

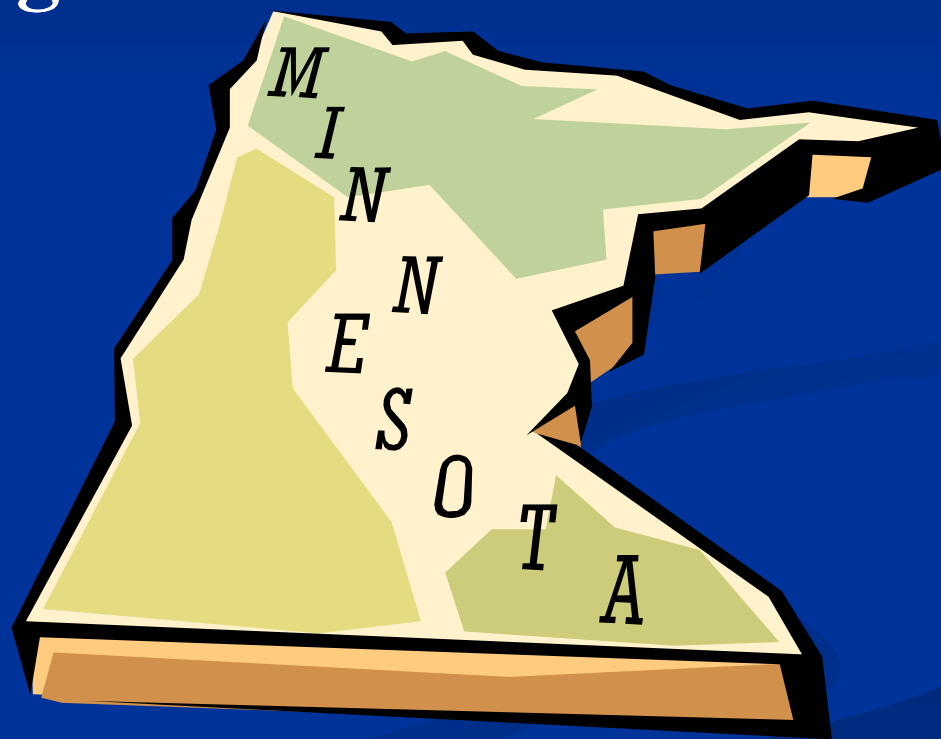
Minnesota
Department of
Education

Food Distribution Program

Minnesota Food & Nutrition Service

■ Food Distribution Program

- MN Pilot
- FDP Work Group
- Questions?



Food Distribution Program

Minnesota offers three distinct demand-driven distribution channels.

- **Regular (USDA Packaged Commodities)**

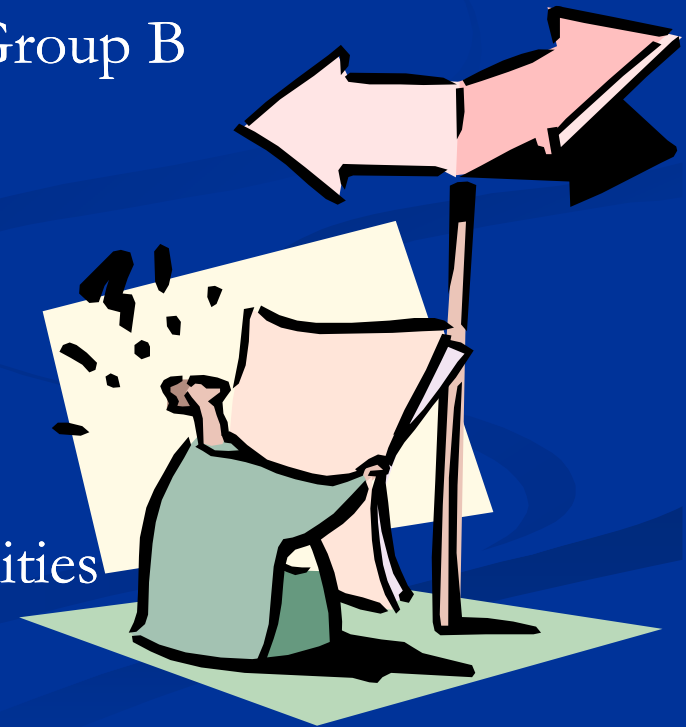
- Over Fifty Varieties of Group A and Group B Commodities

- **Processed (Fee-For-Service)**

- Beef, Pork, and Orange Juice

- **Minnesota Rebate Program**

- Commercial Products that Utilize Poultry, Potatoes and Group B Commodities



The MN Pilot

- A model to test the concept of seamless distribution of USDA commodities.
- Allowing schools to utilize commodity entitlement with commercially available foodservice products.
- Provides entitlement through a State administered rebate system.

The Pilot Years

- SY 2002
 - 25 Manufacturers featuring 374 products
 - Schools Rebated 84% of the \$3.9 M Available
- SY 2003
 - 28 Manufacturers featuring 581 products
 - Schools Rebated 89% of the \$3.7 M Available

The Pilot Years

- SY 2004
 - 25 Manufacturers featuring 653 products
 - Schools Rebated 93% of the \$4.2 M Available
- SY 2005
 - 28 Manufacturers featuring 880 products
 - Schools Rebated 95% of the \$3.6 M Available

The Pilot Years

- Increased Number of Manufacturers & Products
- Consistent Commodity Utilization
- Complements Schools Commercial Purchases
- Increased Rebate Payments

Rebate Claims

- Schools Submitted Rebate Claims
 - By Invoice
 - Or Monthly Velocity
- Distributor Rebate Monthly Uploads
 - Data sharing relationship with 15/17 Core Distributors
 - Schools review and release rebates for payment
- Rebates Paid Twice Monthly

USDA's Decision

- Minnesota requested USDA to make the MN Pilot a permanent option with the expansion of fruits and vegetable products.
- The USDA Senior Oversight Committee approved 98% of the MN Pilot.
- For SY 2006 – MN will no longer be able to directly collect the value of the commodity at the time of delivery to the manufacturer.

What does this mean?

- Minnesota is able to retain the majority of the MN Pilot demonstration project. Except the point of sale of commodities to manufacturers.



FDP Work Group

- School Food Service Representatives (Five)
- Distributors (Three)
- Brokers (Two)
- Manufacturers (Three)
- State Agency FDP Staff



FDP Work Group

- The goal is to discuss FDP topics, share information and gather input from the group that will enable schools to effectively and efficiently order, receive, and consume donated and purchased foods.



FDP Work Group

May 5, 2004

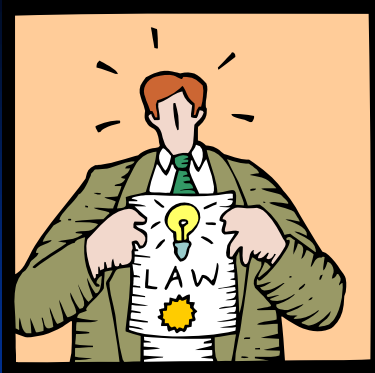
- Define Scope of the Transition

June 10 & 15, 2004

- Review USDA Value-Pass Through Options
- Analysis & Evaluation

October 28, 2004

- Verify Final Product
- Implement Change

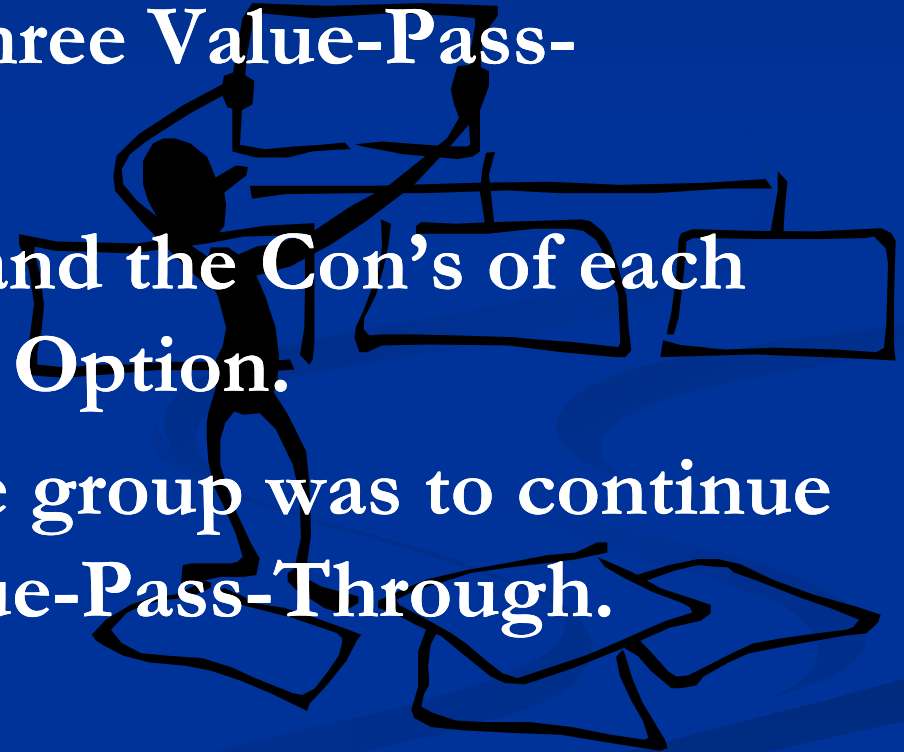


Transition

- **Goal:** Transition the MN Pilot distribution model to comply with Federal regulations.
- **Objective:** Minimize the interface for schools, regarding the surveying, tracking, and submitting rebates.
- **Objective:** Minimize the impact to brokers, distributors, and manufacturers.

Analysis and Evaluation

- Processed map each of the stakeholders roles in each of the three Value-Pass-Through options.
- Evaluated the Pro's and the Con's of each Value-Pass-Through Option.
- The consensus of the group was to continue with the Refund Value-Pass-Through.



Value-Pass-Through Options

Fee-For-Service

- The price per case charged by the processor representing a processor's cost of ingredients (other than the commodity), labor, packaging, overhead, and other cost incurred in the conversion of the commodity into specified end products.

Value-Pass-Through Options

Refund System

- A system through which a school purchases a manufacturer's product at the commercial price, submits a refund application and receives a payment from the manufacturer based on the contract value of the commodity(ies) contained in that product.

Value-Pass-Through Options

Net Off Invoice

- A system where the manufacturer sells to the distributor at gross price, the distributor sells to eligible schools at net price, and the distributor receives credit from the manufacturer based on the sales report to eligible schools.

SY 2006 Transition

Minnesota Rebate Program

- Continue current rebate program to meet federal regulation requirements by utilizing the Refund VPT Option.
- Minimized contractual changes for manufacturers.

Manufacturer Agreement

- State Participation Agreement
- Contract Value of Commodities
- Rebate Payment Options
- Monthly Performance Report



Manufacturer Agreement

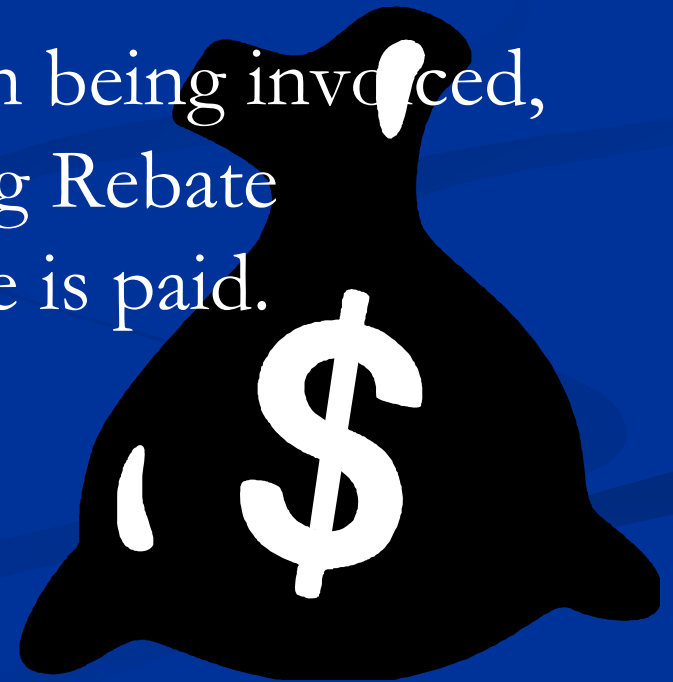
Contract Value of Commodities

- USDA Established Value
 - November 15th Pricing
 - 33 Month Average Cheese Price

Manufacturer Agreement

Rebate Payment Options

- **Option 1:** Upon receipt, pay the full value of the commodity truckload.
- **Option 2:** Upon receipt, begin being invoiced, twice monthly, for the pending Rebate applications until the full value is paid.



CLiCS Enhancements

Bi-Monthly Invoicing

- Depends on Manufacturers Rebate Payment Option.

Monthly Performance Reports

- CLiCS has been enhanced to generate monthly Rebate Claim reports to manufacturers.

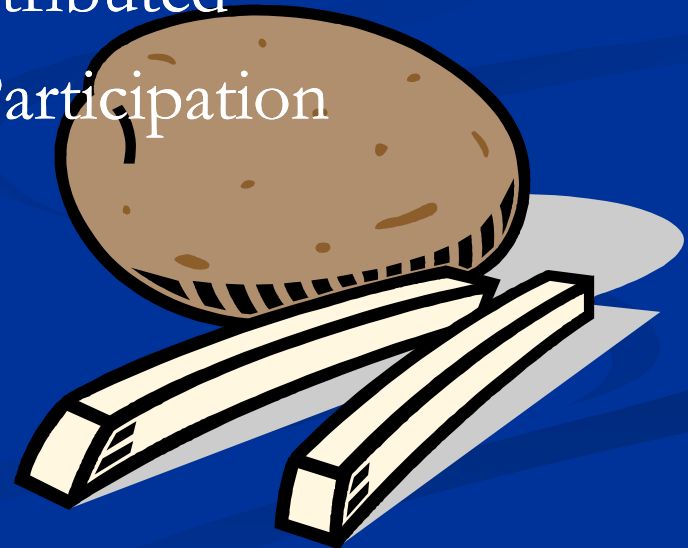


FDP Work Group

Results

■ January 2005 - Transition Completed!

- CLiCS Enhancements for Manufacturers
 - Manufacturer Agreements Distributed
 - Lamb Weston and McCain's Participation
- “4 Million Pounds of Potatoes”



FDP Work Group

Future needs of the Work Group

- Continued Implementation of Project 2
- Fresh Fruits & Vegetables
- FDP Training







DOD Fresh Produce Program

- The Farm Bill of 2002 expanded the program to \$50 Million.
- The program allows States to set aside a limited amount of existing entitlement.
- Last year eight Schools expressed interest in participating and evaluating the program.
- Schools work directly with DOD.

DOD Fresh Produce Program

- Duluth, ISD 709
- Hastings, ISD 200
- Hopkins-Golden Valley, ISD 270
- Lakeville, ISD 194
- New York Mills, ISD 553
- Robbinsdale, ISD 281
- Rosemount, ISD 196
- St. Peter School, North St. Paul

DOD Fresh Produce Program

- FNS transferred \$200,000 of entitlement to the DOD Fresh Produce Program.
- Sponsors work with DOD to set-up accounts, approve produce purveyors, and place orders.
- Availability: Only domestically grown produce.
- State Agency monitors activity.

DOD Fresh Produce Program

Evaluation

- Is the program an effective use of entitlement?
 - DOD services at a premium.
- What oversight is necessary?
 - CLiCS Enhancements Necessary?
- Can the program be equitable to all interested Sponsors?
 - Limited Funds - Fair share would cap the amount at ~\$1 Million.

DOD Fresh Produce Program

School Year 2005 - 2006

- **Fresh Start**

- Begin in August spending down the \$200,000

- **Develop and Complete Evaluate**

- By January 2006
- Explore Options

- **Secure Additional Funding**

Fresh Fruits & Vegetables

■ USDA

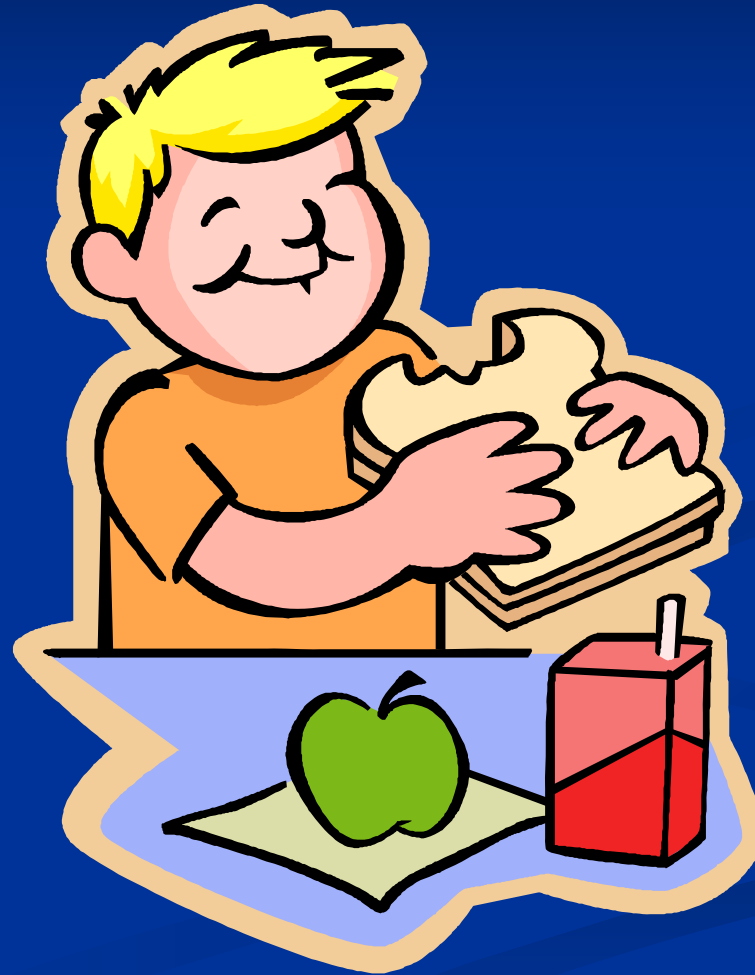
- Apples
- Oranges
- Grapefruit
- Pears
- Potatoes (Russet & White)



■ Distribution Logistics

Bonus Apples

- 36/40 pound case
- Value \$10.98
- 4 Truckloads
- Fall Delivery



Questions



*Thank
You!*

Minnesota Department of Education
Food and Nutrition Service