


# How to Efficiently and Effectively Utilize the USDA Foods Program

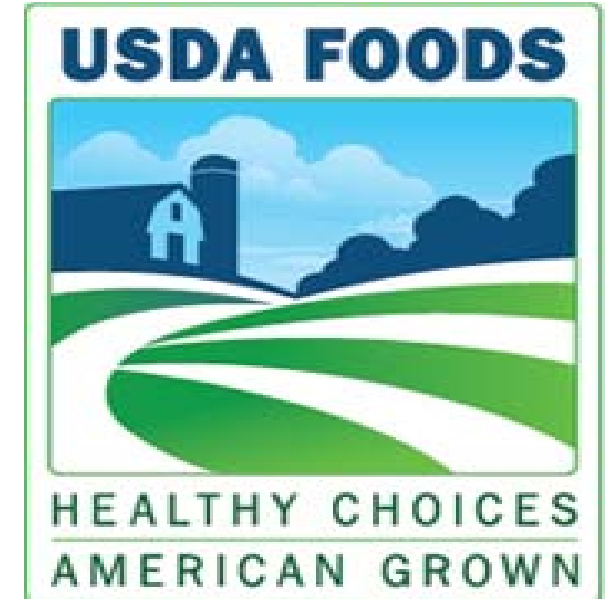
Amy Bell and Jeanette Lund  
Food Distribution Program





# Today's Topics

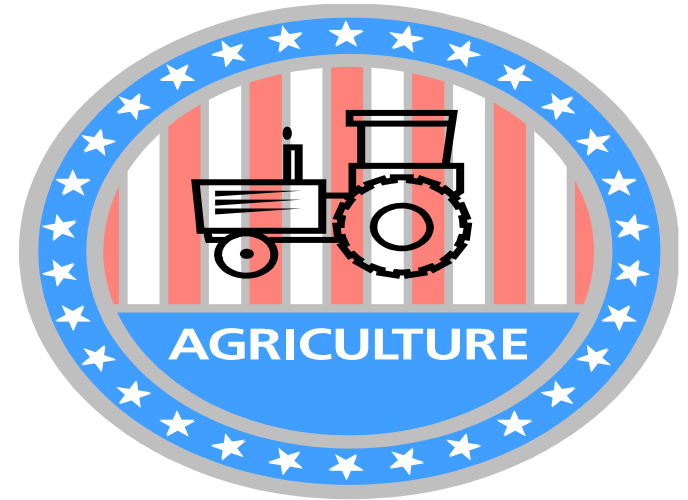
- USDA Foods Business Process
- Entitlement
- Spending Entitlement
- Confirming USDA Foods Discounts





# USDA Foods Business Processes

- Agricultural Market Cycles
- USDA Foods Purchases
- Department of Defense Fresh Fruit and Vegetable Program





# Show Me the Money!!

- Meal Rate



- 12% Provision (Farm Bill)



- Total Lunches Served (TLS)



# Food Ordering Process

- Distribute Entitlement
- Foods Available
- Surveys/Preplanners
- Orders placed with the USDA



# Burrito Cost Analysis - USDA Foods Direct

Ingredient	100 Servings	Commercial Price/Ingredient	USDA Food Value + Distribution Cost
Rice, brown, dry	10.6 lbs.	\$4.52	\$4.08 ↓
Corn, cnd.	14.2 lbs.	\$11.79	\$8.19 ↓
Tomatoes, diced, cnd.	2 #10 cans	\$8.60	\$7.41 ↓
Pinto Beans, cnd.	2 #10 cans	\$7.92	\$5.26 ↓
Whole Wheat Tortillas	5 lbs.	\$19.86	\$15.06 ↓
Chicken Fajita Strips	12.5 lbs.	\$75.56	\$27.37 ↓
Reduced Fat Cheese	1.5 lbs.	\$3.55	2.98 ↓
Spices	Various	\$2.73	\$2.73 (not USDA Foods)
Total		\$134.53	\$73.08 ↓
Cost per entree		\$1.35	\$0.74

45% Savings

# Considerations for Using USDA Foods and Department of Defense Fresh Fruit and Vegetables

- Plan menus
- Effectively utilize entitlement
- Compare prices
- Monitor inventory
- Consider storage capacity



# Chicken Fajita Meat

## Commercial Cost

\$83.00/case x 1875 cases  
needed a year = **\$155,625**

## USDA Foods Cost

\$57.14/case x 1875 cases  
needed a year = **\$107,137**

**Savings of \$48,488**





# What is USDA Foods Processing?

The utilization of USDA Foods as an ingredient by commercial food processors in the production of finished end products.



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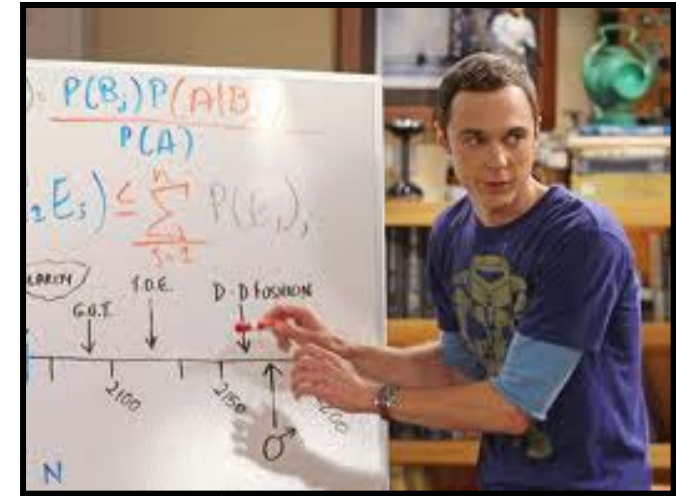
# Responsibilities for Processing USDA Foods:

- Plan menus
- Effectively utilize entitlement
- Develop and award bids for processing
- Monitor inventory
- Verify rebates and discounts
- Compare commercial prices to USDA Foods value



# Analyzing Costs and Value of Processing

- Does the processed end product that contains USDA Foods have a commercial equivalent?
- What is the cost of processing the USDA Food:
  - State fees
  - Processor fees
  - Distributor fees
  - Storage fees x months in storage





## Tools to Help

- Internet tools track your USDA Foods
- Processors offer tools to maximize the value



# Summary End Product Data Schedule

## SEPDS A

- National Summary**  
(EPDS approved by USDA)
- State Summary**  
(EPDS approved by state agency)


THIS IS AN ORIGINAL SUMMARY SCHEDULE UNLESS CHECKED BELOW:

- Reflects Change in Formulation
- Additional Products Listed **NSP**
- Correction

## HORIZON SNACK FOODS

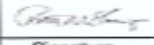
VALUE PASS THROUGH SYSTEMS APPROVED:

- Direct Sale
- Refund to Recipient Agency
- Net Price Through Distributor
- Fee for Service (billed by Processor)
- Fee for Service (billed by Distributor)

Information Certified as Accurate from Approved EPDS <small>(requires signature from agency that approved EPDS)</small>											Certified by State Agency	
End Product Code and Description		Net Weight Per Case (lbs)	Servings Per Case	Net Weight per Serving (oz)	WESCOM Item Code	WESCOM Description	DF Inventory Drawdown per case	By Products Produced*	Value per pound of DF (contract value)	Value of DF per case (F x H)	Effective Date	State Agency Acceptance/Approval
A	B	C	D	E	F	G	H	I	J	K	L	
1431-1	Apple Fruit Pockets	15.00	120	2.00	100258	APPLE SLICES FRZ CTN-30 LB	9.24	No	\$0.4122	\$3.81	8-6-14	<input type="checkbox"/> Check for quick approval 
1431-3	Cherry Fruit Pockets	15.00	120	2.00	100237	CHERRIES FRZ IQF CTN-40 LB	10.12	No	\$0.9175	\$9.29		
1402-1	Apple Fruit Pockets	19.75	80	3.95	100258	APPLE SLICES FRZ CTN-30 LB	12.32	No	\$0.4122	\$5.08		
1402-3	Cherry Fruit Pockets	19.75	80	3.95	100237	CHERRIES FRZ IQF CTN-40 LB	13.24	No	\$0.9175	\$12.15		
1433-1 <b>NSP</b>	Apple Fruit Pockets NG	14.03 ✓	120	1.87	100258	APPLE SLICES FRZ CTN-30 LB	9.24	No	\$0.4122	\$3.81		
1433-3 <b>NSP</b>	Cherry Fruit Pockets NG	14.03 ✓	120	1.87	100237	CHERRIES FRZ IQF CTN-40 LB	10.12	No	\$0.9175	\$9.29		
1404-1 <b>NSP</b>	Apple Fruit Pockets NG	19.70 ✓	80	3.74	100258	APPLE SLICES FRZ CTN-30 LB	12.09	No	\$0.4122	\$4.98		
1404-3 <b>NSP</b>	Cherry Fruit Pockets NG	19.70 ✓	80	3.74	100237	CHERRIES FRZ IQF CTN-40 LB	13.24	No	\$0.9175	\$12.15		


\*If by products are produced, provide value and method credit will be given

PROCESSOR:


HORIZON SNACK FOODS Name of Company	
ROBERT SHARP, CEO Name and Title of Authorized Representative	
	5/23/2014 Date Signed
Signature	Date Signed

USDA APPROVAL:

(not applicable for state summary)

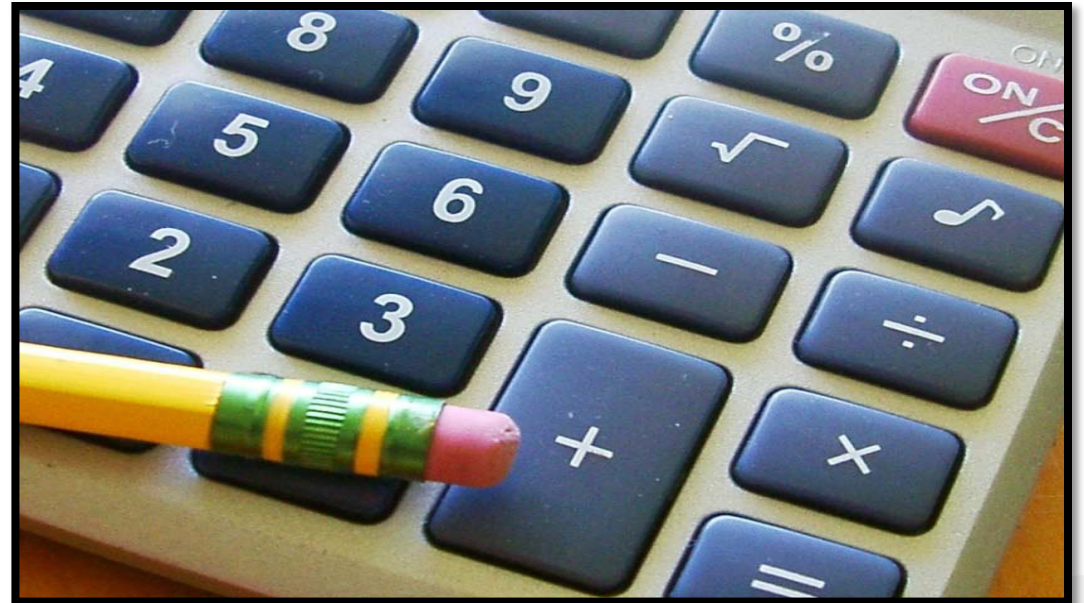
USDA FNS FDO HQ Name of Approving Agency	
Sherry Thackeray-Comm. Processing Name and Title of Authorized Representative	
	6/23/2014
Signature	Date Signed

STATE AGENCY APPROVAL:

CALIFORNIA DEPARTMENT OF EDUCATION Name of Approving Agency	
JEANETTE LUND-PROCESSING CONSULTANT Name and Title of Authorized Representative	
	8-6-2014
Signature	Date Signed

# Activity: Calculations for Inventory Management

- Determining Cases of End Product Needed
- Determining the Total Amount of Pounds Needed





# Maximizing Savings: Effectively Using USDA Foods



# Bulk Apples to Apple Slices



- Truckload of Apples is 39,600 pounds (1029 cases bulk apples/truck [38.5 pound cases])

**Administrative Fee:**  $\$0.80 \times 1029 \text{ cases} = \$823.20$

**Truckload Entitlement Cost: \$25,740**

**Truckload Yield:**  $39,600 \text{ pounds} \div 19.23 \text{ pounds per case} = 2059.28 \text{ cases}$





## Bulk Apples to Apple Slices, continued

### Commercial Cost

\$22.00/case x 2059 cases  
needed a year = **\$45,298**

### USDA Foods Cost

\$18.56/case x 2059 cases needed  
a year =

\$38,215.04 + \$823.20 Admin fee =  
**\$39,038.24**

### Savings of \$6,259.76

Spend \$25,740 in entitlement to  
save \$6,259.76



# Activity: Bulk Chicken to Chicken Tenders





# Bulk Chicken to Chicken Tenders

- One case of Chicken Tenders contains 13.2 pounds of chicken/case

Truckload of Chicken is 36,000 pounds [900 cases/truck (40 pound cases)]

**Truckload Entitlement: \$27,011**

**Administrative Fee: \$0.80 x 900 cases = \$720.00**

**Yield:** 36,000 pounds  $\div$  13.2 pounds per case = 2727.27 cases x 144 = 392,727  
servings



# Bulk Chicken to Chicken Tenders, continued

## Commercial Cost

\$65.00/case x 2727 cases  
needed a year = **\$177,255**

## USDA Foods Cost

\$31.00/case x 2727 cases needed a  
year = \$84,573 + \$720 admin fee =  
**\$85,257**

## Savings of \$91,998

Spend \$27,011 in entitlement to save  
**\$91,998**



# Evaluating the Costs Associated with USDA Foods



- USDA Foods Entitlement Dollars are designed to account for 15-20 percent of your total food budget
- Be wise about the “True Value” of USDA Foods.
  - True Value of products made with USDA Foods=  
Value of USDA donated food + Distributer Fee +  
Processing Costs + Storage & Handling Fees

# Why is Calculating all of this Important?

- Not all savings are equal
- Determine the best bang for your buck
- Knowledge is power!





# USDA Foods Cost Analysis Tool

USDA Food	Large Bird (A522)																	
WBSCM #	100103																	
USDA Value	\$0.7503																	
Processed USDA Foods										Commercial Equivalent			Annual Savings					
Manuf.	Product Description	Case Weight	Servings / Case	Process Cost	Storage / Delivery	DF / Case	DF \$/Case	Total Cost	Cost / Portion	Commercial Cost	Servings / Case	Cost / Serving	Savings / Serving	Annual Servings	Annual Savings			
Chicken King	WW Tenders	40	200	\$35.00	\$2.60	25	\$18.76	\$56.36	\$0.28	\$65.00	200	\$0.33	\$0.04	300000	\$12,963.75			
							\$0.00	\$0.00	#DIV/0!			#DIV/0!	#DIV/0!		#DIV/0!			
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							\$0.00	\$0.00	#DIV/0!			#DIV/0!	#DIV/0!		#DIV/0!			

<http://www.fns.usda.gov/usda-foods/usda-foods-toolkit>

# California Excess vs. California Unallocated Inventory Accounts at Processors

- Unallocated inventory has not been assigned to a recipient agency (RA). The pounds may only be allocated to RAs with entitlement to spend.
- Excess inventory is from RAs with excess inventory or unused carryover inventory. Pounds in the Excess Account do not cost entitlement to use.







# Value Pass Through Systems

- Fee for Service
- Net Off Invoice (NOI)
- Direct/Indirect Refund

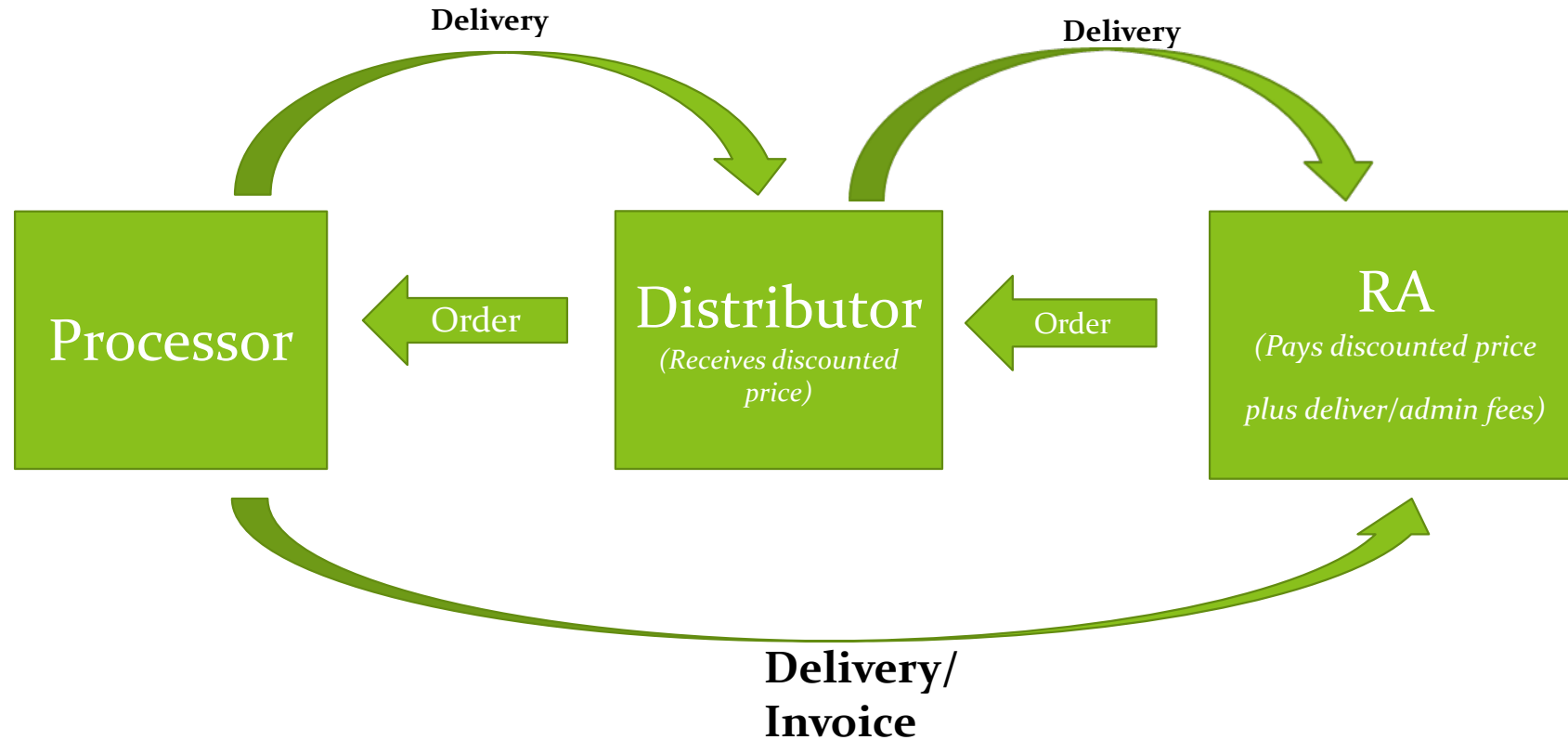


The Management Bulletin on Value Pass Through Systems can be found at:

<http://www.cde.ca.gov/ls/nu/fd/mbusdafdp022012.asp>

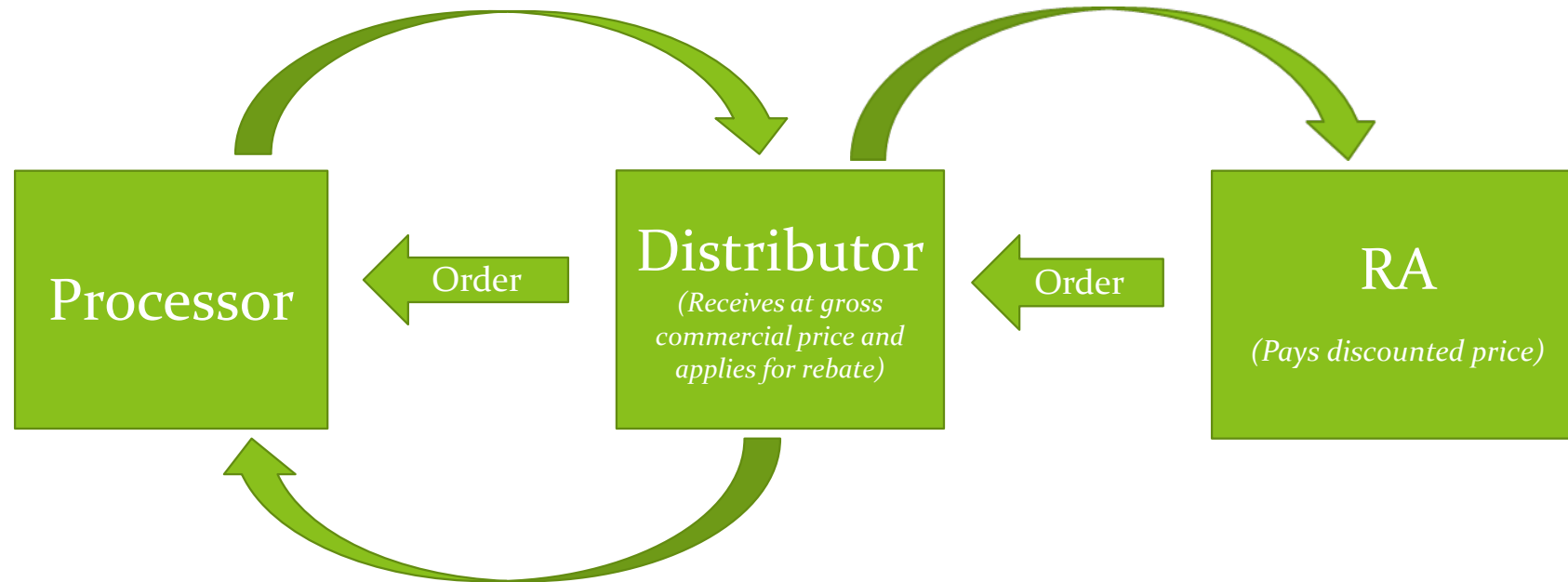


# Fee for Service



- Inventory is reduced when Processor bills the RA

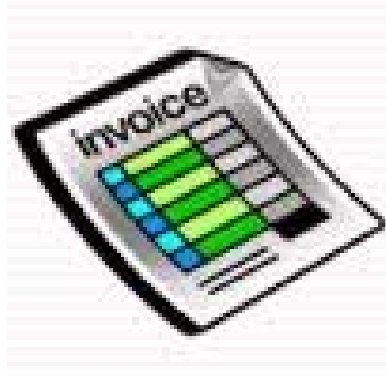
# Net Off Invoice



- Distributor applies for refund from Processor
- Balance reduced at the Processor when refund is paid to Distributor

# Delivery Fees with NOI

- Under NOI through a Distributor, delivery charges are not included.
- The delivery fees should either be listed separately on the invoice from the distributor or listed in another document that clearly outlines the delivery charges.

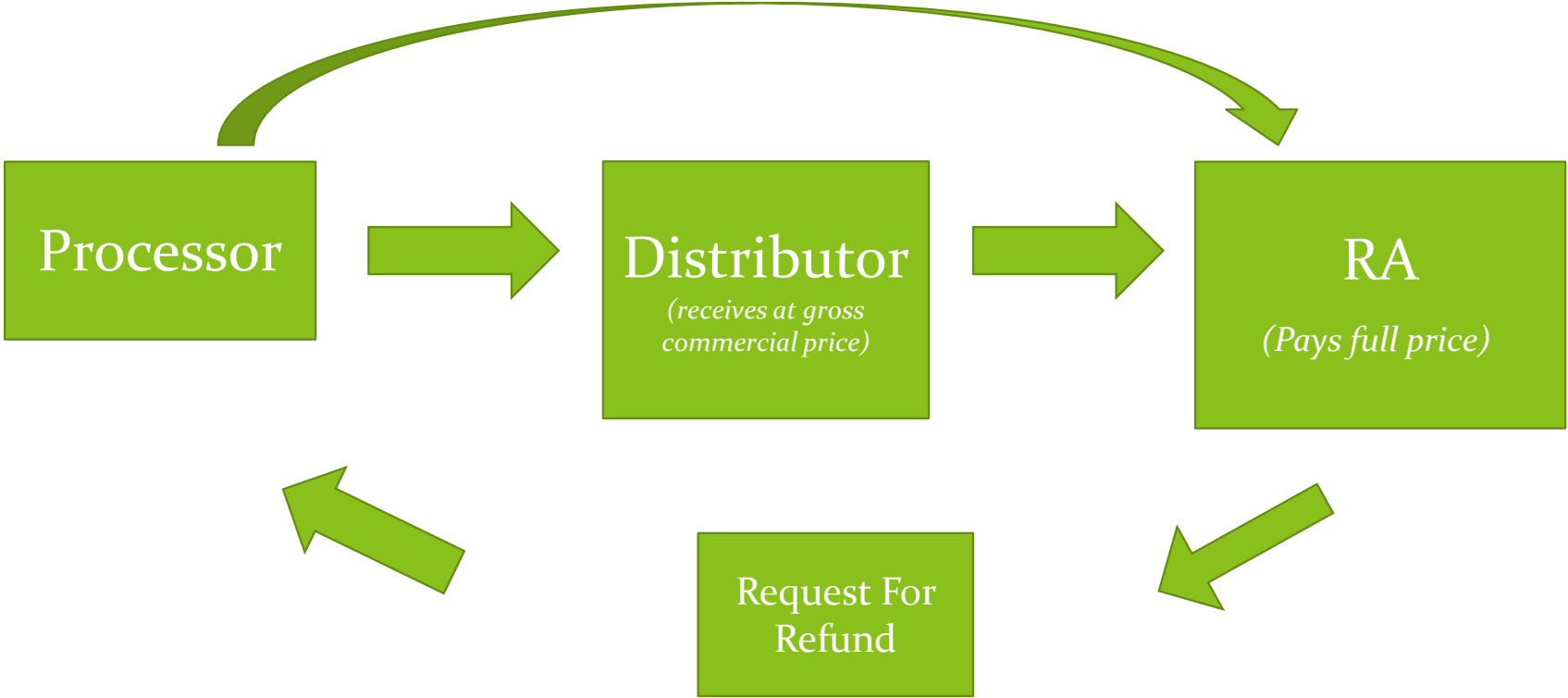


# Sales Verification Required for NOI

- Processor is required to verify distributor sales.
- RA verifies the discounted price.
- The state re-verifies the discounted price with 10% of RAs.



# Direct/Indirect Refund





# Activity: Value Pass Through





# Questions or Comments?

- Contact the Food Distribution Program:
  - Amy Bell
    - 916-322-5051
    - [abell@cde.ca.gov](mailto:abell@cde.ca.gov)
  - Jeanette Lund
    - 916-324-6150
    - [jlund@cde.ca.gov](mailto:jlund@cde.ca.gov)

