocate time to the various products to be purchased. Two common rules will be of assistance:

- (1) Divide products by
 - (a) dollars spent and
 - (b) by the impact on the quality of the meal.
- (2) Allocate the limited time available to those products that are highest priority in one of these two categories.

CHAPTER 6

Determining Bid Units



Practice

How often have you heard a conversation like this?

"We opened bids this morning and three companies bid different brands for chicken nuggets."

"Was there much difference in the price?"

"The range was from \$18 to \$35 per case."

"Did all of the cases have the same number of servings per case?"

If your school or district office is independent from the Board of Education bid policies, this problem can be managed. If a purchasing department determines the format of your bids or request for price quotes, you may have to convince the purchasing agent that food is different from other commodities.

Purchasing food and supplies would be so much simpler if product packaging were similar. The differences in packaging are more common for food than for other supplies purchased for school districts.

INFORMATION

A bid unit is the unit upon which the vendor is to offer a price. A bid unit

A bid unit is the unit upon which the vendor is to offer a price.

should be a common denominator for all approved brands and should be in the best interest of the children. Let's

CHOICE

look at some examples.

1. **Green beans Brand A - 6/#10**
Green beans Brand B - 6/#10
Green beans Brand C - 6/#10

What is the common denominator?
Case.

In this example, we would put "6/#10 per case" in the description of the item, and "case" in the bid unit column.

2. **Corn, w/k, frozen Brand A - 20#**
Corn, w/k, frozen Brand B - 20#
Corn, w/k, frozen Brand C - 20#

What is the common denominator?
Case.

When choosing this bid unit, would you accept a substitute of 12/3# per case?

If the answer is yes, the description would read "12/3# or 20# acceptable," and the bid unit would be changed to "pound."

If the answer is no, the description would read "20# only" and the bid unit would be "case."

Substitute packaging normally is not considered with 6/#10 products because an industry standard has been established for most items. As more companies begin stocking pouch pack product, you may have to specify "6/#10 only," if that is your choice.

3. **Ground beef - 10#**
Ground beef - 15#
Ground beef - 20#

What is the common denominator?
Pound.

In this example the description would not specify a pack size, and the bid unit would be pound.

Consider if you would accept a case weight greater than 20 pounds. If the answer is no, you might want to add in the description "maximum case weight 20#."

4. **Breaded chicken patties**
Brand A 3.2 oz - 2 oz meat/meat alternate
Brand B 3.3 oz - 2 oz meat/meat alternate
Brand C 3.5 oz - 2 oz meat/meat alternate

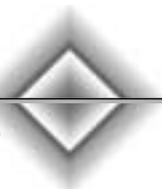
Is the common denominator a pound or a serving that is, "each"?

A pound bid unit gives an advantage to the vendor with the smaller patty. An "each" unit is to the advantage of the children. Each plate will contain one patty regardless of the size.

In this example the description would not have a case count, but would read "to be CN labeled to provide 2 oz meat/meat alternate per serving," and the bid unit would read "each."

If there are products on the market smaller than 3.3 oz that provide 2 oz meat/meat alternate, the description might read, "minimum patty size 3.3 oz."

5. **Mustard, portion pack Brand A - 200 per case**



Mustard, portion pack Brand B - 500 per case

What is the common denominator?
Each.

Will the price for a single packet of mustard register if you require that all prices are rounded to two or four decimals? A 7-gram mustard, when bid "each," will come out to \$0.00009. With this kind of

product, the appropriate choice is a multiple of the common denominator. For portion pack items you might choose per 100 packets as the bid unit, such as "per 100."

Below is an example of how this would appear on the bid or price quote forms.

Bid Units

Item description	Approved brands	Bid unit	Quantity	Unit price	Extended
Green beans, 6/10		Case			
Corn, whole kernel, frozen, 20# only		Case			
Corn, whole kernel, frozen, 12/3# or 20# How packed? _____		Pound			
Ground beef, How packed? _____		Pound			
Ground beef, Maximum case weight 20# How packed? _____		Pound			
Breaded chicken patty, to be CN labeled to provide 2 oz meat/meat alternate. How packed? _____		Each			
Breaded chicken patty, to be CN labeled to provide 2 oz meat/meat alternate, minimum patty size 3.3 oz. How packed? _____		Each			
Mustard, prepared, 7 gm How packed? _____		per 100			

Note: These examples are not intended to be complete descriptions. Only those items necessary to explain bid unit are included.

CHOICE

Handy hints for choosing a bid unit:

- ▲ If all pack sizes are standard, include the pack size in the description, and the bid unit is a case, bag, or box.
- ▲ If specific pack sizes are the only ones acceptable, the description should include the pack size followed by the word "only," and the bid unit is case.
- ▲ If upper or lower limits apply to the size of the servings or the case, the description should read "maximum size XX" or "minimum size XX," and the bid unit is the common denominator.
- ▲ Choose a bid unit large enough that a price carried four decimals will register. Portion pack items are a good example of this potential problem.

When specifying something other than a case, bag, or box, leave space for the vendor to answer the question, "How is your product packed?" which is normally shortened to "how packed?"

Give vendors instructions on how they should compute units of measure when they fill out the bid or price quote forms.

Have you ever seen an invoice where the prices were carried to more than two decimals? Of course not; you can't split a penny. However, the prices on a bid are often carried several decimal points. Your school district can specify that price per unit shall be rounded to the nearest whole cent, but

think twice before making this decision. Vendors are often willing to reduce the price 1/100th of a cent in order to gain the competitive advantage. They may not be willing to drop the price a whole cent. The number of decimal places is a major consideration when the bid unit is less than a case. Consider this example for corn dogs; the bid unit is "each":

Vendor A quoted \$0.3589 each

Vendor B quoted \$0.36 each

The invoice price for a 40-count case:

Vendor A - \$14.36

Vendor B - \$14.40

This example raises another issue: How will rounding affect the bid price when converting to an invoice price? Will Vendor A invoice the district at \$14.36 or \$14.35? Are you thinking, "But that is only a penny a case, why make it more complicated than necessary?"

Remember the rule, "*Cost is controlled a penny at the time, not a hundred dollars at the time.*" In a school district that purchases 1,000 cases a year the differences could result in considerable cost savings. If the bid had required rounding to two decimal places, the company that bid \$0.3589 would not have reduced the bid to \$0.35 but would instead have been forced to bid \$0.36.

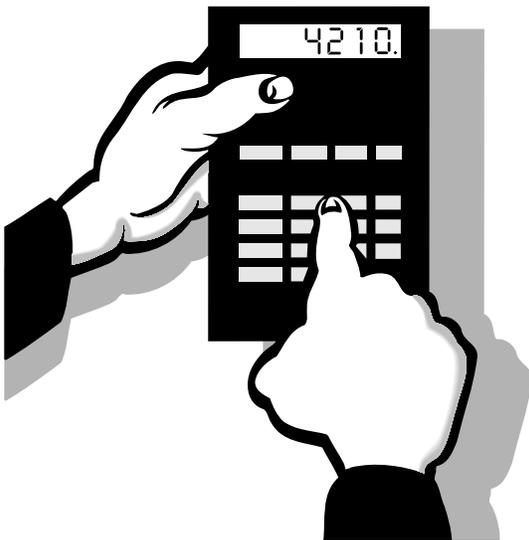
A savings of \$0.04 per case on 1,000 cases is equal to \$40. When converting to case cost, rounding difference of

\$0.01 per case on 1,000 cases is \$10.

Make sure bid or price quote instructions specify how bid price will convert to case price. The fair instruction is to multiply the per serving price by the case count and round to the nearest two decimal places. Are you saying, *"But how else would you make the conversion?"* A vendor could round to the nearest two decimal number and then multiply by the case count.

$$\$0.3589 \times 40 = \$14.356 \text{ or } \$14.36$$

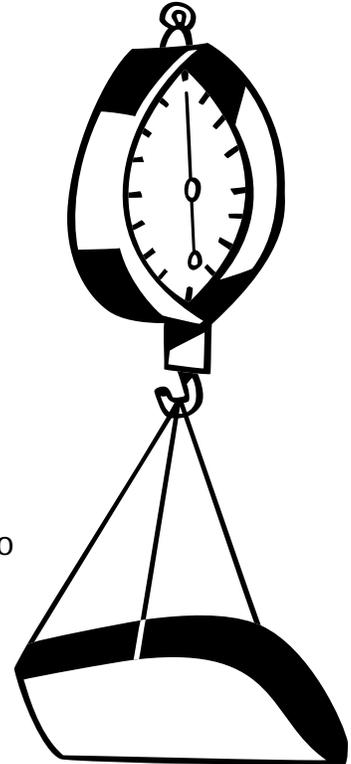
$$\$0.3589 \text{ or } .36 \times 40 = \$14.40$$

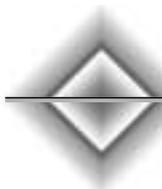


Summary

Food is more difficult to purchase than other items that school districts buy. Inconsistent pack sizes adds a different dimension to developing bids for food supplies. To compare prices, it is necessary to determine a common size denominator. In some cases, there may be two common denominators for the same product. Therefore, the bid unit should be chosen that controls the cost per serving.

Are you thinking, "Who would take the time to figure that out?" Remember that margins in the food industry are small. Bid specialists spend 100 percent of their time developing methods to give their companies the competitive advantage. The skill and professionalism with which these specialists perform their jobs is commendable. As a professional working for the benefit of children you must be diligent to keep the rules of the game fair. See standard contract language, Appendix 16, for recommended wording regarding decimals.





Notes

A large, empty rectangular box with a thin black border, intended for taking notes.

CHOICE

CHAPTER 7

Developing Product Specifications



Practice

Does this conversation between school purchasers sound familiar?

"Well, so far I understand how to determine the bid unit for a product, and have developed a plan for allocation of my time."

"Yes, but are we writing specifications, identifications, or descriptions? I have read all three terms."

"Do we use brand names?"

"The purchasing office says you cannot restrict brands, that you have to state it as XYZ Brand or approved equal."

"But if you say 'or equal' when the bid actually opens it is almost impossible to determine if all brands quoted are equal."

"Yes, and I know I often make mistakes because of the pressure to make a recommendation on bid award before the board meets."

"I don't have to have board approval, but I always put the bid opening as close to first delivery as possible to decrease the time prices have to stay firm."

"Regardless of the reason, you cannot make quality decisions on some food products in a short time."

"That's right, and if you make a wrong decision the quality of the food served goes down."

"Did you ever try to cancel a bid award because of quality?"

CHOICE

School purchasers are constantly struggling with evaluating quality at the time of bid opening. When there is a 10 to 30 percent difference in the prices of competing brands, you know there is a quality difference. Proving that quality difference requires detailed research, and time does not often permit that luxury.

Understanding food manufacturing processes and the impact on food quality requires the skill of a food technologist. Few school districts have the services of a person with this educational and experience background. Sales representatives can be helpful, but they are in business to sell a specific brand. If you do not have enough product knowledge, they can slant the decision in their favor.

The unstable nature of the food market doesn't allow for long lead times between bid opening and first delivery. As school purchasers are aware, there is a direct relationship between the length of time a price must be held firm and the price paid for product.

INFORMATION

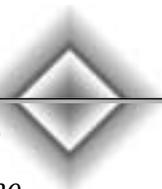
A specification is a statement that contains a detailed description or enumerates particulars of a product. Various authors list different elements for a food specification. The list following presents the opinions of several authors.

Characteristics in a specification

- ▲ Name of product
- ▲ Federal grade
- ▲ Size information for container and product

- ▲ Unit on which price will be based (bid units)
- ▲ Quality indicators: product type dictates the quality indicators; e.g., type, style, pack, syrup density, specific gravity, age, exact cutting instructions, weight range, composition, condition upon receipt of product, fat content, cut of meat used, market class, variety, degree of ripeness or maturity, geographical origin, temperature during delivery and upon receipt, sugar ratio, milk fat content, milk solids and bacteria count, brand names, trim or yield, preservation or processing method, trade association standards, chemical standards
- ▲ Packaging procedures and type of package
- ▲ Test or inspection procedures

The question is, how are we to know all those details on more than 300 items? There are many excellent references giving product specification details. Some of the best specifications are written by the food technologist employed by the Agricultural Marketing Service (AMS) and the Farm Service Agency (FSA) of USDA. The web site <http://www.ams.usda.gov/> gives the specifications for those donated foods purchased by AMS. At the AMS web site select food purchases and then product descriptions to view the specifications. Following is an excerpt from the chicken nugget and patty specification:



I. GENERAL

Frozen cooked breaded chicken nuggets and patties (commodity) produced under this Specification will be packaged and packed in the following forms as specified in the contract:

Chicken Nuggets (222330) - Frozen cooked breaded chicken nuggets, produced from ready-to-cook chicken and chicken products (parts), or boneless parts, meat, and skin.

Chicken nuggets will be packaged 5 or 10 pounds (2.27 or 4.54 kg) per plastic-film bag to a net weight of 30 pounds (13.61 kg) in each fiberboard shipping container. A purchase unit will consist of 1,300 shipping containers totaling 39,000 pounds (17,690 kg).

II. COMMODITY SPECIFICATIONS

A. Basic Requirements

1. Date Processed. *The commodity must not be processed or packaged more than 30 days prior to the first day of the delivery period.*

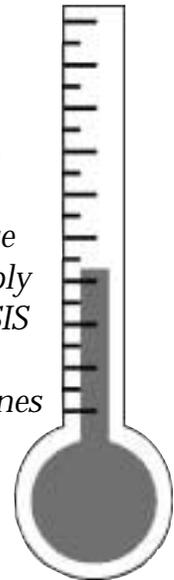
2. Class. *The commodity must be prepared from freshly slaughtered chickens (broiler/fryers, 9 C.F.R. Part 381 or 7 C.F.R. 70.201(c)).*

3. Origin of Chickens. *The commodity must be produced and processed from chickens which were produced, raised, and processed in the United States, its territories or possessions, the Commonwealth of Puerto Rico, or the Trust Territories of the Pacific Islands. If the contractor processes or handles chicken products*

originating from sources other than the United States, its territories or possessions, Puerto Rico, or the Trust Territories of the Pacific Islands, the contractor must have an acceptable identification and segregation plan for those chicken products to ensure they are not used in the commodity produced under this Specification. This plan must be made available to a representative of the Grading Branch, Poultry Programs, AMS, USDA (grader), and the Contracting Officer or agent thereof upon request. The contractor must ensure that both the contractor and subcontractor(s) maintain records such as invoices, or production and inventory records evidencing product origin, and make such records available for review by the USDA grader or other Government official(s) in accordance with Article 76 of USDA-1.

4. Product Temperature.

The temperature of chicken and chicken products, size reduced meat and skin, cooked commodity, and the individually frozen commodity, unless otherwise specified herein, must comply with 9 C.F.R. 381.66 and FSIS Directive 7110.3 (Time/Temperature Guidelines For Cooling Heated Products) throughout all operations including transportation between plants.



CHOICE

5. Chicken Products From Other Plants. *Chilled chicken and chicken products may be transferred or obtained from other processing plants, provided they: (1) have been processed, handled, and identified in accordance with this Specification, and (2) comply with the freshly slaughtered, organoleptic, temperature, and other applicable requirements of this Specification as evidenced by USDA certification.*

a. *Type, class, and specific name of the product; date slaughtered; and the USDA-assigned plant number must be shown on each shipping container.*

6. Meat. *The following kinds of boneless, skinless meat, in the amounts specified, must be used to prepare the raw chicken portion of the commodity.*

a. **White meat.** *The minimum amount of ground white meat used in the formula must be 51 percent of the total weight of the formula.*

(1) *Breast meat and tenderloins. The white meat must be from boneless and skinless breasts and tenderloins. No more than one-third of a breast half (1/6 of a whole breast) or one-half of tenderloins may be missing. Rib meat may be used when attached to the breast portions described in this paragraph.*

(2) *Wing meat. Boneless, skinless wing meat from the first portion of the wing may be used when attached to the breast portions.*

b. **Dark meat.** *The maximum amount of ground dark meat used in the formula must be 41.65 percent of the*

total weight of the formula. Dark meat may consist of thigh meat, combination of drumstick and thigh meat in natural proportion as it is removed from the carcass, or when formulated, drumstick meat may replace a maximum of 45 percent of the thigh meat used in the formula. This is equivalent to a maximum of 18.74 percent of total weight of the formula which could be drumstick meat.

(1) *Thigh meat. The thigh meat must be boneless and skinless with no more than one-half of the thigh meat missing.*

(2) *Drumstick meat. Drumstick meat may be used. The drumstick meat must be boneless and skinless with no more than one-half of the drumstick meat missing.*

7. Unacceptable Meat. *No frozen or previously frozen chicken or chicken products may be used. Mechanically separated (comminuted), flaked, or finely chopped meat cannot be used.*

8. Skin. *The skin must be removed from the meat before size reduction. The layers of fat and any fatty tissue or membranes must be removed from the neck skin and skin covering the crop area before it can be used.*

9. Organoleptic and Defect Requirements.

a. *Organoleptic requirements. The skin and boneless, skinless white meat, thigh meat, and drumstick meat will be examined on a continuous basis for organoleptic requirements shown in Table 1 below. Any meat or skin that*

does not comply with the organoleptic requirements will be rejected for use under this Specification.

b. Defect requirements. Prior to size reduction, 30 pieces of each meat component and skin will be sampled and examined separately for the defects shown in Table 1.

The frequency of sampling and the number of defects allowed will be those outlined in Poultry Programs' Sample Plan Level 2 (SPL-2). The examination for bone will be made separately from the examination for other defects.

(1) Regardless of the kind and number of defects (within Table 1) found, any sample with bone or hard bone-like material greater than 0.75 inch (1.91 cm) will be cause for the rejection of the product the sample represents.

(2) If the number of bone defects exceed the maximum for the "target" level, or results in a rejection, the frequency of sampling for bone defects will be increased to 30 pieces of meat and/or skin drawn twice each sampling interval until the cumulative number of bone defects reverts back to the "target" level.

The most difficult group of products on which to develop specifications is further-processed meat products. Because these products also fall in the product group that accounts for the most dollars per item, it is important to write measurable specifications.

A specification must provide for verifying quality characteristics, either on the production line through visual inspection or through laboratory

analysis. Let's pretend that we are in a school kitchen in a location that does not have access to a laboratory. School purchasers must be in a position to evaluate all products against the specification used. If you were required to receive product based on this specification, where are the gaps in your knowledge?

In the exercise that follows list those characteristics that could not be verified at the point of receipt. The first two show how to get started.

Measuring quality characteristics at the point of receipt (an exercise)

1. Chicken raised in the United States (no way to determine in the kitchen)
2. Organoleptic
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

CHOICE

Purchasing specialists in the commercial segment (restaurants, convenience stores) and the non-commercial segment (health care, correctional facilities, and school food service) all agree that specifications should be in writing.

The reasons for written specifications:

- ▲ Clarifies what the food production unit wants.
- ▲ Informs the distributor and manufacturer what the customer wants.
- ▲ Advises the receiving clerk what should be delivered.

A variety of authors cite many problems related to the use of specifications. Some of the problems are:

- ▲ Brand prejudice as evidenced by naming a single brand without "or equal" terminology.
- ▲ Delivery requirements, quality tolerance limits, cost limits and quantity limits if unreasonable add to the price without adding to overall value.
- ▲ Inadvertent discrimination; i.e., if specifications limit you to one supplier, the time, money and effort devoted to specification development has been wasted.
- ▲ Risk of cost increases when quality level specified is difficult for the supplier to obtain.
- ▲ Heavy or extreme reliance on government grade standards; e.g.,

when you require fruits and vegetables in the upper limits of grade A, or only in the lower limits of grade B.

- ▲ Developing specifications and using them for an extended period with no revisions.
- ▲ Purchasing and receiving staff not trained to use specifications.

Some of the additional problems which schools can encounter:

- ▲ Getting hit with the "low ball" when vendors try to decrease the quality or trade up to a more profitable item after getting the bid.
- ▲ Inequality among bidders when the specifications are too loose.
- ▲ Decreased competition because of brand prejudice.
- ▲ Specifications too tight that limit competition.
- ▲ Bidding advertises your mistakes, and you get stuck for the contract period.
- ▲ Redundant favoritism, when the buyer sends out bids and rejects all except the usual company, a genuine annoyance to bidders that discourages competition.
- ▲ Random bidders, when suppliers bid for your business only when their regular business is slow.

The negatives associated with the use of specifications are clear. If the school district does not have the staff

expertise to develop and effectively use specifications, what is the alternative?

Alternative to using specifications

The use of descriptions (identifications) with pre-approved brands works well in most school districts. Approved brands can restrict competition if not used correctly. The public purchaser must be constantly alert to avoid any appearance of favoritism.

Approved brands can restrict competition if not used correctly

A description is limited to those characteristics that are essential for communication with the supplier and can be measured at the point of receipt. For each characteristic in a description, answer the question, "How will the school kitchen staff measure this characteristic?"

A description is limited to those characteristics that are essential for communication with the supplier and can be measured at the point of receipt.

If it is necessary to include characteristics that cannot be measured in the school kitchen, the pre-approved brand provides receiving information. It is easy to teach school receivers to check the brand and code number of a product. Receiving is often the "missing link" in the purchasing process. Some characteristics can be measured through random testing during the preapproval process.

Developing descriptions

Developing descriptions for one ingredient and one major ingredient food products is not difficult and does not require a lot of time. Use a reliable reference to find the standard of identity and review the grade standard. You do not need to include in the description

Do not include in the description those characteristics covered in the standard of identity.

those characteristics covered in the standard of identity. A blanket statement in the bid/price quote instructions should incorporate all federal standards of identity and grade standards. Determine the grade standard which is appropriate for the intended use of the product and include in the description the words "To be packed to USDA grade (insert letter grade) standards."

Developing descriptions for multiple ingredient (highly processed) foods is

CHOICE

much more difficult. You need a system for this task to get consistent results, such as the example that follows:

- Step 1** Research the regulations that affect the manufacture of this food.
- Step 2** Seek help in understanding any complex issues covered by the regulations
- Step 3** Research any industry standards for manufacture of this product, such as the IMPS (Institutional Meat Purchase Specifications) published by the National Association of Meat Purveyors.
- Step 4** Talk to technical product and bid specialist at major manufacturers and develop a list of those quality indicators they consider necessary for a fair description.
- Step 5** Determine those quality indicators where the regulations do not provide adequate information.
- Step 6** Research those quality indicators where additional information is necessary.
- Step 7** Conduct student taste test to determine which product to purchase. For example, test four hot dogs to determine which flavor the students prefer: a pork predominant sample, beef predominant sample, a beef and pork predominant sample, or a sample with chicken or turkey.

- Step 8** Write a draft description.
- Step 9** Use the draft as a guide and prepare a product comparison work sheet based on the products available in the market place. Putting in description requirements that are not already available boosts the cost. Only very large SFA's or purchasing cooperatives can afford to have products manufactured to their descriptions. What is large? Organizations purchasing for over 300,000 students.
- Step 10** Make modifications in the description if necessary.
- Step 11** Request a review of the description by the technical product and bid specialist at major manufacturers.
- Step 12** Resolve any differences between description and manufacturers' review and revise the description if necessary.
- Step 13** Conduct student acceptability test for approved brands.

Commercial item descriptions

The Food Quality Assurance Staff (FQAS) of the Agricultural Marketing Service, USDA, develops Commercial Item Descriptions (CIDs). CIDs are simplified product descriptions that concisely describe key salient product characteristics of an available, acceptable commercial product and can provide valuable information for

schools when conducting research related to the development of food descriptions. For copies of CIDs or additional information about FQAS, contact can be made at:

*Food Quality Assurance Staff,
Fruit and Vegetable Programs,
Agricultural Marketing Service,
USDA, Stop 0243
1400 Independence Avenue, SW
Washington, D.C. 20250-0243
Phone: 202-720-9939
FAX: 202-690-0102
Internet: @http:// www.ams.usda.gov*

Increasing product knowledge

The food technology staff employed by the manufacturers of the products purchased are excellent resources for

Planning a one-day workshop on a product is an effective training activity.

improving product knowledge. Planning a one-day workshop on a product is an effective training activity. To make it cost effective for the manufacturer to make the food technology staff available, several school districts could send representatives to this workshop. Each manufacturer is allowed to choose a topic for presentation. After all of the information has been presented, a panel of all presenters is an effective tool for obtaining answers to questions. The major topics for the agenda are the same for all products.

Distributors can provide assistance in contacting manufacturers.



The more highly regulated an industry the easier it is to develop descriptions. Getting adequate information on new products is difficult. New food products are constantly introduced, and all pass through four stages:

Introduction of new products

- 1) Launch - cost is high because of development and marketing cost.

CHOICE

- 2) Market growth - costs are lower, sales growth is rapid.
- 3) Maturity - prices decrease as competition increases.
- 4) Final - demand for the product drops, and supply remains stable. New products are developed by manufacturers to replace this product, and the cycle starts over.

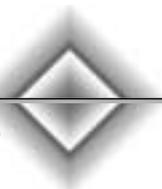
Schools constantly seek new products to avoid the boredom associated with serving a captive customer. A conservative policy on the

introduction of new products can reduce errors and save time devoted to developing descriptions for multiple-ingredient foods. Products normally move through the phases rapidly often less than a year between the launch and maturity phase. Waiting until the maturity phase can save time and money and still keep new products coming to students. Review descriptions each time a request for pricing is issued because manufacturing processes change constantly.

Examples of product descriptions

The table that follows gives an example of a product description for each type shown.

Product type	Brand approval	Product description	Bid unit
One ingredient (plain food)	Distributor's Choice	Salt, iodized, for table use, maximum size per container 1#	Dozen
One major ingredient, other seasoning ingredients	Private Label	Peaches, sliced, U. S. Grade B, light syrup, 6 #10 per case	Case
Multiple ingredients (highly processed)	Manufacturer's Brand	Chicken nuggets, first ingredient to be chicken breast with rib meat, whole egg solids to be no higher than fifth position in ingredient listing, soy concentrate or isolate allowed, to be CN labeled to provide 2 oz meat/meat alternate, minimum nuggets per 2 oz = 5, maximum nuggets per 2 oz = 6, breaded, precooked.	per 2 oz serving



References

Purchasing staff must have an adequate reference library to develop product descriptions. Following are appropriate references.

Food Standards and Labeling Policy Book, Food Safety and Inspection Service (FSIS), USDA, 1999. Government Printing Office stock #901-008-00000-1, Price: \$69.00 as of 2/9/2001. Order from Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954, or online at <http://www.gpo.gov/> and select U. S. government online bookstore.

Use: locating standard names for products, and the meaning of words on labels.

Code of Federal Regulations Title 9, Part 200 to the end, Animal and Animal Products, 2001. Government Printing Office stock #869-044-00024-5, Price: not available as of 2/9/2001. Order from Superintendent of Documents, Mail Stop SSOP, Washington DC 20402-9328, or online at <http://www.gpo.gov/> and select U. S. government online bookstore.

Use: Information on food safety inspections, labeling and standards of identity for meat.

Institutional Meat Specifications (IMPS), published by the Agricultural Marketing Service at The United States Department of Agriculture, available online at <http://www.ams.usda.gov>, or call 202-720-4486, or write USDA, AMS, LS, SB, 1400 Independence Avenue, SW, Stop 0254, Washington, D. C. 20250-0254.

Use: To provide information when developing meat descriptions.

Thomas Food Industry Register's Buying Guide, published by Thomas Publishing Company, available free to purchasers or specifier of food as of 2/12/2001, call 800-305-tfir, or 212-290-7341, or Fax 212-290-8749, or order or search online at <http://www.tfir.com>.

Use: To locate manufacturers of a product.

The Almanac of the Canning and Freezing Industry, 1999, Price \$73.00 as of 1/12/2001, Order from Edward E. Judges Company, P.O. Box 866, Westminster, MD 21158 or online at <http://www.ejudge.com/order.html>

Use: Standards of identity and grade standards for canned and frozen fruits and vegetables.

Choice Plus: A Reference Guide for Foods and Ingredients, Food and Nutrition Service (FNS), USDA, National Food Service Management Institute order # FCS-297, Price \$33.25, 2/9/2001. Order from National Food Service Management Institute, The University of Mississippi, P. O. Drawer 188, University, MS 38677-0188 or print an order form online at <http://www.nfsmi.org>.

Use: Writing descriptions for the 125 foods included in the guide; provides source for standard of identity and grade standard and has several examples of sample descriptions.

Frozen Food Book of Knowledge, 1992, Price: \$10.00 plus shipping and handling as of 2/12/2001, order from The National Frozen Food Association, P.O. Box 6069, 4755 Linglestown Road, Suite 300, Harrisburg, PA 17112, or on the internet at <http://www.nffa.org>.

Use: To determine that a description of a food item is consistent with what is currently manufactured.

CHOICE

Meat and Poultry Inspection Directory, \$42.00 as of 2/12/2001, GPO List ID DMPIP, order from the Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA15250-7954, or fax 202-512- 2250 or order online @<http://www.fsis.usda.gov/oa/pubs/gpoorder.htm>

Use: To determine if a meat manufacturer has a USDA approved laboratory and to trace the establishment number found on a meat label.

An Evaluation of the Role of Microbiological Criteria for Foods and Food Ingredients; National Academy Press; Washington, DC; 1985.

HACCP A practical approach, 2nd ed., Sara Mortimore and Carol Wallace; Aspen Publication; 1998.

Use: Explain HACCP in detail and guide participant through developing a HACCP training program

U. S. Government bookstores

Federal government publications can often be purchased at bookstores operated by the federal government. U. S. government bookstores are located in the following cities:

Seattle, Washington; Portland, OR; San Francisco, and Los Angeles, CA; Denver, and Pueblo, CO; Dallas and Houston, TX; Milwaukee, WI; Chicago, Il; Kansas City, MO; Detroit, MI; Columbus, and Cleveland, OH; Birmingham, AL; Atlanta, GA; Jacksonville, FL; Pittsburgh, and Philadelphia, PA; Laurel, Maryland; Washington, DC (2); New York, NY; Boston, MA. For the phone numbers and street address consult the local phone directory or online at <http://www.bookstore.gpo.gov/locations/index.html>.

 **Summary**

Specifications/descriptions should be in writing. Specification writing requires skills not available in most school districts. Bids make the use of specifications much more complex for schools than for the commercial sector. Prior approval of brands based on screening of products is the most effective approach for school districts. The use of descriptions with pre-approved brands helps to close the link between descriptions and the product received in the school kitchen. Developing descriptions for one ingredient and one major ingredient foods is not very difficult, as these products are highly regulated and the manufacturing process is stable. Multiple ingredient (highly processed) food descriptions are time consuming. Developing a system for researching issues associated with highly processed foods will yield consistent results. A school purchaser should maintain a reference library adequate to support the development of descriptions for all foods.

CHAPTER 8

Brand Approval



Practice

Each time a bid is opened in a school district in the United States conversations like this take place.

"The bid called for OPQ Brand or approved equal. Why can't they just bid the brand I requested? How am I supposed to know if TUV brand is equal?"

"Yes, if we could just take that or equal off the bid, this process would not be so complicated."

We always have to remember that we are spending taxpayers' dollars, so we have to maintain open and free competition."

"I heard at a workshop that you did not have to use approved equal, but that you have to go through a long pre-bid conference to approve brands."

"The key I heard was plural brands, not just one brand."

"At this workshop they talked about the direct relationship between the number of brands approved and the price you pay for a product."

Bids with only one brand approved or one brand and "approved equal" are becoming more common. Increased use of highly processed products is making

food more complex. As food becomes more complex and processors put more effort into quality control, more school districts bid approved brands.

CHOICE

INFORMATION

The struggle to compare "apples to apples" in the descriptions of food products is perhaps the most difficult task school purchasers face. Unless a food technologist is available to develop complex food specifications for a school district, there must be another way. Using approved brands with product descriptions is an effective approach to developing comparability.

The struggle to compare "apples to apples" in the descriptions of food products is perhaps the most difficult task school purchasers face.

Brand approval timing

School purchasers operate in two distinctly different environments. In many districts food service has total control of the purchasing function except for broad district policies. In other situations a purchasing department exercises a good deal of control over food service purchases. If you operate in an environment with external controls, you will have to convince that work group that you are not restricting competition with the change to prior approval of brands.

With "brands or approved equal,"

and use of a product description with no brands the approval decision is made between bid opening and bid award. With "approved brands only" the decisions are made before issuing the bid request. The only difference in the two systems is timing of the brand approval decision.

When "brands or approved equal" or product descriptions with no brands is the system in use the period immediately following bid opening is very hectic. Many quality decisions must be made rapidly. In this hurried environment mistakes are inevitable. Following are the steps for developing each system of brand approval.

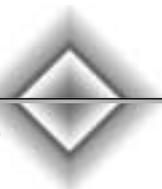
Brand or approved equal or no brands - after bids

- Step 1 Write product descriptions.
- Step 2 Issue the bid request to potential bidders.
- Step 3 Open bids.
- Step 4 Evaluate bids. This is the step at which brand decisions must be made.
- Step 5 Award bids.

Approved brands only - before bid request

When this system is used, follow all steps to avoid restricting competition.

- Step 1 Write product descriptions.
- Step 2 Classify all products by brand approval category.
- Step 3 Conduct pre-bid conference with potential bidders.
- Step 4 Screen brands for approval.
- Step 5 Notify potential bidders of



- brand screening results.
- Step 6 Allow potential bidders to submit additional brands if the original brand submitted was rejected.
- Step 7 Screen second group of brands.
- Step 8 Issue a final draft of the product and brand list.
- Step 9 Conduct a final pre-bid conference.
- Step 10 Issue the bid to potential bidders.
- Step 11 Open bids.
- Step 12 Evaluate bids.
- Step 13 Award bids.

Obviously "approved brands only" is more time consuming. The time investment is concentrated in the first year of the change. Screening brands

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can require as much as 90 days spread over a year. After the first year the maintenance time is about the same or a little less than required for "or equal." Prior approval of brands provides control of the quality decisions.

Categories of brand approval

Food products can be divided into the following categories for brand approval:

Distributor's Choice food and supplies - Products that contain one ingredient, and/or few dollars are spent on the product.

Private Label - Products packed under industry accepted standards and labeled for one of the private cooperative/corporate groups. These products normally contain one major ingredient and other seasoning ingredients.

Manufacturer's Brand - Products that contain multiple ingredients, are highly processed, and subject to tremendous variations in quality among brands.

When deciding which category of brand approvals to use for a product, the experience of the school district is the best guide. School purchasers generally agree that French fried potatoes is an exception to this rule due to the complexity of processing and the proportion of food budget normally spent for this product. Brand approvals are not permanent and can be changed in the next bid period if the need arises.

More on Distributor's Choice

The simplest brand approval category is Distributor's Choice. The term means the distributor may quote a price on any brand. The school district places no restrictions on the brands to be purchased. The distributor is not asked to identify the brand being bid, and the site receiver does not check the brand delivered. Therefore, the distributor may change the brand without notifying the school district.

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Some examples of foods normally placed in Distributor's Choice category are salt, sugar, flour, meal, food coloring, and cornstarch.

When developing descriptions for these products, you need only the name of the product and other critical characteristics. Using salt as an example, the description might read,

"Salt, for table use, iodized, maximum size 25#."

Name of the product: Salt

Use: for table use

Critical characteristic: iodized (both iodized and non-iodized are stocked)

Size: maximum 25# (or could choose maximum 16-ounce)

How would this item look on the bid document?

Product	Bid Unit	Brand Approval
Salt, for table use, iodized, maximum size 25# How Packed? _____	Pound	Distributor's Choice

Distributor's Choice brand approval allows the distributor to use his knowledge of the market to the advantage of the school district throughout the bid period. A note of caution: Don't allow brand switching to increase cost, even if the bid system is not firm and allows for increases.

Pre-bid conference

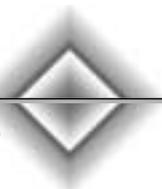
Now let's examine steps required to approve brands before issuing price requests. The purpose of the pre-bid conference is to determine what brands each potential bidder wants considered for prior approval.

General rules for the first pre-bid conference:

1. Schedule an individual conference with each potential bidder. The brands on which a distributor may

offer a price is one factor that could give the firm a competitive advantage. This early in the bid process bidders would prefer not to disclose that information to their competition. They will discuss brands to be considered more openly if the conference is private. Competition has not been restricted until a bid has been issued and awarded. The early pre-bid conference is only gathering information. All brands approved will be provided to all potential bidders at the final pre-bid conference.

2. Prepare a list prior to this conference of all products to be purchased. Indicate those items that will be approved as Distributor's Choice. Provide all potential bidders with a copy of



this list a week to 10 days before the meeting.

3. The individual representing the potential contractor at this meeting must be knowledgeable about the product line. You want to meet with a representative who has the most knowledge of the products the company sells. A sales representative or sales manager should not attend the meeting as the only representative of the company. A specialist from the bid department or a buyer is an excellent representative. How well you sell the school district as a valuable customer will determine which representative attends the pre-bid conference.
4. Schedule the appointment a minimum of one month in advance. The person with the most product knowledge is a valuable employee who is very busy. Schedule the appointment by phone, but confirm in writing. See Appendix 12 for a sample letter.
5. Plan at least one hour for each 15 products that will be approved as Private Label or Manufacturer's Brand.
6. The meeting should be held on the distributor's business premises. Questions will arise during the conference. If the meeting is on the distributor's premises the school district will have access to product specialists and their knowledge. It is too costly for the distributor to send all of the product specialists to a pre-bid

conference. The distributor representative will also be able to pull product from inventory to allow the school district to review labels. Holding this meeting on the distributor's premises will save everyone time.

7. Samples should never be accepted at the pre-bid conference.

**Samples should never
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The first pre-bid conference

1. Discuss each item (except those marked Distributor's Choice) and ask the potential bidder to name the brand they would like screened for approval.
2. Advise the company representatives of the status of the brand they want screened. If you require follow-up, be specific about what the company is to do. Potentially you will tell the company one of the following:
 - a)"A company that had an appointment prior to yours has also requested screening of that product. Since they are providing a label, nutritional analysis, and preparation instructions on that item, you do not have to follow up. We will advise you of the results of the screen."

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b) "That is one of the products on which we are accepting your Private Label; therefore, no additional follow-up is required."

c) "A copy of that product label, nutritional analysis, and preparation instructions will be required for screening." Never request an original label. Original labels are inventoried and must all be accounted for.

Labels are the same to the company as meal counts are to the school, and manufacturers must maintain accountability.

3. Prepare a pre-bid conference record. The record should detail all decisions made and follow-up required. Below is an example of what a conference record might look like. Appendix 13 is a blank of this form for your use at your own pre-bid conference.

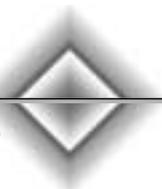
Date:

Pre-Bid Conference Record

Product	Company A Brand	Company B Brand	Company C Brand	Company D Brand
Applesauce	Private	Private	Oak brand	Private
Peaches, sl	"	"	Private	"
Green beans	Acorn brand	"	"	"
Corn-on-cob	Private	"	"	"
Chicken nuggets	#90234 Elm brand	#82614 Poplar brand	#82938 Spruce brand	#465 Aspen brand
Chicken patties	#4093 Elm brand	#289 Poplar brand	#4089 Spruce brand	#5924 Aspen brand
Corn dogs	#2693 Tulip brand	#2784 Petunia brand	#2609 Crocus brand	#2381 Orchid brand
Hot dogs	#1894 White brand	#1894 *White brand	#1768 Blue brand	#1234 Yellow brand
Pulled pork BBQ	#869 Bass brand	#969 Bass brand	#049 Perch brand	#824 Shrimp brand

*Label, nutritional analysis, and preparation instructions will be provided by another company, but this company should be advised of results of screening.

Circled brands - copy of this label and nutritional analysis should be provided by this company.



Choose any legends that suit you. Circling brands is quick, and asterisks are convenient. You will have to record a lot of information quickly.

Explanation

Private Label means the appropriate quality of a cooperative/corporate labeling programs as in Appendix 11. You know the grade of Private Label fruits and vegetables, but you will need confirmation of grade for Oak and Acorn brands, which are Manufacturer's Brands.

White Brand of hot dogs:

Company A will provide the copy of the label and nutritional analysis.



Company A and Company B will be notified of the screen results.

Bass Brand of pulled pork BBQ: the product code numbers are different; therefore, Company A and Company B both will provide copies of the label and nutritional analysis.

After the pre-bid conference confirm in writing the follow-up required of each company. Appendix 15 contains an example of a product tracking sheet useful for follow-up during the brand approval process. Use this same system when considering new products or brands of existing products.

More on Private Labels

The second type of brand approval is the Private Label. The chart found in Appendix 11 shows the labeling system of various cooperative/ corporate groups. These organizations put a lot of time and money in developing an image of quality, based on their labeling systems. Labeling programs have a

reliable history of credibility in the canned and frozen fruit and vegetable industry.

Few canned fruits and vegetables are USDA graded, although there is a voluntary grading system available through the Process Products Branch of the Agricultural Marketing Service at USDA.

This agency performs a valuable service by establishing standards and assisting end users (school districts and other customers) to verify the accuracy of plant grades.

The processed fruit and vegetable industry and the distributor cooperative/corporate groups have adopted USDA grade standards. To protect the investment in their labeling program all groups carefully monitor the quality of products marketed under their label.

**Most companies maintain
a first, second, and
third quality label.**

Most companies maintain a first, second, and third quality label. The equivalent grades of fruits and vegetables are as follows:

First Quality =
Extra Fancy and Fancy Vegetables
 (numerical score 90-100)
Choice Fruits
 (numerical score 80-90)

Few fruits meet the fancy grade standards; therefore, groups put Choice

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(Grade B) fruits under the first quality label. There are exceptions to this general rule – apples and applesauce normally are Fancy Grade under the First Quality label.

Second Quality =

- Extra Standard Vegetables**
(numerical score 80-90)
- Standard Fruits**
(numerical score 70-80)

Third Quality =

- Standard Vegetables**
(numerical score 70-80)
- Substandard Fruits**
(numerical score below 70)

Some vendors will argue that their first, second, or third quality products will grade in the upper range of the numerical score (for Fancy the score is 90 to 100, therefore the upper range might be 95 or better). Some cooperative/corporate groups do require

the products packed under their label to score in an upper range. The issue for school districts: Do you have the time and money to get this specific? If you develop descriptions that are this specific for the fruit and vegetable category, then USDA inspectors must grade the products to ensure that all products bid meet your quality characteristics. A cost-benefit analysis will not justify this much specificity. School districts can trust the credibility of the industry's own quality control and don't need to test canned or frozen fruits and vegetable packed under one of the Private Labels.

To communicate with vendors, use label quality rather than grade standard in product description. Don't use US grades as descriptors since the product is not USDA graded. You could say, "to meet US Grade A or B standards." Examples of descriptions for canned and frozen fruits and vegetables are presented below.

Description	Bid Unit	Brand Approval
Corn, w.k., First Quality, frozen, 20# only	case	Private Label
Tomatoes, diced, Second Quality, 6/#10	case	Private Label
Green Beans, cut, 4 sieve, First Quality, 6/#10	case	Private Label

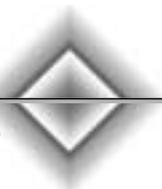


The descriptions above do not include the drained weight or fill of container. These characteristics are covered by federal regulations. See Appendix 16, standard contract language, for recommended wording for the bid/price quote documents.

Include Private Labels in the bid

documents. Put the chart found in Appendix 11 in the instructions section of the bid/price quote documents. To save space you may want to create (cut and paste) a chart that contains only the corporate/cooperative groups represented in your market.

What if a vendor wants to bid on a



product that is not packed under one of the Private Labels? To maintain comparability and integrity of your bid system, don't approve additional brands without confirming quality. You should

test the product, using the fee system available through the AMS.

On your bid documents the descriptions would appear as on this example:

Descriptions	Bid Unit	Brand Approval
Corn, w. k., first quality, frozen, 20# only 	case	Private Label OPQ Brand XYZ Brand

The "how packed?" question was not asked because this is a standard pack item described as the only acceptable pack. The brand bid question was not asked; can you see why? There will be less chance of error if you write instructions that tell bidders simply to circle the brand they are bidding. The instruction should state that the appropriate label for quality level is understood if they are offering a price on a Private Label.

More on Manufacturer's Brand

You have identified Distributors Choice and Private Label products and put them on the product list. You are now ready to deal with the remaining products, all of which fall in the category of Manufacturer's Brand approval. Products are in this category either because of the high dollar volume or comparison problems ("apples to apples").

When developing descriptions for this category, you will find it helpful to

maintain a working copy and a final copy of descriptions. The working copy will contain the details necessary to complete the product comparisons.

As an example, review the product comparison for chicken nuggets.

Name of product: chicken nuggets

Critical characteristics:

Chicken with rib meat to be first ingredient Breaded

Ready to serve

To be CN labeled to provide 2 oz meat/meat alternate

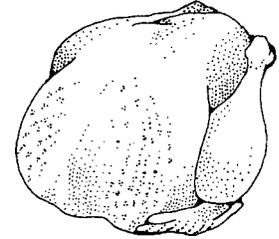
Size: Minimum 5 nuggets per 2 oz serving

This is the working copy for screening.

To simplify the final bid document, many schools remove the working description from the bid forms. All you need is the name of the product and the approved brands. The final bid document would look something like the example on the next page:

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Item Description	Bid Unit	Approved Brands
Chicken nuggets	Each serving	ABC # 9543 XYZ # 3469 TUV # 7439 MNT # 6855
Circle brand quoted		
How packed? _____		



Label numbers and brand approval

Choose numbers used for brand approval carefully. Some acceptable combinations:

- ▲ Manufacturer's Brand and code number
- ▲ Private Label code number and manufacturer's establishment number

If using the Manufacturer's Brand name and product code number, that is all you need. *Example: ABC Brand # 9543.* Manufacturers often change the product code number, so verify this number before issuing new bids.

Many manufacturers produce products for one of the corporate/cooperative group's Private Labels. Don't use Private Label with code number for items that you have classified as Manufacturer's Brand. A cooperative/corporate group may change the manufacturer of the products packed under its label, which may or may not change the quality. To protect the interest of the school district, include the establishment number of the manufacturer with the

Private Label and code number.

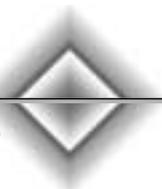
For example:

Private Label # 9567// Est. 7261 A

The professional purchasing community does not agree on the issue of acceptable numbers when a Private Label is involved. One side of the issue argues that using only Manufacturer's Brand increases the number of items a distributor must stock and could increase cost. The other side argues that you cannot easily control quality if you allow the use of Private Labels on Manufacturer's Brand approvals.

The decision you make will impact the training program for site receiving clerks. If you choose to approve Private Labels in combination with the establishment number, site receivers must be trained to check both the product code number and the establishment number on each case.

When developing product comparisons, have a list of establishment numbers for reference. The Directory of the Meat and Poultry Inspections contains a numeric and brand name list of all current establishment numbers. This reference



is updated twice annually.

Each CN labeled product has a unique six-digit number for each brand. If the product you approve is CN labeled, you could use the CN number in documents. The problem is that most distributors' computerized product inventories do not contain the CN number. If this is the only number for brand approval, distributor personnel may not be able to locate the correct product.

Ready to Screen

The working descriptions are written, and a decision has been made about the label numbers for brand approval. You are ready to begin screening brands for approval.

The majority of manufacturers produce two or three quality levels for each type of product. The first quality normally carries the company name as the brand. Determine the manufacturer's brand name of each quality level before you begin screening products. Often the second quality level will match your description and can substantially reduce cost.

Screen products for approval

Screening products is the core of the brand approval process. You'll get samples faster than you can test them unless you have a written, well

Screening products is the core of the brand approval process.

established procedure for screening products and brands. Provide all interested parties (potential bidders, brokers, manufacturers' representatives) with a copy of the procedure. Three steps will help to keep the process organized and save a lot of time:

1. Paper screen - Review label and nutritional analysis for compliance with product description. Review the preparation instructions to determine if they provide adequate information. If the product does not pass this screen, there is no reason to move to the next screen.
2. Appearance screen - Examine packaging and appearance of a sample, including size and depth of a meat product. If you want the product for a sandwich and it is too thick, how the product tastes is not important. If the product does not pass this screen, then there is no reason to move to the next screen.
3. Taste screen - Prepare product and serve to customers. This is the final screen and will determine whether the product or brand is approved.

Appendix 15 is a sample screening procedure which could be modified for use in your school district.

The paper screen

During the pre-bid conference you asked potential bidders for labels, nutritional analysis, and the preparation instructions of brands to be considered.

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Companies may offer a fact sheet instead of the label. Fact sheets come under the "truth in advertising" laws, but not the labeling laws.

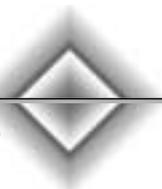
Accept only a copy of the actual label. If vendors say they cannot get a label, suggest that they go to the warehouse, pull a case of product, put the label on the copy machine, and make a copy. As school districts adopt

the concept of prior approval of brands, companies are more willing to supply copies of labels.

Use the label to compare the brand to other brands of the same product. Develop a product comparison sheet for all products on which prior approval of brands is required. An example follows.

Description: *Chicken nuggets: breaded, ready to serve, chicken breast with rib meat to be first ingredient, to be CN labeled to provide 2 oz meat/meat alternate, dried whole egg solids to be no higher than third position in the meat block.*

Characteristics	Brand A	Brand B	Brand C	Brand D
Label name	Chicken nuggets	Nugget-shaped chicken patties	Chicken nuggets	Nugget-shaped chicken patties
Mfg. Code #	3535	49110	2377 $\frac{9}{2}$ 8	3245
Est. #	P9141	P7091A	P1325	P184
CN label #	018584	014048	021893	029095
Serving size	6 = 2 oz m/ma	6 = 2 oz m/ma	5 = 2 oz m/ma	4 = 2 oz m/ma
Pack	10#/320 pieces	10.13#/324 pieces	10.31 250 pieces	10#
1st ingredient	Boneless chicken breast w/rib meat	Chicken breast w/rib meat	Chicken breast w/rib meat	Chicken breast w/rib meat
2nd ingredient	Water	Water	Water	Water
3rd ingredient	Dried whole egg	Dried whole egg	Dried whole egg	Vegetable protein product (isolated soy)
4th ingredient	Sodium phosphate	Salt	Seasoning	Dried whole egg
5th ingredient	Salt	Sodium phosphate	Sodium phosphate	Salt



Product comparison

Why compare only the first five ingredients from the ingredient statement? No reason other than simplicity; a one-page form is easier to work with. For the majority of products the first five ingredients will allow you to make the "apples to apples" comparison. Attach the labels to this comparison form for future reference.

The purpose of label comparison is to determine if products are equal. The name of the product on the label indicates that brand B and D are not the same as Brand A and C. What is the difference? To determine the difference, research the regulations. Are the brands above equal?

The purpose of label comparison is to determine if products are equal.

Brands A and C are equal for purposes of obtaining prices. Brand D contains a VPP product and therefore would not compete equally in price comparison. When this comparison was completed, Brand B and D would be eliminated and would not be screened for appearance or taste.

Use of the Child Nutrition Label for product comparison

The Child Nutrition (CN) label is a resource for evaluating bid items. In the Food Based Menu Planning options, main dish products contributing to the meat/meat alternate component and

juice and juice drink products which contain at least 50 percent full-strength juice by volume are eligible to have CN labels. The CN label provides a common denominator/equalizer of the amount of meat/meat alternate that is creditable toward meal pattern requirements for food based menu planning systems. However, there is no federal requirement that food products have a CN label. While SFAs are not required by Federal regulations to purchase CN-labeled products, some States require the use of CN labels. If a school district desires a CN-labeled product, the purchasing specification must clearly state that a CN-labeled product is required.

When the Nutrient Standard Menu Planning option is used, a CN label may still be used to compare products. However, the CN statement does not provide information on the grams of protein in a serving. If grams of protein are used to compare products, the first source of information on a product would be the Child Nutrition database in nutrient analysis software. If the product is not in the CN database, the Nutrition Facts panel on the label and/or manufacturer's specifications which include nutrient content can be used.

Purchasers need to be aware that using grams of protein has limitations and its use is not applicable in the food based menu planning options. Grams of protein do not provide an indication of the source of protein nor an indication of the quality of the protein. However, grams of protein is a measurable indicator that might be of

Nutrient comparison: Chicken Nuggets

Characteristics	Brand A	Brand B	Brand C	Brand D
Total calories	210	261	230	230
Total fat	15 grams	17.4 grams	15 grams	12.5 grams
Saturated fat	3 grams		3 grams	
Carbohydrate	7 grams	13.5 grams	10 grams	10.4 grams
Protein	12 grams	13.2 grams	14 grams	16.3 grams
Sodium	500 mg	630 mg	360 mg	596 mg
Nutrient data source	Analytical data rounded	not known	not known	not known

value if using nutrient standard menu planning.

More comparison criteria

Don't ask manufacturers for product formulas. Product formulas are the company's exclusive property, and manufacturers will not release this information.

Frequently company sales staff confuse the product analysis sheet with the nutritional analysis. A product analysis by the manufacturer's quality control department states the product's contribution to the meal pattern. A product analysis is often used when a CN label is not required. The formula of a product with a CN label has been approved by USDA, and inspectors are present during manufacture. Each school must decide whether they want the extra control of a CN label. Federal and state auditors accept both the CN label and the product analysis to verify contribution to meal pattern components.

A nutritional analysis provides

information on the grams of fat, sodium, vitamins, minerals, and other nutrients in the food, either from actual laboratory analysis of ingredients or calculation from a standard data base. A nutritional analysis is not required yet, but will become necessary as the new meal pattern regulations are implemented .

Implementing the Dietary Guidelines

Implementing the Dietary Guidelines means that schools must move beyond mere menu making to the purchasing arena. Should your description specify the amount of total fat and saturated fat contained in a product? One of the real dangers is that you will request a product that is not available in the market place. Gather information on the nutrient content of products during the paper screen and then make a decision whether to include such limits in your description.

Implementing the Dietary Guidelines is moving forward quickly. In a few

years we probably will have guidance that will help in writing descriptions. Until the data keep pace with the goals, develop your knowledge of the market place. The second half of the product comparison focuses on the nutrient content of the product.

Revised working description

Completing a product comparison improves knowledge of a product's quality characteristics. A working description can be revised before screening is completed, and the request for pricing is issued. Below is a revised working description for this chicken nugget.

Completing a product comparison improves knowledge of a product's quality characteristics.

Description: Chicken nuggets; breaded, ready to serve, chicken breast with rib meat to be first ingredient, to be CN labeled to provide 2 oz. meat/meat alternate, dried whole egg to be no higher than third position in the meat block, no VPP, minimum 5 nuggets per serving, maximum 15 grams total fat per serving.

Appendix 14 is a blank product comparison form you can reproduce for use in completing your comparisons.

The third part of the paper screen is an evaluation of the food preparation instructions for those products that require further preparation or heating. Manufacturers have a staff of food technologists who provide information on all factors that impact the quality of the product from storage through

service to children. Listed below are the items that should be included in manufacturer's instructions.

The third part of the paper screen is an evaluation of the food preparation instructions for those products that require further preparation or heating.

- ▲ Storage requirement - dry, refrigerated, or frozen. Some instructions will show the actual temperature at which the product should be stored.
- ▲ Length of time the product can be stored.
- ▲ Thawing instructions for the product.
- ▲ The equipment to use for heating or cooking the product.
- ▲ The length of time the product should be cooked, the recommended internal temperature of the product, and the recommended procedure for checking the internal temperature.
- ▲ Any special instructions to follow during the cooking process.
- ▲ Maximum length of time the product can be held after cooking.
- ▲ Any special instructions related to holding, such as dry heat and with or without moisture.

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In addition when completing an evaluation of the manufacturer's instructions a record should be made of where the instructions are located. The following questions should be considered. If they are on the box, do the employees take the product out of the box for storage? If they are in the box and the box is discarded before storage, where do the employees file the

instructions? If it is necessary to contact the manufacturer to get a copy of instructions, once the copy arrives, where is it filed? Making plans to train employees to use the instructions is very important.

Here is an example of a completed evaluation of the manufacturers instructions on three products. Appendix 20 contains a blank form.

Manufacturers' Instructions Evaluation Form

Product	Pizza, Frozen 4 x 6	Ham/buffet Style	Oven-baked French fries
Manufacturer/Brand	Maple	Aspen	Cedar
Code number	78952	12030	32478
Type of storage		Refrigerated	Frozen
Length of storage			
Thawing	Do not thaw		Do not thaw
Equipment	Conventional, convection, or microwave oven	Conventional, convection, or microwave oven	Conventional or convection oven
Cooking time/temperature	Conventional oven - 400° for 15 to 24 minutes; internal temperature should be 150°; Convection oven - 350° for 11 to 18 minutes; microwave on high for 1 to 2 minutes.	Cook at 325° to an internal temperature of 165°.	Preheat the oven. For 1 pan cook for 10 minutes, add a minute for each additional pan. If the oven has a vent open it to release excess steam.
Special instructions	Cheese substitute products generally should be cooked at 25° lower temperature.	Slice and place in a roasting pan with ½ cup water; cover with foil.	
Length of Holding	Best if served within 30 minutes. Should be discarded after two hours.		
Where were instructions found	On the box	In the box	Had to call for copy

The appearance screen

The purpose of the appearance screen is to determine if packaging is appropriate for storage facilities. If only part of the package will be used, can package be closed for storage?

Examine the thickness and diameter of the product to determine if it will provide adequate plate coverage or, if it is a sandwich item, adequate bread coverage. Check for quality characteristics that will not change during the preparation process. If it is a heat-and-serve item, is the amount of browning appropriate?

Review the preparation instructions. Are instructions on the case? Is there a preparation instruction sheet inside the case? If it is not available with the sample, will you be able to get preparation instructions? Do the kitchens have appropriate equipment for this item? If recommended equipment is not available, how will alternative equipment affect the quality of the product?

The screening committee should prepare a narrative of the screen. The number of variables in an appearance screen are not adaptable to a form.

The taste screen

Americans are highly competitive. We grow up with the concept of winning. Society teaches us to seek the number one position. We must be careful not to transfer this concept to our review of food products. With food and supply products, rating products as number one, two etc. causes us to make some bad economic decisions. School meal programs do not have the time,

money, or knowledge to seek only the number one products. The goal should be to use high quality products that are acceptable to our customers. If a product is acceptable to customers, it doesn't matter if it rated number one or number two. Purpose of the taste screen is to determine if the product is acceptable to customers.

Taste test rules (taste screen)

- ▲ The sample should be delivered in a full case, sealed container.
- ▲ Customers should rate the products. (Taste buds are one of the first senses to decline with age. Adults should not conduct the taste screen.)

Adults should not conduct the taste screen.

- ▲ Test all products as part of a regular meal service. Selecting a special group of students does not provide reliable results.
- ▲ Prepare the product in the equipment that will be used.
- ▲ Test only one product or brand per day.
- ▲ No company representatives should be present on the day the product is tested.
- ▲ Don't disclose brand of the product to students.

Appendix 15 provides a sample score sheet. Also included in the appendix is a summary that you should complete for each product tested.

CHOICE

Audits of manufacturers

Some food service establishments in the private sector are conducting onsite audits of manufacturers as an additional measure of food safety. These audits are in addition to the USDA inspection. While not intended to replace inspection, these audits raise the level of attention to food safety by all members of the food chain. Appendix 24 provides a sample of a supplier audit.

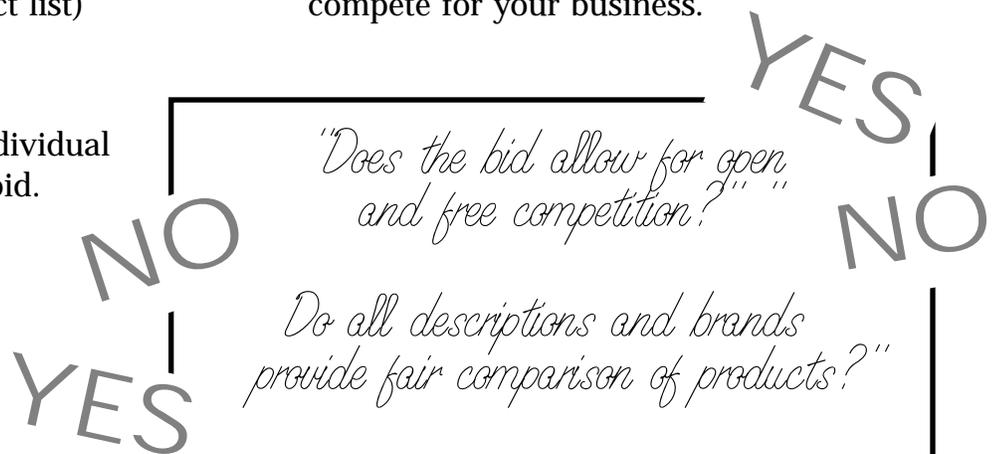
Final pre-bid conference

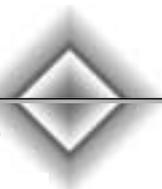
When all descriptions are written and all brands have been screened, you are ready for the final pre-bid conference. The purpose is to make sure all potential bidders agree that brand approval and bid instructions allow for open and free competition and that the bid is comparable in all areas.

General rules for the final pre-bid conference

- ▲ Schedule the conference a minimum of one month in advance.
- ▲ Mail each potential bidder a copy of the entire bid package (instructions and product list) prior to the conference.
- ▲ Ask that the company representative be the individual who will complete the bid.

- ▲ Require attendance by all potential bidders to this group conference.
- ▲ Tape record the conference.
- ▲ Have all potential bidders register their presence, giving name, title, and company name.
- ▲ Allow questions about bid instructions.
- ▲ At the end of the conference ask, "Does the bid allow for open and free competition?" "Do all descriptions and brands provide fair comparison of products?" Call the roll and ask each representative to state company name and respond with a yes or no answer.
- ▲ If a "no" answer is received to the final question and the problem cannot be corrected immediately, don't issue the request for bid. It may be necessary to do additional testing, revise the critical path, and hold another final pre-bid conference.
- ▲ Thank the company representatives for their assistance during prior approval of brands, and wish them well as they compete for your business.



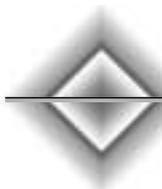
A decorative graphic consisting of a diamond shape with a gradient, positioned to the left of the section header.

Summary

Prior approved brands allow a school district to compare products and maintain effective quality control. The fewer the number of brands approved, the higher the offered prices will be. School purchasers should constantly seek additional brands to screen for approval. Brands approved change between bids because of changes in the manufacturer's code numbers. Review brands and code numbers before any bid is issued. The best way to verify code numbers is to request a new copy of the label from the manufacturer.

These are the steps to prior approval of brands:

1. Identify Distributor's Choice products.
2. Conduct a pre-bid conference.
3. Identify Private Label products.
4. Screen brands for approval.
5. Notify potential bidders of results of brand screening.
6. Conduct a second screening for those products where a brand was not approved.
7. Mail the final draft of the bid to potential bidders.
8. Conduct a final pre-bid conference.
9. If necessary, resolve problems identified at the final conference.
10. Issue the request for prices.



Notes

A large, empty rectangular box with a thin black border, intended for taking notes.

CHAPTER 9

Getting Ready to Obtain Prices



Practice

The variables that affect purchasing planning are as diverse as school food authorities in the United States. Does any of this conversation sound familiar?

"Those deadlines imposed by the purchasing office are impossible for us to meet!"

"When I listen to you, I realize there are some advantages to purchasing for Child Nutrition without dealing with another department."

"The purchasing department does assume some of the risk for Child Nutrition. I just wish they better understood some of the uniqueness of purchasing food."

"Do they require you to estimate quantities for your bids?"

"No, and I'm not sure we could. There are so many variables."

"Does your distributor provide an order guide and a usage report?"

"We really need more computer support to estimate quantities."

"Even with computer support, you never know when commodities will come. That makes it difficult to predict quantities for a bid period."

"Do you have problems obtaining credits from XYZ Distributor?"

"Yes, but we document their credit system before we allow them to bid."

CHOICE

"We don't issue request for price quotes on a regular schedule, and we don't start on time. I meant to update our food descriptions, but there isn't time. We'll just have to use the descriptions from last bid."

"I've been developing acquisition plans/critical paths for all my bids and it helps me to stay on schedule."

"Have you ever wondered why distributors complain if they don't get request for prices at least three weeks in advance? They wait until the last minute to start working on it anyway."

"A bid specialist at a manufacturer told me that they don't get my bid until the day before it opens and they don't have time to research and offer me the best price. Wonder why distributors wait until the last minute to send it to manufacturers?"

"I don't understand why they wait, but I am thinking about sending copies of selected pages to manufacturers and brokers when I mail the bid to

Developing written purchasing procedures assures that the proper procedure is followed every time and avoids confusion. School districts that don't document purchase procedures have to rely on the memory of an experienced staff member, and busy people may forget.

Improving communication between schools and their business partners (distributors, manufacturers, and brokers) is important if schools hope to obtain the products they want at the best price.

INFORMATION

"Critical Path" planning is a term used in the manufacturing and construction industries to time the

movement of supplies. Acquisition plan is a term used in purchasing for agencies of the Federal government. Acquisition or critical path planning can assist a school district to document the purchasing process. Each time you request prices you should develop an acquisition/critical path chart. The acquisition plan also should detail the methods that will be used to complete the procurement.

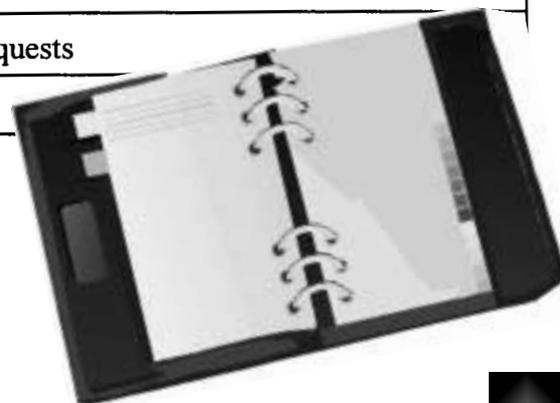
Some school districts do not have support from a district purchasing office and therefore must assume all the risk for purchasing decisions. Autonomous child nutrition offices have the freedom to purchase as they choose. If you are in a district that must work with a separate purchasing office, document the deadlines imposed by this work

group. You must document purchasing department deadlines before you can plan an acquisition or critical path. Well documented purchasing procedures helps to maintain continuity of service when there is a staff change.

Providing written procedures to industry partners helps to build trust and confidence in the system and will result in improved pricing. Below are the steps of the purchasing process in both situations.

Comparison of responsibilities in two different situations

District purchasing department	Autonomous child nutrition office
Menus planned	Menus planned
Product list and descriptions developed	Product list and descriptions developed
Product research	Product research
Quantities estimated	Quantities estimated
Purchasing notified to schedule pre-bid conference	
Purchasing schedules pre-bid conference	Child nutrition schedules pre-bid conference
Mail vendors draft of product list	Mail vendors draft of product list
Pre-bid conference held	Pre-bid conference held
Products screened	Products screened
Draft of instructions and product list to purchasing	
Draft documents mailed to potential vendors	Draft documents mailed to potential vendors
Final pre-bid conference held	Final pre-bid conference held
Document and product list revised	Document and product list revised
Revised document transmitted to purchasing	
Purchasing issues price requests	Issue price requests
Purchasing opens bids	Bids opened



District purchasing department	Autonomous child nutrition office
Purchasing transmits bids to child nutrition for evaluation	
Child nutrition evaluates bids and transmits recommendation to purchasing	Bids evaluated
Purchasing reviews CN recommendation and schedules for school board approval	
School board awards bids	
Vendors notified of bid award	Vendors notified of bid award
First delivery	First delivery

Acquisition or critical path planning allows the school purchaser to keep the process organized.

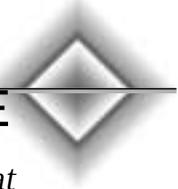
Purchasing is not part of the daily work schedule, so it's easy to forget a task at the appropriate time. Each of the product categories requires differing amounts of preparation and lead time. The typical school district probably requests prices on the following each school year:

- ▲ Milk and milk products
- ▲ Ice cream
- ▲ Bread products
- ▲ Small equipment
- ▲ Fresh produce
- ▲ Large equipment
- ▲ Office supplies
- ▲ Dishmachine and warewashing chemicals

- ▲ Dry, frozen, and refrigerated groceries, miscellaneous paper and supplies
- ▲ Service contracts
- ▲ Commodity Processing
- ▲ Ready to eat foods
- ▲ Beverages
- ▲ Snack foods

Develop plans for the next school year's price requests in early fall of the previous year. In the following examples, the time lapse between steps is what's important. Dates are only for illustration.

Hint: When planning acquisition or critical paths, start with date of first delivery and work backwards through each of the preceding steps.



Acquisition/critical path plan for milk bids

Develop product list	Week of March 19
Estimate quantities	Week of March 19
Conduct pre-bid conference	April 16
Revise document and product list	Week of April 24
Release of Advance Price Federal Milk Market Order this Federal Order (FO) will be the base for the pricing that establishes bid constant.	May 22
Issue price requests	May 23
Open bids or prices	June 13
Release of Advance Price Federal Milk Market Order this FO may result in an increase in price before first delivery	June 22
Complete bid evaluation	June 27
Approval if necessary	July 11
Notify vendor of bid award	July 18
Release of Advance Price Federal Milk Market Order this FO may result in an increase in price before first delivery	July 22
First delivery	August 13

Information used to develop this critical path:

- 1) School starts on August 14.
- 2) School board approval required, board meets second Tuesday of each month.
- 3) Board agenda items due two weeks before board meeting.

Note: It may seem strange to have two price increases before the first delivery. The escalation/de-escalation clause is designed to adjust for the vendor's risk. The Federal milk order determines what the vendor has to pay for milk. If the school district requires that the vendor hold the price firm through the first

delivery, the vendor, not knowing what price the Federal order will require him to pay, might set a higher base price to protect the profit margin. If the vendor knows that he can change the price each time the Federal order changes, his risks are decreased, so the vendor is able to bid lower. And the base price to the school district will probably be lower.

Purchase plan, dry and frozen food bid

The purchase plan for dry, refrigerated, and frozen food, paper, and kitchen supplies is the most difficult. This product group of 200 to 300 items could be broken into several different bids, each requiring a separate plan. Issues to consider when developing this purchase plan are discussed below.

Time lapse, bid award to first delivery

Allow two to three weeks between vendor notification of bid award and first delivery. The selected vendor needs

**Allow two to three weeks
between vendor notification
of bid award and first
delivery.**

time to service your account. Central administrative units must provide sites with details of bid award, so sites can prepare to receive product. Rushing this step causes the purchase system to fail at the receiving point.

CHOICE

Protocol, time, bid opening to award

Vendors are always anxious to know the results of a bid. They have a lot of time and effort invested. They want instant feedback, but never provide feedback until the purchaser has enough time to check the paperwork for accuracy and compliance with specifications and instructions. At bid opening, take all offers under advisement. The time required for this step depends on the work load of the person responsible for evaluation. Allow sufficient time to deal with any crisis that may arise. The time required to complete this step will be affected by the school district procedure on approval of bid awards. If approval is required by the school board, it will be necessary to consider the board meeting date when developing the purchase plan.



Protocol at bid opening

Have two or three people present at the bid opening. Once the bids are opened and read, the leader should state the bids will be taken under advisement. Under generally accepted purchasing practice, an individual who entered a bid is allowed to review the papers of other potential vendors. The documents do not become public records until the bid is awarded and a purchase is made. Individuals present (such as competitors) who did not enter a bid are not entitled to review the papers until documents become public record. They may be interested in bid prices to gain information for a later bid. Tactfully advise such people that

they are welcome to review the prices once the bid award is announced.

Time lapse, bid issue to opening

Allow a minimum of three weeks between the date the bid is issued and bid opening. Inadequate time to complete paperwork raises costs.

Allow a minimum of three weeks between the date the bid is issued and bid opening.

Bidders need time to get the best prices from their suppliers. Consider planning a critical path that puts bid opening outside of peak season. The timing, size, and fairness of your bid will determine how qualified the person who completes the bid should be.

The manufacturer determines actual price you pay for product, but distributors may not provide bid information to manufacturers immediately. Ideally the manufacturer should have time to analyze your bid, assess the competition, and determine the impact of markets on product price during the bid period. Consider mailing information copies of the appropriate pages to manufacturers and brokers. Mailing copies can increase your bid cost but lower prices paid for product. To reduce postage, mail only the pages with the products the manufacturer/ broker supplies. Manufacturers do not want to search through a lot of material to find the one page they are interested in.

Time lapse, final conference to prices

You only need time to revise, copy or print the document and instructions.



How well the school and potential vendors completed the earlier steps in the process will determine how many revisions are necessary. Two weeks should be adequate. Should a major error be discovered during this conference, revise the final steps in the critical path to allow adequate time to correct the problem.

Time lapse, screening to final draft

The number of changes to the product list and brand approvals will determine the time lapse between product screening and mailing the final draft.

Time allowance for screening

The first time a school uses prior approval of brands, screening products can take as much as one year. Each time the bid is issued minor revisions

The first time a school uses prior approval of brands, screening products can take as much as one year.

and update information are necessary.

Confirming product code numbers can cause lengthy delays as you await confirmation from vendors. Allow adequate time to verify information. You will lose brand comparison ("apples to apples") if you fail to

update your product list and approved brands. Allow three months for this step after the first time.

Estimating quantities

School districts have more problems with estimating quantities than any other part of purchasing, but distributors can make it easier. Most distributors maintain a customer purchase history by business months. Their monthly records show all items purchased and quantity delivered. School districts should request this report many months in advance, giving the vendor time to establish the account and accumulate the data files. Do not expect to call today and get the report tomorrow.



Until the purchase process is automated, projecting quantities is difficult. You can estimate quantities by reviewing invoices for a specified period of time and annualizing numbers. Review for changes based on changes in menus. The objective when estimating quantities is to predict future use with as much accuracy as possible. A reasonable goal is an allowable error rate of $-10+$. The bid documents should address the degree of accuracy. Consider a clause in your contract guaranteeing that the school district will purchase any quantity left in vendor

The objective when estimating quantities is to predict future use with as much accuracy as possible.

CHOICE

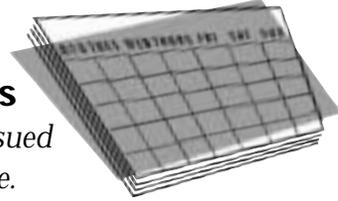
inventory at the end of the contract up to the amount estimated in the bid.

Monitor quantities against purchases during the contract.

PURCHASE/CRITICAL PATH PLANNING EXERCISE

Dry, frozen, and refrigerated foods, paper and kitchen supplies

This exercise is based on a line item or bottom line bid award. Only one bid will be issued for all products in this category. You will need an annual calendar to complete this exercise.



Task	Time lapse - next step	Date to be completed
Develop product list	One month	
Estimate quantities	Six weeks	
Mail draft of product list to potential vendors	Three weeks	
Conduct first pre-bid conference	One year - first time Three months - succeeding years	
Screen products and brands for approval	One week	
Mail draft of bid document and product list to potential vendors	Three weeks	
Conduct final pre-bid conference	Two weeks	
Revise document and product list	Two days	
Issue price request	Three weeks	
Bids or prices opened	Two weeks	
Bids evaluated	Two weeks	
Board Approval	Two weeks	
Vendors notified of bid award	Three weeks	
First delivery		

Summary

Written procedures that document the purchasing process of a school maintain continuity and effective planning. Develop a schedule each time a price request is to be issued. The schedule should establish deadlines for completion of each of the major steps. To obtain the best prices, always allow three weeks between the time of requesting prices and opening bids. Consider providing information-only copies of selected pages to manufacturers and brokers.

CHAPTER 10

The Purchase System



Practice

Acceptable purchase systems that comply with purchasing regulations and still protect the interest of children create a lot of confusion in the market place. The confusion creates dialogues like this:

"Line item award of bids is the only method that complies with Federal procurement guidelines."

"Then why are they using market-based prices in some school districts?"

"Those are probably rural locations. They are not as closely monitored as urban school districts."

"We use a small purchase procedure because we do not have staff with the expertise to develop product descriptions."

"Our purchase system is patterned after restaurants. We have a primary supplier contract, and prices are based on cost plus a percentage of the contractor's cost."

"Predicting our quantities is not possible; therefore, we can't go with bottom line as a basis for bid award."

"Do you have to predict quantities to award a bid on an all-or-nothing basis?"

"We award our bids on an all-or-nothing basis, and we do not use quantities. We simply add the case cost of all products and award the bid on the lowest bottom line."

CHOICE

"I read where some school districts are going direct to the manufacturer for prices."

"We can't do that here. Our distributors will not agree to it."

"There is some discussion about issuing bids for purchase of our food products. I am opposed to that. Tommy Smith from XYZ company has called on me for 10 years, and I enjoy our weekly visits. I am afraid he would not get any business if they develop food bids."

"I read in a textbook that regardless of your purchase system you should keep up with the current market price for items. Those market bulletins are too difficult for me to follow."

Many books are written on purchasing, almost all for the private sector. Purchasing in the public sector is the same in some respects, except for the requirement that schools maintain open and free competition. However, as many authors note, putting bids in the purchase equation adds complexity that is more difficult to manage.

Misinformation and lack of information are serious obstacles to improving purchase systems in school districts. The inconsistency and lack of guidance in this area creates total confusion for school purchasers and for companies trying to do business with school districts.

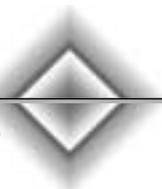
INFORMATION

Federal procurement regulations impose firm rules to keep in mind:

1. Only responsible contractors who possess the ability to perform successfully can get contracts under the terms and conditions of

a proposed procurement. Contractor integrity, compliance with public policy, record of past performance, and financial and technical resources must be considered.

2. The purchase system must ensure open and free competition.
3. Schools must maintain written selection procedures. These selection procedures: (a) provide clear and accurate technical requirements for the material, product, or service and contain features that do not unduly restrict competition; and (b) identify all requirements the contractor must fulfill and other issues used to evaluate bids or proposals.
4. Cost plus a percentage of cost purchase is not an allowable system.
5. To purchase items costing more than \$100,000 in the aggregate requires a formal purchasing



method. Public organizations must follow the most restrictive of local, state, or Federal law/rules. Private nonprofit organizations can follow Federal rules, even when the Federal rules are less restrictive than the organization's own rules. Private nonprofit organizations are exempt from the state and local rules that apply to public organization purchases.

6. Geographic preference, commonly called "local preferences," is not allowed.
7. SFA's are required to the maximum extent possible to use domestic commodities. A "domestic commodity or product" is defined as one that is either produced in the United States or is processed in the United States substantially using agricultural commodities that were grown domestically.

All purchases require three basic decisions:

- ▲ the appropriate purchase method,
- ▲ the pricing mechanism, and
- ▲ the number of vendors required to perform the service or deliver the product.

<p style="font-size: 2em; margin: 0;">1. _____</p> <p style="font-size: 2em; margin: 0;">2. _____</p> <p style="font-size: 2em; margin: 0;">3. _____</p>
--

Approximately every 10 years the USDA conducts a nationwide purchasing study. The 1996/97 school year study indicates that adopting certain purchasing practices would not necessarily lead to a reduction in food costs. The executive summary of the purchase study is on the World Wide Web at <http://www.fns.usda.gov/oane/>.

Four basic purchase procedures are:

- ▲ small purchase procedure or request for quotation (RFQ),
- ▲ competitive sealed bids (IFB),
- ▲ request for proposals (RFP) competitive proposals, and
- ▲ noncompetitive negotiation.

IFB and RFP are considered formal purchase methods. Noncompetitive negotiation can be used only when one of the following conditions exist:

- ▲ After conducting a request for prices, competition is deemed inadequate. For example, only one bidder responds to an IFB.
- ▲ An emergency exists where competitive procurement method would take too long.
- ▲ The Federal grantor agency (USDA) authorizes noncompetitive negotiation.

Most of the elements of the three remaining procedures are shown in the comparison on the next page:

CHOICE**Comparison of Purchase Procedures**

Small purchase procedure	Sealed Bids (IFB)	Request for Proposals (RFP)/competitive proposals
Description of products required.	Description of products required.	Description of products required.
Instructions required.	Instructions required.	Instructions required.
Price quotes can be verbal or written.	Price quotes must be written; public opening required.	Price quotes must be written.
Price documentation required.	Price documentation required.	Price documentation required.
No advertisement required.	Formal advertisement required.	Formal advertisement required.
Suspension, debarment and noncollusion certification required.	Suspension, debarment and noncollusion certification required.	Suspension, debarment and noncollusion certification required.

Small purchase procedure

The small purchase procedure is used for those simple and informal purchases that do not exceed the allowable dollar amount. Small schools also use this method but, though allowed, it does not yield the most cost effective pricing. Small purchase prices often are quoted over the phone or by a sales person. The purchaser must record the price quoted and maintain open and free competition when using the small purchase method.

Invitation for Sealed Bid (IFB)

Sealed bids are the standard when the only variable is the price of a product being purchased. (Food and supplies are classified as “commodities” by other public purchasers in the school district but not by Child Nutrition staff to avoid confusing purchases with donated foods commonly called commodities.). Because the award goes to the lowest responsible bidder who

meets the terms and conditions, an IFB requires clear, concise specifications. Bids are accepted or rejected on a pass/fail basis. No negotiation of price or terms is permitted. An IFB is normally used to acquire products and nontechnical services.

Most school districts have standard contract language for sealed bids. This standard language is often called the boiler plate. Appendix 16 contains some examples of language which may be helpful in developing sealed bid documents. The usual sections of a sealed bid document are:

Section I - Transmittal page and signature page - Include the Certification Statement related to debarment or suspension in this section. (Ask the State Agency for a copy of the form.)

Section II - Standard terms and conditions - Some examples: correction of mistakes, collusion,

unit price prevailing, adherence to specifications.

Section III - Special

instructions - Examples: extensions, drained weights, brands approved, how to offer alternate brands or substitutions. Often included in this section are responsibility criteria set at minimums for elements critical to successful bidder performance. These criteria include such factors as experience and delivery capability. The instructions should identify how the bidder demonstrates compliance with criteria.

Section IV - Product list and descriptions

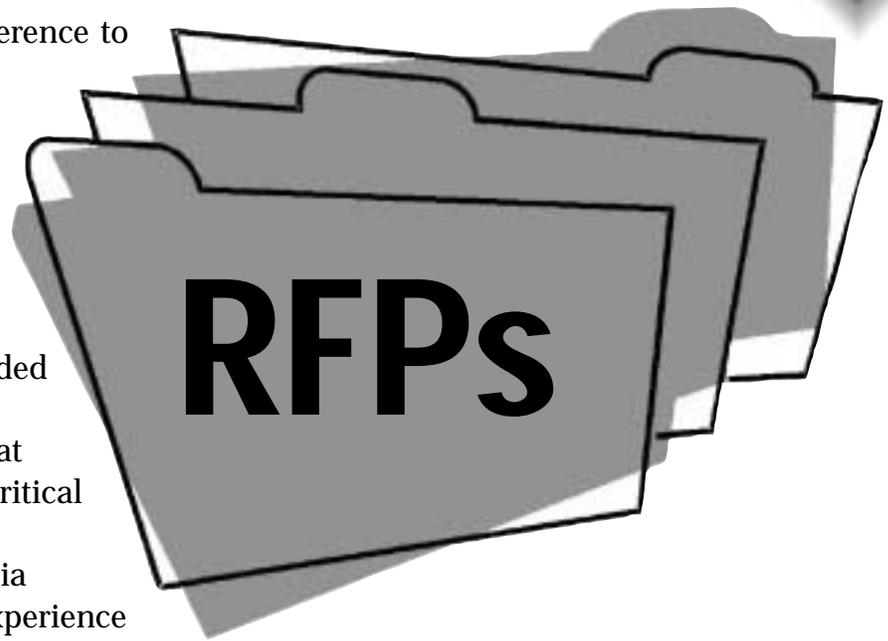
Section V - Billing address and

delivery locations - Exceptions to delivery frequency are often noted on this list. For example, a notation of schools that require delivery during the summer months.

Section VI - Potential bidders

Request for Proposal (RFP)

A request for proposal is the standard method when purchasing the product or service requires evaluating several subjective criteria along with the price. Some of the services requiring RFPs are pest control, telecommunications, courier, marketing, equipment maintenance, computer software maintenance, staff training, insurance, legal service, auditing, consulting, and



garbage removal. If food is purchased using anything other than a firm, fixed-price contract, an RFP should be used.

An RFP allows evaluation of other variables besides cost. To develop a request for proposal, identify the variables and assign a point value to each variable. Budget/cost is a critical variable that should get more than 50 percent of the total points.

A two-step process is recommended to evaluate responses to an RFP. The first step is negotiating variables in the technical proposals. The second or final step is negotiating the price. The RFP instructions should indicate how proposals are selected for negotiation. Because the budget/cost portion of the RFP evaluation is objective, it is an appropriate way to select vendors for negotiation. The instructions might read, "The two vendors offering the lowest budget/cost proposals will be selected for negotiations." On the following page is an example of RFP criteria for equipment:

CHOICE**Selection criteria for equipment maintenance RFP**

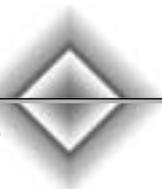
Selection criteria	Maximum points	Points for this response
Years company has been in food service maintenance business	10	
Years experience of technical staff	5	
Brands of equipment owned by school district compared to bidder's factory authorized service	10	
Time required to get parts for equipment not covered by factory authorized service	5	
Response time on emergency calls	10	
Membership in Commercial Food Equipment Service Association, Inc. (CFESA)	5	
Budget - routine maintenance bottom line	20	
Budget - hourly rate for emergency service	15	
Budget - percentage discount off manufacturers list price for replacement parts	20	
Total Points	100	

Use an RFP selection committee to evaluate proposals. Each individual on the selection committee scores the responses to the RFP separately, and the scores are averaged. Another approach is to rank RFP panel scores or discard the low and high score to negate the effect of a panel member who gives very high or very low scores.

The SFA might undertake negotiation when, for example, the proposed response time for emergency calls was unacceptable to the school district. Negotiation begins with the two vendors who offered the most favorable budget/cost proposal, based on the instruction presented above. Step 1 negotiates an acceptable response time with the two vendors. The two vendors

are then allowed to offer revised budget/cost proposals, and evaluation of the proposals is complete. It is possible that the technical score and the budget/cost score of both vendors could change. That is why the school district retains documentation showing the initial scoring and the final scoring.

When scoring the responses, award the lowest price quote the maximum number of points. Adjust all other responses to a percentage of the maximum score. Thus, if the lowest budget for routine maintenance was \$4,000, then 20 points would be assigned to that response. The next response offered a price of \$5,000, so the calculation of points would be as follows: \$4,000 divided by \$5,000



equals 80 percent. Eighty percent of 20 points equals 16 points. In the example, calculate the hourly rate for emergency service and the percentage discount off the manufacturer's list price for replacement parts the same way. If the service is bid as a bottom-line request for prices, there would be only one budget calculation.

A different approach to an RFP is to add or subtract from the price quoted on the basis of variables. Be sure to specify the variables in the request-for-proposal instructions. Here is an example from the Oregon Child Nutrition Coalition RFP documents for 1997/98. The potential vendors were asked to respond with a yes or no answer to the following question:

Will the vendor provide discounts for quick payment of net 10 days? Yes No

Will the vendor provide discounts for quick payment of net 15 days? Yes No

Will the vendor provide discounts for quick payment of net 20 days? Yes No

.....

Yes answer (net 10 days), \$30,000 will be subtracted from the bottom-line.

Yes answer (net 15 days), \$20,000 will be subtracted from the bottom-line.

Yes answer (net 20 days), \$10,000 will be subtracted from the bottom-line.

A no answer has no impact on the bottom-line.

The amount subtracted would be adjusted based on the estimated total dollars involved in this anticipated purchase. **Placing a value on variables is less subjective than the point system. Only if the district routinely pays promptly can the district consider including the quick payment discount in the RFP. The discount must be consistent with a payment schedule that the district can meet. For example, the district cannot award an RFP based on pricing with a net 10 days payment if the district never pays in less than 12 days.**

An RFP is appropriate when purchasing food and supplies not using a firm fixed price. The instructions provide the following information to potential suppliers, as in this example:

- ▲ Suppliers may petition for cost price escalation every six months. Any increases granted are based on market price increases between the RFP bid and petition for increases. Third Party Market Reports are the only acceptable source of documentation for market increases.
- ▲ The School District can petition for cost price decreases on the same basis as suppliers petition for increases.
- ▲ The fixed fee per item remains firm for the duration of the contract and any extensions.
- ▲ The school district reserves the right to conduct competitive negotiations with the two suppliers who offer the best bottom-line fee.

Variable	Maximum points allowed	Score for this response
Ability to provide all products listed in contract section IV	5	
Previous history of fill rate on first order (98% or better acceptable)	5	
Ability to identify cost of product minus revenue to the vendor for purchase of product	10	
Noted exceptions/alternate brands from those listed in contract section IV (No exceptions is equal to maximum points. Comparison of exceptions/alternates determine any reduction in points. Failure to provide copies of labels for alternate products can also result in a reduction of points.)	20	
Fees quoted	30	
Cost and freight of product	30	
Total Points	100	

Following are sample responses to this RFP:

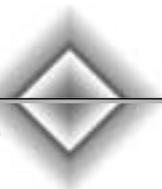
Vendor	Technical Score	Fees - bottom line	Cost - bottom line
A	30	\$190,029.75	\$1,000,156.58
B	35	\$200,119.05	\$1,000,595.26
C	25	\$209,570.81	\$997,956.23
D	28	\$226,502.93	\$1,258,349.59

The instructions read, "Negotiations will be conducted with the two suppliers who offer the best bottom line price for the fees." Based on the announced instruction the school district can negotiate the technical proposal changes needed with Vendor A and B.

Identify possible issues related to the technical proposal:

1. The alternate brand offered on two products is not acceptable.
- 2.
- 3.
- 4.
- 5.

After negotiations, vendors A and B would be allowed to offer new fee and cost proposals. When all issues related



to the technical proposal have been resolved, the prices offered determine which vendor wins the contract.

Number of vendors

With all purchases, the school must decide if products can be bundled together to form a group. Whether the products are bundled will determine how many vendors get contracts. When purchasing only one product the decision is easy, but many different products are required to operate a Child Nutrition Program.

There are two basic methods for selecting the number of vendors:

- 1) Line item awards – the price offered on each product is considered independently.
- 2) Bottom-line awards, sometimes called all-or-nothing awards – the prices offered on products are considered as a group.

Line item

In the line item example below, products are the same. Prices vary, as they would in actual practice.

Vendor award method: Line item

Product name	Potential vendor A	Potential vendor B	Potential vendor C
Peaches	\$20.36 <small>low</small>	\$22.94	\$23.41
Pears	\$22.49	\$23.95	\$22.46 <small>low</small>
Sugar	\$19.06	\$18.75 <small>low</small>	\$21.45

In this example Vendor A will deliver the peaches, Vendor B will deliver the sugar, and Vendor C will deliver the pears.

The delivery cost is almost the same whether the distributor delivers one case or 100 cases. Distributors have matured in their management systems. Today a distributor knows the cost of every stop a delivery truck makes. Line item bids offer the distributor no guarantee about the number of cases that will be delivered – that is, the delivery drop size.

Although distributors don't publish costs associated with delivery, there seems to be common agreement that each stop a delivery truck makes costs

in the range of \$50 to \$100. Some experts in the industry maintain that for each delivery vehicle operated the distributor must have \$1 million in sales to stay in business.

School districts frequently receive notices that distributors are placing a minimum invoice amount on all deliveries. This practice shouldn't anger school district staff. Customers need distributors to make a reasonable profit so they will stay in business. Line item award methods offer the distributor no drop size guarantees.

Line item has the least potential for conflict with business partners (distributors and manufacturers). The volume is splintered, and therefore the

CHOICE

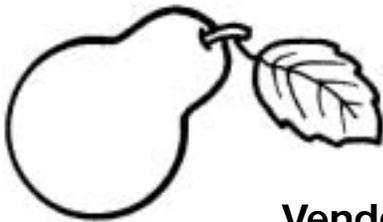
business is not that important or visible.

- ▲ This method can be used without projecting quantities. Projected quantities should be used with all purchase systems, but they are not a required element for line item.
- ▲ The purchasing task is most likely to fail at the point product is received.
- ▲ The administrative cost of managing this system is higher than with other systems.
- ▲ Developing long term relationships with business partners is not possible.
- ▲ If quality is consistent with that required in other purchase systems, the price paid for product will almost always be higher.

Bottom line

Bottom-line award makes business more attractive to distributors because the system guarantees increased drop size. Hidden costs associated with school purchasing also go down with bottom-line, notably the cost of processing purchase orders, receiving, and invoice processing. The May 1988 *Cornell H. R. A. Quarterly*, in an article entitled "Developing Your Procurement Strategy," gave the following typical delivery costs by delivery size.

Number of cases	Cost per case
10	\$5.00
30	\$2.33
50	\$1.80
100	\$1.40
200	\$1.20
300	\$1.13



Here is an example of a bottom-line award.

Vendor award method: Bottom line

Product name	Quantity	Potential unit price	Vendor A extended	Potential unit price	Vendor B extended	Potential unit price	Vendor C extended
Peaches	25 cs	\$20.19	\$504.75	\$22.02	\$550.50	\$21.50	\$537.50
Pears	10 cs	\$20.94	\$209.40	\$20.48	\$204.80	\$21.50	\$215.00
Sugar	15 bags	\$15.98	\$239.70	\$16.63	\$249.45	\$14.10	\$211.50
Bottom line total			\$953.85 Low		\$1,004.75		\$964.00

Bottom line adds a new element to the award: **the extended price (unit price multiplied by quantity)**. To compare prices among potential vendors, consider both the unit price and the vendor's extended price.

As visibility increases, so does the potential for conflict with business partners. With line item the potential vendor can pick and choose items on which to offer a price. Bottom line requires a price quote on all items.

- ▲ Schools must project reasonably accurate product quantities for three or four months with bottom line. The school must monitor amount purchased against projected quantity. Donated food delivery schedules aren't predictable, which makes accurate short term projection of quantities difficult.
- ▲ Purchasing is still likely to fail when the product is received. The frequency with which brands and vendors change causes this failure.
- ▲ The administrative cost of managing the system is about the same as line item with quantities.
- ▲ Developing long-term relationships with business partners is not possible.
- ▲ A bottom-line approach increases the size of each order and therefore decreases the distributor's operating cost, which should be passed on to the school district. The decreased cost may not be evident in the first or

second year. The school district must prove credibility before realizing the decreased cost.

- ▲ The number of "shorts" and "outs" should decrease. It may take a year or two to realize this benefit. As confidence in projected quantities improves service level should improve.



A common and legal method of awarding business is to state in the pricing request that the award will go to two primary vendors. The two vendors with the most low prices get the business. These two vendors supply the rest of the items based on who offered the lowest price for each item. Prices will be higher than with strict bottom line because the vendor has only a partial guarantee of quantity.

CHOICE**Vendor award method: Two primary vendors**

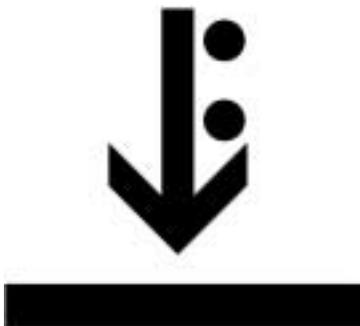
Product name	Quantity	Potential unit price	Vendor A extended	Potential unit price	Vendor B extended	Potential unit price	Vendor C extended
Peaches	25 cs	\$20.19 <i>low</i>	\$504.75	\$22.02	\$550.50	\$21.50	\$537.50
Pears	10 cs	\$20.94	\$209.40	\$20.48 <i>low</i>	\$204.80	\$21.50	\$215.00
Sugar	15 bags	\$15.98	\$239.70	\$14.10 <i>low</i>	\$211.50	\$16.63	\$249.45
Crackers	20 boxes	\$13.98	\$279.60	\$15.65	\$313.00	\$13.15 <i>low</i>	\$263.00
Spaghetti	30 boxes	\$6.95 <i>low</i>	\$208.50	\$7.05	\$211.50	\$7.35	\$220.50
Macaroni	20 boxes	\$6.95	\$139.00	\$6.90 <i>low</i>	\$138.00	\$7.25	\$145.00
Number of items with low bid		2		3		1	
Lowest price on crackers						X	
Crackers awarded		X					
Number of items in final award		3		3		0	

In this example Vendor A and Vendor B were selected.

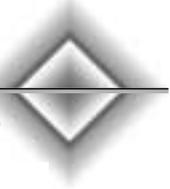
Some schools want to use bottom line as the award method but do not want to project quantities. One of the major reasons to use quantities is to avoid potential low ball on a vendor's

price quote. The school district is inviting unfair price quote practices unless it supplies accurate quantities. Unfortunately vendors often know more about quantities purchased than the school district does. Consider the bottom-line example again without any

mention of quantities to be purchased. The school district buys few pears, and Vendor B knows it, so he decides to lose money on pears to gain the peach and sugar business.



THE BOTTOM LINE



Bottom line, no quantities specified

Product	Potential Vendor A unit price	Potential Vendor B unit price	Potential Vendor C unit price
Peaches	\$20.19	\$23.02	\$21.50
Pears	\$20.94	\$15.06	\$21.50
Sugar	\$15.98	\$17.63	\$14.10
Bottom-line total for bid award	\$57.11	\$55.71 low	\$57.10
Actual cost paid by school district	\$953.85	\$990.50 high	\$964.00

Because the district failed to provide quantities, the award went to Vendor B. Therefore the final actual cost paid by the school district was almost \$50 higher. The vendor knew the quantities the school district usually ordered, which allowed him to low ball the price for pears and increase the cost for two items that the school purchased more often.

GROUPING PRODUCTS FOR BOTTOM-LINE BIDS

A term frequently heard in conversation is, “We have a prime vendor contract.” What does a prime vendor contract mean? The common reference and purchasing textbooks do not define the term. Does it mean 100 percent of the items are purchased from a single vendor? Does it mean 100 percent of the meat, grocery, and staple items are purchased from a single vendor? What pricing mechanism is used? Are bottom line and prime vendor the same concept?

A bottom line can be for as few as

two products or as many as “everything purchased.” School purchasers are trained to think of generic product groupings — milk, bread, frozen vegetables, frozen fruits, canned vegetables, canned fruits, meats, fresh produce, dry groceries. This concept must be put aside when products are grouped for bottom-line awards. The distributors available in the specific market influence how products are grouped.

Milk and bread present few grouping problems since distributors specialize in these markets. Paper supplies, fresh produce, and small equipment are easy to analyze because the following distributors usually serve these markets:

- ▲ Paper supply specialty distributors
- ▲ Fresh produce specialty distributors
- ▲ Equipment specialty dealers
- ▲ Broadline distributors who sell paper, fresh produce, and small equipment

CHOICE

Meat, dry groceries, canned and frozen fruit and vegetable categories require a different approach. The following distributors serve these markets:

- ▲ Meat specialty distributors
- ▲ Dry groceries specialty distributors
- ▲ Broadline distributors who sell all products

When grouping these categories for bottom-line awards, think not in terms of groups but in terms of individual products. Appendix 3 provides a form for analyzing the market.

Pay attention to the specialty distributor as products are placed in groups. The broadline distributor can offer a price regardless of how products are grouped. The product line of the specialty distributor will determine the groups. The groups might look like this:

Group 1 or bid 1: Chicken products, pizza, ground beef, turkey products, and beef patties

Group 2 or bid 2: Canned fruits and vegetables (except mandarin oranges), and selected dry groceries

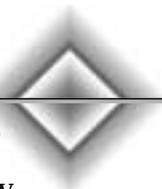
Group 3 or bid 3: All other meats, all other dry groceries, and mandarin oranges

The meat distributor would offer a price on group 1, the dry grocery distributor a price on group 2, and the broadline distributor a price on group 1, 2, and 3. The market analysis provided a mechanism to balance the dollars in

all three groups. If the broadline distributor offers a successful bid only on group 3, it is important that it have cost-effective drop sizes.

Pricing mechanisms

The pricing system chosen by the school district establishes the degree of risk the vendor must take when quoting a price. The discussion on this issue has escalated to the point where both industry and school districts are taking extreme positions. Isolated incidents where a vendor quoted a firm price and was forced to deliver at a loss when the market suddenly rose has created these extremes. These extremes also create situations where the vendor reports “shorts or outs” at a level unacceptable to the school district. If vendors have too many price increases, they stop reordering those items. Of course good purchasing practice suggests that the school district can force the vendor to deliver a contract item. In actual practice the legal cost and work involved in forcing compliance exceeds the resources of most school districts, and the “shorts and outs” continue. Establishing long-term relationships among business partners (manufacturers, distributors, and schools) is imperative. To achieve effective partnerships will require discussions about how prices of food products and pricing systems can be modified. Schools need the manufacturers and distributors who sell and deliver product to stay in business, and companies are in business to make a profit.



There are three basic pricing types:

1. firm price for a specified period of time,
2. reimbursable cost plus a fixed fee with a petition for escalation/de-escalation based on third-party market reports, and
3. a fixed fee for storage, delivery, cost of money, and profit, with the cost of product established by third-party market reports.

The school must identify the pricing method in the IFB/RFP documents. If the pricing mechanism changes a new IFB/RFP must be issued.

1) Firm price for a specified period of time

Firm-price contracts should be limited to one-time delivery or short-term contracts because vendors are reluctant to commit to a fixed price for long periods of time. If firm price is the only system the school or school district can consider, then the question is how long the bid period should be. Consider these concepts when making the decision:

- ▲ The longer the price is held firm, the higher the cost.
- ▲ Short term protects the vendor from unexpected cost increases.
- ▲ Short term protects the school district from unexpected market decreases.

If the school district chooses firm price, consider putting a clause in the instructions that protects the vendor

from unexpected cost increases. Allow the vendor to provide proof from a third-party market report of a price increase. If the item is absolutely essential for service to children, the school could agree to release the vendor from the contract and obtain new price quotes for the item. Chapter 11 contains a discussion of third-party market reports. See standard contract language in Appendix 16 for suggested wording related to release from contract due to market-driven cost increases.

2) Reimbursable cost plus fixed fee with escalation/de-escalation clause

Some schools have successfully established long-term contracts that allow price escalation/de-escalation petitions, based on third-party market reports. With long-term contracts schools can establish stronger partnerships with their business partners and invest in effective training for site receivers. Market-based bids offer the advantage of long-term contracts or partnerships with vendors, but the length of the contract must be carefully considered. Factors to consider:

- ▲ State laws sometimes limit the length of contracts or the number of times they can be renewed.
- ▲ Potential vendors need some protection from increases in their operating cost; therefore consider one-year contracts with an option for mutually agreeable renewals for a specified number of years.

CHOICE

- ▲ Funding for school nutrition program operations is dependent on annual budgets; therefore, bid instructions should include a fiscal funding clause. See Appendix 16 for recommended language.

Such contracts include two prices:

- ▲ The potential vendor's cost of product and freight. The contract can be direct with manufacturer or with a distributor.
- ▲ The distributor's cost of doing business – cost of financing inventory, delivery cost, marketing cost, and profit. This is often called the fee-per-bid unit.

The contract vendor may petition for a product price increase, based on market, but the fee must remain firm for the duration of the contract. The request for pricing instructions should read as follows:

- ▲ Vendors may petition for increases in the invoice price once every six months.
- ▲ Vendors may petition for an increase based on an emergency created by unusual market conditions.
- ▲ Petition decisions are based on the upper number when the market price is quoted as a range.
- ▲ Petitions for increases shall be received by the school a minimum of 15 days prior to the effective date.

- ▲ Petitions for increases shall be based on the cost of product and freight only.
- ▲ Approval or rejection of requested increases will be based on third-party market report.
- ▲ Market research from the following reports is given blanket approval: The Food Institute Report, Urner Barry's Price Current, Urner Barry's National Provisioner Yellow Sheet, Urner Barry's HRI-Buyers Guide, USDA/AMS On-Line market reports.
- ▲ Vendors may propose an alternate market research source. The school district will decide on the alternate source based on the experience of the firm, the market research methodology, and references provided by the market research firm.
- ▲ If a petition for an increase is not covered by a third-party market report, the school district may request that the vendor obtain new price quotes from several sources.
- ▲ The vendor is expected to pass on market decreases to the school district. The school district may petition for an invoice decrease based on third-party market reports. (The author's experience was that vendors did not pass on decreases to the school district. However, if the vendor is given this mandate the sentence would read: "The vendor is required to pass on market decreases . . .")

Chapter 11 contains a list of recommended sources for third-party market reports. This chapter also covers how to determine whether petitions for escalation/de-escalation should be granted.

3) Fee plus cost

The request for pricing is in two parts: The distributor quotes a fixed fee to cover the cost of storage, delivery, money, profit, freight from manufacturer to their dock, and sales. A third-party market report determines the cost of the product. For example, the AMS/USDA Southeastern Farm Market Summary for Wednesday, January 31, 2001, for the Florida market listed the price for Grade A large fresh eggs as \$0.67 to \$0.68 per dozen. The quote from the vendor might be AMS/USDA Florida market plus \$0.02 fee per dozen. Therefore the school district invoice cost for the week of February 5 - 9, 2001 would be \$0.70 per dozen and \$21.00 for a 30-dozen case. In this example the school district had a policy of using the upper range of the market. The request for price instructions contained this information.

The wording for the request might read as follows: "Eggs will be purchased based on the five-day average market cost as reported by AMS/USDA, using the (insert region) market. We will purchase medium eggs in cases of 30 dozen per case.

"Each Monday afternoon the school district will advise you of the invoice cost for deliveries on Wednesday and Thursday of that week. Please quote a

fee per dozen. Establish your fee based on how much under the market you are able to purchase eggs, your operating and delivery cost, and required profit margins."

The price of fresh produce is another item that could come from third-party market bulletins. With the AMS/USDA online reports, a school district could establish the cost of product and obtain a bid for delivery based on fee over cost. Look at this example of the steps in this process.

- Step 1** Choose the terminal market that serves your area for the base.
- Step 2** Begin reviewing the reports daily.
- Step 3** Decide on a day of the week to establish prices.
- Step 4** Meet with produce vendors and discuss the proposed change. Share copies of the last few weeks terminal market reports.
- Step 5** Allow the vendors a week or two to study the change and materials.
- Step 6** Contact each vendor and discuss the change.
- Step 7** Issue the bid for fees.
- Step 8** Award the delivery contract.
- Step 9** Decide how to transmit weekly cost to the successful vendor and the site receivers.
- Step 10** Settle any quality issues related to product.
- Step 11** Begin delivery.

CHOICE

A major change in a purchase system will raise questions. Be prepared to answer some of these:

Q We purchase the product for less than the terminal market quote. Are we to invoice what you say regardless of what we pay?

A Yes. The process is fair because we have chosen to use the third-party terminal market as our cost. There will be no audit of your cost. The effectiveness of your purchasing system could be reflected in your fixed fee when you offer a bid.

Q Sometimes a truck comes by and offers a very good price on product. At what price do we sell that product to you?

A We have a contract that specifies the price and quality of the products we purchase. We must honor the contract. We do not want to purchase distressed or second quality product no matter how good a buy it seems.

Q When the season is changing on the growing region for a product such as oranges, how will we know you want to change the variety and region?

A We will monitor the market and advise you when we are ready to change. In the example of oranges we will tell you whether we want Florida, Texas, or California oranges, based on the market cost.

.....

Milk

Purchase method:

Sealed bids are the usual purchase method for milk.

Number of vendors:

Most schools must receive deliveries of milk every day. Daily deliveries add to the cost, but schools aren't built with adequate chilled storage space for more than a few days' milk supply. Imagine having one vendor deliver the low-fat unflavored milk, another low-fat chocolate, and yet a third vendor the other milk types. Almost all school districts award milk on a bottom-line, all-or-nothing basis.



Pricing mechanism: Milk contracts frequently are based on an escalation/de/escalation clause tied to a third-party market bulletin. Here is an example:

"All prices shall be firm for 30 days, after which prices for milk can increase or decrease in accord with changes in Class 1 raw milk prices based on monthly Federal Milk Order Announcements for the applicable geographical zone. Prices for milk delivered can be increased or decreased at the rate of \$0.001 per half pint for each full \$0.15 increase/decrease in raw milk per hundred weight."

Bidder should specify the geographical zone on which the price is based. The bidder may use either the processing plant location or the school district location.

At the time the bid is issued, specify the date of the milk market order that is the base for the price offered. If one vendor bases the price quoted on the

June order and another the July order, prices can't be compared. Check with the regional milk market administrator to find out when the order is updated. (Get the name of the milk market order administrator on the internet at <http://www.ams.usda.gov/dairy/orders.htm>.) Choose the market order closest to the bid opening date, allowing the vendor time to get the price and complete the bid.

Bread

Purchase

method: Sealed bids are often used. Many school districts have difficulty maintaining competition for this business. When food restaurants receive weekly deliveries of bread, all bread is received frozen – an option to increase competition.

Number of vendors: To serve a fresh product most schools receive deliveries of bread frequently. Frequent delivery increases cost; therefore, schools select their bread vendors on the basis of bottom line, all-or-nothing bids.

Pricing mechanism: Firm price for one year.



Fresh produce

Purchase method: Sealed bids for a fee per case or an RFP for a service provider contract.

Number of vendors: Bottom line

Pricing mechanism: Whole produce such as apples, oranges, potatoes,

onions, and tomatoes is best purchased on a firm price contract with an escalation/de-escalation clause. The escalation/de-escalation clause allows both the school district and the vendor to petition for weekly changes in the cost. The petition is based on a third-party market report.

Precut produce has a more stable price than is commonly believed. Consumers want lettuce and cabbage to be perfect round heads. Agricultural products are not always perfect. The precutter contracts to purchase all of the rejected product from a grower on a long-term basis and can therefore offer long-term pricing to their customers. Firm price with a petition for escalation/de-escalation every six months is the best pricing mechanism for the purchase of pre-cut produce. The petition is based on a third-party market report.

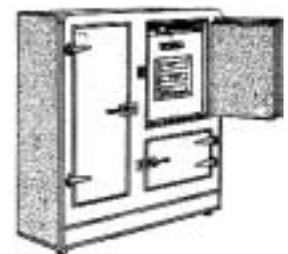
Frozen, dry, and refrigerated products

Purchase method:

Sealed bids for a fee per case or an RFP for a service provider contract. High volume product is best bid

direct to manufacturer if the cooperative or school district is large enough to purchase in truck load or mixed truck loads. A second bid is issued to distributors for purchase, warehouse and storage of the product.

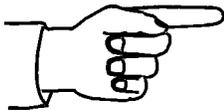
Number of vendors: Increasing the volume per stop (drop size) allows distributors to deliver products to



CHOICE

schools cost effectively. As the number of distributors serving a market continues to decrease, schools must make their business attractive to potential bidders. Bottom-line bid award is one way to do that.

Pricing mechanism: Firm price with a petition for escalation/de-escalation based on third-party market reports. The petition period could be every three or six months. No research studies document whether the increased paper work associated with every three months is justified by reduced cost



Direct to manufacturer

Bench marking is one of those modern terms that describes how a company with an excellent performance reputation manages a given process. In food service management, restaurant chains enjoy a good reputation for the way they manage purchasing. Most major restaurant chains – whether fast food, white table cloth, or family dining – have entire corporate departments devoted to purchasing products for the facilities they own or franchise. The owners of these companies recognize that purchasing is the key to success and allocate reasonable resources to this task.

Schools should consider bench marking the purchasing practices of restaurant chains in their area through partnerships or "Adopt a school" programs between local businesses and schools. Choose a restaurant chain that has an excellent national reputation and invite them to teach purchasing. When

choosing a benchmark partner, review its menu before making a contact. A partner that has a menu with a wide variety of products can give the most assistance. A limited- menu restaurant has a much simpler purchasing task than most schools.

Some school purchasing innovators have successfully used benchmark partners to assist them in improving their purchasing practices. These school learned:

- ▲ For many items two-part contracts are useful – one with a manufacturer for the product and freight and a second contract with a distributor for delivery.
- ▲ Combining the volume of many restaurants gives them the edge to establish cost-effective contracts with manufacturers. The use of cooperatives provides schools the same benefits.
- ▲ Restaurants purchase low-volume items through the distributor in the same manner as most schools.
- ▲ Cost for product is stabilized when the contract is direct with the manufacturer.
- ▲ Small distributors can compete more successfully with large distributors under a direct-to-manufacturer system.

Applying open and free competition rules to manufacturer contracts is not easy. The collective advice from school districts using this approach is to select a few items and experiment. Early opposition from the distribution

community will be intense. However, if the restaurants can do it, why shouldn't the schools use this approach to serve the children better?

Purchase method: Sealed bids

Number of vendors: Line item for the majority of products. Some small groups on a limited basis. An example: combination of straight-cut and crinkle-cut French fries. However, other speciality potato products cannot be added to this group because of the lack of similarity among manufacturers.

Pricing mechanism: Firm price with petition for escalation/de-escalation based on third-party market reports.

Low volume products

School districts often place very low volume items, such as food coloring and spices, on the bid and obtain prices each time a bid or price quote is issued. This practice wastes vendors' time and needlessly lengthens the product list that schools must manage. Schools could easily make a list of all the items that they buy only one or two times per year.



Purchase method: Sealed bid

Number of vendors: A bottom-line award with one vendor is the most cost effective.

Pricing mechanism: Firm price with an effective period of a week or 10 days. The product would be ordered for delivery all at the same time or, if several sites are involved, over several days. If volume warrants a second order, the school could get prices for different periods each year. To assure

fresh product, the school might issue bids for the starting week of school and again in January.

Everyone is a winner in this scenario. The school or school district has substantially decreased its paper work, and the vendor's risk of cost increases is minimized.

Warehouse deliveries

Purchase method:

Sealed bid

Number of vendors: Since the quantity of a single item must be adequate for a distributor to make a cost-effective delivery, the award method of choice would be line item. It might be necessary to bottom-line some low volume items.

Pricing mechanism: If the school district operates a warehouse, short-term firm prices lower the risk to the vendor, who should give the district a better price quote. School districts increase the cost of operating a warehouse when they require that the price quote remain firm long term on small volume orders.



Small Equipment

Purchase method: Sealed bids

Number of vendors: All school districts use bottom-line award when they equip a new school. Architects employ one or two subcontractors for all kitchen equipment. When districts purchase small equipment on a bottom-line bid award, they can receive one



CHOICE

delivery and complete this task for the year, the most cost effective way for a school or school district to purchase small equipment. Placing orders for small equipment throughout the school year lowers the volume of any one order, thereby increasing the cost.

Pricing mechanism: Requesting firm prices for a one- or two-week period decreases school paper work and the vendor's risk of cost increases. Everyone is a winner.



Service contracts

School districts contract for many services. Examples of service contracts are pest control, garbage removal, courier service, equipment maintenance, staff training, auditing, software support, computer hardware service, and marketing programs.

Purchase method: Request for proposal

Number of vendors: A bottom-line contract for all of the components of a service.

Pricing Mechanism: A firm price for a specified period of time.

Technology and e-commerce

Purchasing software has been developed as an additional module with point of sale. The quality of the purchasing software reflects the afterthought nature of the development. Perpetual inventory most often provides the base of data. Bid award is often one of the features. An informal survey of school districts in one state revealed

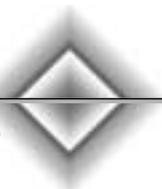
that only one school district was a satisfied customer. It had taken that school district five years to get all the necessary data keypunched. The survey covered all major software with a purchasing module.

Some substantial limitations when using these software programs include:

- ▲ The software limits the size of the descriptions used on the request-for-price documents.
- ▲ The number of approved brands is often limited by the space provided.
- ▲ The format of the request-for-price documents pays no attention to good reading format.
- ▲ The software often forces the school district to ask what brand is being bid on every item, even if the school district does not care.
- ▲ The software often forces the vendor to complete a how-packed section even if the school district specified a single pack “only” and variations are not acceptable.
- ▲ The software will not allow bid award on the appropriate bid unit (i.e., portion cost) thereby causing increases in food cost.

A good spreadsheet or data base software application often offers more flexibility and can accomplish the purchasing task more efficiently than most purchasing software currently marketed to schools.

A software package that focuses on



the order process at the site would improve the entire purchasing system. Systems must be developed to reflect actual work done at each level. Purchasing begins at the kitchen site. As discussed in Chapter 4, all products are not ordered the same way. Software that recognizes the diversity of the products necessary to produce today's meals would help the inventory control process. Perpetual inventory in a situation where the site gets weekly delivery produces extra work and reduces the time that can be allotted to control of inventory. A perpetual inventory system for the major components of the meal that produces the production record but does not require the site manager to record the use of staple food items could be justified. The diversity of products must be recognized. If development was approached as a tool for the site instead of the central administrative office, the functionality of the software would change. This change would solve many of the problems of the central administrative unit and the site. Software would become management focused rather than control focused.

What would effective purchasing software look like? It would:

- ▲ Allow for management of the product list in several ways:
 - ▲ classified and managed by order type - stock level, menu driven, annual, stocked by delivery man (such as milk or snack items)
 - ▲ classified and managed by purchase method
 - ▲ classified and managed by brand approval type
 - ▲ classified and managed by production record type (category in menu pattern or on production record and whether purchased or USDA donated)
- ▲ Allow the length of the food description to be flexible on the request for pricing.
- ▲ Format the request for pricing in left-to-right columns.
- ▲ Allow the vendor to submit the request for pricing either online or by disk.
- ▲ Produce an order catalogue for the site manager that provides the pack of all items – or, even better, allows for the development of a weekly order by week of the cycle menu and allows the site to input the quantity of each choice to produce. The software would then complete the math to produce the weekly order.
- ▲ Allow the site manager to view current contracts online at the site and place the site order online.
- ▲ Automatically order the stock items unless the quantity is changed by the site.
- ▲ Allow central office approval of the order and transmit the order electronically to vendor.
- ▲ Interface the order with the vendor's inventory and report shorts and outs back to school district.

CHOICE

- ▲ Prepare a receiving report for the site manager that indicates quantity ordered and brands to be verified at time of delivery.
- ▲ Allow the site to indicate the order is received in total (by count and dollars) rather than by item.
- ▲ Allow the site to record the total amount of all invoices for receipts and post against the site budget, always showing the site manager how much budget authority is left for the month.
- ▲ Capture the purchase history by site and as a district aggregate and allow the central office to retrieve by site or aggregate for specified time periods.
- ▲ Track usage history for rebates and prepare reports for submission to manufacturers.
- ▲ Interface with nutrient analysis software, and other software (menu costing, inventory management) used by the school district.

What does the purchasing future look like? Child Nutrition spends more dollars on commodities (the term used by the purchasing community for food, as well as pens and pencils) than in any other area of the school district. Only a small percentage of the instructional and office supply budgets are spent on commodities. E-Commerce, purchasing cooperative administrators, and distributors are beginning to recognize this fact. “Penetration of the account” is a term used by sales staff when

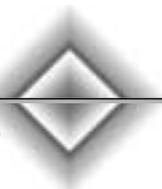
discussing what percentage of the school’s business it has obtained. The sales objective is to obtain as close to 100 percent of the business as possible.

Think back a few years to a time when the services of many vendors were required to acquire the products used in a school kitchen. Today a large percentage of the products are purchased from a broadline distributor. Step outside the black box and envision a truck backing up to the loading dock and unloading food, office supplies, instructional materials, basketballs, bats, band instruments, computers, and phones. For help with the vision of the future, make a visit to the World Wide Web at

<http://www.patriotfoodservice.com>.

This broadline distributor is already preparing for the future.

The 2000 revision of The American Bar Association (ABA) model procurement code modified and added new definitions that allow procurement processes to adapt to the electronic age. The ABA model defines electronic as “electrical, digital, magnetic, optical, electromagnetic, or any other similar technology.” The authors of the model code comment “(1) The purpose of this definition is to facilitate the use of electronic documents of all types. The code does not attempt to anticipate the specific technologies that may allow the procurement process to be performed electronically, but provides the (policy office) with the necessary flexibility to adopt regulations that do so. (2) The implementation of electronic procurement processes should include sound system checks and balances that



demonstrate a high level of accountability and integrity.”

A lot of articles are being written and a lot of attention is paid to e-commerce, but will it benefit school food service? A search of the World Wide Web on May 31, 2001 using the search words “e-commerce & food” listed seven sites that serve restaurants. Readers are encouraged to visit some of these sites. As the systems now exist, it does not appear that there are many benefits for child nutrition. The literature does not provide any practical examples of money saved or quality improved. E-commerce could be a real benefit to school purchasers. An e-commerce company could register school districts for an array of products, determine the quantity that will be used in a year, and produce for those member school districts a manufacturer’s contract price. Then the school district would contract with a distributor for delivery. The e-commerce company would serve as the cooperative headquarters for many school districts’ direct contracts with manufacturers. The current problem is that contracts are negotiated without full and open competition, and pricing does not consider quantity purchased. Most e-commerce companies are either focusing on drop shipments or allowing the school districts to choose from an array of distributors. Although no numbers are available, experience indicates that when distributors do not know how much they will deliver, the price will be high. The future is bright and offers many opportunities for long-range improvement in child nutrition

purchasing through the use of technology and e-commerce.

Evaluating purchasing systems

Evaluate current practice as a basis for selecting the purchase system that is best for the school/district. The suggestions below are a guide for conducting a self evaluation of the purchase systems presently in place.

- ▲ Are the product movement policies of the SFA clearly defined?
- ▲ Are the receiving practices adequate to assure delivery of the product as purchased? A random, on-site review of deliveries is the best way to check this. Have an individual in central administration involved with awarding bids follow the distributor trucks for a week as deliveries are made. Are receiving practices adequate? If the answer to the question is no, determine where the system is failing.
- ▲ Are product descriptions adequate to assure comparability? A third-party product specialist is the best person to answer this question, to evaluate the quality and fairness of descriptions as written. If budget constraints do not permit the employment of a third-party, ask the state agency and the National Food Service Management Institute (NFSMI) for a list of school districts with good descriptions. Obtain a copy of the descriptions these districts use for comparison.

CHOICE

- ▲ Do the purchase systems in the district reflect innovations in systems developed in the last 10 years? When was the last time the purchase systems were changed? Review articles in the School Food service and Nutrition Journal and other trade publications. Food purchasing cooperatives are a good source for information on the latest innovations in purchasing.
- ▲ Is the purchasing environment conducive to change? Whether child nutrition is autonomous from a central purchasing department provides part of the answer.
- ▲ Is staff time available for purchasing adequate to manage changes?
- ▲ Is staff expertise strong enough to manage change? If the answer is no, are resources available to train appropriate staff for purchasing?
- ▲ Is computer technology used to support purchasing?

Changing the purchasing system

If evaluation of the purchase system shows that a change is needed, take it easy. Change will generate a lot of conflict with business partners. Make a change from line item to bottom-line award in phases. Market based bids probably should be phased in over five to 10 years. Drastic change could create a situation where no one will deliver the products. Below is an example of a long-range plan for changing the purchase system. Each school district

must evaluate where they are and what they want to accomplish and then develop a customized plan.

- ▲ Year one — project quantities and begin improving descriptions.
- ▲ Year two — refine system to project quantities, complete description improvement project, and classify products by anticipated brand approval type.
- ▲ Year three — begin screening products for brand approval, convert milk and milk products bid to firm price with an escalation clause based on third-party market bulletins.
- ▲ Year four — complete brand approval, begin studying third-party market bulletins for fresh produce, and complete a market area analysis in preparation for conversion to bottom-line firm price (Appendix 3).
- ▲ Year five — Convert to approved brands only on a line item bid, convert fresh produce to a third-party market based bid system, and continue to work on market area analysis in preparation for conversion to bottom-line firm price.
- ▲ Year six — Convert to a bottom-line firm price bid for meat and groceries, begin studying third-party market bulletins, and compare prices paid for products to the market bulletins.
- ▲ Year seven — Convert two or three high volume items to reimbursable

cost plus a fixed fee with a petition for increases based on a third-party market bulletin.

- ▲ Year eight — Convert some additional items to third-party market bulletin prices. Experiment with contracting directly with a manufacturer for a few high volume items.
- ▲ Year nine — Convert entire bid for meat and groceries to reimbursable cost plus a fixed fee with a petition to increase cost based on a third-party market bulletin.

- ▲ Year 10 — Remove spices from the meat and grocery bid and establish two contracts, one with the manufacturer for the cost of the product and a second with the distributor for delivery.

The only certain thing about purchasing food is that it changes constantly and the purchaser must be willing to change with market conditions.

CHOICE

Summary

Three basic decisions must be made for all purchases. The decisions are:

- ▲ The appropriate purchase method
- ▲ The pricing mechanism
- ▲ the number of vendors required to perform the service or deliver the product

Three basic purchase procedures are small purchase procedure, sealed bids, or request for proposals.

Two basic methods for selecting the number of vendors are:

- ▲ Line item awards - the price offered on each product is considered independently.
- ▲ Bottom-line awards, sometimes called all-or-nothing awards - the prices offered on products are considered as a group.

Three basic pricing types are:

- ▲ firm price for a specified period of time,
- ▲ reimbursable cost plus a fixed fee for service with petition for escalation/de-escalation based on third-party market reports, and
- ▲ a fee for storage, delivery, and cost of money with the cost of product established by third-party market reports

To improve purchasing systems, communication between the manufacturer, distributor, and the school district will need a lot of improvement. Purchasing is the same for the private sector as the public, except public sector customers have to use bids that guarantee open and free competition and comparability.



Creative approaches to purchasing in the public sector must be developed if schools are to apply quality measures to the purchasing process. Change will take the best efforts of manufacturers, distributors, and schools. School children deserve nothing less than the best from these partners.

CHOICE

CHAPTER 11

Monitoring Cost



Practice

The speed with which communication occurs today provides new opportunities for monitoring cost. This change in market information availability has generated dialogues like this among school purchasers today.



"The term market reminds me of the local farmers market, where you can see the rules of supply and demand at work."

"I keep hearing all of this discussion of market based prices. What is it?"

"The discussions remind me of the stock market. Are we going to begin purchasing food the way you purchase stocks?"

"There's a lot I'll have to learn if we're moving in that direction. My training hasn't included anything on market based prices."

Only the most recent editions of textbooks mention market based monitoring of food cost. Only a few school districts have experimented with this form of price monitoring. It is proving to be very beneficial to school purchasers and deserves further study.

INFORMATION

In the textbook *Quantity Food Purchasing*, Kotschevar and Donnelly describe two types of markets:

- ▲ Primary markets
- ▲ Secondary markets.

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Primary markets set basic prices and quality standards that promote the movement of products. For example, the primary grain market for the world is Liverpool, England; Chicago is the primary grain market for USA and is strongly influenced by what happens in Liverpool. New York is the primary market for coffee, and Chicago is the primary market for meat in the United States.

Secondary markets accept or produce products and distribute them to local markets. Actions in secondary markets can influence what happens in primary markets. Omaha, Kansas City, and Los Angeles are secondary markets for meat and can send signals back to Chicago. Secondary markets are becoming more influential and are taking over some of the functions of primary markets.

Local markets receive product and distribute to schools. Distributors are more involved in physical delivery than in setting prices and establishing standards.

Three basic reasons why schools should monitor markets:

1. to determine price of products in relation to markets,
2. to determine if a request for price escalation is reasonable or to request a price de-escalation,
3. to establish the cost of the product.

Third-party market information

Each day an experienced market reporting staff gathers confidential information on what products have been traded, what products are offered and by whom, the price at which product is offered, what levels are bid and by whom. Reporters are dedicated to objectivity. Sales are verified. The final quotations are based only on sales, bids, and cash terms.

The market quote does not represent every transaction, nor does it represent the high and low, but the market does reflect the average.

The market reflects the average.

Third-party information sources

Schools have access to market information. The USDA, through the market news staff at the Agricultural Marketing Service (AMS), provides a wide range of market information via the Internet. Schools may subscribe to a publication of a private market research company. There are many reliable market research companies.

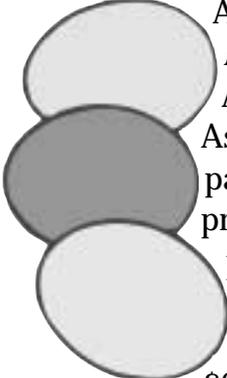
Federal market news reports

Access the USDA market reports from the AMS web page at:
<http://www.ams.usda.gov>.

Access the USDA market reports from the AMS web page at:
<http://www.ams.usda.gov>

Raw beef, pork, butter, cheese, milk, poultry, eggs, fresh fruits & vegetables

FOB shipping point basis



A report is prepared weekly for the American School Food Service Association (ASFSA) and the American Commodity Distribution Association (ACDA). From the web page choose ASFSA/ACDA weekly pricing report. As an example, the pricing report for Monday, January 29, 2001, listed the market price for 5- pound American cheese as \$01.2325 — \$01.50 per pound. The previous week's price was reported as \$1.2175 — \$1.3025 per pound.

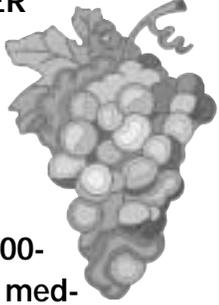
Fresh fruits and vegetables

From the AMS web page, select market reports and fruit & vegetable reports, which includes several options. The most useful for school purchasers are the U.S. Terminal Market Price and Supply Reports. A review of the other 30-plus reports is an excellent educational opportunity. A list of terminal markets will appear on the screen. School purchasers should choose the terminal market closest to their geographical location. The terminal markets currently are:

Atlanta, GA; Boston, MA; Baltimore, MD; Chicago, IL; Columbia, SC; Dallas, TX; Detroit, MI; Los Angeles, CA; Miami, FL; New York, NY; Philadelphia, PA; Pittsburgh, PA; San Francisco, CA; Seattle, WA; and St Louis, MO.

Here is an example of the information in fruit reports for Friday, February 2, 2001, for the Seattle, Washington terminal market.

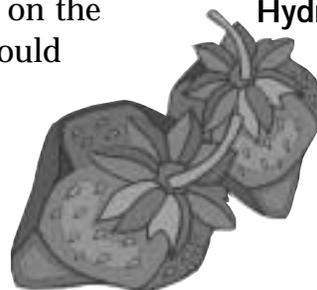
—GRAPES: MARKET LOWER



18 lb lugs bgd CL Perlette med-lge 17.00-19.00 few lower
 Thompson Seedless med-lge 18.00-21.00 mostly 19.00-21.00 few 22.50 Flame Seedless med-lge 18.00-21.00 mostly 19.00-21.00 few 22.50 Black Seedless med-lge 19.50-22.50 mostly 21.50- 22.50 Red Globe med-lge 22.00-24.00 few lower

Another example from the vegetable reports for Friday, February 2, 2001, for the Pittsburg, Pennsylvania, terminal market.

--TOMATOES: MARKET MX LOWER, FL ABOUT STEADY. 25 lb ctns lse FL85% U.S. One or Better Mature Greens light red-red 5x6s 11.00-12.00 6x6s 14.00-15.00 mostly 14.00 flts 2 lyr MX Vine Ripes 4x5s 10.25-11.50 5x5s 9.00-10.50 lugs 3 lyr MX Vine Ripes 6x6s 15.50-17.00 mostly 15.50 15 lb flts MX Vine Ripes Greenhouse Hydroponic 25s 15.00-16.50 few higher. 5 kg ctns on the vine NL Vine Ripes red 19.00-19.50 mostly 19.50



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—TOMATOES, CHERRY: MARKET FL STEADY, MX HIGHER. flts 12 1-pt cntrs with lids FL Grape Type 12.75 flts 12 1-pt bkts MX 12.50-13.50

—TOMATOES, PLUM TYPE: MARKET STEADY. 25 lb ctns MX Roma lge 9.00-10.00 8.00- 10.00

An easy to understand document on understanding and reading the market reports is available on the AMS Fruit and Vegetable web page. This document provides definitions of terms and abbreviations used in the reports.

Milk

Milk is the most commonly used market report. The source for this information is free from USDA. Access Federal milk market orders online at <http://www@ams.usda.gov>. Select the web site for the milk market administrator for your region of the country. If you are not sure which region your state is in, check the Federal milk market order maps. Select current Class I prices.



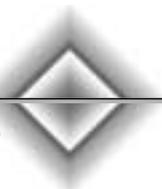
Milk is the most commonly used market report.

Announcement of Minimum Class and Component Prices: Advanced January 2001

	<u>Pacific Northwest Order No.124</u>	<u>Western Order No. 135</u>	<u>Pacific Northwest Order No. 124</u>	<u>and Western Order No. 135</u>
	Class I*	Class I*	Class II	Class III
Skim 1/	\$9.78	\$9.78	\$8.58	4/
Butterfat 2/	\$1.84	\$1.84	4/	4/
@3.5% Butterfat 1/, 3/	\$15.89	\$15.89	4/	4/
Processor Assessment**	\$0.20	\$0.20		
Total 1/	\$16.09	\$16.09		

* Subject to applicable location adjustments

** The processor assessment is an obligation under the Fluid Milk Promotion Order (7CFR 1160.101 et seq.) 1/ per hundredweight. 2/ per pound. 3/ prices at 3.5% butterfat are calculated in the following manner: 0.965 multiplied by skim price, plus 3.5 multiplied by butterfat price. 4/ announced for the month on or before the 5th of the following month. 5/ base price for Class I is the higher of the Class III or IV prices at 3.5% butterfat.



Poultry: Eggs of all types (shell, breaking stock etc.) broiler/fryers, turkeys, and special poultry items such as: capon, geese, rabbit.

Below is an example of the broiler/fryer report from the USDA/AMS market news web page at <http://www.ams.usda.gov/>.

JACKSON, MS. FEBRUARY 05, 2001 SOUTHERN STATES BROILER/FRYER PARTS. Federal-STATE F.O.B. DOCK OR EQUIVALENT, ICED-PACKED, PRICES SHOWN ARE DAY OF SHIPMENT (INCLUDES CURRENT AND PRIOR NEGOTIATIONS), TRUCKLOT AND LESS THAN TRUCKLOT VOLUME, CENTS PER POUND. AS OF FEBRUARY 5, 2001

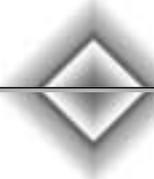
POUNDS	ITEM (000)	RANGE	MAJORITY	WTD AVG
BREAST - B/S	901	120.00-215.00	139-145	140.04
TENDERLOINS	185	135.00-210.00	135-140	146.49
BREAST - LINE RUN	80	66.00	73.50	71.80
FRONT HALVES	70	61.50	68.00	64.75
LEGS	126	27.00-40.00	28-30	28.57
LEG QUARTERS (BULK)	349	16.50-20.00	17-18	17.13
LEG QUARTERS (4/10)	1,535	18.00-24.00	21-23	22.23
WINGS (WHOLE)	305	85.00-94.00	89-90	91.91
WINGS (CUT)	633	98.00-117.00	99-101	104.41

American Institute of Food Distribution Inc. (AIFD) has been providing research and information services since 1928. Its weekly *Food Institute Report* gives price and inventory information on canned vegetables, canned fruits, dried vegetables, dried fruits, frozen vegetables, frozen fruits and juice concentrates; futures prices on food products and commodity prices from the *Wall Street Journal*, and mergers and acquisitions in the food industry. The Food Institute Report is available online for a subscription fee. To

subscribe go to

<http://www.foodinstitute.com>.

The AIFD also provides monthly reports via fax on the following indexes: Consumer Price (CPI), Grocery Store Price (GSPI), Producer Price (PPI), and Eating and Drinking Place (EDP). AIFD also offers price trend publications such as the *Foodservice Price Trend Handbook*. Contact the American Institute of Food Distribution at 28-12 Broadway or P. O. Box 972, Fair Lawn, New Jersey 07410-0972, or by phone (201) 791-5570, or Fax (201) 791-5222.


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Urner Barry Publications, Inc., is the oldest commodity market news reporting service in America. Founded in 1858, it has maintained a leadership position in the field. Its purpose is timely reporting of unbiased price quotations and market conditions for the poultry, egg, dairy, meat, and seafood industries. The company offers a complete line of phone, fax and EMail services. They publish 11 market newsletters and several books. Many market reports are also available online, the full range of services can be viewed @ urnerbarry.com. Information on some of the publications is presented below. For current subscription rates contact sales@urnerbarry.com or call 800-932-0617.

Urner Barry's Price Current is available by mail, phone, or fax. The subscription rates as of February 2001 are:

Daily by mail = \$415 annually
 Fax = \$396 quarterly
 Poultry e-mail = \$120 monthly
 Egg e-mail = \$120 monthly

In 1992 Urner Barry Publications acquired the *National Provisioner's* "yellow sheet." Most beef, pork, lamb, and veal market information is now reported from the acquired Midwest office. For example, this publication reports daily on the price of 50% lean trimmings, either fresh in job lots, or frozen in car lots. All prices are FOB Midwest river area. The subscription rates for the *yellow sheet* as of February 2001 are:

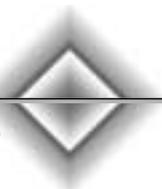
Mail delivery - \$450 annually
Yellow sheet fax service -
 1 report = \$215 quarterly
 2 reports = \$405 quarterly
 3 reports = \$610
Yellow sheet e-mail
 1 report = \$57 monthly
 2 reports = \$108 monthly
 3 reports = \$164 monthly

The reports can be selected from: *Noon Beef*; *Noon Pork*, *Closing Beef*, *Closing Pork*, *Closing By-Products*, *Beef Comments* (twice daily), or *Pork Comments* (twice daily).

Urner Barry's Seafood Price-Current is available on Tuesday and Thursday. The subscription rates as of February 2001 are:

Mail delivery = \$325 annually
 Fax = \$207 quarterly
 E-mail = \$44 monthly

Published each Thursday, the *HRI Buyers Guide* is a weekly newspaper that gives current commodities prices paid to wholesalers and distributors by hotels, restaurants, clubs, institutions, and any other "away-from-home" eating place. This publication reports prices that include the freight and distributor's cost of doing business. A subscription to this publication will provide the current market conditions and prices for fresh dairy, egg, poultry, meat, seafood, fruits, vegetables, and other perishable foods. Available from Urner Barry publications by e-mail for \$223 annually or fax for \$223 annually.



HOW TO USE REPORTS

1) Monitoring markets for fair price

Purchasing specialists all agree that end users (schools, restaurants) should monitor markets to determine the relationship between the market price and the price the user pays. The next section shows how a school can calculate a fair price for canned green beans from market reports.

The *Food Institute Report* published by the American Institute of Food Distribution reports that Midwest, fancy, 4 sieve, cut, green beans in 6/#10 cans are \$10.50, with some trading for less.

Add to market price the freight from the Midwest to the purchaser's location. The best approach is to call a local freight company for an estimate. The amount actually paid for freight will vary by distributor.

For this example, freight estimate is \$1.50 per 6/#10 case from the Midwest to the Memphis, Tennessee area. Sheltered Income makes it very difficult to determine what portion of a firm price is the distributor's fee. Distributors never tell their real markup; they talk in terms of percentage over cost. Unless schools can determine cost, percentage over cost has no meaning.

The experience of school districts which establish cost of a product and bid a fee suggests that it might be between 20 and 25%, so for this example we will use \$2.40.

Cost of Product	\$10.50
Freight	1.50
Distributor cost	<u>2.40</u>
Total cost of product	\$14.40

Comparison A: School pays \$15 minus \$14.40 = \$0.60 difference.

Analysis: This price is only 4% higher than estimated cost probably fair, allowing for freight, cost of inventory and delivery, and a reasonable profit. Fair price also depends on volume. If all canned vegetables are 4% over the estimated cost, then the purchase system should be evaluated.

Comparison B: School price is \$13 minus \$14.40 = (\$1.40) under market.

Analysis: This price is 11% under market and should be reason for concern. An immediate review of product being delivered is indicated. Is the product Grade A 4 sieve? If not, follow procedures for dealing with product that does not meet descriptions.

2) Determining if a petition for escalation/de-escalation is reasonable

Determining the price of a product from a market report is a straightforward process. Remember to follow the rule related to upper or lower limits of the range stated in the request for price instructions. The reported

Remember to follow the rule related to upper or lower limits of the range stated in the request for price instructions.

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market price at the time the bid is opened is compared to the reported market price at the time the petition for escalation is received. Following are the steps in the process:

- Step 1* Determine the market price of the product as close as possible to the time of the original price quote/bid.
- Step 2* Determine the current market price of the product.
- Step 3* Calculate the difference.
- Step 4* Determine contract price of product only.
- Step 5* Determine difference in contract price and requested change.
- Step 6* Compare requested change to market change.
- Step 7* Make the decision.
- Step 8* Calculate new contract price.

The petition for an increase should be based on the increase/decrease in the market only. A price quote below market is the responsibility of the vendor; they are not allowed to go up to market by petitioning. If this were not the rule a vendor could win the business and recoup any losses during future extensions of the contract. Here

The petition for an increase should be based on the increase/decrease in the market only.

are some examples of petitions for escalation/de-escalation and the decision making process.

Example A

ABC food company petitions to increase the price of corn-on-the-cob (96/3" ears per case). The request was to increase the price to \$13.57.

Step 1 The market report on bid date showed market price at \$10.38.

Step 2 The price on petition date was \$11.45. (The bulletins also indicated that inventory stocks were down, and it is extremely difficult to find product.)

Step 3 Difference in the market price between the date of original bid price and the request for petition: $\$11.45 - \$10.38 = \$1.07$.

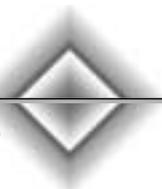
Step 4 Invoice cost = \$12.52 minus fee of \$2.08 = \$10.44 cost of product at bid time.
 $\$13.57$ minus fee of \$2.08 = \$11.49 cost of product at time of petition.

Step 5 Difference in bid price compared to requested escalation: $\$11.49 - \$10.44 = \$1.05$.

Step 6 The requested increase of \$1.05 is less than the reported market change of \$1.07.

Step 7 Petition is approved.

Step 8 New invoice cost becomes $\$11.49 + \$2.08 = \$13.57$.

**Example B**

Now look at an example where the school district requested a price decrease based on third-party market reports. All steps were considered, even though some of them did not apply. Applying all of the steps each time is one way to learn the process.

- Step 1* Reported market price at time of bid was \$1.69 to \$1.74.
- Step 2* Current reported price = \$1.80 to \$1.85 per lb.
- Step 3* Using the upper limits of market price \$1.74 minus \$1.85 = (\$0.11).
- Step 4* Top inside round beef roast invoice cost \$2.35 per lb minus fee of \$0.39 = \$1.96 product cost.
- Step 5* Not applicable
- Step 6* Not applicable
- Step 7* Request a decrease of \$0.11 per pound. Provide a market report and notify vendor of effective date.
- Step 8* New price: \$2.35 + (\$0.11) = \$2.24.

Example C

Using third-party market reports reduces the vendor's risk so the school district receives lower prices. An escalation petition can be partially approved even if the market information does not support the full increase. The distributor petitioned for an increase from \$25.32 to \$28.32.

- Step 1* The market at the time of quote was \$22.12.
- Step 2* The current market is \$23.25.
- Step 3* The difference is \$2.13.
- Step 4* \$25.32 minus a fee of \$4.20 = a product cost of \$21.12.
- Step 5* \$28.32 - \$4.20 = \$24.12, \$24.12 minus \$21.12 = \$3.00.
- Step 6* The market change was + \$2.13, the requested change + \$3.00.
- Step 7* Grant an increase in the amount of \$2.13.
- Step 8* Petition for \$28.32 denied, granted an increase to \$27.45.

The vendor was protected from the market change, but the integrity of the bid process was maintained. The vendor was not allowed to increase the price more than the market.

Example D

The request for price contained a request for 2-pack saltine crackers. The brand approval type was distributor's choice. The crackers were packed 200/2 count per box. The price quoted was \$11.28 per box. A petition was received for an increase to \$12.25 per box.

- Step 1* No market bulletin for crackers - not applicable.
- Step 2* Not applicable.
- Step 3* Not applicable.
- Step 4* \$11.28 minus fee of \$2.28 = product cost of \$9.00.

CHOICE

- Step 5* \$12.25 - \$2.28 = \$9.45,
 \$9.45 - \$9.00 = \$0.45.
- Step 6* Not Applicable.
- Step 7* Requested increase denied
 and distributor requested to
 obtain new pricing from at
 least two sources.
- Step 8* Not applicable.

The distributor reported back that Brand B quoted \$8.95, Brand C quoted \$9.50, and the manufacturer that had the present bid offered to drop the price to \$8.90 per box.

What should the school district do? This was a distributor's choice item. It does not matter to the school district what brand is delivered, so the lowest price quote was accepted.

Now consider the price for a different product. ABC School District opened bids for milk on July 25, and the bid offered was to be based on the July Minimum Class and Component Prices. The bid was awarded to XYZ Dairy for \$0.1325 per half pint of whole, un-flavored milk. Each month the school district purchaser accesses the Current Announcement of Minimum Class and Component Prices for their Federal Order Number and determines the impact of the cost on prices. Here is a portion of the advance prices and pricing factors from the appropriate milk orders:

	JULY	AUGUST	SEPT.	OCT.
Class 1 base price (3.5%)	\$11.96 CWT	\$11.94 CWT	\$11.50 CWT	\$11.45 CWT
Base skim milk price	\$7.82 CWT	\$7.89 CWT	\$8.01 CWT	\$8.15 CWT
Base butterfat price for Class I	\$1.2375	\$1.2352 <i>per pound</i>	\$1.2425	\$1.2452

Calculation of new prices for skim milk

The escalation/de-escalation clause in the request for prices read as follows:

"All prices shall be firm for 30 days, after which prices for milk can

increase or decrease in accord with changes in Class 1 raw

milk prices based on

monthly Federal Milk

Order Announcements

for the applicable

geographical zone.

Prices for milk

delivered can be

increased or decreased

at the rate of \$0.001

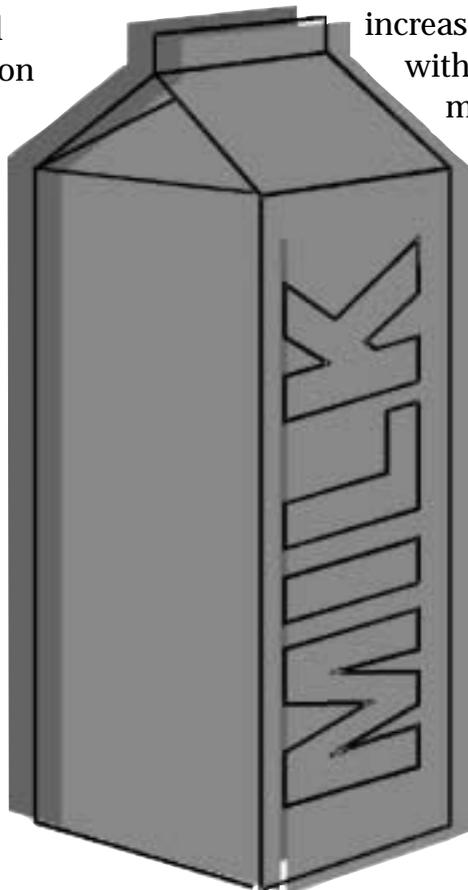
per half pint for each

full \$0.15

increase/decrease in

raw milk per hundred

weight."



	August	September	October
Base skim milk price for July	\$7.82	\$7.82	\$7.82
Base skim milk price for August	\$7.89		
Base skim milk price for September		\$8.01	
Base skim milk price for October			\$8.15
Change	+ \$0.07	+ \$0.19	+ \$0.33
Action	No Change	+\$0.001	+\$0.002
Base price per half-pint		\$0.1325	\$0.1325
New price per half-pint	\$0.1325	\$0.1335	\$0.1345

Make the comparison of current price back to the original market order, which was the base month for the bid. Add the increase/decrease to the original bid award.

The *Announcement of Advanced Prices and Pricing Factors* for the Federal Milk Market Order which covers your school contains the price per hundred weight (CWT) for skim and whole (3.5%) milk.

If you purchase 2% milk, it is necessary to make an additional calculation. Here is an example using the prices from the sample announcement.

A hundred pounds of 2% milk (2% butterfat content) contains 98 pounds of skim milk and two pounds of butterfat. The price of milk is per hundred pounds and the price of butterfat is per pound. The formula for determining the price of 2% milk per hundred weight is:

(Class I skim milk price/cwt x .98)
+ (butterfat price x 0.02 x 100) = 2%
milk price per hundred weight

July $(\$7.82 \times .98 = \$7.66) +$
 $(\$1.2375 \times .02 \times 100 =$
 $\$2.48) = \10.14

August $(\$7.89 \times .98 = \$7.73) +$
 $(\$1.2352 \times .02 \times 100 =$
 $\$2.47) = \10.20

September $(\$8.01 \times .98 = \$7.85) +$
 $(\$1.2425 \times .02 \times 100 =$
 $\$2.49) = \10.34

October $(\$8.15 \times .98 = \$7.99) +$
 $(\$1.2452 \times .02 \times 100 =$
 $\$2.49) = \10.48



CHOICE

Calculation of new prices for 2% milk

	August	September	October
Base 2% milk price for July	\$10.14	\$10.14	\$10.14
Base 2% milk price for August	\$10.20		
Base 2% milk price for September		\$10.34	
Base 2% milk price for October			\$10.48
Change	+\$0.06	+\$0.20	+\$0.34
Action		+ \$0.001	+\$0.002
Base price per half-pint	\$0.1375	\$0.1375	\$0.1375
New price per half-pint	\$0.1375	\$0.1385	\$0.1395

Miscellaneous information which may be helpful: There are approximately 186 half-pints of milk in a hundredweight of milk. Considering the product loss during the normal handling and bottling process, a hundredweight should yield approximately 180 half-pints of milk.

Purchasing mixed product

The purchase of a mixed product adds a new dimension to market based prices. Formulas for products are proprietary information, and companies cannot share those formulas if they are to maintain a competitive edge. All states and the Federal government have laws which allow companies to protect proprietary information.

Under these laws school districts can agree to protect the information and should have in place a procedure that guides staff through the process.

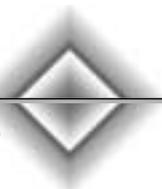
On the next page is an example of

why a formula is necessary for market based price escalations. Below is a section from Urner Barry's *yellow sheet*

PRICES REPRESENT F.O.B. MIDWEST RIVER AREA AT END OF TRADING DAY ON STANDARD PRODUCT, CARLOAD BASIS LOOSE, IMMEDIATE SHIPMENT, UNLESS OTHERWISE SPECIFIED

Key: B-bid; as-asked; n-nominal (approximate value in absence of trading); f.f.a.-fresh freezer accumulation . . .

FRESH PORK CUTS		
FRESH PORK CUTS		
JOB LOT FRESH	JOB LOT FRESH	CAR LOT SAUSAGE
MATERIALS	CAR LOT	
CHCO BASIS	(PACKED) F.O.B. MIDWEST RIVER AREA	
F.O.B. MIDWEST RIVER AREA	CHCO. BASIS	(PACKED)
	FRESH	FROZEN
95	Reg. Loins 14/dn	91
	41	50% lean Trg.*(42%)
	31	unq
95	Reg. Loins 14/18	90@91
	70	80% Lean Trg.*(72%)
	58	59
96	Reg. Loins 18/22	91@92
	70½	Bnls. Picnics* (72%)
	58½	61
92	Reg. Loins 22/up	88
	105	Blade meat . unq
	75	
67	Bst. Btts, 4/8 (Dom)	63



Product number and brand: ABC Brand # 12345

Product name: Smoked Sausage

Raw ingredient	Cost at time of initial price quote	Current market cost	Percentage increase in cost	Percentage of product	Average percentage cost increase applied to total product cost
50% lean beef trimmings	\$0.225	\$0.5027	123%	9%	11.11%
50% lean pork trimmings	\$0.15	\$0.381	154%	13%	20.02%
80% lean pork trimmings	\$0.41	\$0.4847	18%	78%	14.21%
Raw ingredient average increase					45.34%
Production cost			00%	51.2%	
Raw ingredient cost				48.8%	

for April, 1986.

The original bid on this product was \$1.60/lb.

Step 1 Contract price of ingredients:
 $\$1.60 \times .488 = \0.78 for ingredients (plus $.512 \times \$1.60 = .82$ for production = \$1.60)

Step 2 Current market price compared to invoice price:
 $\$.78$ (old price) + $(.78 \times .4534 = .35$ increase) = \$1.13 new ingredient cost

Step 3 New price = ingredients plus production costs \$1.13 + $(.512 \times 1.60 = .82) = \1.95
 $\$1.13 + \$0.82 = \$1.95/\text{lb.}$

Market based petitions for increases/decreases is not an exact science. The cost of maintaining precise

figures when dealing with a product whose price changes almost by the hour is prohibitive. Some of the questions that may arise:

- ▲ Is the company entitled to recover its losses prior to the petition?
- ▲ When the market shows the first indication of declining should the school district request an immediate decrease or wait until a market trend develops?

When the school district and vendor develop a partnership based on trust and openness, these issues can be solved. All negotiations must be approached with a sense of fair play for

All negotiations must be approached with a sense of fair play for the children, tax payers, and the vendor.

CHOICE

the children, tax payers, and the vendor.

As school purchasers we are just beginning to learn how to deal with third-party market prices.

The potential of this approach has many possibilities for improving our sources of supply for products necessary to produce high quality school meals.

Summary

Monitoring the cost of product through third-party market bulletins is a new concept for most school purchasers. This practice is routinely used by the private sector. There are three potential reasons for monitoring cost:

- ▲ To determine fairness of price being paid for products;
- ▲ To determine if request for price escalations is reasonable;
- ▲ To establish the cost of the product.

Third-party market reports are widely used for milk purchase, and this concept has the potential to be expanded to other products.

CHAPTER 12

Laboratory Testing of Products



Practice

Emphasis on implementation of the Dietary Guidelines has presented school purchasers with a new area of knowledge in which to operate. Conversations like this indicate how uncomfortable we are with laboratory testing and nutritional analysis.

"I wonder if this nutritional analysis is correct."

"I always thought this product had more fat than this analysis shows."

"It was nice of this company to put a nutrition facts label on this product even though it is not required, but it doesn't compute according to the 4-9-4 rule. They must have made a mistake."

"It's on the label, not just a fact sheet. This company has an excellent reputation. Surely they wouldn't risk a felony conviction for mislabeling product."

"I just really don't know enough about laboratory analysis and nutrient data bases to have an intelligent conversation."

"Concern about the validity of some of the information I've been supplied on the products we are serving our children has made me consider some random testing of samples."

"I'm really concerned about food safety issues and the number of recalls of food products reported in the news. Are we serving safe food to our children?"

"Our suppliers are quite reputable - there is no reason for concern."

CHOICE

The public and the Federal funding agency are demanding accountability for the nutrient content of school meals. The media is testing product, looking for negative stories. School district purchasers are operating in this complex arena without adequate skills.

School purchasers need knowledge in the complex area of laboratory testing. Few school offices have a reference on laboratory testing. Rarely are training programs on tests and the validity of data bases available to staff who must deal with these issues.

INFORMATION

Basic information about laboratory testing procedures puts the purchaser in a stronger position to ask the right questions. The first question to ask when hiring staff is, "What are their qualifications, and can I verify what they tell me?" Apply the same standard to the laboratory:

"What are the qualifications?"

AOAC and USDA labs

The Association of Analytical Chemists (AOAC) is a professional group that publishes a list of approved procedures for conducting all laboratory analysis. The first question you want to ask is, "Does the laboratory implement AOAC procedures?"

**"Does the laboratory
implement AOAC
procedures?"**

When considering testing of meat and poultry you want to know if the lab is accredited by the U. S. Department of Agriculture (USDA). What is the advantage of a USDA-accredited lab? Should a question arise about a product, you are assured that lab results from a manufacturer or an independent lab will match those of USDA.

A USDA-accredited lab is approved to perform some, but not all tests, so you need to know for which tests the lab has accreditation. They can be accredited to perform "protein, moisture, fat and salt as a group (PMFS)." A test can be conducted for pesticide or the presence of a specific bacteria, such as Listeria, but there are no accreditation standards for total bacteria count.

Not all labs conducting PMFS test are accredited. Sometimes good labs choose not to be accredited. The initial fee to apply for accreditation is \$3,500.

A lab applying for accreditation is checked on accuracy six times each year. The lab gets a set of 36 samples, runs the tests, and reports results back to USDA. Every two months an accredited lab receives another set of samples. Any lab that does not demonstrate acceptable proficiency has accreditation withdrawn. Once accreditation is withdrawn the lab must wait six months before reapplying.

Since the accreditation status of a laboratory can change, school districts should have a reference showing labs that are currently accredited. A USDA publication called The Meat and Poultry Inspection Directory provides a list. For

ordering information see Chapter 7.

How is a school district to decide whether to employ a USDA-accredited lab or a non-accredited lab? The decision should be based on what you will do with results. If, for example, the potential for legal action based on the lab results is high, then your chances in court are improved with results from an accredited lab. If the laboratory analysis is to verify information provided by a manufacturer, then a good lab without accreditation is acceptable.

Number of samples to test

How many samples of a product must be tested to obtain valid results? Most food chemists say that 12 samples should be tested before reaching any conclusions. The manufacture of food is not an exact science. One reason is that raw products are not identical. Request

Most food chemists say that 12 samples should be tested before reaching any conclusions.

sample collection guides from the laboratory conducting the analysis.

Cost of laboratory tests

One of the concerns of a school district considering random testing of product is cost. The cost estimates below are per individual sample:

Protein - \$15 to \$20

Moisture - \$5 to \$10

Fat - \$20 to \$30

Salt - \$10 to \$15

Minerals - \$25 to \$30 for each mineral

Cholesterol - \$125

Saturated fat - \$125

In addition there may be a preparation charge of approximately \$15 for a group of minerals, and \$20 to \$40 for fatty acids. The Nutrition Labeling Education Act (NLEA) requires analyses for vitamins A and C. The test for other vitamins can be very complex and take as long as 30 days.

NLEA also requires labeling for iron, calcium, and sodium. Mineral content of a food item is determined by atomic absorption spectroscopy. The cost of a test for a mineral is approximately \$25 to \$30. The cost of equipment to run a mineral test is between \$14,000 and \$20,000.

Requesting nutrient information

These prices will explain why laboratory testing is expensive. A school district in a situation where testing is necessary has no choice but to make the expenditure. Without realizing what they are doing, school customers increase the cost of the food products with unreasonable requests for nutrient information.

A manufacturer who sells to both the retail and wholesale (food service) markets has available the basic information NLEA requires. See Appendix 18 for a sample Nutrition Facts label. Most retail products are required to have this label.

However, if the manufacturer sells

CHOICE

only to the wholesale market, this information may not be readily available. Requesting the nutrient content of a product just from curiosity could boost expense, and all school purchasers eventually pay some of the cost. Request for nutrient information should be limited to those nutrients for which you have a specific scientific recommendation related to children's health. If, for example, you decide you want to know the caffeine content of a food, don't ask the manufacturer's sales staff to provide that information.

Sales staff are trained to please the customer and they will get the requested data, adding to overall manufacturing cost and the price everyone pays. If you're the only customer who wants to know, you should research if the test can be performed and the cost. If, in your opinion, the need for the information is critical to protecting children's health, then your school should pay an independent lab to perform the test.

Testing for meat species

Do you ever wonder if a processed meat product is all beef or part pork and chicken? The term "all meat" is of concern to a lot of purchasers after all, squirrel and kangaroo are meats. A laboratory analysis can determine the species of meat in a product. The cost is approximately \$200 per species. A laboratory test cannot tell what percentage of each species is present in the product.

Often school purchasers want to verify the percentage of vegetable protein to meat in a product. To make

this determination, labs test the amino acid content of the product and then link the specific amino acid profile back to the protein source. This is a very costly process.

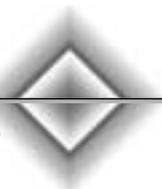
Testing fruits and vegetables

Grading fruits and vegetables under laboratory conditions could be necessary for school purchases. The chapter on the regulatory environment discusses the various types of grading inspections available. A lot inspection is probably the type that you would require. For information on obtaining this service contact the closest processed fruit and vegetable inspection office of the USDA/AMS. This information is available online at <http://www.ams.usda.gov/>.

Nutrient data bases

The foundation of most public and commercial nutrient databases in the U.S. is the USDA Nutrient Database for Standard Reference (SR). The SR has been in continuous existence in printed or electronic format for over 100 years. The Nutrient Data Laboratory (NDL) of the USDA's Agricultural Research Service, Beltsville Human Nutrition Research Center, is responsible for this data base.

Unrounded, unadjusted data are required. Analytical or database data are accepted. Seventy nutrients are currently released. Data may be published by brand name. There is no fee associated with submitting data to Nutrient Data Laboratory. The SR data are available online at <http://www.nal.usda.gov/fnic/foodcomp/>.



USDA/FNS recognized that school food authorities need accurate, reliable, complete, and centralized nutrient data. FNS in cooperation with the Agricultural Research Service (ARS) developed the Child Nutrition (CN) Database for use in nutrient analysis of school meals.

The CN Database contains five component files: the standard reference file (SR), a file of USDA commodities, a file of the USDA quantity recipes for schools, a brand name processed foods file, and a file containing the USDA Food Buying Guide. These files are locked, which means that the information in those files may be accessed and copied but may not be altered by the local user. Food identification codes or numbers are reserved for use in the CN Database.

FNS recently contracted with Sales Partner Systems, Inc. (SPS) to manage the CN Database. SPS is a working partner with the International Food Distributor's Association (IFDA) and currently manages a database of more than 35,000 food service product descriptions for over 260 manufacturers.

Because numerous processed products are used by schools, manufacturers are encouraged to submit nutritional information for their products to SPS so they can be added to the CN Database. This saves data entry time for local schools and makes nutritional information on those products available nationwide. SPS has a fee schedule for this service. For information on the fee schedule and details on how to submit data, manufacturers may contact SPS at 757

South Nova Road, Ormond Beach, FL 32174, Attention: Keitt Moore, telephone 1-800-777-2924 extension 170. Schools must have an approved nutrient analysis software program to access this data base.

Validity of nutrient information

School purchasers should learn to ask the correct questions when discussing nutrient information provided by manufacturers. Here is a list of some questions you might ask.

- ▲ Is this nutrient analysis based on chemical analysis?
- ▲ If yes, how many samples were analyzed?
- ▲ Were samples raw ingredients or the finished product?
- ▲ If raw ingredients were analyzed, was the test based on a profile of raw ingredients or was it conducted after the ingredients were mixed and prepared for packaging?
- ▲ Does the analysis consider changes in the food during preparation?
- ▲ If not based on a chemical analysis, what data base was used to make the calculation? Was the product analyzed under Federal regulations for a Nutrition Facts label?

School purchasers should focus on this thought when working with nutrient analysis: Not all nutrient analysis of processed foods is accurate! Ask questions and have a trained

CHOICE

nutrient analysis professional review the information.

Food Recalls

Food products recalls can be a serious concern for consumers. Some reasons for recalls are serious, while others are less worrisome. The following information promotes better understanding of the recall process:

What is a food recall?

A food recall is a voluntary action by a manufacturer or distributor to protect the public from products that may cause health problems or death.

Who regulates food products?

The Food Safety and Inspection Service (FSIS) of the U.S. Department of Agriculture (USDA) inspects meat and poultry products. FSIS is responsible for ensuring that these products are safe, wholesome, and accurately labeled.

FSIS also inspects all pasteurized egg products under 21 CFR160.105(eggs that have been removed from their shells for further processing) produced in Federally inspected plants. All other food products, other than those regulated by FSIS, fall under the regulatory authority of the FDA.

Neither the FDA nor the USDA has authority to require a recall without obtaining a court order.

Neither the FDA nor the USDA has authority to require a recall without obtaining a court order. In practice, the FDA and FSIS use their persuasive

powers to convince company officials that a recall is needed. The action is sometimes viewed as an alternative to an agency seizure or detention action to remove or otherwise correct adulterated or misbranded products.

Recall classifications

If FDA or FSIS undertakes the task to have a company recall a product, the recall will be categorized into one of the following classifications:

Class I Recall: Used in situations where there is a reasonable probability that use of or exposure to a product will cause serious adverse health consequences or death.

Class I Recall: Used in situations where there is a reasonable probability that use of or exposure to a product will cause serious adverse health consequences or death.

Class II Recall: For cases in which use of or exposure to a product may cause temporary or medically reversible adverse health consequences or where the probability of serious adverse health is remote.

Class III Recall: Employed when use of or exposure to the product is not likely to cause adverse health consequences.

In addition to recalls, these actions are available to a company that decides to regain control of product already in distribution:

Market withdrawal: Used when there is a minor violation that is not

subject to legal action by FDA or FSIS, or when the company wished for some other reason to retrieve product from distribution; e.g., the product does not meet the company's internal specifications.

Stock recovery: Employed to recover product that has not been placed in retail distribution channels but is still under the manufacturer's direct control on its own premises or in warehouses from which the company can assure there will be no distribution.

Correction: Covers steps taken to repair, modify, re-label, or otherwise adjust a product so that it may remain in distribution. It may also mean destruction of a product with regulatory concurrence when the product may cause serious harm.

Health hazard evaluation and classification

If a recall is to be made, the government agency, not the company, classifies the recall. Once notified of a product defect, FDA and FSIS will evaluate its potential seriousness. FDA's guidelines state that an ad hoc committee of FDA scientists will

If a recall is to be made, the government agency, not the company, classifies the recall.

evaluate the health hazards presented by a product being considered for recall, taking at least these factors into account:

- ▲ Whether disease or injuries have resulted from use of the product
- ▲ Whether any existing conditions

could contribute to a clinical situation that could expose humans or animals to a health hazard

- ▲ The degree of hazard to various population segments likely to be exposed to the product, particularly to those people at greatest risk
- ▲ The seriousness of the health hazard to which populations at risk would be exposed
- ▲ The likelihood of occurrence of the hazard
- ▲ An assessment of the consequences (immediate and long-term) of the hazard

Legal responsibility for product safety and wholesomeness rests with the officers and employees of a food manufacturing company. It is in the best interest of company and consumers to have a system in place that assures the smoothest possible handling of any product withdrawal, stock recovery, or recall that may take place.

The USDA/FSIS maintains a website related to recalls of meat and poultry products. For additional information on recalls, contact the Food Safety and Inspection Service Recall Information Center website at

http://www.fsis.usda.gov/OA/recalls/rec_intr.htm.

Food Safety and Inspection Service Recall Information Center website at

http://www.fsis.usda.gov/OA/recalls/rec_intr.htm.

In addition to this website, USDA/FSIS provides the Meat and Poultry Hotline, which is a resource directed at consumers. The hotline also offers a wide variety of information in taped recordings, as well as one-on-one consultation with a specialist. For additional information contact the following numbers:

Meat and Poultry Hotline
1-800-535-4555;
in the Washington, DC area:
202-720-3333
TTY: 1-800-256-7072
E-mail: mph hotline.fsis@usda.gov

For information on recalls of all other foods, contact FDA's Center for Food Safety and Applied Nutrition's Outreach and Information Center: 1-888-SAFE FOOD (1-888-723-3366) FDA Enforcement Report, a weekly publication, issues general information about all new recalls being monitored. The publication is available by subscription from the Superintendent of

Documents, Government Printing Office. For price and ordering information, contact the Government Printing Office, Washington, DC 20402, telephone 202-512-1800; or fax 202-512-2233. The latest issues of the FDA Enforcement Report are available on FDA's Internet website at <http://www.fda.gov/opacom/enforce.html>.

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Additional food safety information is also available on the website at <http://www.foodsafety.gov>. Called "Gateway to Food Safety," this website has a number of links to government agencies, as well as current "hot topics" to assist consumers and professionals keeping up to date on food safety issues.

Summary

With increased media attention on food served to children and Federal accountability demands, random laboratory testing of product nutrient content may become necessary. Testing product is expensive, and there should be a clearly defined need for the information. Requesting information from manufacturers that they do not have available increases the cost of operation.

Inevitably such demands increase the cost all customers pay. If you have a need for information in your district contract with an independent lab to provide the analysis.

Laboratory analysis can't provide all information you would like to have. Find out if the test can be performed before making demands on your suppliers.

School districts should pay particular attention to food recalls and become familiar with the classifications, health hazards associated with each type of recall, and have a system in place to follow if and/or when a food recall occurs.

CHAPTER 13

Receiving and Storage



Practice

School, distributor, and manufacturer personnel can tell plenty of stories about food quality problems. Breakdowns in receiving procedures cause most of the problems. A product different from the one ordered arrives on the receiving dock, and you'll hear remarks like these:

"We're doing so much to improve our purchasing process, but I think we're losing the benefits at the back door."

"What do you think she meant by that statement?"

"That precut lettuce they are purchasing is soggy and limp."

"XYZ brand of grilled chicken has a rubber texture. I am going to take this product off the approved brand list."

All of the current references and training materials focus on the basics of receiving, such as counting and weighing. While these are important aspects of a receiving program, the foods that most schools use today require more than a pair of scales to evaluate quality of food delivered.

In schools where the site manager does both purchasing and receiving, the receiving process is simpler than in

larger districts where duties are divided. The communication breakdown occurs when these functions are separated. More sophisticated approaches to receiving are necessary.

Most school purchasers use technical specifications grams of fat, bacteria count, percentage of white meat to dark. To determine whether products meet these specifications requires sophisticated laboratory equipment.

CHOICE

With the current status of federal and state budgets and other pressing priorities, funds for expensive laboratory equipment or contracts for laboratory testing at each school site are only a dream.

Most school districts provide site managers with a list of the products with brand and code numbers that appear on the bid award. Some purchasing departments generate lists only for those items in a specific delivery.

"The driver is in such a hurry that he barely allows time for me to count the boxes."

"This list has over 200 items on it. How am I supposed to locate the brand and code numbers for those items I ordered? The driver is standing over me anxious to move on to the next stop."

The limited use of computer technology in purchasing restricts the information available to the manager prior to delivery. The use of technology to communicate rapidly with widespread locations could greatly improve the receiving function. Some districts are beginning to see the need to provide this feedback to sites, but often the tradeoff is extended lead times for order placement, which creates a different set of problems. The chapter on product movement discusses problems created by excessive lead time.

Most purchasing departments or school food service administrative offices have a system for reporting product problems, but it may be too complicated.

If so, feedback from receiver to purchasing will be very limited.

"This frozen broccoli has freezer burn, which I believe is evidence of a break in the cold chain. I really should report this to purchasing, but that means I have to fill out that two-page form."

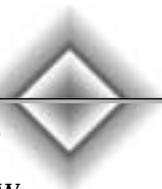
"I called and told them that the roast was not the right product. They told me to fill out the form, but it's time for serving to start. I must remember to fill out that product complaint form after lunch."

Old schools are stuck with antiquated delivery docks, but something is wrong when new schools are built with an outdated concept of food delivery. This conversation could take place between two drivers for any food service distributor serving the school market today.

"Can you believe I have to back the truck across a playground to get to the loading dock at those schools in Acorn County?"

"At Oak school it's easy to access the loading dock, but can you believe that new school was built with a loading dock? The frozen and refrigerated items have to be carried up five steps."

"I guess no one noticed that schools now use more frozen and refrigerated items, or that food delivery trucks now have three doors."



INFORMATION

The essentials of a receiving procedure that ensures quality control with no missing links:

The essentials of a receiving procedure that ensures quality control with no missing links:

- ▲ Competent personnel
- ▲ Appropriate equipment
- ▲ Proper facilities
- ▲ Communication relating order to delivery
- ▲ Simple feedback systems with appropriate follow-up

Train receiving personnel in the following procedures:

- ▲ Taking food temperatures when received
- ▲ Inspecting and storing deliveries immediately
- ▲ Reading food labels
- ▲ Following district clerical procedures
- ▲ Reporting product quality problems
- ▲ Checking products delivered against products ordered

Receiving personnel must know how to take food temperatures at the point of receipt. The increase in the use of frozen and refrigerated items in school menus makes it essential to check every delivery.

Receiving personnel also must know how to recognize signs of a break in the cold chain. The temperature can be correct at the time of receipt, but if it has been mishandled at some point in the delivery cycle (a break in the cold chain), the product quality may become inferior.

INSPECTING MERCHANDISE

Merchandise is inspected for two reasons: 1) food quality and 2) food safety. Let's look first at food safety. More operations are using a Hazard Analysis and Critical Control Points (HACCP) system to ensure food safety. Implementing a HACCP system into a food service operation begins with purchasing, receiving, and storing foods correctly. Receiving is a control point in the operation. Employees must be trained to inspect shipments for spoilage and other contamination.

The following guidelines are designed to ensure that safe products are received:

- ▲ Inspect the delivery truck. Is it clean? Are there odors? If refrigerated, is it at a temperature that protects the safety of the food? Problems with the delivery vehicle may point to larger food safety issues with your supplier.

CHOICE



A well-equipped receiving area is clean, has a small table or desk, thermometer, and two-wheel truck.

- ▲ Check temperatures, paying particular attention to frozen and refrigerated products. Chilled products should be received at 41 degrees F or lower, and frozen products should be received at a temperature of 0 degrees F. These foods are usually considered potentially hazardous foods; microorganisms flourish under the right conditions.
- ▲ Look for signs of contamination and container damage (e.g., water stained, dented, crushed, taped shut, bulging or leaking canned goods). Reject these packages their contents may also be contaminated or damaged.
- ▲ Check for contamination between raw and ready-to-eat or prepared foods during transport.

Once food is inspected for food safety it must then be checked against

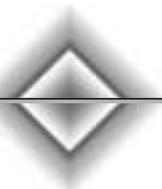
the quality standards of the school district. The components of the inspection for quality are based on the quality control part of the purchase plan. If your school district uses a food description without brands when the price is obtained there are many things which must be checked when the product is delivered.

The quality factors which must be checked are found in the food descriptions.

They could be such things as:

- ▲ Does the product have a CN label?
- ▲ Is the hot dog made of chicken, pork, beef, or maybe some combination?
- ▲ What is the length of the french fries?
- ▲ What size are the green peas?
- ▲ What is the grade and size of the fresh tomatoes?

Many school districts use a food description with approved brands when the price is obtained. The inspection for quality is much simpler for those schools. If the product is classified as distributors choice brand approval then it is only necessary to check that it is the product that was ordered. The school district does not control the brand delivered. If it is a canned or frozen fruit or vegetable it is probably one of the brands of the distributor buying groups. Appendix 11 has information on these labels, the school must check that the label is for the quality the school ordered. Many of the more expensive products purchased will



be purchased with a specific brand and code number. Most of the quality check was completed when the brand and code number were approved, all the receiver has to verify is that the approved brand and code number were delivered.

The temperature at which a school accepts a product may be lower than the temperature recommended for food safety reasons. As an example precut

The temperature at which a school accepts a product may be lower than the temperature recommended for food safety reasons.

produce items or milk are safe at 41 degrees Fahrenheit, but most people want to drink milk that is colder. In order to maintain quality, the recommended receiving temperature for precut produce is lower than 41 degrees Fahrenheit. The receiver should review the school district purchasing descriptions to find the correct receiving temperatures related to quality.

The receiver should review the school district purchasing descriptions to find the correct receiving temperatures related to quality.

STORING FOODS SAFELY

Proper storage is crucial to maintain the freshness and quality of the food received. Therefore, equipment in storage areas must be in proper working order, clean, and ready for storage of products. A few guiding principles apply when storing food:

- ▲ FIFO - Use the First In First Out principle to make certain that products are used in the order they are received. Older products should be used first. Place new deliveries behind older stock.
- ▲ Store product in original packaging. If repackaging is needed, clearly label and date the product. Be certain the packaging is food-grade material.
- ▲ Keep raw food separate from cooked or ready-to-eat products. Ideally, two refrigerators work well for this purpose. Keep raw meat in one and cooked or ready-to-eat products in another. When this is not possible, store cooked and ready-to-eat foods above raw meat, poultry and fish.
- ▲ Store foods at least six inches off the floor and six inches away from the wall.
- ▲ Keep storage areas clean and dry. These areas should be cleaned on a regular basis.
- ▲ Storage areas should be regularly inspected and treated by a Pest Control Professional (PCO).

CHOICE

- ▲ Clean equipment used to transport stored foods (i.e. carts, trays etc).
- ▲ Store food in the appropriate storage area. Chemicals should not be stored near food, but in a separate storage area.

Types of Storage

Refrigerated Storage: Refrigerators should hold foods at 41 degrees or below. Check the temperature of the refrigeration unit by placing a thermometer near the door, which is the warmest section. The air of the refrigerator needs to be lower (33 to 36 degrees F) to hold food at the appropriate temperature. Check internal temperatures of refrigerated foods regularly, and do not overload the unit.

Frozen Storage: Keep freezer temperatures at 0 degrees F or below and check internal thermometers regularly. Place frozen deliveries in storage as soon as they have been inspected, using the FIFO method. Store in original containers, or re-wrap in food-grade, moisture-proof packaging.

Dry Storage: The ideal temperature of dry storage is 50-70 degrees F with a humidity level of 50- 60 percent. Keep foods at least six inches off the floor and six inches away from the wall. Store food in original packaging or transfer to a food-grade, tightly covered container.

Chemical Storage: Cleaners, sanitizers and other chemicals should be stored

separately, away from food storage and preparation areas. Ideally chemicals should be stored in a locked cabinet or room. Keep chemicals in their original containers.

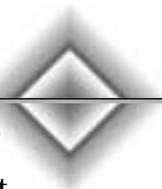


When taking the temperature of pre-cut produce the produce bag should be folded around the thermometer stem.

Thermometers

One of the critical factors in controlling pathogens in food is controlling temperature. Disease-causing microorganisms such as bacteria, viruses, and parasites grow very slowly at low temperatures, multiply rapidly in mid-range temperatures, and are killed at high temperatures. For safety, perishable foods must be held at proper temperatures to inhibit bacterial growth or cooked to temperatures high enough to kill harmful microorganisms. A thermometer is essential in every step during the flow of food - beginning with receiving.

Food thermometers come in several types and styles and vary in level of



technology and price. Some thermometers are meant to stay in the food while it's cooking; others are not. Some, like digital thermometers, are ideal for checking thin foods. Others, like the large dial thermometer many people use, are really meant for large roasts and whole chickens and turkeys.

The most commonly used thermometer is a bi-metallic stemmed thermometer, accurate to ± 2 degrees F. All thermometers should be calibrated for accuracy regularly. There are two methods for calibration - the ice point method and the boiling point method:

Ice point method:

1. Make a slush of ice and water in a container. Fill a large glass with finely crushed ice. Add clean tap water and stir.
2. Submerge the thermometer so that the sensing end is completely covered. The thermometer should not be touching the sides or the bottom of the container. Wait a minimum of 30 seconds before adjusting.
3. Without removing the stem from the slush, use a small wrench to turn the calibration nut under the dial until the pointer stops at 32 degrees F. Some digital thermometers have a reset button. Reset the thermometer while it is still in the ice water slush.

Boiling point method:

1. Bring clean water to a full rolling boil in an appropriate pot.

2. Submerge the thermometer so that the sensing end is completely covered. Do not let the stem touch the sides or bottom of the container. Wait at least 30 seconds before adjusting.
3. Without removing the stem from the boiling water, use a small wrench to turn the calibration nut under the dial until the pointer stops at 212 degrees F. Some digital thermometers have a reset button. Reset the thermometer while it is still in the boiling water.

The USDA/FSIS website has a section on various types of thermometers, their advantages and disadvantages. To access this information visit the website at: <http://www.fsis.usda.gov/oa/thermy/kitchen.pdf>.

Numbers on labels

The numbers on food service labels or wholesale food products are important to the receiver. The numbers on meat products and pre-cut produce are most critical. All pre-cut produce has a pack date. The pack date will vary by the supplier, but all receivers should know the significance of this date. Meat products have several numbers which the receiver should recognize on all items delivered. The numbers on meat products:

- ▲ Establishment number
- ▲ Product code number
- ▲ Run number or date number
- ▲ CN label number

CHOICE

The establishment number identifies the plant where the product is manufactured. This important number is discussed in the section on approval of brands. The receiver should recognize and use this number when communicating a product problem to a purchasing department or food service administrative office.

An exception is meat between two pieces of bread, which may not carry an establishment number. When meat becomes a sandwich, it moves out of the control of the United States Department of Agriculture, Food Safety and Inspection Service. When purchasing a product such as a ready-to-heat sandwich, the receiving staff should know that it may not have an establishment number. Some companies choose to produce sandwiches under voluntary inspection, these sandwiches will carry an establishment number.

The product code number is assigned by the manufacturer and is used to identify a specific product. The manufacturer controls product code assignments. This number is the means of identifying the product that was approved under the bid or price quote. For example, a manufacturer may produce several different chicken nuggets, but each product will have a unique number. This number tells the receiver whether the product delivered was the product ordered.

The run number or date code is easy to identify. All other numbers are printed on the label, but the date code is stamped on the case at the time the product is manufactured. This number may identify the shift and production

line that made the product, as well as the date. This number is important in the receiving process only when a problem with the product is identified. Receivers reporting a problem with a product must understand they need the

The date code is stamped on the case at the time the product is manufactured.

date code. When manufacturers are contacted about product problems, the first thing they want to know is the run or date code. With the code number, they know if the product is old enough to have developed quality problems, if they have had other complaints about product manufactured that date, and where the other product from that date was shipped.

The CN label number is not used routinely in the receiving process. CN labels are important to brand approval. The receiver should recognize this number as well as the run or code date in case of a question about the quality of a product. The CN label number is assigned by USDA and is unique to each product produced at a specific establishment.

See Appendix 9 for a sample meat label you can use to train receivers to check the numbers.

Each school district has a system for communicating the brand and code numbers of products approved during bid or price quote awards. Most central purchasing systems have a method for communicating delivery problems.

Training in use of this system is essential for all receivers. Just giving staff a procedure manual is not sufficient if good feedback is one of the goals of the central purchasing unit.

The receiving area

The equipment necessary in a food receiving area:

- ▲ A two-wheel truck to move product to permanent storage
- ▲ A thermometer of the appropriate type for all foods received
- ▲ A flat surface on which to work

No scales? Not necessary, because the group of products commonly called "catch weight" items has diminished to fewer than five in most operations. Many catch weight items are weighed at the manufacturer, and the weight is recorded on the box. The labeling of food products is so regulated by government agencies that it seems a waste of time for school receivers to check whether there is 10 pounds in a 10# box. Few manufacturers would risk damaging their reputation by shorting weight on a case of food product. Schools that operate food preparation facilities where they buy a lot of whole cuts of meat might need scales, but those operations are the exception rather than the rule.

What about fresh produce? Does a 50# sack of cabbage always weigh 50 pounds? No, it depends on the season of the year and the growing region. A 50# sack of cabbage may weigh 53 pounds or 48 pounds. It will always be billed and accepted as 50#, regardless of

weight. The only reason to weigh is if it appears that the sack has been opened and some product removed. As the trend moves very rapidly toward prepared produce, even weighing this product will not be an issue.

Most bids or price quotes call for products to be delivered to the receiving

When was the last time you saw a two-wheel truck designed for moving cases in a school kitchen? This essential piece of equipment should be a part of every receiving area.



A two-wheel truck is an essential piece of equipment.

CHOICE



Different types of portable conveyors are used to unload deliveries in flat receiving areas.

product on the shelves in dry storage or in the freezer or refrigerator adds to the cost of delivery. Expect to pay more if you call for this service. Many distributors computerize truck routing systems, and the time allowed for each delivery is based on the number of cases shipped and the miles between stops. Even if your instructions call for storeroom or freezer placement, you may experience problems in achieving your goal.

When was the last time you saw a two-wheel truck designed for moving cases in a school kitchen? This essential piece of equipment should be a part of every receiving area. Is it any wonder that personnel complain about having to move merchandise to the appropriate area?

How many pages is the typical

invoice for a food and supply order to a single site? Almost always it is more than one page. Have you tried juggling a clipboard, a receiving report, and invoices while bending over to count? Every receiving area should be equipped with a flat work surface for papers. It could be a small desk, a shelf attached to the wall, or a rolling cart with a flat top. Can you imagine a computer screen where you key the number of cases as you count and the price flashes up so you can compare it to the extended total on the invoice? As sophisticated computers come into the receiving area, this will become reality.

Receiving area design

Restaurants give some thought to grocery delivery during site selection. Drive around the fast food and chain restaurants in your area. Do any of them have receiving docks? The truck can access the property without any backing. It can come in one entrance, circle the restaurant, and go out the same entrance.

Personnel who design school sites and buildings have so much to think about that the delivery of groceries is often forgotten. School purchasers must become advocates for improved access for food delivery vehicles. As the number of distributors continues to decrease schools must do everything possible to make their business easier to service. The food in school food service has changed over the years. Schools now use less dry and more frozen and refrigerated product. Look at the trucks that deliver groceries. The typical food delivery truck has two



Distributors are shrink wrapping mixed loads in order to decrease unloading time and movement on the truck.

doors. The door in the back is for dry product, with one or two doors for frozen and refrigerated product. Take the time to observe a food delivery at a chain restaurant. The truck most likely pulls up level with the back door. Product can be removed from any of the doors and moved into the restaurant without going up any steps.

A few distributors are beginning to shrink wrap (wrap in clear plastic) the entire order for a site. Often when shrink wrap is used there is an agreement to accept the order without checking the contents. The school is released from liability for the accuracy of the order and followup is completed via phone. This delivery procedure can reduce distributor cost and therefore result in lower cost to their customers.

Can you imagine the frustration when a site receiver wants the hurried

delivery driver to wait while the receiver searches through a list of 200 items to find the brand and code number for the products being delivered? The traditional way of communicating the bid awards is too cumbersome. That's why site receivers disregard the policy of checking all brand and code numbers before signing the invoice. The task and the tools available make it an impossible job.

Receiving technology

The most frequent complaint about school bids: "They awarded one item and allow the distributor to deliver another." If we are to overcome the problem, we must have technology that

**The most frequent
complaint about school
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makes it possible.

Facsimile machines have become very inexpensive. Even better than a fax machine is an online system that allows the site to download and print their receiving report on the computers used for meal counts. Most purchasing departments or central food service administrative office have computers. A receiving report that lists the quantity and brand/code number must be

CHOICE

available to every site on the day a delivery is received. The missing link in the purchasing chain receiving must be closed.

What about school districts that don't put brands and code numbers on their bids? The receiver has a set of the specifications, and that employee is expected to check products against those specifications.

Even a trained food technologist could not verify the accuracy of products delivered against a specification without a laboratory and adequate time. The most effective approach to improve the receiving process is to award food bids on brand and code number.

Product feedback



Receiving clerk using e-mail to solve a problem created by a short/out on the order just received.

A feedback system must be simple for school receivers to use it repeatedly. It must be fast and easy for them to advise administration of problems with delivery. Innovative school district

A feedback system must be simple for school receivers to use it repeatedly.

administrative offices are using the telephone system to simplify their communication with site receivers. Forms the site receiver must complete to report a delivery or food quality problem are disappearing. The increased availability of voice mail is efficient for managing reports from site receivers. Some administrative offices have added a special box for receivers to report problems. The special mail box is checked twice daily. The increased use of computers with

communication links between the schools and administrative office also offers the opportunity to use electronic mail for communicating problems related to receiving. Three potential solutions to this problem are widely used in schools:

- ▲ If you are fortunate to have all of your sites computerized, use electronic mail to develop a feedback system.
- ▲ Train a person in the purchasing department or central food service office to take phone calls and record all comments. Use voice mail to reduce phone time.
- ▲ Use a simple form for comments, such as a card with blank lines.

The card should not have questions, just a place for them to write. A card or piece of paper with a lot of questions is too much to expect the site receiver to deal with. Providing feedback should be as simple as possible.

A complaint form is not included in this manual. Operators verify that site receivers do not take the time to fill out complaint forms until the problem is completely out of control. Every complaint about a problem with a product should be investigated. At times only a phone call is necessary. If you

Follow-up is the key to quality control in receiving food products.

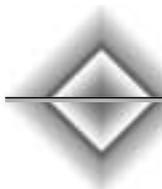
must make an on-site visit to verify the accuracy of the complaint, then do it immediately. Follow-up is the key to quality control in receiving food products. If a problem is so complex that it will take time to resolve, advise the staff who took time to report the problem about steps being taken.

Summary

We can't expect perfection, but we can achieve consistent control. Receiving food products will never be perfect. The product will never be 100 percent consistent. Remember the saying, "Not two chickens are exactly alike." The receiving staff will not always work at maximum efficiency, and equipment will not always work correctly.

What is important is consistent control that assures food products received are food products ordered. These products should be received and stored properly to minimize food safety hazards.

The very best purchasing system fails at the point where the receiving system fails. The most effective purchasing system is a system where all the parts work together to achieve the objective of cost-effective service to children.



Notes

A large empty rectangular box intended for taking notes.

CHAPTER 14

Purchasing Cooperatives



Practice

Health care and restaurant franchises have been quicker than schools to join purchasing cooperatives. This dialogue explores some of the reasons schools have not joined cooperatives.

"I am not sure about all this conversation related to forming a purchasing cooperative."

"I know, I have mixed thoughts. I need to reduce cost, and from all reports that probably would be possible if several small and medium size districts combined our purchasing dollars."

"I have heard reports that the cost of administering the cooperative exceeded the cost savings."

"I read an article that indicated that building a warehouse was what usually caused that problem."

"I read that same article and they said that the cooperative had to be large enough to gain the attention of manufacturers."

"Yes, but the article did not say how big."

"One of the things I worry about is losing the flexibility to try new products. With a captive audience it is important that I introduce new foods often in order to keep the customers from getting bored."

"I talked to one supervisor who said you do have to be flexible in the products you use to gain the price advantages of joining a cooperative."

CHOICE

"Yes, a supervisor told me that joining the cooperative forced them to find new ways to use products, rather than purchasing a different product. She said the cooperative provided a lot of assistance in finding new, more flexible products."

"I have heard several people say that joining a cooperative saved them time and therefore they had more time to devote to other tasks like marketing and food presentation."

"I have to be honest and admit that one of the reasons I am resisting joining a cooperative is that I do not want to give up control of the purchasing task. I realize I have to overcome that bias, because food has gotten so complex I need help in writing product descriptions and using some of the more innovative purchasing systems."

"The other day I went by the county co-op to buy some tomato plants and I thought to myself, this is a perfect example of a successful cooperative. The county co-ops were formed by farmers many years ago to get better prices and quality in seed and other farming needs."

"I would have to convince the superintendent and school board that we should join."

"Almost everyone you talk to who has joined a cooperative says they would never go back to purchasing as an independent."

"Selling them would be just like everything else you present. I understand the cooperative administrator gives you a lot of support in developing your presentation."

"Perhaps we could use the need to apply principles of food safety to the purchasing function as a reason to join a cooperative."

"Evaluation of vendors and product protection is an area of practice where I need additional support."

The food service administrator in most school districts must be a combination of nutritionist, accountant, personnel manager, maintenance supervisor, food technologist, food

sanitation supervisor, and technology specialist. Large school districts may have a staff of individuals who specialize in each of these areas, but in small and medium sized districts the

limited number of staff and the diversity of skills required present some complicated opportunities. Information

Today the typical food service operation purchases more than 500 food items to meet the demands of students and other customers. With the continuing development of a wide array of processed food products, it is impossible for one person to keep adequately informed of the products available. Just when you think you understand the characteristics of a product and can determine comparability, the manufacturing process or ingredients change. When analyzing this dilemma you realize that chain restaurants do not develop food descriptions in the local units. One of the things the franchise fee buys is the expertise of the corporate headquarters staff.

Schools do not have corporate headquarters. Perhaps purchasing cooperatives can serve in this role.



The 1996/97 USDA school food purchase study indicated the share of school districts participating in cooperative buying programs had grown dramatically since the 1984/85 study. In 1996/97 more than one-third of all public school districts participated in cooperative buying compared to fewer than 10 percent in 1984/85. The study further indicated that, although small school districts are the most frequent participants in cooperative buying, almost one-fourth of the large districts took part. Participating districts reported

buying more than 60 percent of their food purchases through cooperatives.

Purchasing cooperatives offer a partial answer to the product knowledge dilemma. Each member of a purchasing cooperative brings to the purchasing team a knowledge of products for the collective benefit of all school districts. Furthermore, the

Purchasing cooperatives offer a partial answer to the product knowledge dilemma. Each member of a purchasing cooperative brings to the purchasing team a knowledge of products for the collective benefit of all school districts.

benefits of purchasing cooperatives can extend beyond purchasing. When food service administrators meet to work on cooperative business, they can use the opportunity to address other problems in their school districts.

A purchasing cooperative's success depends on the flexible attitude of its food service administrator members. Members need to accept some changes in order to reach a cooperative's full potential in terms of cost savings, service and quality improvements.

CHOICE

A purchasing cooperative's success depends on the flexible attitude of its food service administrator members.

Flexibility can be minor the way granulated sugar is packaged, for example or as complicated as choosing the ingredients for a chicken nugget.

Each of the school district representatives in a newly created co-op must make a strong commitment of time for the first two years. During the first year, combining the product lists and specifications, testing products and projecting quantities will take the most time. Each food service administrator must be satisfied with quality decisions of the cooperative since the administrator's primary responsibility is the quality of the food served in the individual districts.

Cooperating without forming a cooperative

There are many ways school districts can cooperate to improve the purchasing process without a legally constructed purchasing cooperative. Working together on common purchasing projects allows a group of school districts to determine if they would like to move to a more formal purchasing cooperative.

Some of the common purchasing projects which schools can implement:

- ▲ Complete a comparison of products currently used by each school district.
- ▲ Plan and attend a product knowledge improvement workshop.
- ▲ Develop common descriptions of the products to be purchased.
- ▲ Develop common formats for bid forms.
- ▲ Screen products for prior approval of brands.
- ▲ If state law permits and vendors agree, one school district could purchase at the price bid for another school district.
- ▲ The group could issue one bid and receive one response from the vendors, with each local school district (or school board) making a separate bid award.

Although school districts can make improvements through cooperating, real cost savings will not be realized until a single purchase entity is formed. Cost savings and service improvements reach maximum potential when the economies of scale are applied.

Legal counsel

Legal counsel with purchasing experience will be necessary to the co-op. Most state laws require some type of formal agreement between districts who join a cooperative. The laws related to cooperatives vary widely



**LEGAL
BRIEF**

Most state laws require some type of formal agreement between districts who join a cooperative.

among states. One of the first steps in forming a purchasing cooperative is to research the laws of your state. Having the assistance of legal counsel with purchasing experience during this process is important to success.

In addition, increased competition and the resulting drop in food costs lowers vendors' tolerance for errors in bids. Vendors overlook bidding errors for a single district, but press a point with a cooperative. Most cooperatives will require counsel during the bid award process.



Guidelines for successful purchasing cooperative operation

- ▲ In a traditional food purchasing market, a small or medium-size district has to purchase whatever is available. Changing to a cooperative gives the member districts a combined buying volume that allows them to influence some of what is available in the market place. To maximize buying power, the group should reach agreement on the products that are purchased. As an example:
 - (1) Five brands of breaded chicken nuggets are approved.

To maximize buying power, the group should reach agreement on the products that are purchased.

- (2) The bid should be awarded to only one brand.
- (3) All districts must purchase the brand awarded the bid.
 - ▲ Consensus should be reached on as many products as possible.
 - ▲ Member school districts should never purchase items off the cooperative bid, if a similar product is available on the cooperative product list.

Member school districts should never purchase items off the cooperative bid, if a similar product is available on the cooperative product list.

- ▲ Cooperatives should provide a method for member school districts to purchase all items necessary to produce their menus. A cooperative that provides a means for purchasing only the high volume products could increase the total food cost for member districts. The member school districts could pay more for low volume items because the minimum order size decreased.

CHOICE

A cooperative that provides a means for purchasing only the high volume products could increase the total food cost for member districts.

- ▲ After the initial organization year, the member school district should not be required to forecast the quantity it will purchase each year. The cooperative should be able to use historical data to predict the quantities required. The cooperative should monitor the quantities purchased against quantities bid.
- ▲ Operating a certain way over a period of years creates a comfort zone. Change makes people uncomfortable. Natural resistance to change often prompts school food administrators in other districts and the vendor community to try to "divide and

Change makes people uncomfortable.

conquer" the cooperative. To combat this, during the formative stage the cooperative should elect a single spokesperson and refer all questions to that individual.

Although manufacturer's or distributor's management supports a cooperative's objectives, distributor's sales representatives may see a threat of reduced commissions. The street representatives and broker community tend to try the "divide and conquer" approach with new cooperatives.

- ▲ Informed upper management and school boards are essential to the success of a cooperative. Many sources will pressure the school district representative to the cooperative and, if unsuccessful, will try to escalate the issue upward in the organization. If upper management and the school board are informed they will support their representative. Early indication of understanding and support will discourage opponents from going over the cooperative representative's head.
- ▲ A central menu for the cooperative is not necessary to operate successfully. If a central menu is a long-term objective of the cooperative, delay implementation of the menu for a minimum of two years. During the formative years of a cooperative there are many issues on which the member districts must reach consensus. Reaching consensus on menus is not critical to success. It is best to delay this discussion until the member school districts have developed strong working relationships. A new cooperative

group, like any group, can be overwhelmed by too much change.

- ▲ The cooperative can maintain one nutrient data base for the commercially purchased items to support the member school districts' menu planning.
- ▲ The cooperative should analyze delivery requirements (directly to a food preparation site vs. a central warehouse or storeroom) for consistency. An easy method for analyzing delivery requirements is to determine the average invoice amount for all sites. Study carefully wide variations in the average invoice amount of a delivery. Large central preparation kitchens and school districts that operate central warehouses, with the capacity to receive full- or mixed- truckloads of products, often result in large average invoice amounts. Including these large delivery sites in the same bid with smaller delivery sites probably is not feasible.
- ▲ Determine which steps in the purchasing process are controlled by the local school board and which are mandated by state law and apply to all member districts. State laws and the local board processes that cannot be changed influence the time lines and procedures of the cooperative.
- ▲ The quality of the first "request for prices" influences, to a large degree, the cooperative's reputation. The instructions that

explain how the bid award decision will be made should be very clear. Will one bid award be made, or will each member school

The quality of the first "request for prices" influences, to a large degree, the cooperative's reputation.

district make a separate award? Good communication with potential vendors is very important at this step in the process. Convince vendors that member school districts are speaking with one voice.

- ▲ The majority of cooperatives have member school districts place their orders directly with the successful vendor. In order to better manage the business of the cooperative, a long range objective should be to use technology to manage order placement for the total cooperative.

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CHOICE

Choosing a purchasing cooperative administrator

Each cooperative will struggle with the daily details of management. Cooperatives have to make product movement decisions. Will orders for food and supplies, and the resulting billing and payment, go directly from each school district to the vendor? Will the cooperative operate a warehouse or have "Just in Time" delivery direct to the sites?

One objective of the cooperative is to maintain low overhead costs. A cooperative's administrative unit must issue and award bids, handle contract issues related to service or product quality, track costs, and prepare for the next bid cycle. One approach is to develop a list of duties and assign them

One objective of the cooperative is to maintain low overhead costs.

to the school district members of the cooperative. In this scenario a single district typically does most of the work for the other districts.

To sustain the success of a cooperative, a long-term administrator is necessary. As cooperative members gain product knowledge, the need for a food technologist will become obvious, especially if the cooperative is very large. A strong administrative unit authorized to hire permanent staff will be necessary.

One potential answer to cooperative administration is one district becoming

the administrator for other districts. Other potential cooperative administrators include a non-profit organization, a professional association, a State Department of Education, the State General Services Commission, a college or university. The benefits of cooperatives are worth the efforts needed to overcome the administrative obstacles.

Recently several cooperatives have hired a service provider (distributor). In some situations the member school districts have delegated some of the task of cooperative administration to this distributor. School districts should be aware of the language found in 7 CFR Part 3016.60 before adopting this approach. This section of Federal regulations reads in part

"(school/school districts) may enter into a contract with a party that has provided specification information to the grantee (school/school district) for use in developing contract specifications for conducting such a procurement. In order to ensure objective contractor performance and eliminate unfair competitive advantage, however, a person that develops or drafts specifications, requirements, statements of work, invitations for bids, requests for proposals, contract terms and conditions or other documents for use by a grantee (School/school district) in conducting a procurement shall be excluded from competing for such procurements. Such persons are ineligible for contract awards resulting from such procurements regardless of the procurement method used.

However, prospective contractors may

provide grantees (school/school districts) with specification information related to a procurement and still compete for the procurement if the grantee (school/school districts) and not the prospective contractor, develops or drafts the specifications, requirements, statements of work, invitations for bid, and/or requests for proposals used to conduct the procurement."

Purchasing cooperative size

Some of the benefits of a purchasing cooperative will be realized regardless of the size. When making a change it is important to make long range plans to gain the maximum advantage from the cooperative. The larger the cooperative the more flexible the members must be, but also the lower prices will be.

One of the benefits of joining a cooperative is the ability to influence the products available from local distributors. A reasonable size objective would be that you purchase a truck load of a high volume product often

The larger the cooperative the more flexible the members must be, but also the lower prices will be.

enough to guarantee the distributor adequate inventory turns. A truck of product is approximately 40,000 pounds. Meal equivalents in the range of 100,00 to 200,000 will provide the volume to turn a truck load of a high

A reasonable size objective would be that you purchase a truck load of a high volume product often enough to guarantee the distributor adequate inventory turns.

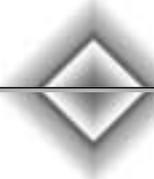


volume item once every other week. When forming a purchasing cooperative, discussions with manufacturers and distributors will provide some valuable insight into this issue.

The role of purchasing cooperatives in handling USDA Commodities

Cooperatives often consider some involvement with USDA commodities as a service to the member school districts. Below is information prepared by the Office of the General Counsel, USDA on May 2, 2000.

"May buying cooperatives handle USDA commodities on behalf of school food authorities?"



CHOICE

If so, who is responsible for any commodities that are lost or damaged?

A buying cooperative is unlikely to qualify as a recipient agency. However, a buying cooperative may handle USDA commodities in a number of circumstances. The legal authority for doing so and the responsibility for the commodities depends on the way the buying cooperative is organized and on the entity with which the distributing agency holds an agreement. A buying cooperative's organizational structure may depend on State or local laws governing member school food authorities and cooperative organizations. A buying cooperative may be a separate legal entity or simply an alliance of school food authorities that enter into an collective agreement under which designated member(s) agree to fulfill certain responsibilities on behalf of the group. Buying cooperatives that are not separate legal entities are probably the most common type of buying cooperative.

Below are a number of scenarios under which a buying cooperative may handle USDA commodities.

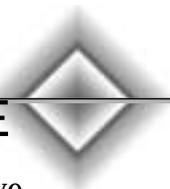
Scenario 1: The buying cooperative, which may or may not be a separate legal entity, facilitates contracting by the member school food authorities by negotiating favorable contract terms. The member school food authorities then contract for the goods or services. The distributing agency only holds agreements with the school food authorities. The member school food authorities are responsible for pursuing claims directly against the warehouse,

distributor, or processor for any lost or damaged commodities.

Scenario 2: The buying cooperative is a separate legal entity with which the distributing agency has an agreement to distribute USDA commodities to its member school food authorities. The buying cooperative also has agreements with its member school food authorities. In this case, the buying cooperative acts as a subdistributing agency (see the definition of "subdistributing agency" at 7 CFR 250.3). If commodities are damaged or lost, the buying cooperative is responsible for the donated commodities until they are delivered to the member school food authorities (or to a warehouse, processor, or other party designated by the school food authority).

Scenario 3: The buying cooperative is a separate legal entity with which member school food authorities contract to provide certain services like warehousing, distributing or processing commodities. The buying cooperative itself then contracts with the warehouse, distributor, or processor. The distributing agency holds an agreement only with the member school food authorities and not with the buying cooperative and delivers the commodities to the location designated by the school food authority.

In this case, if commodities are damaged or lost, the school food authority is responsible for pursuing a claim against the buying cooperative who would then presumably pursue a claim against the warehouse or other



responsible party. This is similar to situations in which a recipient agency contracts with a processor for processing USDA commodities and asks that the distributing agency deliver the commodities directly to the processor. The recipient agency, not the distributing agency, is responsible for pursuing any claims for lost or damaged commodities once they have been delivered to the processor."

Steps to form a purchasing cooperative

- (1) Research the alternatives and choose the cooperative administrative unit.
- 2) Research state law and take the necessary steps to establish the cooperative legally.
- 3) Develop written Guidelines (see page 177-179) to guide the decision making of the cooperative.
- 4) Develop a comparison of the products currently purchased by member districts.
- 5) Negotiate which products will be included in the cooperative bid and their descriptions. A new cooperative should seek advice from an experienced cooperative in the same geographic area.
- 6) Estimate quantities of items that are to be bid.
- 7) Evaluate the market place and determine whether to sub-divide or regionalize the bid to maximize competition.
- 8) Develop a draft of the cooperative bid instructions and product list. Submit the instructions to legal counsel for review. Mail the draft product list to potential bidders a minimum of three weeks before the next step.
- 9) Conduct a pre-bid conference to determine what brands the potential bidders would like the cooperative to consider. This will be more successful if separate conferences with each potential bidder are conducted. Distributors may not want to alert competition to what brands they are considering this early in the process, and brands stocked by distributors is proprietary information.
- 10) Evaluate labels for compliance with specifications. Notify distributors of rejected brands, and give them an opportunity to submit another brand. Manufacturers are a valuable resource during this process.
- 11) Purchase samples and conduct testing. The testing should include a narrative description of the sample, a student taste test, and occasionally a laboratory analysis. Always retain a portion of all products tested to compare to the delivered product.
- 12) Notify distributors and possibly manufacturers of the results of testing, and allow them to submit a new product or brand if a sample was rejected.

CHOICE

- 13) Issue a final draft of the bid. Allow three weeks for distributor review.
- 14) Conduct a final pre-bid conference to answer any remaining questions. This should be a group meeting with all potential bidders and should last no longer than one or two hours.
- 15) Make any necessary correction to bid documents, and issue a request for bids. Allow a minimum of three weeks for the vendor to complete the bid. If you don't allow enough time, the price will be higher.
- 16) Open and award bids; schedule delivery.

The minimum amount of time between steps 1 and 16 is 18 months. In the early stages, develop a critical path with deadlines for completing each step. Problems are most likely at step 5 and 11.

Delay step 15 until all issues are resolved. As a new purchasing entity, you will establish your reputation in the marketplace during the first bid period, and reputations are difficult to change

The basic philosophy of cooperatives should be placing the food manufacturer, the food distributor, and the school district serving children into a winning position.

later. It is better to delay and avoid costly mistakes.

The basic philosophy of cooperatives should be placing the food manufacturer, the food distributor, and the school district serving children into a winning position. Identifying volume customers is important to the manufacturer. Reducing the styles of products that must be stocked and having fewer bids to complete reduce distributors' costs. Improved quality, service, and the potential for reduced costs are the benefits school districts seek. There are many benefits to working cooperatively to improve purchasing.

The bid methods, administrative units, order placement and other aspects of purchasing are as varied as the cooperatives. In Appendix 17, you will find a list of cooperatives and some of the characteristics of each.

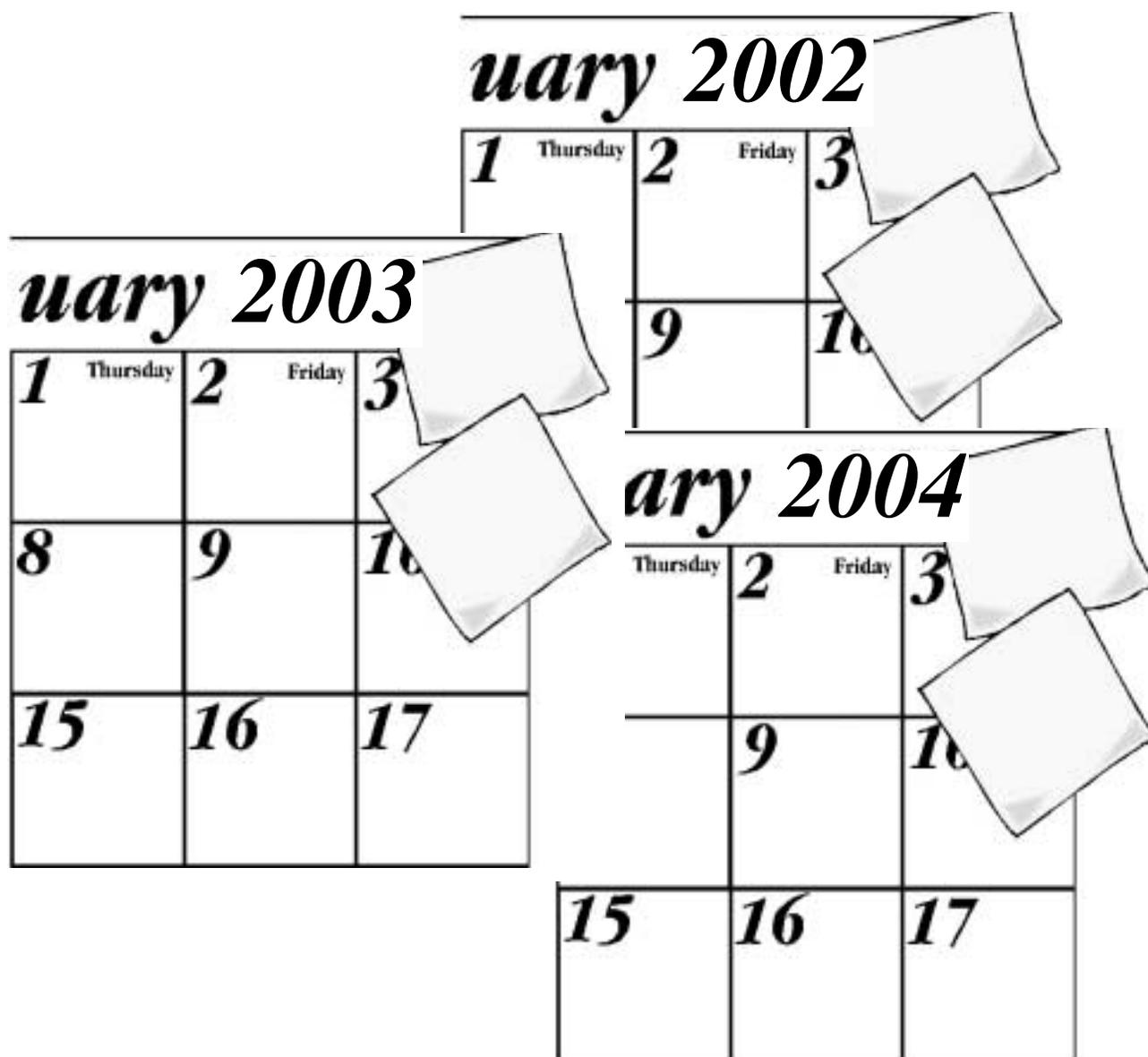
The bid methods, administrative units, order placement and other aspects of purchasing are as varied as the cooperatives. In Appendix 17, you will find a list of cooperatives and some of the characteristics of each.

Summary

The complexity of products purchased, the dynamics of the market place, and the many demands placed on school food authorities make purchasing cooperatives an attractive alternative. A purchasing cooperative allows small and medium sized school districts to have more impact on the products available in the market place.

The formation of a purchasing cooperative is a time consuming process. Critical to success is allowing adequate time to prepare and issue the first bid. As much as two or three years will be necessary from the acceptance of the idea to actually receiving the first delivery.

The most critical decision will be choosing an administrative unit. An administrative unit should be chosen that will result in long term success of the cooperative.



Notes

A large empty rectangular box for taking notes.

APPENDIX 1

Review of potential distributor vendor

Product line

- 1) Is this vendor a (circle the response): **full line** **specialty** **special breed** **other?**
- 2) What percentage of products required by the school are stocked? _____ %
- 3) If awarding business on all-or-nothing basis by groups, how much time after bid award will the vendor require to have the additional items in stock? _____

Physical facilities

- 1) Describe the receiving/loading area; can product be received/loaded in inclement weather without damage to packaging? Is this area refrigerated?

- 2) Describe the loading procedures; can trucks be loaded in inclement weather without damage to packaging; can deliveries be set and loaded in temperature appropriate space? _____
- 3) Cleanliness of floors? **acceptable** **unacceptable**
- 4) Storage of damaged product? **acceptable** **unacceptable**
- 5) Organization of product in slots? **acceptable** **unacceptable**
- 6) Cleanliness/orderliness of cold storage? **acceptable** **unacceptable**
- 7) Type of storage (circle those available): **dry** **refrigerated** **frozen**
If several different temperature ranges, record the temperatures: _____
- 8)) Pest Control **acceptable** **unacceptable**
- 9) Describe storage of used pallets: _____

Delivery equipment

- 1) What type of equipment is used? (circle one):
dry only **dry and frozen** **refrigerated only** **dry/frozen/refrigerated**

- 2) If using dry/frozen equipment and will be delivering chilled product (such as eggs and fresh produce), how is it handled?
- Placed in the frozen compartment with a thermal blanket.
 - Placed in the dry compartment next to the freezer with a window for cool air flow.
 - Other - describe: _____

- 3) How is product loaded?
- Slip-sheeted (wrapped in plastic on pallet)
 - Stacked by customer order
 - Stacked by product type
 - Other - describe:
- 4) Do trucks have on-board computers for monitoring temperature in the storage area throughout the delivery? **Yes** **No**
- 5) Are the trucks clean? **Yes** **No**

Financial history

- 1) Request credit references from three major suppliers. List the name of the suppliers and have letters mailed direct to an accounting firm.
- _____
 - _____
 - _____
- 2) Advise the supplier that financial statements (balance sheets , income statements, cash flow statements) and a signed representation letter will be required. This material will be mailed to an independent CPA firm and will remain confidential.

Notes: _____

Supplier HACCP qualification standards

What steps are taken to ensure supplier(manufacturer) compliance with safe food handling procedures?

1) Is there a standard questionnaire suppliers must complete? _____

See page 195 of this appendix for a sample questionnaire. Attach a copy of the supplier's questionnaire.

2) Is there a different approach to ensure supplier compliance with safe food handling procedures? If yes, please describe. _____

Service levels

1) Fill rate: from previous history, what percentage of your orders does this vendor fill? (Note: out- of-stocks are stated as a positive number; e.g. 97%.)

a. Inventory outs (normally printed on invoice as out-of-stock)?

b. Inventory shortages at order fill time (normally hand-marked out)?

2) If the vendor has no history with your school, what three schools can provide a reference? (ask question #1 of those schools):

a. _____

b. _____

c. _____

Accounting practices

1) Are invoices computer generated; are they clear and readable? **Yes** **No**

2) Describe the procedure for issuing credit memos: _____

3) Describe the procedure for picking up products, if necessary: _____

4) Based on past history are the statements in an acceptable form and accurate?

Yes **No**

5) If your purchase system will use a vendor printed order guide, is this vendor's form acceptable?

Yes No **Attach a copy.**

6) If your purchase system will use a vendor utilization report, is this vendor's form acceptable?

Yes No **Attach a copy.**

7) Describe the order placement procedure: _____

Performance at and following pre-bid conferences

1) Describe performance at initial pre-bid conference.

a.	Knowledge of staff attending:	acceptable	unacceptable
	Staff preparation for conference.	acceptable	unacceptable
	Follow-up after conference.	acceptable	unacceptable

b. Other _____

2) Describe performance at final pre-bid conference: _____

Cooperative information (*for co-ops only*): Vendor must deliver to all members of the cooperative (*see Contract Section V*). Is it necessary for the vendor to use a subcontract vendor? If yes, what members of the cooperative will be affected? Describe how such things as pricing, order guides, usage reports, product line, and problem resolution will be handled.

Signature of School Representative

Signature of Company Representative

Date

Date

Supplier(Manufacturer) HACCP qualification standards

Supplier (Manufacturer) _____

Date _____ Address _____

To suppliers (current/potential vendors): If your firm has a HACCP program, it is part of our QA program. It is very costly to receive a product or service from a supplier that does not meet expectations. Please answer the following questions and provide the material as appropriate concerning your company's quality assurance plan and program to achieve each requirement. The supplier is expected to demonstrate effective and continual improvement.

1) Who developed the HACCP/QA program?

Who validated the program as effective?

Who are the members of the HACCP/QA team?

What are the qualifications of the HACCP/QA team members?

How often do they meet?

Describe the pre-ship verification program?

2) Has each employee who works with food been taught the hazards associated with the task he/she performs and how to perform the necessary controls? Attach material to support the answer provided.

3) What are suppliers required to do in terms of ingredient HACCP controls?

4) Please tell about recall and emergency action programs.

5) Describe the responsibilities of Quality Assurance/Quality Control Department.

6) Describe product testing procedures.

APPENDIX 2

School district purchasing profile

General Information

Name of school/district _____

Mailing address _____

Street address _____

Food service director _____

Name

Phone

Purchasing contact if other than director: _____

Name

Phone

Statistical information

Operating budget	\$	Purchased food budget	\$
Equipment replacement budget	\$	Supplies budget	\$

Programs operated

	Yes	No	Average daily meals
Breakfast			
Lunch			
Supplemental sales			
Catering			
Summer food programs			

Other programs: _____

Cooperative affiliation (if any) _____

Comments: (insert such thing as growth trends, future program additions, new construction)

Food production and delivery requirements

Food production	Number	Deliveries	Number
On-site at each school		Total number of sites	
Bulk satellite		Number of production sites	
Cook/chill with finishing kitchens		Number of finishing kitchens	
Central preparation facilities			
Other (to be described)			

Delivery requirements:

Schools:

Frequency of delivery

- Milk _____
- Bread _____
- Fresh produce _____
- Dry groceries _____
- Frozen foods _____
- Kitchen supplies _____

Warehouse? **Yes** **No**

Circle the categories delivered to warehouse and indicate frequency

- Milk Daily Weekly
- Bread Daily Weekly
- Fresh Produce Daily Weekly
- Dry Groceries Daily Weekly Monthly Annually
- Frozen Foods Daily Weekly Monthly Annually
- Kitchen Supplies Daily Weekly Monthly Annually

Request for prices

Product category	When issued	Effective period	Method
Example: Dry Groceries	Example: Dry Groceries	Aug. 1-Dec. 15 Jan. 1-May 30	Bottomline Firm price Two groups

Screening products for approval

Attach a copy of the school district screening procedure. See Appendix 15 for a sample procedure.

Sales calls policy

Samples accepted on initial sales call: **Yes** **No**

Appointment necessary: **Yes** **No**

Preferred day and time for sales call:

(Be prepared to provide a copy of the label of the product and a nutritional analysis at the first sales call.)

Special requirements

CN label required on meat/meat alternates and juice drinks? **Yes** **No**

Refrigerated trucks required for delivery of fresh produce? **Yes** **No**

List other special requirements of school district: _____

APPENDIX 3

Market area analysis worksheet

Classify potential distributors as broadline or specialty. Check with nearby schools or districts to locate potential additional vendors.

1. Broadline vendors

Name	Warehouse location

2. Specialty Vendors

Name	Warehouse location	Products sold

3. Review specialty vendors history of sales to the school district

Name of distributor	Prior year sales to school district	Number of deliveries	Average dollar sales per delivery

4. Determine the potential dollar value of the products on which broadline and specialty vendors might offer a price. \$ _____.

5. Determine which vendors have common product lines.

Name of distributor	Common product line # 1	Common product line #2	Common product line # 3

6. Determine the dollar volume estimate for vendors with common product lines

Name of distributor	Estimated value of potential sales	Number of deliveries	Average value per delivery

7. Determine the dollars left unclassified

- b. Record the total potential dollar value from #4 above \$ _____
- c. Subtract the potential dollar value for specialty distributors \$ _____
- d. Potential remaining on which only broadline distributors can offer price \$ _____

8. Determine a third of the total dollar value of all products: #4 above divided by 3 \$ _____

APPENDIX 4

Self assessment of warehouse cost

When other departments share a warehouse, some cost is pro-rated. Square footage of space occupied by each department is one way to pro-rate cost. Count only the storage space each department takes. Assume all departments use equally the common areas, such as receiving, office space, and other general use space. Determine the space food service uses as a percentage of total space. Apply this percentage against any cost category such as pest control and utilities. Other departments probably won't share some cost such as refrigerators and freezers; therefore, include 100% of those costs.

Example: 10,000 square foot warehouse and food service occupies 5,000 square feet.
 10,000 divided by 5,000 = .50 or 50%
 Annual utility cost for the warehouse is \$950
 $\$950 \times .50 = \475 - food service share of utility cost

1. Warehouse occupancy	
Warehouse occupancy costs money in lease costs or investment income, if the district owns the warehouse. A good rule of thumb is \$5 per square foot. You might check local warehouse lease cost in your area.	
Formula: \$5 x _____ sq. ft. =	\$
Maintenance of refrigerators and freezers cost money. Use last years' cost as a good guide.	
Formula: last years cost =	\$
The average life of refrigerators and freezers is somewhere between 5 and 10 years, subject to personal opinion and previous experience.	
Formula: Current purchase cost of refrigerators and freezers = \$ _____ divided by _____ (number of years useful life) = annual cost =	\$
Estimate pest control service for the warehouse, based on the previous year cost	
Formula: Previous year cost =	\$
Estimate utilities (electricity, gas, water, garbage fee etc.), based on the previous year's cost.	
Formula: Previous year cost =	\$
Total cost of warehouse occupancy	\$

2. Delivery equipment	
The normal life cycle of trucks for warehouse delivery is five years. Use a different life cycle for the cost of the delivery equipment, if you prefer. Refrigerated trucks (dry and frozen compartments) and non-refrigerated trucks have a replacement cost. The replacement cost should be included in the cost of the warehouse operation.	
Formula: Cost to replace trucks \$ _____ divided by 5 or other number cost =	\$
Estimate fuel, oil, grease, and tires based on previous year cost.	
Formula: Previous year cost =	\$
Estimate repairs to vehicles and refrigeration units from previous year cost. Consider increasing this cost 10% a year as the vehicles and refrigeration units get older.	
Formula: Previous year cost =	\$
Base cost of vehicle insurance, an annual cost, on the current annual premium. The type of insurance and the cost you are required to pay will vary by state.	
Formula: Current annual premiums =	\$
Cost of motor vehicle license and/or tag. The type of license and tag required and the cost will vary by state. The previous cost of the motor vehicle license and tag is a good estimate.	
Formula: Previous annual payment =	\$
Total cost of delivery equipment	\$
3. Salary and Fringe Benefits	
Consider salaries for all warehouse personnel regardless of the fund which makes the payment. Food service may pay some personnel direct or you may pay a prorated share of the total payroll. The square footage calculation discussed earlier is an equitable approach to pro-rating salary cost. If the warehouse and delivery personnel also make food deliveries such as those in bulk or pre-plated from a central preparation system, determine what portion of their time is devoted to the warehouse operation.	
Formula: Prorated share of salaries	\$
Formula: Prorated share of fringe benefits =	\$
Total cost of salary and fringe benefits	\$

4. Inventory investment	
<p>Inventory can be a hidden cost—money invested in the inventory could be in the bank earning interest. Once an item is purchased it is the property of the school district. The risk of the loss of the inventory becomes a cost to the school district. Calculate the cost of inventory investment by multiplying the average dollar value of the inventory by the interest rate.</p> <p>Example: \$100,000 (last years average monthly inventory at months end) x .045 (current interest rate) = \$4,500</p>	
<p>Formula: \$ _____ (avege month end inventory)x _____ (current interest rate) = \$ _____ cost of investment in inventory.</p>	\$
<p>Assigning a cost to the risk associated with maintaining an inventory can be approached from three perspectives.</p> <ol style="list-style-type: none"> 1. Replacement cost if total inventory was lost. In this case use the highest inventory value for the year. 2. The cost of food losses during the previous year. If this is the choice, disregard the potential of total inventory loss and deal only with the routine cost of food spoilage. Routine food spoilage in the warehouse must be recognized as a cost of operation. A JIT product movement policy would lower food spoilage rate because you would own the product for a shorter period of time. 3. The cost of insurance on the average monthly inventory value is the most practical approach. Most product insurance will have a deductible, so add the cost of routine food spoilage to the insurance premium. 	
<p>Formula: \$ _____ (your choice of costing options) =</p>	\$
Total cost of inventory investment	\$

Summary of warehouse cost

1. Warehouse Occupancy	\$
2. Delivery Equipment.	\$
3. Salaries and Fringe Benefits	\$
4. Inventory Investment	\$
Total Warehouse Cost	\$

Self assessment of warehouse delivery volume

The second step in determining the cost of operating a warehouse: Convert the total cost to a per case cost. Use a per case cost to determine if you can save enough on the purchase price of an item to cover the cost of warehouse operations.

Determine the total cases of product delivered to or from the warehouse during the year. This assumes that you are not building inventory but maintaining it at a pre-established level; therefore, the number delivered to will be about equal to the number delivered from the warehouse. Use the number that is the easiest to find from your inventory records. If you are building inventory you should use the number of cases shipped from the warehouse. This calculation is called warehouse “throughput.”

Total cases:	Purchased food	_____
	Donated Foods	_____
	Paper and Supply items	_____
	Other	_____
	Total cases received/delivered	_____

Don't get too detailed with this calculation. Questions such as, “do I count one mop as a case?” make the calculation more difficult than necessary. The normal delivery unit is the best guide. All you want is a realistic estimate of throughput.

Divide the total cases received/delivered (throughput) by the total cost from the summary above.

Formula: \$ _____ (warehouse cost) divided by _____ (throughput)
= \$ _____ per case cost of warehouse operation.

Example: $\$258,756 \div 164,652 = \1.57

When you know the per case cost, compare product cost to determine if warehousing will become part of your product movement policy. When making product comparisons avoid the tendency to “cherry pick” the items which you compare. A true comparison must deal with 100 percent of the items. If you compare only the high volume items, you might find that there is a cost savings; however, often the price paid for low volume items will offset any savings on high volume items.

If you are currently operating a warehouse, take the current cost of items plus the cost per case for warehousing and compare it to the price paid by a similar school district with direct-to-site delivery.

Example: Your district Applesauce 6/# 10 invoice cost = \$20

Warehouse cost =\$1.57

Actual food cost \$21.57

Comparison district - Applesauce 6/# 10= \$20.98

Cost savings with site delivery = \$.59 per case

Probably you will see a trend early in the comparison and you won't need to complete comparison of 100 percent of the items. Be certain before you stop the comparison that you have compared low and high volume, frozen, dry and refrigerated items. Compare some items in all product categories before you reach a conclusion.

If you are in a state with commercial distributors delivering donated food, the cost per case paid for direct-to-site delivery is also a good comparison. Except for the cost of financing the inventory, a distributor's cost for donated or purchased food is about the same. If the school district cost per case for warehouse operation is more than the donated food delivery fee, then you have an indication that direct-to-site delivery may save money. The professional distributor should be more efficient than the school district. Remember that a foodservice distributor devotes 100 percent of his time to product movement, which is only one of hundreds of tasks you must accomplish in school foodservice.

If you are in a district without a warehouse and are considering the capital investment to create a school district operated warehouse, then you can make the reverse comparison presented above. Compare the purchase cost of an item in your district to a similar sized district that operates a warehouse, adding the cost of operating a warehouse to the purchase cost the other district pays.

APPENDIX 7

Procurement plan

This procurement plan is presented as an example. It is not to be considered a model, nor does it represent all of the procurement options available to a school food authority. This example represents the procedures of a single school food authority.

The Pretend School District will purchase food and other items for use in the Child Nutrition Program in compliance with Federal regulations in Code of Federal Regulations Volume 7 state and local laws and regulations, using the procedures outlined on this and attached pages and the Chart of Procedures.

A. If the total amount of purchases exceeds small purchase threshold will use formal procedures. Formal procedures can be Invitation for Sealed Bid (IFB) or, Request for Proposal(RFP). Formal procedures will be as follows:

1. Develop descriptions for all items.
2. Develop instructions for providing service or product.
3. Advertise in a newspaper of general circulation.

4. Mail descriptions, instructions, and response documents to all potential bidders.
5. Open and tabulate responses in a public meeting.
6. Submit staff recommendation to the school board for award of contract.

B. If the purchases are not covered by section A of this plan, these purchases shall be made by use of the applicable state or local procedures. Small purchase procedure is as follows:

1. Develop descriptions for all items.
2. Develop instructions for providing service or product.
3. Obtain price quotes from a minimum of three suppliers.
4. Prepare a price quote documentation sheet, and indicate the supplier who was awarded the quote and the length of time the price is set.
5. Submit documentation sheet for approval to assistant superintendent for business.

- C. If it is necessary to make an emergency purchase to continue uninterrupted service, the purchase shall be made using noncompetitive negotiation to establish contract terms and price. A log of all such purchases shall be maintained and reviewed monthly by the assistant superintendent for business. The log of emergency purchases shall show:
1. Item name
 2. Dollar amount
 3. Vendor
 4. Reason for emergency
- D. All purchases will be conducted as follows:
1. The site manager will requisition food, supplies, and equipment for site use. Requisition does not mean a form the requisition could be electronic, a preprinted form, a standing order, or any method that leads to an efficient ordering system.
 2. The food service clerk will place orders based on prices that are established through an approved purchase method.
 3. The site manager or a food service assistant who has received appropriate receiving training will receive products.
 4. The site receiver is only responsible for checking the brand, if appropriate, and the number of cases. Accounting will check the price on the invoice against the order price.
5. The food service director will develop and interpret specifications/descriptions.
 6. The food service director will approve brand or quality substitutions prior to delivery.
 7. The purchasing office shall issue request for prices. The purchasing office shall receive response to request for price.
 8. The Child Nutrition office shall evaluate response to request for prices.
- E. All purchases will be conducted using the procedures on pages 1—3 and the attached Chart of Procedures.
- F. All records shall be maintained for a period of three years plus the current year:
- G. Code of Conduct
- The following conduct is expected of all persons who are engaged in the award and administration of contracts supported by School Food and Nutrition Program funds.
- No employee, officer or agent of the Pretend School District shall participate in selection or in the award or administration of a contract supported by program funds if a conflict of interest, real or apparent, would be involved.

Conflicts of interest arise when a school district employee:

- ▲ has a financial or other interest in the firm selected for the award;
- ▲ is an employee, officer, or agent of the firm selected for the award;
- ▲ has a member of the immediate family who is an employee, officer, or agent of the firm selected for the award;
- ▲ has a financial interest in the firm selected for the award;
- ▲ is about to be employed by the firm selected for the award; or
- ▲ has a member of the immediate family who is about to be employed by the firm selected for award.

To ensure objective contractor performance and eliminate unfair competitive advantage, however, a person that develops or drafts specifications, requirements, statements of work, invitations for bids, requests for proposals, contract terms and conditions or other documents for use by the child nutrition program in conducting procurement shall be excluded from competing for such procurements. Such persons are ineligible for contract awards resulting from such procurements regardless of the procurement method used.

The Pretend School District employees, officers or agents shall neither solicit nor accept gratuities, favors, or anything of material monetary

value from contractors, potential contractors, or parties to sub-agreements.

The purchase during the school day of any food or service from a contractor for individual use is prohibited.

The removal of any food, supplies, equipment or school property, such as official records, recipe books and the like is prohibited.

The outside sale of such items as used oil, empty cans and the like will be sold by contract between the Pretend School District and the outside agency. Individual sales by any school person to an outside agency or other school person are prohibited.

Failure of any employee to abide by the above stated code could result in a fine, or suspension, or both, or dismissal. Interpretation of the code will be given at any time by contacting the Superintendent at 689-285-3678. The Pretend School District will not be responsible for any other explanation or interpretation which anyone presumes to make on behalf of the Board of Education.

H. Resolution of controversies

1. Any actual or proposed supplier who is aggrieved in connection with a proposed purchase may protest to the CN hearing officer.
2. The CN hearing officer will be an independent contractor with training in law, judicial, or administrative hearing processes.

3. The protest shall be in writing.
 4. The protest shall be delivered within 10 days of the action which is being aggrieved.
 5. A hearing will be scheduled within 15 days of receipt of protest.
 6. The proposed purchase will be delayed until the protest is resolved unless the delay will result in disruption of meal service to children. In the event it is determined that the purchase is necessary, an emergency shall be declared by the assistant superintendent for business and emergency purchase procedures will be followed until protest resolution.
 7. The decision of the hearing officer shall be in writing and shall be delivered to the aggrieved supplier with proof of delivery required.
 8. The aggrieved supplier shall be notified that an appeal of the hearing officer's decision is possible. The appeal request should be written and addressed to the school board.
- I. Public access to procurement information
 1. Procurement information shall be a public record to the extent provided in the State open records law.
 2. All bids/offers shall be taken under advisement. Between the time an

IFB/RFP is opened and awarded it may be viewed by any company or individual who entered a response to the proposed intent to purchase.

3. After acceptance, procurement information is available to the general public except As noted below.
 - Any supplier providing information as a part of a proposal or offer shall stamp each page which they consider proprietary information, "not for public release."
 - Should the school district receive a request to release this marked information the supplier shall be notified within 24 hours and given 10 working days to obtain a court order to stop release.
 - In 10 working days the party requesting the information shall be provided a copy of the court order or instructions on when to review the information.

This plan adopted by the Board of Education of the Pretend School District at the regularly scheduled meeting on this the ninth of April in the year 2001.

Chart of Procedures

A	B	C	D	E	F
Category	Method	Number of Vendors	Pricing Mechanism	Frequency	Extension
Fresh produce	IFB	Bottom line	Fee/market based	Annually	4
Dry groceries	IFB/SP	Bottom line	Firm priced	Twice year	none
Frozen fruits/vegetables	IFB/SP	Bottom line	Firm priced	Twice year	none
Frozen meats	IFB/SP	Bottom line	Firm priced	Twice year	none
Paper products	IFB/SP	Bottom line	Firm priced	Annually	none
Miscellaneous clean supplies	IFP/SP	Bottom line	Firm priced	Annually	none
Dishmachine and other special chemicals	RFP	Bottom line	Firm priced	Annually	1
Equipment -small	IFB/SP	Bottom line	Firm priced	Annually	none
Equipment-large	RFP	Line/Bottom line	Firm priced	Annually	none
Milk	IFB	Bottom line	Market based	Annually	4
Bread	IFB	Bottom line	Firm priced	Annually	none
Ice Cream	IFB	Bottom line	Firm priced	Annually	none
Software	RFP/SP	Line Item	Firm priced	monthly	none
Software maintenance	RFP	Line Item	Firm priced	Annually	5
Equipment maintenance	RFP	Bottom line	Firm priced	Annually	none
Waste removal	RFP	Bottomline	Firm priced	Annually	5

APPENDIX 8

Foods with standards of identity

Current as of 2/15/2001 - Information taken from CFR online

Milk and cream

21CFR Part 131

- Acidified milk
- Acidified sour cream
- Concentrated condensed milk
- Cultured milk
- Dry cream
- Dry whole milk
- Eggnog
- Evaporated milk
- Half and Half
- Heavy cream
- Light cream
- Light yogurt
- Milk
- Nonfat dry milk
- Nonfat yogurt
- Yogurt
- Sour cream
- Sweetened condensed milk

Canned fruits

21CFR Part 145

- Applesauce
- Apricots
- Berries
- Cherries
- Figs
- Fruit cocktail
- Seedless grapes
- Grapefruit
- Peaches
- Pineapple
- Pears
- Plums
- Prunes

Beverages

21CFR Part 165

- Bottled Water

Canned fruit juices

21CFR Part 146

- Grapefruit juice
- Lemon juice
- Frozen concentrate for lemonade
(3 types)
- Orange juice - canned and frozen
(12 types)
- Prune juice
- Pineapple juice

Fruit butters, jellies, preserves, and related products

21CFR Part 150

Fruit butters: apple, apricot, grape, peach, pear, plum, prune, quince

Fruit jelly: apple, apricot, blackberry, black raspberry, boysenberry, cherry, crabapple, cranberry, Damson, Damson plum, dewberry, fig, gooseberry, grape, grapefruit, Greengage, Greengage plum, guava, loganberry, orange, peach, pineapple, plum, pomegranate, prickly pear, quince, raspberry, red raspberry, red currant, currant, strawberry, and youngberry.

Artificially sweetened fruit jelly:

Fruit preserves and jams: blackberry, black raspberry, blueberry, boysenberry, cherry, crabapple, dewberry, elderberry, grape, grapefruit, huckleberry, loganberry, orange, pineapple, raspberry, red raspberry, rhubarb, strawberry, tangerine, tomato, yellow tomato, youngberry.

Artificially sweetened fruit preserves and jams:

Frozen cherry pie: **21CFR Part 152**

Canned vegetables

21CFR Part 155

Corn

Field corn

Green beans

Wax beans

Peas

Dry peas

Tomatoes

Tomato concentrates

Catsup

Mushrooms

Certain other canned vegetables:

artichokes, asparagus, bean sprouts, shelled beans, lima beans, butter beans, beets, beet greens, broccoli, Brussel sprouts, cabbage, carrots, cauliflower, celery, collards, dandelion greens, kale, mustard greens, okra, onions, parsnips, black eyed peas, field peas, green sweet peppers, red sweet peppers, pimentos, potatoes, rutabagas, salsify, spinach, sweet potatoes, swiss chard, truffles, turnip greens, turnips.

Canned juices

21CFR Part 156

Tomato

Frozen vegetables

21CFR Part 158

Peas

Fish and shellfish

21CFR Part 161

- Canned oysters, all sizes
- Canned pacific salmon
- Canned shrimp
- Frozen raw breaded shrimp
- Frozen raw lightly breaded shrimp
- Canned tuna

Nutritive sweeteners and table syrups

21CFR Part 168

- Dextrose anhydrous
- Dextrose monohydrate
- Glucose syrup
- Dried glucose syrup
- Lactose
- Cane syrup
- Maple syrup
- Sorghum syrup
- Table syrup

Raw meat products

9CFR Part 319

- Chopped beef, ground beef
- Hamburger
- Beef Patties
- Fabricated steak
- Partially defatted beef fatty tissue
- Partially defatted pork fatty tissue

Tree nut and peanut products

21CFR Part 164

- Peanut butter, mixed nuts,
shelled nuts

Food dressings and flavorings

21CFR Part 169

- French dressing
- Mayonnaise
- Salad dressing
- Vanilla extract and concentrate
- Vanilla flavoring and concentrate
- Vanilla powder (4 kinds)

Eggs

21CFR Part 160

- Eggs
- Dried eggs
- Frozen eggs
- Liquid eggs
- Egg whites
- Dried egg whites
- Frozen egg whites
- Egg yolks
- Dried egg yolks
- Frozen egg yolks

Cacao products

21CFR Part 163

- Cacao nibs
- Chocolate liquor
- Breakfast cocoa
- Cocoa
- Low-fat cocoa
- Sweet chocolate
- Milk chocolate
- Buttermilk chocolate
- Skim milk chocolate
- Mixed dairy products chocolate
- Sweet cocoa and vegetable fat coating
- Sweet chocolate and vegetable fat coating
- Milk chocolate and vegetable fat coating

Cheese and related products**21CFR Part 133**

Blue cheese
 Brick cheese
 Cheddar cheese
 Low-sodium cheddar cheese
 Colby cheese
 Colby cheese for manufacturing
 Low-sodium Colby cheese
 Cottage cheese
 Dry curd cottage cheese
 Cream cheese
 Cream cheese with other foods
 Edam cheese
 Gouda cheese
 Grated cheese
 Grated American cheese food
 Monterey cheese
 Mozzarella cheese
 Low moisture mozzarella cheese
 Part-skin mozzarella
 Pasteurized process cheese
 (American)
 Pasteurized process cheese food
 Parmesan and Reggiano cheese
 Swiss cheese
 43 other varieties of cheese

Frozen Desserts**21CFR Part 135**

Ice cream and frozen custard
 Goat's milk ice cream
 Mellorine
 Sherbet
 Water ices

Cereal, flour, and related products**21CFR Part 137**

Flour
 Enriched flour
 Self rising flour
 Enriched self rising flour
 Whole wheat flour
 Cracked Wheat
 White cornmeal
 Enriched corn meals
 Self rising white corn meal
 Yellow corn meal
 Self rising yellow cornmeal
 Farina
 Enriched rice
 Semolina
 15 other variations

Macaroni and noodle products**21CFR Part 139**

Macaroni products
 Enriched macaroni products
 Whole-wheat macaroni products
 7 other variations of macaroni
 Noodle products
 Enriched noodle products
 3 other variations of noodles

Bakery products**21CFR Part 136**

Breads, rolls, and buns
 Enriched bread, rolls & buns
 Raisin bread, rolls, and buns
 Milk bread, rolls, and buns
 Whole wheat, breads, rolls and buns

Cooked meats

9 CFR Part 319.80 & 319.81

- Barbecued meats
- Roast beef parboiled and steam roasted

Cured meats, unsmoked and smoked

9CFR Part 319

- Corned beef
- Corned beef brisket
- Corned beef round and other corned beef cuts
- Cured beef tongue
- Cured pork products, including ham, shoulders, picnics, butts, and loins
- Ham patties, chopped ham, pressed ham spiced ham, and similar products
- Country Ham, country style ham, dry cured ham, country pork shoulder, country style pork shoulder, and dry cured pork shoulder
- Bacon

Sausage: fresh, smoked, cooked

9CFR Part 319

- Sausage
- Fresh pork sausage
- Fresh beef sausage
- Breakfast sausage
- Whole hog sausage
- Italian sausage, Italian sausage with beef
- Italian sausage with beef and veal,

- Italian beef sausage, Kosher Italian Beef sausage
- Smoked pork sausage
- Frankfurter, frankfurter, hot-dog, wiener, vienna, bologna, garlic bologna, knockwurst, and similar products
- Cheesefurters and similar products
- Braunschweiger and liver sausage or liverwurst

Luncheon meat, loaves, jellied products

9CFR Part 319

- Luncheon meat
- Meat loaf

Meat specialities

9 CFR Part 319

- Scrapple
- Bockwurst

Canned, frozen, or dehydrated meat food product

9 CFR Part 319

- Chili con carne
- Chili con carne with beans
- Hash
- Corned beef hash
- Meat stews
- Tamales and tamales with sauce or gravy
- Spaghetti with meatballs and sauce, spaghetti with meat and sauce, and similar products
- Spaghetti sauce with meat
- Tripe with milk

Beans with frankfurters in sauce,
sauerkraut with wieners and
juice, and similar products

Lima beans with ham in sauce,
beans with ham in sauce,
beans with bacon in sauce,
and similar products

Chow mein vegetables with meat,
and chop suey vegetables with
meat

Pork with barbecue sauce and beef
with barbecue sauce

Beef with gravy and gravy with beef

Meat Pies

Pizza

9 CFR Part 319

Pizza with meat
Pizza with sausage

Fats, oils, shortening

9 CFR Part 319

Margarine
Mixed fat shortening
Lard, leaf lard
Rendered animal fat or mixture
thereof

Meat salads and spreads

9 CFR Part 319

Deviled ham, deviled tongue, and
similar products

Potted meat food product and
deviled meat food product

Ham spread, tongue spread, and
similar products

Poultry

9 CFR Part 380

Canned boned poultry
Baby or geriatric food
Poultry dinners (frozen) and pies
Poultry rolls
Burgers and patties*
A la Kiev*
Steak or fillet*
Baked or roasted*
Barbecued*
Barbecued prepared with moist
heat*
Breaded products
*Kind of poultry must be specified
on label

Other poultry dishes and specialty items

9 CFR Part 380

Ravioli*
Soup*
Chop suey with*
Chop Suey*
Chow mein without noodles*
Tamales*
Noodles or dumplings with*
Stew*
Fricassee of wings*
Noodles or dumplings*
With vegetables *
Gravy with sliced*
Tetrazinni*
Chili with beans*
Creamed *
Cacciatore*
Fricassee*
A-la-king*

Croquettes*
Slice with gravy and dressing*
Salad*
Chili*
Hash*
Sliced with gravy*
Minced barbecue*

Cut-up poultry
Giblets

*Kind of poultry must be stated at
the appropriate place in the
name

Raw poultry products

9 CFR Part 380

Broiler or fryer
Roaster or roasting chicken
Hen, fowl, or baking or stewing
Turkeys
 fryer roaster turkey
 young turkey
 yearling turkey
 mature turkey or old turkey
Breasts
Breast with ribs
Wishbones (pulley bones)
Drumsticks
Thighs
Legs (kind must be specified)
Wings
Backs
Halves
Quarters
Breast quarter
Breast quarter without wing
Leg quarter
Thigh with back portion
Legs with pelvic bone
Wing drummette
Wing portion

APPENDIX 9

Reading a Food Label

CHICKLY FOODS



PO BOX 5432, Homesville AL 45987



BREADED WHITE CHICKEN PATTIES

FULLY COOKED **HEAT AND SERVE**

INGREDIENTS.- White chicken, enriched wheat flour (niacin, reduced iron, thiamine mononitrate, riboflavin), water, dried whole eggs, enriched yellow corn flour (niacin, reduced iron, thiamine mononitrate, riboflavin), salt, sodium phosphate, soybean oil, modified food starch, spices, nonfat dry milk, leavening (sodium bicarbonate, sodium aluminum phosphate, sodium acid pyrophosphate), dextrose, enriched yellow corn meal (niacin, reduced iron, thiamine mononitrate, riboflavin), mono and diglycerides, dried whey, sugar, dried yeast, sodium alginate, natural flavor. Fried in vegetable oil.

HEATING INSTRUCTIONS:

	Deep Fat	Conventional	Convection
	Fry 350F.	Oven 400F.	Oven 375,F.
Frozen	3-3 1/2 min.	12-15 min.	8-1 0 min.

Cooking recommendations should be used as a guide only - variations in time and temperature may be required for variations in quantities heated.

CN

This 3 oz. fully cooked, breaded white chicken patty provides 2.0 oz. equivalent meat/meat alternate and 3/4 serving bread alternate for the Child Nutrition Meal Pattern Requirements. (Use of this logo and statement authorized by the Food and Nutrition Service. USDA 08/94).

CN

0306377



KEEP FROZEN

20411

NET WT. 11.25 LBS.



25665

CN label number

Establishment number

Product code number

Run or code number

APPENDIX 11

Corporate/Cooperative Distributor Buying Groups

How can you be sure you'll get what you want when you purchase processed fruits and vegetables? It pays to be specific in your product descriptions. Referring to quality standards is a good starting point.

Just as it has established grade standards for fresh produce, USDA has set quality standards for most processed fruits and vegetables. Each standard (or grade) for canned or frozen fruits or vegetables is based on flavor, odor, color, uniformity of size, number of defects, texture, and other characteristics specific to the food.

USDA does not require processors to have their fruit and vegetable products graded. Grading and inspections are provided by USDA as a service for which the buyer pays a fee. USDA inspectors can grade products on the production line or by lots after processing. In return for the fee, the purchaser receives a grade certificate—an assurance that the product received is the grade requested. Grading is justified only when purchasing in very large quantities, which schools rarely do.

Grade standards for fruits

U. S. Grade A or U. S. Fancy	=	First quality private label
U. S. Grade B or U. S. Choice*	=	Second quality private label
U.S. Grade C or U. S. Standard	=	Third quality private label

Grade Standards for vegetables

U.S. Grade A or U. S. Fancy	=	First quality private label
U. S. Grade B or U. S. Extra Standard	=	Second quality private label
U.S. Grade C or U. S. Standard	=	Third quality private label

However, there is a reasonable alternative for schools and other smaller volume purchasers. They can rely on the reputation of private labels, which are based on the federal grade standards.

Here's how private labels work and how they relate to the federal standards:

The majority of distributors belong to a buying group or have support of a corporate purchasing department. Each group has standards for its first, second, and third quality labels. Products sold under each label are color-coded or have unique logos. School food service purchasers who know these codes can order the quality desired. Distributors will provide a chart showing their labels for various products and grades.

The first, second, and third quality labels are based on federal grade standards. USDA has taken the leadership role in developing these standards in cooperation with private industry. The chart below shows the federal grade standard standards and the private label equivalent:

**The majority of private label groups pack "choice" grade of peaches, pears, and fruit cocktail under the first quality label.*

Distributor Group	First quality fancy vegetables, choice fruits	Second quality extra standard vegetables, standard fruits	Third quality standard vegetables, substandard fruits
<p>Foresight Partners, LLC</p> <p>(All Kitchens)</p> <p>(Federated Food Service)</p>	<p>All Kitchens. Green</p> <p>HYTOP Red</p> <p>PARADE Red</p> <p>Red & White Red</p>	<p>All Kitchens. Blue</p> <p>HYTOP Blue</p> <p>PARADE Blue</p> <p>Red & White Blue</p>	<p>Kitchen Value Red</p> <p>HYTOP Yellow</p> <p>PARADE Yellow</p> <p>Red & White Yellow</p>
<p>Frosty Acres F.A.B., Inc.</p>	<p>FROSTY ACRES</p>	<p>Garden Delight</p> <p>FROSTY FARE</p>	
<p>Golbon.</p>	<p>Golbon. Green</p>	<p>Golbon. Red</p>	<p>Silbon Blue</p>

Distributor Group	First quality fancy vegetables, choice fruits	Second quality extra standard vegetables, standard fruits	Third quality standard vegetables, substandard fruits
Premier Foodservice Distributors of America	 Nugget. BRAND Black	 Nugget. BRAND Red	 Nugget. BRAND Green
 PLEE-ZING Lil Brave.	 PLEE-ZING Red Lil Brave. Blue	LITTLE MOMMIE Red Lil Brave. Red	PARTAKE Red Lil Brave. Green
			
	Sysco Imperial and Classic	Sysco Reliance	Sysco Valuline
Unipro Foodservice, Inc.	 Nifda RED 	 Nifda CHEF-PAK 	 Nifda Econo-Pak 
	 US Blue	 US Red	 HARVEST VALUE

Exceptions: Apples, Applesauce, Cherries packed under First Quality Label are Grade A

Note: This is a comprehensive list, contact information is provided in support of the chart on pages 228 and 229.

Foresight Partners, LLC

Gayle Nay, Brands Manager
209 Main Street
Boise, Idaho 83702
Phone: 208-336-7003
FAX: 208-338-7180

Frosty Acres, F.A.B., Inc.

<http://www.frostyacres.com>
Tricia Barber, Director, QA
P.O. Box 1849
Alpharetta, GA 30023
Phone: 678-356-5400
FAX: 678-356-0100
tbarber@frostyacres.com

Golbon

Randy Taylor, Executive VP
877 West Main Street, Suite 750
Boise, Idaho 83702
Phone: 208-342-7771
FAX: 208-336-9212

Gordon Foodservice

(no response received)

Plee-zing/Lil Brave

W. L. Stickney III, Chairman,
1640 Pleasant Road
Glenview, IL 60025-1847
Phone: 847-998-0200
FAX: 847-998-8059

Premier Foodservice Distributors of America

Karen Haslebacher, Senior Technologist
4226 Coronado Avenue
Stockton, CA 95204
Phone: 209-948-8122
FAX: 209-461-7469

Pocahontas Foods USA

<http://www.pocahontasfoods.com>
Anne D. Barker-Smith,
Director Quality Assurance
P. O. Box 9729
Richmond, VA 23228
Phone: 804-262-8614
abarker-smith@pocahontasfoods.com

Sysco Corporation

<http://www.sysco.com>
Ginger Kovar, Sysco Brand
Marketing Specialist
1390 Enclave Parkway
Houston, Texas 77077-2027
Phone: 281-584-4179
FAX: 281-584-4070
Kovar.Ginger@corp.Sysco.com

UniPro Foodservice, Inc.

Thomas A. R. Smouse, Director Product
Quality & Packaging Development
2500 Cumberland Parkway
Atlanta, Georgia 30339
Phone: 770-952-0871
FAX: 770-955-3821
smouse@uniprofoodservice.com

U.S. Foodservice

<http://www.USFOOD.com>
Bona Walker
9755 Patuxent Woods Drive
Columbia, MD 21046
Phone: 410-309-7705
bwalker@USFOOD.com

APPENDIX 12

Sample letter for scheduling a pre-bid conference

Dear _____ :

It was a pleasure to discuss with you the food and supply bid for the school district that will be issued in (date and time) for the period (effective dates). As we discussed, we are changing to prior approval of brands to avoid confusion when bids are opened.

Your conference is scheduled for (insert date, time, and location). We appreciate your making available (insert name of person or persons expected) for this conference. Your company will benefit from representation by the person who has the most knowledge of your product line.

Enclosed is a list of those items that will be included in the bid. Items approved as Distributor's Choice are marked and will not be discussed at the conference. The purpose of the conference is to determine what brands your company will offer for prior approval on the remaining items. Your representatives should come to the conference prepared to provide the names of brand or brands you want us to consider.

Also attached is a copy of the school district's product screening policy. We will allow 10 days from the date of the meeting for you to provide copies of brand labels and nutritional analysis. Please advise your staff that samples are not accepted at the pre-bid conference.

We look forward to developing a request for bids that places everyone in a winning position. If you have questions please contact me at (insert phone number).

Sincerely,

*Susie Q. Smith,
Foodservice Director*

APPENDIX 14

Product comparison

Characteristics	Label #1	Label #2	Label #3	Label #4
Label name				
Brand				
Mfg. Code #				
Est. #				
CN label #				
Meal pattern contribution/ serving size				
Pack				
1st ingredient				
2nd ingredient				
3rd ingredient				
4th ingredient				
5th ingredient				
Total Calories				
Total fat				
Sat fat				
Carbohydrate				
Protein				
Sodium				
Nutrient data source				

APPENDIX 15

Sample protocol for screening new products or brands of existing products

Attachments

A four-part process to screen new products

- 1) Paper Screen
- 2) Product Committee Screen
- 3) Appearance Screen
- 4) Student Taste Screen

A three-part process to screen new brands of existing products

- 1) Paper Screen
- 2) Appearance Screen
- 3) Student Taste Screen

Paper Screen

- ▲ Design a product comparison sheet with the following basic information:
 - a. Brand of product
 - b. Manufacturer's code number
 - c. Establishment number of the manufacturer if a meat product
 - d. If applicable, the CN label number and the meal pattern contribution
 - e. Meal pattern contribution
 - f. Portion size and case size

- g. The first five ingredients on the label ingredient statement
- h. Nutrient analysis showing total calories, total fat, saturated fat, carbohydrate, protein, sodium, and whether values from laboratory analysis or calculated from standard database.

- ▲ Get a copy of the product label and nutrient analysis from the company.
- ▲ For a new product, create a new product comparison sheet, list product as the first brand, and add the product to the agenda list for the next product committee meeting.
- ▲ For an existing product list, add to the product comparison sheet and determine if the product meets the description.
- ▲ Notify manufacturer's representative of results of the paper screening.

Product Committee Screen

- ▲ Appoint a product committee. Possible members are the CN

purchasing specialist, specialists who have routine contact with the schools, building level managers, and the director of food service.

- ▲ Maintain an agenda of products for consideration at each regularly scheduled meeting.
- ▲ Report appearance and taste screen results to the committee.
- ▲ Allow any staff member to add items to the agenda list. Member who submits the item will present the following information to the committee:
 - a. How the product will be used
 - b. Whether the product will replace an existing item or will expand the product list
 - c. How product will impact cost
 - d. Availability of the product from other manufacturers and, if sole source item, impact on cost
 - e. Copy of product label and nutrient analysis
- ▲ Committee may take one of three actions:
 - 1) Refer for appearance testing
 - 2) Reject as not appropriate for food service system
 - 3) Table for future review with additional information
- ▲ Report product committee screening to the appropriate sales personnel.

Appearance Screen

- ▲ Appoint a committee of those involved in daily, hands-on food preparation.
- ▲ Get a full-case sample from a production line not a specially made sample. Obtain the sample from a stocking food service distributor. Get samples directly from a manufacturer or broker if there is no other way to obtain them.
- ▲ Record the results of the appearance screen in narrative form, signed by all present.
- ▲ Include the following:
 - a. Compare the label to that provided during the paper screening. If the label is not identical, suspend appearance screening.
 - b. Record the date/shift coding on the packaging for the record if product rejected.
 - c. Screen the packaging for acceptability to your food service operation. Record the style and condition of the packaging.
 - d. Evaluate the appearance of the product in the raw and cooked state for acceptability shape, texture, color, smell, plate coverage, and availability of recommended preparation equipment.
 - e. Committee takes one of two actions:

- 1) Reject the product based on appearance
 - 2) Refer the product for student taste screen.
- ▲ Provide sales personnel with the results of the appearance screen. See product tracking sheet.

Student Taste Screen

- ▲ Serve the product as part of a regular meal service. Do not use a special group of students.
- ▲ Test the product in three schools on the same day with the identical other foods.
- ▲ Rate food product as acceptable or unacceptable. Do not rate food products on a competitive basis.
- ▲ Place the rating scale by the cashier's stand for the students to pick voluntarily. Encourage all students who choose the item being tested to complete a rating scale. Use a hedonic scale (smiley faces) for lower grades or the words acceptable/unacceptable with older students.
- ▲ Test only one product per day.
- ▲ Approve product with a simple majority of acceptable ratings unless school district administrators prefer a higher acceptance rating. If the product is unacceptable in two schools and acceptable in the third school, test the product again in two different schools.

- ▲ Prepare a summary of the test results and report to the product committee and the sales personnel representing the product. Retain the summary of all test results for documentation related to expenditure of federal funds.

Special considerations

Do not allow sales personnel or company representatives at the product committee meeting, the appearance, or taste testing.

Product tracking

Product _____

Date of contact _____ Phone _____ Personal presentation _____

Name of company representative (attach card) _____

Actions

Label and nutritional analysis requested? _____ Date due _____

Label and nutritional analysis received? _____ Date received _____

Paper Screen: (Circle one): Passed Failed

Comment _____

Product Committee Screen: Scheduled? _____ Date _____

(Circle one): Referred for appearance testing Rejected Tabled

Comment _____

Appearance Screen: (Check one): Referred for Taste Screen _____ Failed _____

Comment _____

Taste Screen : Accepted by _____ of _____ schools

Unacceptable by _____ of _____ schools

Brand approved _____ Brand unacceptable _____

If you have questions contact _____ at _____

Signature _____ Date _____

Summary of Product Taste Screen

Product: _____

Brand _____ Code _____

List other numbers if applicable, such as Establishment number and CN label number.

Attach label of product

Number of servings prepared: _____

Number of servings selected by students: _____

Number of rating sheets returned: _____

Number of acceptable ratings: _____

Number of unacceptable ratings: _____

Product was served with: _____

Today's weather: _____

Other comments: _____

School: _____

Signature of person preparing summary:

Date: _____

Summary of Product Taste Screen

Product: _____

Brand _____ Code _____

List other numbers if applicable, such as Establishment number and CN label number.

Attach label of product

Number of servings prepared: _____

Number of servings selected by students: _____

Number of rating sheets returned: _____

Number of acceptable ratings: _____

Number of unacceptable ratings: _____

Product was served with: _____

Today's weather: _____

Other comments: _____

School: _____

Signature of person preparing summary:

Date: _____

Taste TestProduct _____
Date _____

Like or don't like? (circle one):

**Taste Test**Product _____
Date _____

Like or don't like? (circle one):

**Taste Test**Product _____
Date _____

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**Taste Test**Product _____
Date _____

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**Taste Test**Product _____
Date _____

Like or don't like? (circle one):

**Taste Test**Product _____
Date _____

Like or don't like? (circle one):

**Taste Test**Product _____
Date _____

Like or don't like? (circle one):



Standard contract language

Every school district organizes its requests for prices differently. The variances in state laws and school districts precludes the inclusion of bid documents in a manual of this type. All documents used to solicit prices should be reviewed by the legal counsel of the purchasing entity. The language below is designed to assist school districts in developing their documents and should be viewed as a check list with which the school district can make sure their documents address the subject.

Addenda: If clarification of the specifications/instructions is required the request shall be made in writing not later than seven working days prior to the time and date set for the bid opening. The school district will respond to the request in the form of an addendum issued to all potential bidders. No addenda will be issued within five working days of the date and time of bid opening. Should a question arise which requires clarification during this time period the date and time of bid opening will be delayed to allow issuing an addendum.

Access to pricing information: Price files may be examined by bidders

during normal working hours. Non bidders may have access to the files only after the award has been made. No files will be removed from the school district offices and employees will not make copies nor will copy machines, facsimile machines or other such equipment be made available to the public for the purpose of copying bid documents. Written notices of award will be mailed to all bidders.

Advertising and promotion of contract: The contractor shall not advertise or publish information for commercial benefit concerning this contract without the prior written approval of the school district purchasing officer.

Alternate offers: Alternate offers will not be considered unless specifically requested in the specifications and instructions.

Application: It is understood and agreed to by the vendor that this contract is entered into solely for the convenience and for any economical advantage offered to the school district. All purchases made by the school district shall be purchased from the distributor receiving the award. School

district employees or other organizations shall not be allowed to purchase under the terms of this contract.

Assignment and delegation: The contractor shall not assign any right nor delegate any duty under this contract without the prior written approval of the school district.

Audit: At any time during the term of this contract, the contractor's or any subcontractor's books and records shall be subject to audit by the school district, state, or Federal government to the extent that the books and records relate to the performance of the contractor or subcontractor.

Authority: This contract is issued under the authority of the agent listed on the invitation to bid or the request for proposal. Changes to the contract including the addition of work or materials, the revision of payment terms, or the submission of work or materials, directed by an unauthorized employee or made unilaterally by the contractor are violations of the contract and of applicable law. such changes, including unauthorized written contract amendments, shall be void and without effect, the contractor shall not be entitled to any claim under this contract based on those changes.

Brand identification: This is a qualified product specification. Bidders must bid on the specific name brand items requested. Deviations from this requirement will not be considered.

When "Distributors Choice" is used in the approved brand column the distributor may offer a price on any brand. The brand on which the price is offered must be stated in the bid documents and cannot be changed during the effective period without the permission of the school district. When "Private Label" is used in the approved brand column the appropriate quality level of the private label included in the Corporate/Cooperative labeling chart in this document shall be bid. The vendor only needs to circle the word private label and the school district can be assured that the brand bid is the same as the chart.

Calendar days: Where the solicitation requires the offerer to state a number of days, or to submit a milestone chart, the days used shall be calendar days unless otherwise specified.

Cancellation: The contract may be canceled for cause by either party upon issuance of written notice 30 days prior to the intended date of cancellation. Cause for the school district to cancel shall include, but is not limited to failure, on the part of the contractor, to perform in compliance with the specifications and/or contract conditions.

Compliance with applicable laws: The materials and services supplied under this contract shall comply with all applicable Federal, state, and local laws, and the contractor shall maintain

all applicable licenses and permits.

Contract: means the combination of the solicitation, including the instructions to offerers, general terms and conditions, special terms and conditions, specifications and other product information, the offer and any best and final offers, and any amendments to the solicitation, or amendments to the contract, the award documents, and any terms implied by law.

Contract inception: An offer does not constitute a contract nor does it confer any rights on the offerer to the award of a contract. A contract is not created until the offer is accepted in writing by an authorized school district.

Corrections: All prices and notations must be in ink or typewritten. No erasures are permitted. Errors may be crossed out and corrections printed in ink or typewritten adjacent to the crossed out error. Any correction shall be initialed in ink by the person making the correction. All initials will be explained in the margin or some other visible and appropriate place on the same page as the correction. The explanation need only be the full name of the person having initialed the correction and shall be printed in ink or typewritten. See word processor for an option.

Debarment Certification Statement: Each SFA must require that each responsive bidder include a certification statement, the bidder certifies that neither it nor any of its principals (e.g.

key employees) have been proposed for debarment, debarred or suspended by a Federal agency. It is the responsibility of each bidder to sign the certification statement and submit it with any bid. It is the responsibility of each SFA to require the certification as part of a responsive bid. (Contact your state agency for a copy of a sample form.)

Decimals: The unit price offered may contain four points (.0000) beyond the decimal. The extended price shall be rounded to the nearest whole cent (5 or greater shall be rounded up and 4.9 or less shall be rounded down). If the bid unit is less than a case the following methodology shall be utilized when converting to invoice price. The bid unit price shall be multiplied by the number of units in a case and rounded to the nearest whole cent.

Delivery of price request: Offers received after the time and date stated on the invitation to bid will be returned, unopened to the appropriate bidder. Post marks or dating of documents will be given no consideration in the case of late bids. If, however, a deliverer, UPS, Federal Express, US Air, etc. can provide documented proof as evidenced by the signature of a school district employee that substantiates the claim the bid was delivered to the proper place prior to the time and date set for bid opening and, through fault of school district personnel, the bid did not get to the proper authority, the bid will be considered.

Delivery of price request: Offers delivered in Federal Express, UPS, or any other such deliverer's envelope shall be sealed in a separate envelope inside the deliverer's packaging. Failure to do this may cause the bid to be inadvertently opened and thus rejected.

Drained weights: Drained weight of "wet pack" items shall conform to good industry practices and the minimum requirements of the Federal Food, Drug and Cosmetics Act. The individual products shall conform to drained weights as prescribed in the individual specifications of each product in 21 CFR. Except for whole tomatoes drained weight is not a factor in USDA grades.

Duty to examine: It is the responsibility of each offerer to examine the entire solicitation, seek clarification in writing, and check its offer for accuracy before submitting the offer. Lack of care in preparing an offer shall not be a grounds for withdrawing the offer after the offer due date and time nor shall it give rise to any contract claim.

Exceptions to terms and conditions: An offer that takes exception to a material requirement of any part of the solicitation, including a material term and condition, shall be rejected.

Extension of contract: any contract resulting from this solicitation may be extended for a period not to exceed (insert number of years,) years in total, upon the mutual agreement of both

parties. (Insert appropriate statement related to pricing.) Note: automatic extensions are prohibited, both parties must execute contract extensions in writing.

Facsimile or telegraphic offers: An offer shall be submitted on the forms provided. A facsimile, telegraphic, or mailgram offer shall be rejected.

Fill of container: All products shall be filled as full as practical under good commercial packing practices without impairment of quality and in accord with the Federal Food, Drug, and Cosmetic Act regulations regarding individual specifications for standards of fill (21 CFR).

Force majeure: Except for payments of sums due, neither party shall be liable to the other nor deemed in default under this contract if and to the extent that such party's performance of this contract is prevented by reason of Force Majeure. The term "Force Majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, Force Majeure includes acts of God; fire; flood; or other similar occurrences beyond the control of the contractor or the school district.

Gifts and gratuities: Acceptance of gifts from contractors and the offering of gifts by contractors is prohibited. No employee of the school district purchasing products under provisions of the contract issued as a result of this

invitation shall accept, solicit, or receive, either directly or indirectly, from any person, firm or corporation any gift or gratuity.

Indemnification: The contractor shall defend, indemnify and hold harmless the school district from any claim, demand, suit, liability, judgment and expense (including attorney's fees and other costs of litigation) arising out of or relating to injury, disease or death of persons or damage to or loss of property resulting from or in connection with the negligent performance of this contract by the contractor, its agents, employees, and subcontractors or any one for whom the contractor is responsible. The contractor's liability shall not be limited by any provisions or limits of insurance set forth in this contract. The obligations, indemnities and liabilities assumed by the contractor under this paragraph shall not extend to any liability caused by the negligence of the school district or its employees.

Informalities: An informality shall be defined as a requirement of the specifications that is needed for informational purposes only and failure on the part of a bidder to provide it would have no impact on the outcome of the bid. In such cases, the bidder failing to supply the information may be given a specified period of time to comply. If the bidder fails to comply in that time period, the bid will be rejected for reasons of non-compliance. No

award will be made unless all required information is received by the school district.

Inspection and testing: The contractor agrees to permit access to its facilities at reasonable times for inspection of the materials covered under this contract, and the contractor's facilities. The school district shall also have the right to test at its own cost the materials supplied under this contract.

Net container quantity: The minimum net quantity of all products in cans and jars shall be in accord with the Federal Food, Drug and Cosmetic Act. The individual specifications for standard of fill for the products as prescribed in 21 CFR shall be applied.

Non-appropriation: This contract will span more than one appropriation period, therefore, a non-appropriation clause shall be in effect. This clause provides that should a contract be canceled for reasons of non-availability of funds, cancellation would take effect on the last day of the appropriation period for which funding was available. The date would be (insert the last day of the fiscal year of the school district) of any year during which the contract is in effect. In the event of cancellation for non-availability of funds the school district will not be obligated to purchase any items remaining in inventory. It should be noted that vendors will be notified well in advance of a pending cancellation.

Noncollusion: By signing the offer and acceptance form or other official contract form, the offerer certifies that this price is offered without prior understanding, agreement or connection with any corporation, firm or person submitting a price for the same products. The offeror certifies that they understand that collusive bidding is a violation of Federal/state law and can result in fines, prison sentences and civil damage awards.

Offer: means bid or proposal unless otherwise specified.

Offerer: means a vendor who responds to any type of solicitation.

Offer acceptance period: Bid proposals are an irrevocable offer for 45 days after the bid opening time and date.

Original signature: The Invitation to bid form must be submitted with the offer and must include an original signature by an individual authorized to sign the offer. Failure to submit an original signature with the offer signifying an unequivocal intent to be bound by it and the terms of the solicitation shall result in rejection of the offer.

Order of precedence: In the event of a conflict in the provisions of this solicitation, the following shall prevail in the order set forth below:

- 3) Special terms and conditions;
- 4) General terms and conditions;
- 5) Specifications or scopes of work or services;

- 6) Documents referenced in the solicitation. *Note:* If the school district has different sections in the bid documents the names should be substituted in the list above.

Pre-bid conference: If a pre-bid conference has been scheduled under this solicitation, the date, time and location of it appear on the solicitation's cover sheet or elsewhere in the IFB or RFP. An offerer should raise any questions it may have about the solicitation or the procurement at that time. An offerer may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the solicitation shall be answered solely through a solicitation addendum.

Product protection guarantees: School districts have "automatic" product protection recourse against suppliers for product safety. According to Federal regulations, the supplier whose name and address appear on the package is the responsible party. Contractors are expected to take immediate action to correct any situation in which product integrity is violated.

Proprietary information: (Particularly applicable to purchase systems that require a vendor to include the cost paid for a product and where promotional allowances are offered) If a bidder submits any document with the bid that is considered to be proprietary

in nature or is considered to be a trade secret, the bidder shall notify the school district that the documents are included in the bid. The school district will honor the request unless or until a competing bidder asks to have access to the information. In such case, the school district will notify the affected bidder that a challenge has been made. If the affected bidder can produce a court issued restraining order within ten calendar days subsequent to the notification, the information will remain confidential and shall not be released pending subsequent court action. If the restraining order is not received within the ten working day period, the information will be released and the school district shall not be held liable.

Protests: A protest shall comply with and be resolved according to (Insert the appropriate state or local code or administrative procedures. Not all states or purchasing agencies have a protest rule, this should be modified if no such law or rule exist for your use.) All protest shall be in writing and shall be delivered to the address of the individual listed in the “if you have questions” on the Invitation to bid. A protest of a solicitation shall be received by the named individual before the offer due date. A protest of a proposed award or of an award shall be filed within ten days after the protestor knows or should have known the basis of the protest.

A protest shall include:

- ▲ The name, address, and telephone number of the protestor;
- ▲ The signature of the protestor or an authorized representative of the protestor;
- ▲ Identification of the purchasing agency and the solicitation or contract number;
- ▲ A detailed statement of the legal and factual grounds of the protest including copies of relevant documents;
- ▲ The form of relief requested.

Quantities: The quantities indicated on the product list are based on previous years purchases and are accurate to the best of our ability. However, offerors must understand that the fact that a quantity is stated on an item does not constitute a guarantee to purchase any amount in excess of requirements.

Record retention: The successful vendor agrees to retain all books, records and other documents relative to this agreement for three years after final payment. The district its authorized agents and/or Federal/state representatives shall have full access to, and the right to examine any of said materials during said period. If an investigation or audit is in progress, records shall be maintained until stated matter is closed.

Release from contract: In the event the market for a product covered by this request escalates to a point that the vendor is delivering product at less than cost, the vendor may petition for release from the contract. The petition shall be supported by a third party market bulletin. The decision to release the vendor from the contract will be based on the difference between the market at the time of the bid opening and the current market for this item.

Rejection of bids: The ABC School District, at its discretion, may reject any and/or all bids.

Service Level: The contractor shall fill all original orders at a monthly average of 98% or above on the scheduled delivery day. The remaining 2% shall be delivered within 24 hours of the scheduled delivery day unless the school district agrees that the product will be reordered.

Substitutions: If a contractor is temporarily out of stock of a particular item, an equal or superior product at an equal or lower price may be delivered, with prior approval of the school district. If a contractor is unable to deliver a product or an approved substitute product, the school district shall, in good faith and in its sole discretion, purchase a product of equal or greater quality from another source. The contractor shall pay the difference in the amount paid for the substituted product and the amount of the contracted price.

Severability: The provisions of this contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the contract.

Standards of identity: All products must conform to U.S. minimum standards of identity as authorized by the Food, Drug and Cosmetic Act and the supporting regulations in 21 CFR. Failure to comply places the contractor in violation of the contract with the school district as well as Federal law.

Solicitation: means an invitation for bids (“IFB”) or a request for proposal (“RFP”).

Subcontracts: The contractor shall not enter into any subcontract under this contract without the advance written approval of the school district purchasing officer. The subcontract shall by reference incorporate the terms and conditions of this contract.

Taxes: The tax laws vary so much by state that it is impossible to include sample language on this subject. Each school district should include language related to taxes that are or are not to be included in the price offered.

Unit price prevails: Where applicable, in the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.

Units of purchase: Whenever wholesale units of purchase are standardized, i.e., 6/#10, the bid unit is specified as case, box, etc. If case, bag

or box is the bid unit, then the description will specify the exact pack. When a potential contractor wishes to quote a pack size which is different from the unit specified in the product description, a different size may be quoted, but the total quantity must be adjusted.

The potential contractor shall always mark out the pack specified and insert the pack being bid. The adjustment shall be made in the total quantity. A change in the bid unit or cost per unit is not acceptable.

On items where the bid unit is specified in other terms, a space will be provided for potential contractor to enter the pack of the item being quoted. The potential contractor must complete this space when provided. If the pack size is followed by the word “only” the potential contractor must bid on the pack specified.

Waiver and rejection rights: Notwithstanding any other provisions of the solicitation, the school district reserves the right to :

- ▲ Waive any immaterial defect or informality;
- ▲ Reject any and all offers or portions thereof; or
- ▲ Cancel a solicitation.

Word processing disk: The documents for this bid were generated using (insert word processing software name and version). For the convenience of potential bidders a copy of the file

can be provided on 3.5” disk or as an attachment to an online E-mail. The school district will not accept responsibility for conversion of the file to another platform or to an ASCII file. Should there be a conflict between the word processed and the printed copy issued the printed copy shall be considered correct.

APPENDIX 17

Active school purchasing cooperatives

This list was developed from a posting to Mealtalk and should not be considered a complete listing of all child nutrition purchasing cooperatives.

Arizona

ASPIN - Arizona School Partners in Nutrition

Location	60 school districts in Arizona
Size	ADP of approximately 50,000
Categories purchased	Food and supplies, bread, milk, processed commodities and food service equipment
Contact	Bette D. Thompson
Contact's title	ASPIN Director
E-mail	Bette@mesc.org
Phone and/or Fax	Phone: 520-888-9664, Fax: 520-888-9692
Address	4730 N. Oracle Road, Suite 116, Tucson, AZ 85705

Colorado**CCSTAR - Colorado Cooperative Saving Time and Resources**

Location	Six school districts in Colorado (Adams County 12, Adams County 27, Cherry Creek, Douglas County, Widefield 3, and Pueblo 60)
Size	ADP 55,000
Categories purchased	All food except bread and milk, all expendable paper supplies, processed commodities, all donated commodities
Comment	Have direct-to-manufacturer contracts
Contact	Carol P. Miller, MS, RD
Contact's title	Lead District and Director, Adams Twelve Five-Star School District
E-mail	cjpmiller@uswest.net
Phone/Fax	Phone: 720-872-4192, Fax: 720-872-4169
Mailing address	11285 Highline Drive, Northglenn, CO 80233

Illinois**Northern Illinois Independent Purchasing Cooperative**

Location	32 school districts in northern Illinois
Size	\$6,000,000 annually
Categories purchased	All foods (excluding milk and bread), paper, disposables, and chemicals
Contact	Coletta Hines-Newell
Contact's title	President and Director of Food Services, Arlington Heights School District #25
E-mail	hines-newell@ahsd25.n-cook.k12.il.us
Phone/Fax	Phone: 847-758-4904, Fax: 847-758-4908
Address	1200 S. Dunton Ave., Arlington Heights, IL 60005

Louisiana**CNPC - Child Nutrition Purchasing Cooperative**

Location	8 parishes in Northeast Louisiana: Caldwell, Concordia, Catahoula, Franklin, Madison, Ouachita, Richland, and Tensas Parishes
Size	82 sites with a student enrollment of 37,369
Categories purchased	Milk, juice, ice cream, bread, all other foods, paper and cleaning supplies
Comment	Annual bids include milk, ice cream and bread products. All other foods, paper, and cleaning supplies are biannual. Vendor selection is bottom line "all or nothing." We have experienced improved working relationships with vendors, cost savings and improved service levels.
Contact	JoLynne Corroero, MS, LDN, RD
Contact's title	Supervisor, Child Nutrition Program, Ouachita Parish School Board
Address	P. O. Box 1642, Monroe, LA 71210-1642
E-mail	corroero@mail.opsb.net
Phone and/or Fax	Phone: 318-338-5310, Fax: 318-338-2255

Maryland**Maryland School Food & Nutrition Purchasing Cooperative**

Location	Howard County Maryland
Size	235,000 meals, \$10,000,000 expenditures annually
Categories purchased	Dry, frozen, and refrigerated foods
Comments	Second year of operation
Contact	Mary Klatko
Contact's title	Coordinator
Address	10910 Route 108, Ellicott City, MD 21042
E-mail	mklatko@co.howard.k12.md.us
Phone and/or Fax	Phone: 410-313-6736, Fax: 410-313-6737

Massachusetts**Metro North Collaborative**

Location	North of Boston, Massachusetts
Size	26 cities, towns, and regional school districts, annual purchases approximately \$5,000,000 to \$6,000,000
Categories purchased	All grocery products, milk, bread, ice cream, vending products, and paper goods
Contact	Lois Black, RD
Contact's title	Chairman and Food Service Director, Hamilton-Wenham Regional School District
E-mail	blackl@massed.net
Address	787 Bay Road, S. Hamilton MA 01982

Mississippi**Mississippi Department of Education, Office of Child Nutrition**

Location	Statewide
Size	185 organizations (e.g., school districts, private schools), 937 delivery sites, 421,305 meal equivalents per day, 75,834,973 meal equivalents annually
Categories purchased	Frozen/refrigerated foods, dry foods, non-food supplies, fresh produce, milk, bread, ice cream, donated foods, processed donated foods
Comment	Direct-to-manufacturer contracts for majority of foods
Contact	Gail Lynn
Contact's title	Director Purchasing and Food Distribution
E-mail	glynn@mde.k12.ms.us
Phone and/or Fax	Phone: 601-354-7018, Fax: 601-354-7595
Address	P. O. Box 771 Jackson, MS 39205

Michigan**Great Lakes Co-op**

Location	14 school districts across Michigan
Size	Approximately 62,000 meal equivalents daily
Categories purchased	Commodity processing cooperative for 2001/2002 school year. After 2001/2002 all commodities to be received through normal distribution channels.
Contact	Kristen Dragiewicz
Contact's title	Food Service Director, Traverse City Area Public Schools
E-mail	Dragiewikra@oper.tcaps.k12.mi.us
Phone and/or Fax	Phone: 231-933-1911 Fax: 231-933-1916
Address	P. O. Box 32, Traverse City, MI 49685

Southeast Michigan School Bid Cooperative

Location	Oakland, Wayne, and Macomb Counties in Michigan
Size	\$3,500,000 annually
Categories purchased	All categories
Contact	Mary Claya, SFNS
Contact's title	SFNS, Oakland Schools
E-mail	mary.claya@oakland.k12.mi.us
Phone and/or fax	Phone: 248-209-2102, fax: 248-209-2523
Address	2100 Pontiac Lake Road, Waterford, MI 48328

New Hampshire**Buying Group of New Hampshire School Food Services**

Location	Eight school districts in New Hampshire
Size	42,000 students
Categories purchased	Grocery items, pizza, and ice cream
Comment	Expanding to include paper supplies in 2001-2002 school year
Contact	Timothy Goossens
Contact's title	Coordinator, The Buying Group of NH School Food Services
E-mail	foodservice@laconia.k12.nh.us
Phone and/or Fax	Phone: 603-524-3543, Fax: 603-649-6459
Address	39 Harvard Street, Laconia, NH 03246

New York**CAFE - Cooperative Association for Food Efficiency**

(Commonly called Long Island Co-op)

Location	36 school districts in Nassau and Suffolk County New York
Size	ADP 72,000; enrollment 155,000; 225 sites
Categories purchased	Milk, bread, small equipment, staples, frozen and refrigerated foods, snacks, canned drinks, dairy, meat and paper.
Comment	Established in 1989
Contact	Lois Chait, MBA, RD
E-mail	loisc@3villagecsd.k12.ny.us
Phone and/or Fax	Phone: 631-474-7682

Southern Tier Bidding Cooperative

Location	91 school districts in New York
Size	\$3,300,000 in grocery, \$500,000 in paper, other numbers not compiled
Categories purchased	32 districts in grocery, paper and small equipment bid, 91 districts in bread bid, and 7 districts for dairy and ice cream
Contact	David Kabel, RD
Contact's title	SCT BOCES Foods Service Director and Bid Coordinator
E-mail	dkabel@mail.sctboces.org
Phone/Fax	Phone: 607-739-6360, Fax: 607-796-1046
Address	950 Sing Sing Road, Horseheads, NY 14845

North Carolina**SECURE - Southeast Cooperative Utilizing Resources Efficiently**

Location	Eight school districts in eastern North Carolina (Duplin, Greene, Lenoir, Onslow, Pender, Pitt, Sampson and Wayne Counties)
Size	62,000 lunches daily
Categories purchased	Foods and supplies (except milk, bread, and some chemicals), and commodity processing
Comment	"Secure meets the challenges of today through the cooperative format and a service provider alternative. We purchase more than 90% of our food and supplies directly from manufacturers. We believe strongly in commodity processing. School year 2001-2002 will see us more than double in size with the addition of several school districts."
Contact	Janice Bodenhamer, President and Finance Officer, Wayne County Schools or Donna Ware, Chairman, Pitt County Schools
E-mail	jjb@pindigital.net or donnarware@hotmail.com
Phone and/or Fax	Secure - Toll free 877-732-2873 Janice - Phone: 919-705-6139, Fax: 919-731-5959 Donna - Phone: 252-830-4226, Fax: 252-830-1049
Address	Wayne County Schools - 1601-A Salem Church Road, Goldsboro, NC 27530 Pitt County Schools - 1717 West Fifth Street, Greenville, NC 27834

Tri-County Purchasing Consortium

Location	Franklin County, Nash/Rocky Mount, and Wilson County Schools in North Carolina
Size	67 school sites purchasing \$5,000,000 annually
Categories Purchased	Dry, frozen, and refrigerated foods
Contact	Mary Vann Sitton
Contact's title	Director, Food and Nutrition Services, Wilson County Schools
E-mail	wisitton@eastnet.educ.ecu.edu
Phone and/or Fax	Phone: 252-399-7849, Fax: 252-399-0694

North Dakota

North Dakota School Nutrition Purchasing Alliance

Location	State of North Dakota
Comment	This cooperative began organizing in the fall of 2000 and does not anticipate issuing their first bid until spring of 2002
Contact	Patrice S.Anderson, LRD
Contact's title	Education Program Administrator, Child Nutrition Programs, North Dakota Department of Public Instruction
E-mail	Panderso@mail.dpi.state.nd.us

Ohio

Southwestern Ohio Educational Purchasing Council (EPC)

Location	70 school districts
Size	\$15,000,000 annually, 232 student base
Categories Purchased	Dairy, bakery, ice cream, food, paper, plastic, and small wares
Comment	The staff of the EPC facilitates and coordinates the various programs. The experts are the 18 food service supervisors who serve on the advisory council. All product decisions are made by the advisory council.
Contact	Bob Brown
Contact's title	Director, Southwestern Ohio Educational Council
Website	epc-online.org
E-mail	BrownB@mvserrc.esu.k12.oh.us

Oregon**Oregon Child Nutrition Coalition**

Location	80 school districts (public and nonprofit private) throughout the state of Oregon
Size	Approximately \$12,000,000 annually. Average daily membership is 204,000 students representing about 40% of total students. Member districts serve approximately 100,000 reimbursable lunches daily plus breakfast and a la carte.
Categories purchased	Frozen, refrigerated, and staple foods and paper for all member districts. Some districts participate in commodity processing contracts for chicken and cheese and limited distribution contracts for milk, bread, fresh produce, and chemicals.
Contact	Janet Beer, RD
Contact's title	President, OCNC, and Food Service Director, Tigard-Tualatin School District #23J
E-mail	jbeer@tsd.k12.or.us
Phone and/or Fax	Phone: 503-431-4061 Fax: 503-431-4045
Address	P. O. Box 2141, Lake Oswego, OR 97035 6960 SW Sandburg St., Tigard, OR 97223

Pennsylvania**Western Pennsylvania Food Purchasing Cooperative**

Location	15 school districts (Armstrong, Apollo Ridge, Blairsville-Saltsburg, Chartiers Houston, Derry Area, Hampton Area, Homer Center, Jeannette, Latrobe Area, Leechburg, Ligonier Area, Marion Center, Norwin, Penns Manor, and Southmoreland)
Size	\$3,000,000 annually
Categories purchased	Dry, frozen, and refrigerated foods
Contact	Veronica Keener
E-mail	vkeener@wiu.k12.pa.us
Phone	Phone: 724-523-6729
Address	Jeannette School District, 1000 Lowry Avenue, Jeannette, PA 15644

Tennessee**Northeast Tennessee Cooperative (Netco)**

Location	12 school districts in northeast tennessee
Size	Approximately 50,000 meal equivalents daily
Categories purchased	General food service, milk and milk products, juice and juice beverages, sanitation and cleaning supplies, paper and plastic supplies, USDA commodity processed items
Contact/Contact's title	Dr. Martha Davenport, Unicol Schools, NETCO Chairperson
Contact/Contact's title	Mrs. Karen McGahey, Johnson City Schools, NETCO Coordinating District
E-mail	DavenportM@k12.tn.net , JCSFoodSer@aol.com
Phone/Fax	Phone: 423-743-1612 Phone: 423-434-5228 Fax: 423-743-1603 FAX: 423-434-5272
Address	600 North Elm P. O. Box 1517 Erwin, TN 37650 Johnson City, TN 37605

VOLCO

Location	Seven school districts in middle Tennessee
Size	49,000 meal equivalents per day
Categories purchased	All food and non-food supplies
Comment	Purchasing directly from the manufacturer. Deliveries made to a service provider who warehouses, manages, and delivers weekly orders.
Contact	Phyllis Hodges
Contact's title	Coordinating District Director
E-mail	hodgespm@hotmail.com
Phone and/or Fax	Phone: 615-441-4158, Fax: 615-441-1475
Mailing address	817 N. Charlotte Street, Dickson, TN 37055

Texas**CNP-STC South Texas Co-op for Child Nutrition**

Location	Region I Education Service Center which includes the seven southern counties on the Texas-Mexico border; 38 school districts are members of the cooperative.
Size	Average daily attendance - 300,000
Categories purchased	Dairy, bread, small equipment, dry, frozen, and refrigerated foods, and donated foods processing
Comment	Region I and II donated foods processing is coordinated by this cooperative.
Contact	D. Mark Wallace
Contact's title	CNP Purchasing Specialist, Region I Education Service Center
E-mail	mwallace@esconett.org

Multi - Region Purchasing/Processing Co-op

Location	158 school districts from Education Service Center Regions 10 (Dallas, TX area), 11 (Ft. Worth, TX area), and 12 (Waco, TX area).
Size	Average daily attendance - 154,000
Categories purchased	Frozen, refrigerated, canned, and shelf-stable foods, chemicals, paper and plastic, milk and dairy, bakery, snack cakes, ice cream, and commodity processing
Contact	Randy Lewis
Contact's title	Purchasing Specialist, Child Nutrition
E-mail	lewisr@esc10.ednet10.net
Phone and/or Fax	Phone: 972-348-1448, Fax: 972-348-1449
Address	400 E. Spring Valley Road Richardson, TX 75023

Northeast Texas Foodservice Purchasing Cooperative

Location	33 school districts in northeast Texas
Size	Approximately 23,500 meal equivalents per day
Categories purchased	General foodservice, milk and milk products, juice and juice beverages, sanitation and cleaning supplies, small equipment and non-expendable items, paper and plastic products, fresh pizza ingredients and supplies
Comment	Also have a commodity processing cooperative for 19 school districts. These school districts serve approximately 38,800 meal equivalents per day. Items processed include beef, chicken, turkey, and cheese.
Contact	Priscilla Riedel-Lester, MS, SFNS
Contact's title	Child Nutrition Program Specialist Region VIII Education Service Center
E-mail	plester@-sc8.net
Phone and/or Fax	Phone: 903-572-8551 Ext. 2753, Fax: 903-575-2610
Address	2230 North Edwards Avenue, P. O. Box 1894, Mt. Pleasant, TX 75456

Vermont

Food Service Directors Association of Vermont

Location	55 schools in the State of Vermont
Size	Approximately 25,000 meal equivalents daily
Categories purchased	Dry, frozen, and refrigerated foods, milk, bread, and delivery and storage of donated foods
Contact	Doug Davis
Contact's title	Food Service Director, Burlington Schools
Address	52 Institute Road, Burlington, VT 05401
E-mail	ddavis@burlhs.k12.vt.us
Phone and/or Fax	Phone: 802-864-8416, Fax: 802-864-8438

Virginia**Shenandoah Food Buying Co-op**

Location	Seven school districts in Virginia (Fauquier, Culpepper, Falls Church, Madison, Rockingham, and Shenandoah Counties and Harrisonburg City)
Size	23,000 lunches per day in 67 sites
Categories purchased	Milk, bread, snacks, fresh and frozen foods, canned and dry foods, paper and cleaning supplies, ice cream, and fresh produce.
Comment	Organized in 1992
Contact	Gregg Ferguson, SFNS
Contact's title	Chairman of Co-op and SFSN Director Fauquier County
E-mail	gferguson@libertyhs.com
Phone	Phone: 540-788-1294

Washington**Puget Sound Joint Purchasing Cooperative**

Location	32 school districts on the west side of Washington State
Size	122,000 student meal equivalents per day
Categories purchased	Dry, frozen, and refrigerated foods, donated foods processing and/or storage
Contact	Carla Kaser
Contact's title	Executive Committee Chair
E-mail	ckaser@renton.wednet.edu
Phone/Fax	Phone: 425-204-3545, Fax: 425-204-3509
Address	Renton School District, 300 SW 7 th Street, Renton, WA 98055

South Kitsap Food Purchasing Cooperative

Location	18 school districts on the Kitsap and Olympic Peninsulas in Washington State
Size	35,000 average daily participation, \$4,558,322 annually
Categories purchased	Dry, frozen, and refrigerated foods, and donated foods storage
Comment	A co-op council with membership from all co-ops in the state is working on a set of instructions and format that will be used by all members of the council.
Contact	Jo Kingsley, SFNS
Contact's title	Director, Food and Nutrition Services, South Kitsap School District
E-mail	kingsley@skitsap.wednet.edu
Phone and/or Fax	Phone: 360-876-7342, Fax: 360-876-7688
Address	1962 Hoover Ave. S. E., Port Orchard, WA 98366

West Virginia

Country Roads Cooperative

Location	4 school districts in Western West Virginia; Greenbrier, McDowell, Monroe, and Wyoming counties
Size	51 sites, 6,158 average daily breakfast and 11,975 average daily lunch, 17,066 enrollment, \$2,054,442 expenditures annually
Categories purchased	Dry, frozen and refrigerated food
Contact	Carol Morgan
Contact's title	Executive Director, Regional Education Service Agency II
Address	205 New River Drive, Beckley, WV 25801
Chair/Co-Chair	Denise Shumate (304-772-3094) Dianna Parks (304-436-8441)
E-mail	dshumate@access.k12.wv.us dgparke@access.k12.wv.us
Phone and/or Fax	Phone: 1-800-766-7372

Mountaineer Highlands Cooperative

Location	13 school districts in West Virginia - Barbour, Braxton, Doddridge, Gilmer, Harrison, Lewis, Monongalia, Randolph, Ritchie, Taylor, Turcker, Tyler, and Upshur Counties
Size	125 sites, 34,687 ADP Lunch, 13,963 ADP Breakfast, 48,678 enrollment, \$5,622,482 annual expenditures
Categories purchased	Dry, frozen and refrigerated foods and small equipment
Contact	Ron Dellinger
Contact's title	Executive Director, Regional Education Service Agency VII
Address	1000 Virginia Avenue, Fairmont, WV 26554
Phone	1-800-427-3600
Chairperson	Don Chapman, Phone: 304-643-2991 Ext. 226 rcboefs@yahoo.com
Co-chairperson	Morna Greene, Phone: 304-765-7101 Ext. 473 mlgreene@access.k12.wv.us

RESA VIII Food Purchasing Cooperative

Location	8 school districts in West Virginia- Berkley, Grant, Jefferson, Hampshire, Hardy, Mineral, Morgan, and Pendleton counties
Size	76 sites, lunch ADP 24, 759, breakfast ADP 9,749, Annual expenditures \$4,287, 611
Categories purchased	Dry, frozen, and refrigerated foods
Contact	Dr. Charles Duffy
Contact's title	Executive Director, RESA VIII
Address	109 South College Street, Martinsburg, WV 25401
Phone	1-800-304-267-3595
Chair/Co-chair	Carolyn Barnett, 304-725-9741 Dolly Nilsen,304-358-2207
E-mail	cbarnett@jeffschools.intrepid.net dnilsen@access.k12.wv.us

Nutrition Label

Nutrients are for serving size. The size is the amount of food customarily consumed, given in both household and metric measurements.

Daily Values show how this food fits into the overall daily diet. The percentage of any of the 14 nutrients the food may contain is compared to the daily recommended intake for the average person.

The list includes nutrients important to health, including these that we want to limit —

—as well most of these (except for sugars) we want in recommended amounts.

New labels show Calories from fat

Nutrition Facts

Serving Size \square cup (114 g)
 Servings Per Container 4

Amount Per Serving

Calories 260 **Calories from Fat 120**

% Daily Value*

Total Fat 13g	20%
Saturated Fat 5g	25%
Cholesterol 30mg	10%
Sodium 66mg	28%
Total Carbohydrate 31g	11%
Dietary fiber 0g	0%
Sugars 5g	
Protein 5g	

Vitamin A 4% Vitamin C 2%

Calcium 15% Iron 4%

*Percent Daily Values are based on a 2,000-Calorie diet. Your daily values may be higher or lower depending on your calorie needs

	Calories 2,000	2,500
Total Fat	Less than 65g	80g
Sat Fat	Less than 20g	25g
Cholesterol	Less than 300mg	300mg
Sodium	Less than 2,400mg	2,400mg
Total Carbohydrate	300g	375g
Dietary Fiber	25g	30g

Calories per gram:
 Fat 9 Carbohydrate 4 Protein 4

All ingredients must be listed on the label in descending order of predominance by weight. The list of ingredients tells what goes into the product.

APPENDIX 20

Manufacturers' instructions evaluation form

Product	Sample #1	Sample # 2	Sample # 3
Manufacturer/Brand			
Code number			
Type of storage			
Length of storage			
Thawing			
Equipment			
Cooking Time/temperature			
Special instructions			
Length of holding			
Where were instructions found			

APPENDIX 21

Internet Resources

The internet resources were correct as of 03/03/2001. Due to the frequency of updates of web pages, the exact location may be different.

Child Nutrition Purchasing Regulation - <http://www.nara.gov>

- Select: The Federal Register
- Select: Online CFR
- Select: Title 7
- Select: 3000

Commodity Specifications - <http://www.ams.usda.gov/> or <http://www.fsa.usda.gov/>

- Select: Food Purchases
- Select: Product Descriptions
- Select: The category of food you are seeking

Federal Government publications - <http://www.gpo.gov/>

- Select: Agency name (as an example [ams.usda](http://www.ams.usda.gov/) or [fsis.usda](http://www.fsis.usda.gov/))
- Select: At this point you may access a catalog or an order form, or A list of government bookstores.

Food Safety - <http://www.foodsafety.gov>

- Select: News and Safety Alerts

Grade Standards for Fruits and Vegetables - <http://www.ams.usda.gov/>

- Select: Fruit and Vegetable
- Select: Processed Products
- Select: U. S. Grade Standards
- Select: Category (fruits etc.)
- Select: Specific name of food

HACCP - <http://www.fda.gov> or <http://www.fsis.usda.gov/>

Select: Under Hot Topics - Food Select: Food safety virtual university

Select: Program Areas

Select: Consumer education

Select: HACCP

Select: Topic of choice or links

Inspection Offices Processed Fruit and Vegetables - <http://www.ams.usda.gov/>

Select: Under Programs - Fruit and Vegetable

Select: Processed Products Standards and Quality Certification

Select: Inspection Offices

Market News Reports - <http://www.ams.usda.gov/>

Select: Market News

Example 1

Select: National Weekly Pricing Report (ASFSA/ACDA report)

Select: date, see report

Example 2

Select: Fruit and Vegetable and Speciality Crops Report

Select: Individual Daily Reports

Select: U.S. Terminal Market Price Reports

Select: Fruit, or Vegetable, or Onion & Potato

Select: Terminal market city of choice

See report

Example 3

Select: Poultry and Eggs

Select: Daily Commodity Report

Select: The category researching (Eggs, Poultry etc.)

Select: City or regional market

See report

Milk Market Orders - <http://www.ams.usda.gov/dairy/orders/htm>

Select: Map (to determine your region)

Go back to main dairy page

Select: Milk market administrator web pages

Select: Your region

(1) Current Class Prices for your F. O. #

(To determine current class prices)

(2) Advance Class Prices for your F. O. #

(To determine estimated class price for next month)

Nutrient Data Base for Standard Reference - <http://www.nal.usda.gov/fnic/foodcomp/>

Select: Search the Database

Type: keyword for food you are seeking

Scroll Down List: select type of food

Select: weight or portion size

Select: Report, see report

Scroll Down: view nutrients

Select: new search for next food

National Institute of Governmental Purchasing, Inc. - <http://www.nigp.org>

Select: Join NIGP or Contact us

Standards of Identity - <http://www.nara.gov/>

Select: Federal Register

Select: Online CFR

Select: Title 21 (FDA), and Title 9 (USDA)

Select: 100 - 169 (FDA), and 319 & 380 (USDA)

Thermometers - <http://www.fsis.usda.gov>

Select: Consumer Education and Information

Select: Thermy(TM)

Select: Kitchen Thermometers

APPENDIX 24

Supplier audit survey

Type of Supplies:

Name: _____

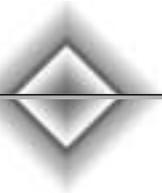
Address: _____

Phone: _____

Fax: _____

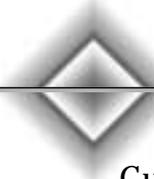
E-mail: _____

- 1) Where is the plant located that produces the product?
- 2) What other types of products are produced at this facility?
- 3) What food safety system does the facility use and is it based on the principles of HACCP?
- 4) Does the company operate under an ISO9000 quality system and is it certified?
- 5) What type of analytic testing does the company do on a regular basis? Microbiology, chemical and physical? Does the company do its own testing or use outside laboratories?
- 6) Are the on-site and contract laboratories accredited to an independent laboratory standard?
- 7) Does the production facility have a pest control contract? What types of pest control procedures are in place?
- 8) Does the facility have its own sanitation crew or use an outside contract company for sanitation?
- 9) Are there specifications for raw and finished products?
- 10) Are there written operating procedures for all production?
- 11) Are there written personal hygiene standards?
- 12) What type of training is provided for employees with respect to food handling, sanitation, and good manufacturing procedures?
- 13) What regulatory requirements and agencies are applicable to this facility's operations? How often are food inspections conducted at this facility?

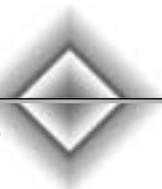


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FIRST CHOICE GLOSSARY

Audit - a systematic review to determine if activities and practices follow set requirements.

Bid/bid awards - a bid is a formal request for prices; the bid award goes to the vendor who offered the lowest and best price on a product or group of products.

Bottom line award - contracting with a vendor based on lump sum price quoted for all products in a group.

Break in cold chain - frozen or chilled product warming above recommended or safe temperatures during handling and delivery.

Cooperative - a group of people or organizations who join together to accomplish a task. In this manual a purchasing cooperative is formed by a group of school districts to accomplish all or part of the steps in the purchasing task.

Definition - statement of only those measurable characteristics necessary to assure procurement of product desired.

Distributor's choice - a form of brand approval that indicates the school has no preference as to the brand on which a price is offered.

Drop size - the dollar value of a single delivery to a single site.

Dwell time - the length of time a

product remains in inventory.

Effective period - the dates during which stated prices will be in effect.

Extended price - the unit price for a product multiplied by the quantity.

FIFO - First In First Out, a system of rotating stock where the oldest stock is used first.

Food code - FDA's model code designed to assist food control jurisdictions at all levels of government by providing a scientifically sound technical and legal basis for regulating the retail segment of the food industry.

Foodborne illness - a disease that is carried or transmitted to people via food.

GMP's - Good Manufacturing Processes that are pre-requisite for a HACCP plan to minimize the growth of microorganisms; examples: proper personal hygiene, proper cleaning and sanitizing, and approved suppliers.

GNR- Gradeable Nest Runs, eggs from a production facility that have had some "checks," "dirties," and other obvious undergrades removed and are suitable for grading.

GL - Graded Loose, shell eggs that have been washed, sized, and candled for quality and packed in trays, flats, or non-carton containers.

CHOICE

HACCP plan - a written document that delineates the formal procedures for following the Hazard Analysis Critical Control Point principles developed by The National Advisory Committee on Microbiological Criteria for Foods.

Inventory - the value of food and supplies on hand, whether at the food preparation site or in a central warehouse.

Inventory turns - the number of times in a given time period when the dollar value of inventory is replaced.

JIT - delivery of food and supplies just in time for food preparation usually once per week or once every two weeks, based on the most cost effective delivery size.

Line item award - a purchase system that contracts for products based on the price of each item.

Low ball - a practice by vendors of offering a price that is below cost with the intent to raise the price or substitute a lower-grade product after the bid is awarded.

Manufacturer's brand - a form of brand approval that indicates by brand and code number those products on which the distributor can quote prices.

Market-based pricing - basing the cost of commodities on markets.

NARA - National Archives and Records Administration, a Federal government agency that stores records from all agencies.

Par stocks - the level to which inventory is restored each time an order is placed.

Pathogens - disease-causing microorganisms

PCO - Pest Control Operator

Pre-bid conference - a meeting with potential vendors prior to requesting prices on a list of products.

Price quotes - vendor's response to a request for prices, stating the price at which vendor will provide products.

Private label - a form of brand approval that limits products on which a vendor can bid to one of the labels of a distributor corporate/cooperative group.

Private sector - commercial, for-profit foodservice business.

Product/product item - a food, paper, or cleaning supply used in the preparation and service of meals.

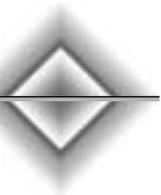
Product movement - the movement of product from the distributor to school sites or from the school warehouse to school sites.

Public sector - Non-profit food service operations that get public funds for some of their expenses.

Receiver - the person who meets the truck and checks a delivery for accuracy.

Receiving process - the procedures that determine how a delivery of products is checked for accuracy and processed for payment.

Receiving report - a document that tells the receiver what should be included in a delivery, with price and the brand/code number.



Sheltered income - the hidden, incentive income the manufacturer pays the distributor for such things as stocking certain products or promotional allowances.

Site delivery - delivery of food and supplies direct to the food preparation site.

Specification - stipulating the complete and detailed definition of product requirements.

Stock level - another term often used for par stock.

Throughput - the amount of product delivered to and shipped from a warehouse in a specified period of time. **Temperature danger zone** - 41 to 140 °F, the temperatures at which microorganisms grow rapidly.

