



Calculating the Profitability Of Commodities

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Food Cost

- School meals face escalating food cost
- Not going to get better anytime soon
- SNA reported on Consumer Price Index increase from February 2007 – February 2008
 - Milk increased by 15%
 - Apples increased by 10%
 - Oranges increased by 16%
 - Eggs increased by 31%
 - Dried beans and peas increased by 11.5%
- USDA study states Full Meal Cost = \$2.91 (for 05 – 06 school \$)



Commodity Values

- Increasing ADP to increase Commodity \$
- Decreasing A la Carte sales
- Decreasing selection of “legal” a la carte items
- Increase the use of “Combo meals” to increase ADP
- “Combo meals” not “Type A”; to remove stigma



15% - 20% = Big \$

- Commodity Values used to be ignored
- Once considered “Free Food”
- Once forced distributed with no plan
- “Used UP” commodities in meals
- No longer the case
- Cannot view commodity purchases any differently than commercial purchases



Maximize PAL \$

- Stretch Commodity \$ to cover more menus
- 15% - 20% in processing reaches top 70% of purchases
- Cost accounting
 - Tray cost
 - Weekly menu cost
 - Not just per item
 - Variations in menu/tray cost not acceptable
 - Variations in food cost from beginning of school to end of school year not acceptable
- Bean counters more involved than ever
 - Districts charging School nutrition programs for Indirect Costs or “fair share” of many services: chemicals for janitorial, heat, lights, electricity and gas and Air Conditioning
- All of which makes Commodity \$ an important partner



Menu Planning

- Ordering commodities in January
- Menuing for following school year
- Requires some type of cycle menu
- Must analyze menu participation
- Keep only top participation
- Try new concept/items on a specific day
- If you order it you must have a plan to use it/menu it
- Roll over flexibility decreasing



Menu Sells!

- Does the menu/item Bring Kids into the cafeteria?
- Are you using Branding to Sell?
- Are you Self Branding to Sell?
- Are you using Packaging to Sell?
- Are you offering “Grab & Go” options to speed up service & Sell More?
- Are you Vending Meals to Sell More?
- Are you looking at the cafeteria from a Sales perspective?
- You need to Sell the School Nutrition Program



Processing and menus

- Processing allows for change in tastes
- If incoming kids like hot & spicy more than previous, you can move #'s to cover needs
- Change cycle menu to accommodate
- Test new processed options on “Chef’s Choice” day
- Rotate into Cycle menu when a hit
- Rotate out items bored with
 - Chicken patties decrease so replaced with popcorn chicken or sticks or other shapes



Utilizing Menu Items

- Menu three ways to control inventory
- Adjust menus for each school segment
 - Easy to use the same menu for elementary, middle and high school but Wrong for ADP
 - May even vastly differ from one side of town to the other
 - Can you adjust menus to fulfill need?
 - Processing allows for taste variances
 - Can use one processor and order variety of items
 - Fry at one school, bake at another?
 - Processing can accommodate



Spreading the Love

- Spend PAL \$ over more meals
 - Not some “free” and others “full price”
- Spend PAL \$ over more product categories
 - Protein high cost so spend there first
 - But need to support agriculture as a whole
 - Not just one category



Asset Management

- PAL \$ are Real \$
- Use it or loose it!
- Who can afford to give up \$?
- Really is an asset
- Need to use in school year it is allocated for
- Use it each month, week, day, meal
- Do not order with-out a plan to use it
- Can use commodities for other meals
 - Breakfast, snacks too



Breakfast

- No current commodity value
- Lobbying for \$0.10
- Can increase revenues
- But increases labor cost
- Need to manage as labor free/waste free as humanly possible
- To fight obesity we need to feed breakfast
- Cafeterias not built to feed all at once and in class room feeding can be a struggle
- But I believe it to be the future



Distribution

- Can account for 20% - 25% of food cost
- Prime vendor, can increase drop sizes
- Adding processed commodities can increase drop sizes (considerably)
- Bigger drops = more efficient distribution
- Less deliveries = bigger drops
 - Surcharges for small drops
 - Not many do \$ value; now do # of cases or weight
 - Transportation has increased so dramatically
- Each separate distributor cost in paying bills, ordering, inventory management
 - Can increase mistakes
 - Decreases “partnership”



Long Term Contracting

- USDA is recognizing change in market place
- Need to do long term contracting to be a player
- Not illegal
- Not lazy
- Logical!!!
- New regs likely will say can roll over a commodity bid for up to 5 years
- Currently roll over for up to 5 years is the norm
- Any longer and changes in the market place missed
- Can do it for shorter
- If vendor does not deliver as promised can choose to not roll over each year



Long Term Partners

- Can no longer bid on business for 6 months
- Can take a year to grow a crop
- If we forecast it we can produce it
- If we do not forecast it we cannot provide it
- No longer producing then selling
- Now selling and then producing
- Just in time takes Time!
- Bids are not on surplus!
- Surplus is a bad thing in production



Bids

- Line item bids a thing of the past
 - If requesting firm pricing, tends to be highest price
- Category bids at minimum if splitting
 - Yogurt per line from 3 different distributors!
- Market basket approach
 - Bid only top 50 items (or so)
 - Do cost plus fixed fee
 - Allows variance in cost
 - Is most logical for long term bids



Commodity Bids

- Must bid as you are required by Federal law, State law, District policy
- Must bid spec to get valid bidders, pricing and products
- Must bid prior to awarding pounds to a manufacturer
- Can bid direct to manufacturer but be aware of distribution cost
 - Has caused confusion
- If NOI bid as a commercial item without the donated food value removed
 - Has caused confusion
- If bidding FFS, state that clearly
 - That price will not include the Donated food value
- Need to use the true cost to determine best value
 - $FFS + DF = \text{true cost}$



APP

- Yield is reflected in # needed to produce a case
 - Higher yield = lower price
 - Very high yield = many additives
 - Need to spec additives allowed
 - Need to spec maximum allowed
- APP= Alternate Protein Products
 - Type of APP added effect fat, flavor and cost
 - DWE is cheaper but adds fat and cholesterol
 - Isolated Soy Concentrates cleaner but add cost



Testing

- Test products prior to writing bids to determine your programs needs/wants/spec's
- Use SEPDS & ingredient statements to assist your spec writing
 - May need other product data sheet to verify bid award
- Use USDA standards to assist in writing spec's
 - Extra long fancy, Fancy, ?? Are terms that have product specifications tied to them
- Taste the products AS the Kids will: if need to be held 1 hour, satellite bulk, tray packed and re-thurm'd then do those same steps before tasting the product



Good Customers

- Can get better pricing
 - Drop size
- Can get better service
 - Build a route
 - Routine driver
- Can partner to produce new items
 - If you need it - other likely to also
 - If you come and go no R&D for you
- Can partner to slot new items
 - If you want it likely others do too
 - If you come and go the answer will be no!
- Bid what they want and order off of the bid
 - Give bid quantities, not fixed but in the ball park
- Write bid spec's and not grocery lists
 - Use meat bloc's, additives allowed, USDA labels (aka Grade A or Grade B)
- Test bid items, allow for enough time to test
- Award items/bids based on spec, request and not price



Good Manufacturing Partners

- Provide good pricing to keep loyal customers
 - Some believe if long term then getting taken advantage of
 - Not true
 - If it happens, then competitors are there to show you
 - If it happens, then not good partners
 - Reputation is everything in this business
- Cannot make a living off of what I sell today
 - Annuities, sales that continue are the only way to make a living
- Provide R&D to loyal customers
 - Some of the best products came from the needs of customers
- Provide excellent service to keep loyal customers
 - Reputation again



Good Distributor Partners

- Provide Services Schools need
 - Computer ordering
 - NOI
 - E-Rebate
 - Rebate Tracking
 - School nutrition products
 - New products
- Provide good bidding practices
 - Know the rules and regs of procurement
 - Educate the customers on different bid types
 - Honor the bids awarded
- Provide good delivery service
 - Know the timing needs of schools and deliveries
 - Know that if it does not arrive it cannot be served
 - Work with schools to increase drop sizes, manage inventory



The pennies that add up

- Commodity \$ per full paid meal = \$0.1875 in January 07 for 07-08 year
- Now \$0.2084; went up in July 07
- Not likely to happen this year
- USDA spent 99.5% entitlement \$
- High cost of goods = less purchases
- Beef was \$0.86 when I started, now \$1.38
 - A 60% increase
 - So same support of Beef buys 60% Less than 1997!



Reimburse Your Program

- Reimbursement for a full paid lunch = \$0.23
- Add Commodity Value \$0.1875 and each increase in ADP = \$0.4175
- Add 100 meals per day and = $\$41.75 * 180 = \$7,515$ annually
- Look at High School
 - Usually the lowest in participation
 - New wellness policy severely limit a la carte options
 - Need to go back to reimbursable meals
 - With A la Carte in addition to a school meal



Breaded Chicken Patty

Fully Cooked, and Frozen, Bulk pack, must be ovenable. Breeding profile: Home-style: Flaky wheat breading & seasonings. Must be able to be processed using A522 Large Birds for the USDA National Processing Program, must provide Indirect Discounted Sales through a distributor processing option. Must provide current signed SEPDS with bid return. Pricing to be gross commercial price; not to include Donated Food Values netted out. Yield not to exceed 100%. APP shall not exceed 2% per patty. APP: only Isolated Soy concentrates approved. No other APP accepted. Each patty must contribute 2 oz meat/meat alternate and at least 1 bread equivalent for under the NSLP Child Nutrition Program. Fat content shall not exceed 17 grams per serving. . Approximate weight of finished product shall be at least 3.40 – 3.80 oz. CN label preferred.

“Chicken COMPANY #1234 OR APPROVED EQUAL”.

Bid award to cover an estimated 140,000 Servings July 1, 2008 – June 30, 2009

Code #	Item	Pack	Size	M/MA
B/BE	DF	per Case	Yield %	APP % Cost per portion



Sample Beef Bid Specification

Flame Broiled Beef Patty with AVP

- *Fully Cooked, Frozen, Bulk.*
- *Fat content shall not exceed 20%.*
- *APP shall not exceed 5% per patty.*
- *Each patty must contribute 2 oz. meat/meat alternate for Child Nutrition Program.*
- *Approximate weight of finished product shall be at least 2.45 oz. CN label preferred. “BIG BEEF COMPANY #1234 OR APPROVED EQUAL”.*



French Fry Spec

- Shoestring potatoes, ovenable, pre fried, ZGTF, lightly coated; Grade A Long Fancy; Must be able to be processed using A232 Potatoes for the USDA National Processing Program, must provide Indirect Discounted Sales through a distributor processing option. Must provide current signed SEPDS with bid return. Pricing to be gross commercial price; not to include Donated Food Values netted out. Must state serving size and servings per case to meet 1/2 cup vegetable under the child nutrition program



Added Bid info

- Provide estimated number of servings needed. (Be realistic)
- Request manufacturer's code number
- Request the USDA code number for the commodity used in the end product
- Request the guaranteed yield percentage if FFS w/o Standard Yield
- Request the number of lbs. of raw commodities needed to make (1) case. = DF/ Case
- Require Summary End Product Data Schedule or SEPDS
- Request the m/ma and/or bread value per serving
- Request the number of pieces per serving
- Request the serving size
- Request the delivered price to your district or delivered price to your distributor
- Request the Value Pass Thru, (or VPT) if applicable.



Commodities are a partner

- The 15% of your purchases are commodities
- Spend on products that support your program
- Spend on products that can help you increase your ADP
- Analyze with the same detail you use on your commercial purchases



Branding

- Even “brown box” is branded
- Most “beige box” are branded
- USDA created new brands for fruits & vegetables to remove perception of poor quality
 - Same color graphics as commercial purchases
- “Healthy Choices, American Grown”
 - Do not be ashamed of using commodities
 - Use them proudly
 - Use them wisely
 - Incorporate into every aspect of your program



USDA's New Logo





USDA F & V Brand

- “American’s Finest
 - Commercial like
 - Glossy paper
 - 4 Color
 - Pictures



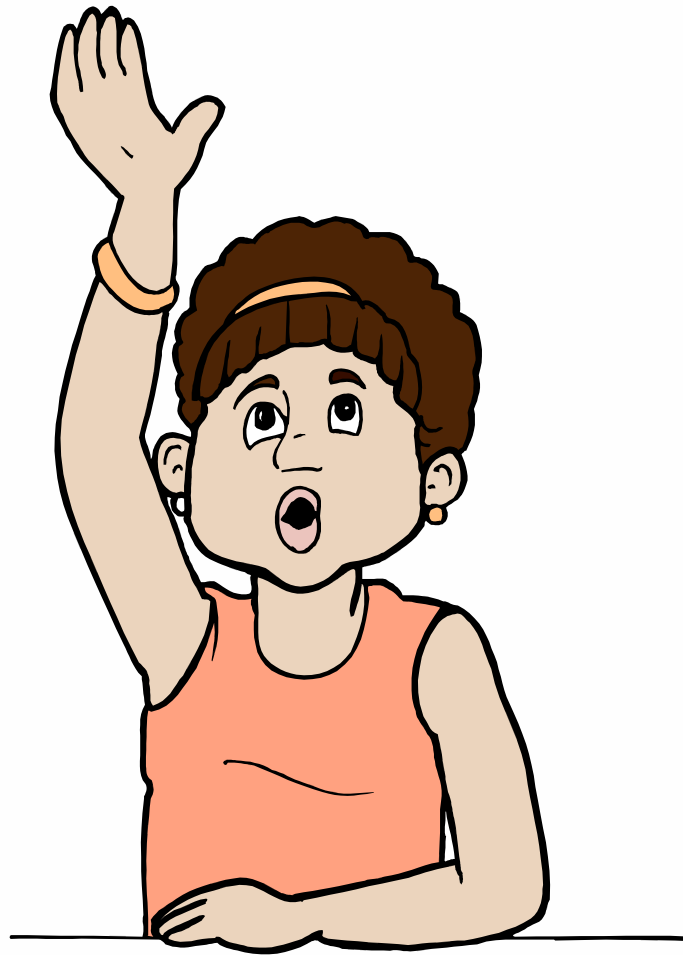
The Future

- Grow your ADP: grow your commodity \$
- Grow your ADP: grow your reimbursement \$
- Lobby for commodity support for breakfast
- Utilize your commodities to support your program



Questions/comments

Questions?



A spiral-bound notebook with a light beige, textured cover and a dark brown border. The spiral binding is on the left side. The text "Thank You!" is centered on the cover in a dark blue, serif font.

Thank You!