WHAT IS FOOD PROCESSING PROGRAM?

USDA began the Processing Program in 1958 to permit State Distributing Agencies (SDAs) and eligible recipient agencies (RAs) to maximize the use of USDA foods.

Under this program USDA allows SDAs and RAs to contract with commercial food processors to convert raw bulk USDA foods into more convenient, ready-to-use end products.

HOW THE STATE OPERATES

AGREEMENTS

Food Distribution Unit (FDU)

- ❖ Administers state Food Processing Program, which is one of three ways for RAs to use their Planned Assistance Level (PAL) or Entitlement.
- ❖ Participates in USDA National Processing Agreement (NPA) Program
- ❖ Considers approval of processors based on proof of marketability in the state for at least 1 year
  - ➢ End Product sales to distributors for school purchases
  - ➢ Letter of intent from eligible RAs
  - ➢ Bid awards
- ❖ Establishes 5 year State Participation Agreement (SPA) with commercial food Processors under NPA
- ❖ Effective July 1 or December 1 or later
- ❖ Approves Processor value pass through (VPT) System
- ❖ Approves end products listed on Processor's Summary End Product Data Schedule (SEPDS); posts on Portal
- ❖ Reviews RAs processing requisitions, determines truckloads, places orders with USDA
- ❖ Audits Processor monthly performance report (MPR) to ensure compliance, proper allocation, reimbursements to RAs; monitor inventory usage and balances

Value Pass Through (VPT) System

❖ VPT is the Processor's selected method used to return full value of the USDA food contained in the end product to the eligible purchasing RA

❖ RAs receive end products based on the Processor's selected VPT method that is acceptable in the State

❖ GA allows the following Value Pass Through methods:

> ➢ Refund to Recipient Agency
> ➢ Fee for Service – Billed by Processor
> ➢ Fee for Service – Billed by Distributor
> ➢ Net Price Through Distributor (NOI)

Georgia Food Processing Program

REFUND - INDIRECT RELATIONSHIP: PROCESSOR → DISTRIBUTOR → RA → PROCESSOR

❖ Processor sells end products to commercial distributor at the commercial/gross price

❖ RA purchases approved end products from commercial distributor

❖ Distributor invoices RA gross price plus markup

❖ RA submits refund application and any required supporting documentation to processor within 30 days from the end of delivery purchase for value of USDA food contained in end product

❖ RA submits refund application and any required supporting documentation to processor on quarterly basis if total refund is $25 or less during the quarter

❖ Processors issues rebate check to RA within 30 days of receipt of refund application or on quarterly basis for refunds $25 or less during the quarter

Georgia Food Processing Program

FEE-FOR-SERVICE - BILLED BY PROCESSOR: DIRECT RELATIONSHIP: PROCESSOR →RA

❖ Processor converts USDA food into approved and specified end product

❖ Processor delivers approved and specified end product to RA or RA designee

❖ RA must receive end product:
  ➢ own school storage facility, OR
  ➢ state contracted commercial distributor that serves warehouse region

❖ Processor directly bills RA a "fee-for-service" – cost of ingredients (minus USDA food value), labor, packaging , overhead, other incurred costs

❖ RA pays Processor when delivered and received by designated location

❖ State contracted distributor bills RA for storage and delivery fee, "Item E" for processed end product

❖ RA should follow proper receiving procedures

Georgia Food Processing Program

## FEE-FOR-SERVICE – BILLED BY DISTRIBUTOR: INDIRECT RELATIONSHIP: PROCESSOR →DISTRIBUTOR → RA

❖ Processor converts USDA food into approved and specified end product

❖ Processor sells approved end product to Distributor

❖ Distributor can only sell to RA with USDA food allocation

❖ Distributor bills RA total case price: processor's fee-for-service **+** distributor fee

❖ RA pays Distributor

❖ RA should follow proper receiving procedures

Georgia Food Processing Program

NET OFF INVOICE (NOI)–INDIRECT RELATIONSHIP: PROCESSOR → DISTRIBUTOR → RA

❖ Processor sells end products to distributor for sale to anyone

❖ When Distributor sells to RA with USDA food allocation, Distributor provides discount for USDA food value on invoice

❖ Distributor reports sales to verification company

❖ Processor refunds distributor for value of USDA food after sales verification

PROCESSOR   DISTRIBUTOR

RA
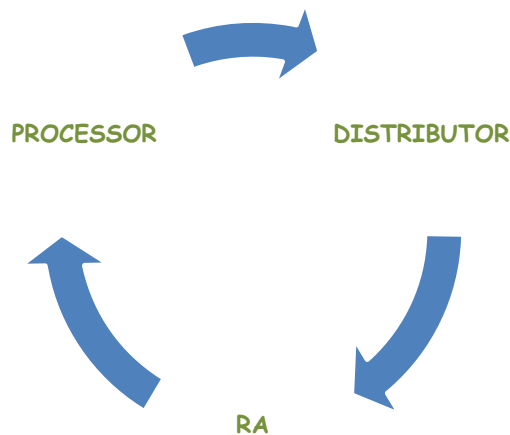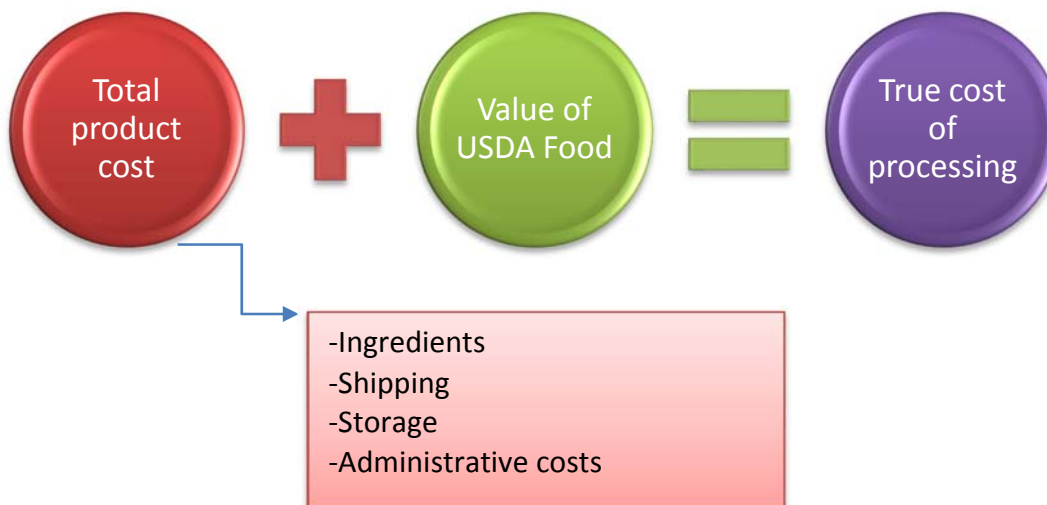
Georgia Food Processing Program

FACTORS FOR RA CONSIDERATION

MENU PLANNING

❖ It all begins with the menu

WAYS TO SPEND ENTITLEMENT

❖ Direct Delivery
❖ DOD
❖ Processing Diversion

DETERMINE COST EFFECTIVENESS

Total product cost **+** Value of USDA Food **=** True cost of processing

-Ingredients
-Shipping
-Storage
-Administrative costs

Georgia Food Processing Program

PROCURE PROCESSED USDA FOODS

❖ 2 ways to bid
  ➢ Formal - Use when purchases exceed your district's/state's purchasing threshold
    • Competitive Sealed Bidding
    • Competitive Proposals (competitive negotiation)
  ➢ Informal - Use when purchases <u>will not</u> exceed your district's/state's purchasing threshold
    • At least 3 quotes

KNOW YOUR SPENDING LIMITS

❖ How much entitlement do you want to allocate to processing?
❖ What is your district or Federal spending threshold?
  ➢ Use the most restrictive

KNOW YOUR TIME LIMITS

❖ When do I order USDA foods for the next year?
  ➢ Bid early to avoid delivery delays

Georgia Food Processing Program

HOW TO PLACE WBSCM ORDERS

- ❖ Select Operations tab; click Order Management; click-Domestic Order Entry; click NSLP plus sign
- ❖ Select Processing Diversion plus sign
- ❖ Select USDA food category, i.e. Poultry
- ❖ Select Entitlement
- ❖ Select USDA food, enter quantity, move to cart
  - ➢ Except B672 Veg Oil Bulk; ordered on state level
- ❖ View item in cart
- ❖ Select delivery location in drop down box
- ❖ Select Morgan Produce if Processor unknown-Notify FDU of selected processor as soon as possible
- ❖ Continue to place request following steps in FDU WBSCM Ordering Manual

Georgia Food Processing Program

MORGAN PRODUCE REQUESTS
HOW THE STATE HANDLES

❖ Morgan Produce is a dummy account used to **hold** RAs' requests and deduct entitlement.

❖ Morgan Produce requests will remain in "Ready for Approval" status. This means requests will not be ordered.

❖ When RAs know the designated processor, RAs must send e-mail to Gladys Glover, gglover@doe.k12.ga.us, and Kenisha Tait, ktait@doe.k12.ga.us; include the processor name, USDA food material number, name, and quantity.

❖ We review the requests, determine truckloads, change the destination, and submit order to USDA.

❖ Orders can only be placed if the food catalog is open and there are other requests to complete a truckload.

❖ If the catalog is not open, we will have to wait until USDA reopens it.

❖ The longer you wait to provide the selected processor, the more unlikely it is to get your partial requests in an order.

HOLDING ACCOUNT

Georgia Food Processing Program

RECEIPT OF PROCESSED END PRODUCT UNDER FEE FOR SERVICE BILLED BY PROCESSOR

RA RESPONSIBILITY

❖ Designate delivery to school storage facility or state contracted distributor that serves region (i.e., ACC; Cooperative Purchasing, U.S. Foods, Williams)

❖ Ensure correct end product, quantity received by designated delivery agent

❖ Pay processor within required timeframe

❖ Follow recordkeeping procedures: USDA Processed Foods Instructions, posted on the School Nutrition Portal

Georgia Food Processing Program

Inventory Management

On March 20, 2012 USDA released policy memorandum, FD-064 Processing (Revised), Management of Donated Food Inventories at Processors. The memorandum clarifies the responsibilities for State Distributing Agencies (SDA), recipient agencies (RAs), and processors.

- SDA responsibility – monitor processors' and RA's inventory; ensure quantity is not more than six-month supply; take action on excessive inventories
- RAs responsibility – procure processed products; request quantities that can be consumed without waste; monitor inventory

Georgia Policy
Carryover Inventory at Processors

In SY 14 FDU established a policy for handling carryover inventory remaining at an approved processor.

- RAs that have inventory at a processor as of June 30th are allowed to carry over inventory into the following school year.
- If carryover inventory remains after **December 31**, FDU will move the inventory into our state account.
- The RA is still allowed to use the inventory in the state account; however, it is available to other RAs that are in need of inventory at the processor.
- Inventory in the state account is not allowed to be transferred to another processor.