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# Table of Contents

Acknowledgements ................................................................. 1

Executive Summary .............................................................. 2

Supply Chain Process Area Overview ................................. 6

**Establish Annual Goals & Objectives** ................................. 7
- Annual Purchase Plan Template
- Budget Calculator
- Sample Timeline for Efficient Procurement ................. 9

**Conduct Menu Development** ........................................... 10
- Order Forecasting Tool

**Conduct Procurement** .................................................... 14
- Stakeholder Roles & Responsibilities .......... 20
- Pre-Bid Conference Discussion Points .......... 26
- Pre-Bid Conference Checklist ..................... 28
- Pre-Bid Questions by Distributor ................. 33
- Proposal Evaluation Tool

**Assess Results** ............................................................. 34
- Sample Simple Satisfaction Survey
- Efficiency Scorecard ..................................... 37

**Use Tools to Analyze Value** .......................................... 38

Conclusion ............................................................................. 39

Appendices
- Glossary of Terms ....................................................... 40
- Web Resources .......................................................... 47
Executive Summary

THE SCHOOL NUTRITION SUPPLY CHAIN is a complex network of businesses, processes and relationships among various stakeholders in the school foodservice segment, from operator to distributor to broker to manufacturer. In mastering the intricacies of this network, business professionals all along the chain can capture the many potential benefits of intra- and inter-organizational integration and management, which help to improve operational efficiencies, particularly in regard to procurement.

If you are a school nutrition director who strives to take your operation to a new level—or who just wants to keep pace with increasing competition and fiscal pressures—then you have seen the supply chain landscape change dramatically in recent years. The “we’ve-always-done-it-this-way” approach simply doesn’t work in the 21st century, because supply chain dynamics have evolved—and multiplied. They include a changing, competitive environment due to mergers and acquisitions. They include new regulatory requirements, shifting consumer expectations and increased product variety. They include local wellness policies, natural disasters, the shortening of product life cycles, product recalls, nutrient-based standards and dramatic increases in energy and food costs. All of these forces have contributed to an increased complexity of the school nutrition supply chain; a complexity that affects all stakeholders.

Three Specific Goals
School nutrition operators understand the need to intelligently and effectively drive change; future success will depend upon effective and efficient supply chain management. This is no easy task, however, as you must deal with some stark differences in business culture between your operation and that of other business partners. This is why the School Nutrition Association’s leadership established a Supply Chain Task Force in 2007-08, charging the group with identifying strategies and developing resources designed to help school nutrition stakeholders understand supply chain dynamics and learn how to manage them more efficiently. In producing this Toolkit, the Task Force sought to address three specific goals:

1. Provide education to school nutrition operators regarding the basics of supply chain operations and management.
2. Provide school nutrition operators with tools to successfully bid for products and services.
3. Open better communication channels between distributors and operators.
Most businesses behave in ways that maximize their own interests. Rare is the organization that operates in a manner that reflects the varying needs of the entire network of businesses that make up its supply chain. But effective supply chain management requires new strategies and methods for managing businesses, as well as for building and maintaining relationships with other stakeholders.

In the K-12 school foodservice segment, supply chains extend across several job functions and incorporate many organizations, each with its own priorities and goals. Nonetheless, all those functions and entities (manufacturers, brokers, distributors and operators) must pull together in the same direction to ensure that the supply chain delivers goods and services quickly and cost-effectively. Coordinating actions across businesses can be a difficult process, as organizations tend to feature different operating cultures and cannot be counted on to share beliefs or loyalty.

Task Force research found that too many school nutrition operators choose to tackle intra-organizational problems, paying less attention to the less-detectable problems that cross into other business organizations. After all, it is tedious, time-consuming and inefficient for individual school nutrition operators to attempt to define the roles, responsibilities and accountability factors for a string of businesses they do not manage directly.

**Practical Solutions**

This Toolkit offers practical solutions to help school nutrition operators develop and maintain a supply chain strategy. The goal is not just to save you money and time, but to help you add value to your operation. It is not just to manage the cost of manufacturing and transportation, but to manage the costs and viability of the entire supply chain. When you take a fully integrated view of the supply chain, you can maximize the value that the chain can bring to school nutrition programs. Effective supply chain management creates business process excellence—it can help to make the supply chain work for you.

**Five Critical Processes**

The Supply Chain Task Force identified five processes critical to supply chain management:

1. Establish Annual Goals and Objectives
2. Conduct Menu Development
3. Conduct Procurement
4. Assess Results
5. Use Tools to Analyze Value
These process areas are detailed in this Toolkit. Proficient supply chain management requires the cross-functional integration of all of these processes within the school nutrition operation—as well as across the network of businesses that comprise the rest of the supply chain. By understanding these supply chain process areas and how they should be implemented, school nutrition operators will be able to develop more fully integrated supply chains, which will lead to better value and more profitability for all members.

Each process should be evaluated based on its contribution to overall financial performance; how it “fits” within the organizational structure; consideration of specific legal constraints; and a measurement mechanism for each process to determine results. The Task Force also believes that the data you gather to assess your own supply chain operation; measure progress in supply chain reform; set benchmarks; and identify best practices in each process area will help you to improve your own supply chain.

SNA Supply Chain Task Force
January 2009
Supply Chain Process Area Overview

Establish Annual Goals & Objectives
- Revenue Target
- Cost of Goods Target
- Fixed Expenses
- Labor Expenses
- All Other Variable Expenses
- Profit Target
- Meal Equivalents Per Labor Hour

Conduct Menu Development
- Key Factors
  - Breakfast:
    - ADP Goals
    - Meal Sell Price
    - Food Cost Percentage
    - Labor Costs
    - Nutrition Requirements
    - Commodity Utilization
  - Lunch:
    - ADP Goals
    - Meal Sell Price
    - Food Cost Percentage
    - Labor Costs
    - Nutrition Requirements
    - Commodity Utilization
  - A la Carte:
    - Food Cost Percentage
    - Revenue Targets
  - Other:
    - Sensory Testing
    - Operational Needs
    - Food Safety
    - Commodity Process Method
    - Consumer Satisfaction
    - Meal Pattern Review
    - Free/Reduced Rate

Conduct Procurement
- Articulate Product Specifications
- Pre-conference Bid Meetings
- Select Method for Awarding Business
  - Line Item
  - RFP
  - Cost Plus Fixed Fee
  - Prime Vendor
- Define Delivery Requirements/Flexibility
- Evaluate Value Proposition
- Volume Needs
- Co-ops
- Payment Terms
- Price vs. Cost
- Commodity ROI
- State Warehouse Cost

Assess Results
- Actual vs. Planned
- Industry Benchmarks
- Prior Year Comparison
- Satisfaction Surveys
- Nutrition Recap
- Commodity Utilization
- Average Daily Participation
- Scorecard

Use Tools to Analyze Value
- Price vs. Cost
- Entrée vs. Meal
- Labor vs. Prepared
- Commercial vs. Commodity
- State Warehouse vs. Distributor
- Meal Equivalent Per Labor Hour
- Fixed vs. Variable Cost
The first step in establishing an efficient school nutrition supply chain is to develop an annual plan that outlines specific program goals and objectives for the entire year. Only with such a plan in place can school nutrition operators accurately determine what—and how much—food, supplies and even labor must be procured for the coming school year. At the heart of the plan should be the goal to procure adequate, safe products that have been purchased through open competition.

Procurement Practice In Action

At Denver Public Schools, district-level supervisors share monthly school data with school-level staff, comparing and contrasting differences in meal costs from one school to another. By discussing this information with site staff, team members generate creative ways to increase efficiencies within the constraints and demographics of that particular site. According to Leo Lesh, SNS, executive director, staff members are empowered by seeing this budget data and being a part of the process to determine approaches for increasing participation and controlling costs.

The school nutrition Annual Purchase Plan Template and Budget Calculator are two tools developed by the SNA Supply Chain Task Force as customizable resources designed to help school nutrition directors determine critical food procurement needs.

The Annual Purchase Plan Template is a resource designed to help school nutrition directors determine specific quantities of menu items served. The information contained in this template can help you to improve how you plan purchases and use your commodity entitlement. The template also can be modified to establish how much product is needed per menu cycle—instead of per year—to help you make delivery decisions with efficiency in mind.

School nutrition operators can use the Budget Calculator to determine the average daily cost of menus. The calculator also helps operators to plan their annual budget.
Both tools can be completed for the entire, district-wide school nutrition program, as well as for each individual school or feeding site within the district. Also, while it’s important to establish a yearlong plan, updating information on a monthly basis will provide more accurate information for ongoing analysis, comparisons and changes to projections.

**Procurement Practice In Action**

In Texas, the school nutrition team at Brownsville Independent School District develops a three-year strategic plan to assist in meeting departmental goals and objectives. Multiple-day strategic-planning sessions help team members identify the department’s core purpose and develop a step-by-step roadmap toward fulfilling that purpose.

In addition to the unique needs of the school meals program, the department attempts to incorporate the umbrella goals of the school district into the strategic plan. The school nutrition director, Maria Mendez, SNS, encourages the entire staff to participate fully in planning sessions. Cafeteria managers contribute to setting annual goals, while supervisors assess the strategic impact of these goals.

An important third planning tool is a Timeline of the district’s school nutrition procurement process. Determining the key dates of such a timeline can help you to identify important opportunities to review data and make changes. For example, identify a benchmark month—say, October, because it has a large number of school days and can reflect accurate accounts after transfers have tapered off—to compare food/supplies used versus those ordered. This exercise can help you to further fine-tune projections.
## Timeline for Efficient Procurement

*Note: The dates provided in this timeline are EXAMPLES ONLY.*

<table>
<thead>
<tr>
<th>Date Contract Must Be Implemented: July 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date Bids/Contracts Must Be Approved By Board Of Education: Early June</td>
</tr>
<tr>
<td>Open Bid: Mid-May</td>
</tr>
<tr>
<td>In most cases, bids will require at least 10 days to analyze and verify.</td>
</tr>
<tr>
<td>Mail Bids and Publish Advertisement: April 1</td>
</tr>
<tr>
<td>This should be scheduled 5-6 weeks prior to the bid opening; distributors typically need this amount of time to “shop out” the products that will give operations the best prices.</td>
</tr>
<tr>
<td>Formal Pre-Bid Conference: Mid-March</td>
</tr>
<tr>
<td>This should be scheduled 2-3 weeks prior. Having a formal pre-bid prior to the bid being mailed will allow operations to make adjustments to both the boiler-plate bid language and the item specifications using information gained at the pre-bid. This will generate a better bid document. Make sure all bidders are aware of all pertinent information and reduce the need for bid addenda.</td>
</tr>
<tr>
<td>Finalize for Distribution at Pre-Bid Conference Bid Boilerplate and Bid Worksheets (Which Should Include Specifications, Approved Brand/Manufacturer’s Code Information): Early March</td>
</tr>
<tr>
<td>This should be scheduled 1 week prior to the formal pre-bid conference.</td>
</tr>
<tr>
<td>Conduct Informal Meetings With Prospective Distributors: Mid-December to Mid-January</td>
</tr>
<tr>
<td>In these meetings, which should be scheduled two months prior, operators should review with distributor representatives the bid boiler-plate, terms and conditions, bid item specifications, approved brands and products listed in the distribution bid. This is a great opportunity to gain input from distributors on ways to streamline and improve the process in order to maximize cost reduction. Such conferences tend to yield more and better information if they are conducted individually with each prospective distributor, as they may be reluctant to speak openly in the presence of competitors.</td>
</tr>
<tr>
<td>Conduct Prequalification Visits With New Distributors: Mid-December to Mid-January</td>
</tr>
<tr>
<td>These should be conducted two months prior. This step is a good opportunity to identify and verify companies that are qualified to handle the type of contract and the volume of purchases you will require. These visits may be conducted in conjunction with the informal meetings described above. Prequalification inspections also may be conducted throughout the year as operations receive inquiries from prospective distributors.</td>
</tr>
<tr>
<td>Meet With Brokers and Manufacturers’ Reps Routinely to Analyze New Products and Brands: Throughout the Year</td>
</tr>
<tr>
<td>Operators also should work with brokers, manufacturers and distributors to refine specifications. The entire bid document should be reviewed and analyzed routinely to eliminate low-use items, take high-use items direct-to-manufacturer and add new products as they become available and are determined to fit into menus.</td>
</tr>
</tbody>
</table>
Once program goals have been identified for the coming year, the next step is menu planning and development. For many experienced school nutrition professionals, this may seem an overly basic reminder. But, too often, this process is not conducted in a systematic way, one in which menu planning drives procurement—not the other way around.

School nutrition operations must:

• Plan the menu.
• Determine the products needed to produce the menu.
• Determine the quantities of each product needed to produce the menu.

Only after these steps are taken should bid documents be drafted and the procurement process proceed.

Menu development—for both breakfast and lunch—should take into account federal, state and local nutrition standards and meal pattern requirements; customer acceptability; the culinary skill level of employees; labor costs; available equipment and environmental opportunities and restrictions for preparing, delivering and serving meals; current meal pricing; average daily participation goals; food cost percentages; and commodity utilization.

Meal Planning Approaches

The U.S. Department of Agriculture (USDA) currently allows five types of menu planning approaches. Some school districts commit to a single approach for the entire district; others use varying approaches for different schools, often depending on the grade level of the school (elementary, middle or high school). The approved approaches include:

1. Traditional Food-Based Meal Pattern
2. Enhanced Food-Based Meal Pattern
3. Nutrient Standard Menu Planning
4. Assisted Nutrient Standard Menu Planning
5. Any Reasonable Approach (one that has been approved by USDA in advance)
Nationally, according to the findings of USDA’s School Nutrition Dietary Assessment Study III (SNDA III) (2007), nearly half (48%) of schools in the United States use the Traditional Food-Based system, while 22% use the Enhanced Food-Based system. Nutrient Standard Menu Planning (NSMP, often called NuMenus) is used in 30% of schools, most often those in larger, urban districts.

Which system is most likely to best streamline costs? The answer depends largely on the situation and characteristics of the individual district or school. A thorough discussion of the different approaches, complete with the advantages and disadvantages of each (including a side-by-side comparison chart) can be found in Chapter 13 of the National School Lunch Program manual available online from the Idaho State Department of Education: http://www.sde.idaho.gov/site/cnp/nslp_manual/Chapter13.pdf. This resource also reflects on such considerations as the use of a cycle menu and standardized recipes.

**Cycle Menus**

The use of cycle menus—and the length of a cycle—is another important factor that can influence efficiencies in the supply chain. Let’s review the fundamentals of cycle menus. A cycle menu is one that repeats itself daily, weekly and/or monthly. School nutrition operations can enjoy a number of benefits through the use of cycle menus, including the following:

- **Staff becomes familiar with menu preparation requirements.** Once team members are taught how to prep and serve a specific menu, the predictability improves efficiencies in the kitchen, as well as quality and service on the line.

- **Cycle menus help districts to plan and purchase more efficiently.** When menus are repeated, usage quantities can be calculated and projected, using the number of times a menu or menu item repeats itself in the course of a year. The quantities tallied are known quantities, removing the guesswork when determining bid quantities.

- **Menus can be analyzed to determine areas for potential product streamlining.** For example, can the same lean ground beef (or turkey or soy) crumble product be used for spaghetti sauce, sloppy joes, soups and casseroles? Or are you using different products for each of these recipes?
• Accurate bid quantities can improve bid pricing and improve vendor relations. When a district’s school nutrition operation overestimates its procurement needs, there can be several negative consequences. The vendor can require the district to take all of the quantity they projected, regardless if it is beyond their needs; vendors don’t like getting “stuck” with excess product. Of course, the school district, as the customer, isn’t required to take more than it wants, but the situation can make vendors feel tricked or taken advantage of if the district doesn’t cooperate. If this scenario becomes routine, vendors may stop bidding for the business, knowing that they will lose money by having to get rid of excessive inventory that the district miscalculated.

• Cycle menus help vendors to project customer needs and build good business relationships. When taught how to read a cycle menu, distributor representatives can identify potential products and work with the customer for better fill rates. This is a win-win situation. The customer is happy to get product when needed, and the distributor is happy to meet customer needs without incurring extra expenses.

Other Considerations
While the use of cycle menus can help to improve supply chain efficiencies, there are other aspects of menu planning to consider in your efforts to streamline your operation. Supply Chain Task Force members share the following practical tips related to menu development and management.

• Consider moving to a “just-in-time” delivery model, especially if you have a good understanding for the specific items and quantities you need.

• In calculating projections, you can address participation by looking at data by both school and day, as well as the popularity of different choices offered. Another option is to use velocity reports that track what is purchased.

• Consider menuing only your most popular items; drop unpopular options altogether, replacing them with something new.
• Some school nutrition directors have found that menuing the most-popular items Tuesday through Thursday increases participation, as there tend to be fewer absences on those days. Others feel that popular items should be menued Monday and Friday, because such items might provide a participation boost on lower-attendance days.

• Maximizing the use of commodity foods offered through USDA’s Food Distribution Division can help extend a school nutrition program’s buying power. Incorporate commodities into your menu specifications from the beginning of the menu planning process, rather than as an afterthought.

• States have different policies regarding the diversion of commodities for further processing, as well as for the specific commodity foods that are available to local districts. Be aware of penalties or storage costs that may be associated with commodity foods; these are added on by some states.

• Compare commodity prices with commercial prices. Sometimes, commodity foods are not the best value, particularly when it comes to produce items.

• Effective inventory management can help keep costs down as well. Menu item movement should correlate with all items stored in the warehouse to ensure that key products are not low in supply when they are needed. Have you discontinued a particular menu item and find yourself with leftover product in your storage areas? Find ways to use it up.

Finally, take a look at the Budget Calculator and Order Forecasting Tool. These have been designed to help operators develop menus with an eye toward creating greater efficiency in the supply chain.
ith the U.S. economy struggling in a recessionary state, the strains on the foodservice industry are evident. Over the last decade, food inflation has risen 2.3% annually, but in 2007, food inflation was 5.4%, with many economics experts anticipating a sustained 7% to 9% annual rate over the next 5 years.

Several factors are being blamed for the upward drive in food costs. These include wildly fluctuating fuel prices, as well as increased ethanol production, a situation that induces farmers to give over more field acreage to corn and less to other commodities. In a trickle down effect, this pushes up the costs not only of many products that use corn or corn syrup, but also that of livestock feed, which, in turn, affects meat prices. In addition, a weak U.S. dollar combined with the high global demand for various food items makes pricing more attractive in foreign markets—and subsequently more expensive here at home.

In order to lessen the impact of increasing costs that are evident all along the supply chain, school nutrition operators must plan, analyze, implement and monitor changes in procurement policies and procedures. Analysis of current spending, while considering options for savings and efficiencies, is critical in establishing specific strategies will allow school nutrition professionals to reduce many inherent costs found throughout the supply chain.

**Stakeholder Roles & Responsibilities**

Each party involved in the school nutrition supply chain is responsible for improving the efficiency of its link and the entire chain—but each also has the responsibility to ensure students receive nutritious, balanced meals at a low cost. School districts, manufacturers, distributors and the broker community have certain duties to ensure that the supply chain is operating in the most cost effective, efficient way possible. These duties are illustrated by the Stakeholder Roles & Responsibilities chart, as well as by the descriptions that follow.

**Procurement Practice In Action**

**Purchasing Cooperatives**

There is power in numbers. Many school districts—particularly those that are small or rural—are banding together to form purchasing cooperatives. By working together in a cooperative, the districts can leverage their collective buying power to purchase food and supplies at significantly less cost for all participants.
### Schools/School Districts

The procurement cycle starts and ends with the school district.

<table>
<thead>
<tr>
<th>Forecasting</th>
<th>Deliveries</th>
<th>Product Specifications</th>
</tr>
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<tbody>
<tr>
<td>- Those in charge of procurement for the school nutrition program must ensure that they accurately forecast the type and amount of goods and services. A good guideline is to forecast what you will need at least 4 weeks out.</td>
<td>- Expand the delivery time window. By having a longer period of time available for deliveries, distributors will face less pressure to get products to districts.</td>
<td>- Avoid writing specifications that are outside of industry norms. If a product is very different from the typical offering, it will cost the manufacturer, and ultimately you, more money.</td>
</tr>
<tr>
<td>- Take into account the number of students you typically serve and analyze how the current year’s needs have evolved since the last school year.</td>
<td>- Increase the average drop size. This allows distributors to deliver more products in one delivery.</td>
<td>- If possible, use CN label and/or other approved brands.</td>
</tr>
<tr>
<td></td>
<td>- Decrease the frequency of drops. Like increasing drop sizes, decreasing the frequency of drops allows distributors to condense their shipments and save on transportation costs—especially when it costs approximately $750 to stop a truck!</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Optimizing SKUs</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Use the same item for multiple purposes. For example, the same ground beef crumbles can be used for spaghetti with meat sauce and for taco filling.</td>
</tr>
<tr>
<td>Pack Sizes</td>
<td>Contract Terms</td>
<td>Pre-bid Preparation/Conference</td>
</tr>
<tr>
<td>------------</td>
<td>---------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>• Review the pack sizes that are available for particular items. Ensure that these are manageable for your staff to lift, move and use.</td>
<td>• When possible, try to negotiate for longer contract terms (2 or more years) that include price adjustment clauses.</td>
<td>• It is a good business practice to sit down with distributor representatives and discuss expectations before issuing a bid request. See The Pre-Bid Conference section that follows.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aggregate Bids</th>
<th>Bid Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consider aggregate bids in which two or more separately priced line items are combined to result in a lower overall cost to the school nutrition program.</td>
<td>• Consider products that have seasonal procurement implications.</td>
</tr>
<tr>
<td></td>
<td>• Timing may need adjustments for products that are outside of the norm.</td>
</tr>
<tr>
<td></td>
<td>• Are you procuring products in commercial formulations or processing commodities? This can influence your bid timing.</td>
</tr>
</tbody>
</table>
Distributors
When working in the school segment, the distributor can consider making adaptations to certain aspects of business in order to maximize supply chain efficiencies. These include the following:

- Contracting for larger drop sizes
- Making fewer deliveries per week but with greater flexibility
- Enticing competition by working with more manufacturers
- Calculating annual dollar volume
- Reducing SKUs
- Working with group purchasing coalitions for aggregate volume bids
- Seeking prime vendor awards

Procurement Practice
In Action

Buy Equipment to Reduce Costs
Sometimes, it makes sense to spend money in order to save money. While a school nutrition operation usually can get a much better price when purchasing items in bulk, it needs to have the infrastructure to store bulk purchases. Thus, it can be cost effective to buy additional equipment that allows operators to store larger purchases.

The purchase of milk is a good example. Let’s say your school nutrition operation usually purchases 120 cases of milk every week. The local dairy makes two deliveries, bringing 60 cases on Monday and 60 cases on Wednesday. This year, the dairy is offering you an incentive. If you double your purchase and reduce the number of deliveries, it will charge 5 cents less a carton. If you purchase 3,600 cartons of milk each week, you can save $180 a week, which adds up to $7,200 in a 40-week school year. To take advantage of this opportunity, however, you will need to purchase several additional coolers to store the extra milk.

While the initial cost of purchasing the equipment might be expensive up front, you will save money in the long run by purchasing items in bulk.
Manufacturers
Manufacturers that want to do business in the school segment should look at the following areas to improve efficiencies and lower costs in the supply chain.

<table>
<thead>
<tr>
<th>Distribution/Pricing</th>
<th>Commodity Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Evaluate the pros and cons of establishing your own distribution or warehouse systems.</td>
<td>• Manufacturers should learn more about integrating commodities into commercial product formulations. One “how-to” resource is the Recipient Agency Commodity Processing Handbook available from the American Commodity Distribution Association.</td>
</tr>
<tr>
<td>• Consider offering direct purchase from manufacturer, where applicable.</td>
<td></td>
</tr>
<tr>
<td>• Use distribution services where applicable to save fuel costs and reduce drop shipments.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Specifications</th>
<th>New Product Introductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Work with customers to provide them with clear specifications for particular products.</td>
<td>• Provide opportunities for school customers to try new products during the school year.</td>
</tr>
<tr>
<td>• Avoid specifications outside of the industry norm, but still guarantee those, when applicable.</td>
<td>• But substitute existing SKUs with new products, rather than simply adding new products, since distributors may not have space to warehouse more and more inventory—or will boost the price to do so.</td>
</tr>
<tr>
<td>• Develop procedures to handle special needs.</td>
<td></td>
</tr>
</tbody>
</table>
Brokers/Sales and Marketing Agencies
Brokers and sales/marketing groups also play roles in improving supply chain efficiencies.

Assess Local Impact

- Consider the commodity angle; become an expert on how commodity processing works with particular products.
- Support local manufacturers’ representatives; help them to understand the unique aspects of the school market segment.
- Provide support, promotions and so on that will help to reduce costs and ease transactions.

Receive Bids Directly

- Use electronic technology.

Clarify/Structure Bid Specifications

- Be the local expert to work with school nutrition operators to improve their understanding; explain why 400-page bids are bad for their business.

Other

- Explain the results of public bid openings to manufacturers, distributors and other interested parties.
- To encourage this kind of ongoing communication, a discussion forum has been established in the Supply Chain Toolkit area of SchoolNutrition.org.
- Be open to new products and promotions and understand how they might serve the school customer.
Stakeholder Roles & Responsibilities

School District
- Forecasting
- Deliveries
- Product specifications
- Optimizing SKUs
- Pack sizes
- Aggregate bids
- Contract terms
- Bid timing
- Pre-bid preparation/conference

Efficient Supply Chain

Manufacturer
- Pricing
- Clear product specifications
- Integrating commodities in commercial formulations (processing)
- New product introductions

Distributor
- School deliveries
- Entice competition
- Delivery flexibility
- Annual dollar volume
- Fewer SKUs
- Aggressive volume bids
- Prime vendor awards

Brokers
- Local impact
- Receive bids directly
- Clarify/structure bid specifications
- Public bid opening/results
- Timely bid awards/feedback
- Open to new products/promotions
The Pre-bid Conference

Prior to soliciting bids, it is a good idea for school nutrition operators to sit down, one on one, with potential distributors to discuss respective expectations and individual needs. This will allow both parties to understand the requirements of one another’s business, so that there will be no surprises during the bidding process.

Use a Pre-bid Conference Checklist to evaluate potential distributors. The questions provided on the sample checklist in this Toolkit are merely suggestions for beginning a discussion. As the conversation develops, ask more focused, narrow questions to pinpoint the special considerations for both you and the distributor. Distributors also have their own pre-bid questions (Pre-Bid Questions By Distributor) that they will ask prior to considering the school/district bid.

During any discussion with potential distributors, the starting point for the school nutrition professional always should be: “How do I lower my costs, while maintaining quality?” Remember, the ultimate goal of both the operator and the distributor is to order or supply the product needed in the most cost-effective, efficient manner possible.

School nutrition operators also might consider holding a “pre-pre-bid conference” with potential distributors. These individual meetings with distributors can allow for informal conversations that are designed to help operators develop bid documents. Later, during the formal pre-bid conference, an operator can review the distributor’s credentials using the question-and-answer checklist as a guide.

Bidding & Soliciting Prices

There are four basic procurement methods that are commonly used by school districts when purchasing food or equipment:

- Small purchase procedure or request for quotation (RFQ)
- Competitive sealed bid (IFB)
- Request for proposal (RFP)

In addition, in certain situations, non-competitive negotiation may be employed, although this method is not commonly used. This method is used only when inadequate competition resulted following solicitation in a formal competition process; in a public emergency situation in which traditional competitive procurement methods would take too long; and occasions when USDA authorizes non-competitive negotiation.
IFBs and RFPs: What’s The Difference?
The invitation for a competitive sealed bid (IFB) and the request for proposal (RFP) are the two most frequently used types of bid methods, and these both are competitive processes.

Invitation for Bid (IFB)
Also known as a competitive sealed bid, an IFB requires clear, concise specifications. Bids are publicly solicited and are awarded on a responsive/non-responsive basis to the lowest responsive/responsible bidder. IFBs result in firm, fixed-price contracts. Most school districts have standard contract language that can be used in preparing an IFB.

A school nutrition program should use an IFB when you can choose a contractor solely on the basis of cost and don’t need to negotiate because the nature of the goods or services you are buying is such that, if all bids are responsive to the published specifications, they will differ along no dimension other than price. If this condition doesn’t apply, you should use the RFP.

Procurement Practice In Action

Lead Times: Managing Expectations
One way to keep costs down is to be aware of lead times. The lead time is the amount of time a customer provides a manufacturer to prepare and ship the final product. A longer lead time equals a more cost-effective product.

Let’s say that you need to order 10 cases of 100 pepperoni pizzas. Due to your school district’s local wellness policy requirements, you cannot serve the manufacturer’s standard pepperoni. Instead, you need each pizza to be topped with a lean pepperoni that the manufacturer must special order. It takes the manufacturer’s supplier 5 weeks to produce this particular item and the supplier does not keep a significant amount of it in stock. Once the manufacturer receives the product, it takes about 3 weeks to prepare the 1,000 pizzas. Once the pizzas are shipped, it takes another week for your distributor to ship them to your school district. In all, the whole process takes at least 9 weeks.

To keep the manufacturer’s cost down, the school nutrition program should give the company at least 9 weeks notice. If you need your pizzas sooner, it will cost both you and the manufacturer more money. As the manufacturer incurs additional expenses, it will be required to pass these along to its customers.

While the pizza example demonstrates what is required for special orders and unique product formulations, keep in mind that, in general, most distributors will expect a lead time of at least 4 weeks to get the products you ordered delivered to you.
Request for Proposal (RFP)

The RFP is the standard procurement method when the bid requires evaluation of different criteria, including the price. An RFP outlines other non-cost type factors that can be considered in the final determination. An RFP results in a fixed-price or cost-reimbursable contract. Use an RFP when you need help from the manufacturer.

RFPs may be practical when one or more of the following conditions exist:

- The contract needs to be other than a fixed-price type;
- Oral or written discussions may be necessary concerning the technical or price aspects of the proposal;
- Bid respondents may need to be afforded the opportunity to revise their proposals, including prices;
- The award may need to be based on a comparative evaluation of price, quality and contractual factors in order to determine the most advantageous offering with qualifying factors, including technical and performance factors; and
- The price will not be the only criteria considered in the award.

When developing an RFP, the school nutrition professional must identify variables and assign value points to them. Bids are awarded to the bidder whose proposal offers the highest number of value points. The Proposal Evaluation Tool in this Toolkit offers an example of how you can develop such a point system.
Distributors will review the terms and conditions of the bid or the RFP. In particular, they will look for answers to the following questions:

- Does the distributor have the ability to change products, if needed, during the school year without creating a material change to the bid?
- How is the pricing determined? Are prices fixed for the entire year, or are they determined using a formula that accounts for the changing rate of inflation?
- What is the duration of the bid award—6 months or one year?
- Can the distributor operationally fill the needs of the school district?
- What are the delivery dates and time windows?
- How many contracts are typically awarded by the school district?

For more details regarding either of the RFP or IFB procurement methods, take a look at the First Choice Procurement Manual for School Nutrition Operators from the National Food Service Management Institute.

**Tips to Keep in Mind**

**Operators should ensure that bid documents are well organized.** Arrange the categories in alphabetical order and use manufacturer numbers when possible. Also be sure to include definitions in your bid. This minimizes misinterpretations and allows the manufacturer to more closely meet your needs. An organized bid makes it much easier for manufacturers and distributors to provide their pricing information.

**Be clear about your specifications.** Manufacturers and distributors need to know the expectations their products are required to meet. If a school nutrition program is required to meet very stringent state or local nutrition standards, the manufacturer must be informed of these standards in advance. Being upfront and clear about specifications allows the manufacturer to provide a needed product more efficiently.

**Keep your bid terms flexible.** If the terms from the school customer are flexible, there will be more interest from distributors, as they will negotiate to offer the best price. Less negotiation means less competition, which creates higher prices.
**Be certain to include a “Buy American” clause in your bid documents.** Make distributors accountable for only selling school districts American-grown and -produced products, which is a federal regulation. Use wording in your bid documents that holds the distributor accountable for meeting this requirement.

**Don't guarantee volume.** School districts cannot guarantee volume on the purchase of many products, particularly those processed with commodities. Often when bid documents are being produced, a school district does not know yet if it will receive a particular commodity item.

**When soliciting bids, a school nutrition program should consider using electronic bidding methods.** Electronic bidding is much more efficient than issuing and responding to paper bids, saving time for both the customer and the distributor. Using electronic bidding also saves costs throughout the supply chain. Before switching to electronic bidding, however, make sure that your school district allows you to use a paperless method.

**Another way to save costs is to buy on credit.** It may seem counterintuitive, but buying on credit might actually save your school nutrition operation money. If permissible by the district, use a credit card that gives you cash back on purchases. As long as you pay off the card's balance each month to avoid interest charges, you will save money by earning it back.

**When reviewing possible vendors, school nutrition operators should consider using local vendors or minority-owned companies.** Since local vendors typically are based within a reasonable distance, working with them often can save you money on transportation costs. As always, when considering any company, make sure that it is offering you the most reasonable price.

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**Procurement Practice In Action**

**Helpful Resources**

There are many great references that include information about procurement for school nutrition programs. Following are two particularly useful resources to check out.

**First Choice: A Purchasing Systems Manual for School Food Service.** This manual was developed by the National Food Service Management Institute and contains detailed, step-by-step instructions for the entire purchasing cycle. *First Choice,* is an excellent guide for school nutrition professionals.

**ACDA Recipient Agency Commodity Processing Handbook.** This handbook is an authoritative and comprehensive guide to processing commodity items for school nutrition programs. Developed by the American Commodity Distribution Association, the handbook provides bite-sized, easy-to-understand information on purchasing for school nutrition programs.
When considering working with a new distributor, the person responsible for school nutrition procurement should schedule a pre-bid conference to discuss a variety of issues and determine if they are qualified to serve the school district. Start with the discussion points that follow and use the Pre-Bid Conference Checklist to use as a reference later.

Although you likely know many of the answers to these questions when working with current distributors, a review of the issues together from time to time can be helpful, especially when there are new staff members working in your operation or theirs.

**Bid Lead Times:** Most manufacturers and distributors require at least 4 to 6 weeks for processing an order. This period can provide manufacturers with greater flexibility in purchasing ingredients at lower prices. More time also allows shipping costs to be kept to a minimum. Issuing a bid earlier in your own timeline also allows school districts to avoid costly fees and penalties for rushed orders. This results in greater cost savings for all stakeholders.

**Length of Bids/Renewals:** Be sure to review the timeline you require for responding to bid invitations and for renewals. It’s good business to let prospective distributors know your expectations.

**Payment Terms:** You should know the distributor’s payment terms. Find out if the company offers discounts for paying within a certain time period, and see what steps the company takes to discourage long payment terms. Also, ask how the distributor accepts payment.

**Delivery Variables:** There must be agreement between the distributor and the school district in regard to delivery hours, frequency and number of stops, and drop sizes. Additionally you should review your HACCP requirements.

**Product Specification Minimum:** School nutrition professionals should be certain to specifically describe the product(s) you want to purchase, including yields, portion sizes, ingredients and preparation expectations. This is a good opportunity to learn the specific brands the distributor carries and what they offer as an “or equal” item.
Commodities: If a distributor is new to the school market, you will need to discuss commodities at some length. Explain your expectations and agreements in regard to having commodities processed by specific manufacturers.

Price Considerations: How much will the product(s) cost? Make sure you understand fully the factors that determine costs and how the company audits prices. As the economy continues to struggle—particularly if fuel prices rise—you will need to know if the distributor applies a fuel surcharge. Ask if the contract has a pricing escalation clause written into it. (If so, this clause should be written in clear language and tied to a third party’s publicly published index, such as the Consumer Price Index). A pricing escalation clause is necessary to protect school districts from very sharp price increases during the school year.

Service Requirements: There are many service issues to consider. For example, what does the distributor expect in regard to fill rates and orders? How does it handle damaged or split cases, returned goods and back orders?

Basis of Award: Explain to the prospective distributor the considerations the school district makes in choosing to award the contract.

General Terms and Conditions: Find out any additional clauses and terms that a manufacturer or distributor can or will place in the final contract.

Procurement Method: It is important to explain the type of procurement method you will be using. Will you use a formal or informal solicitation? (Check with federal, state and local regulations.) If the purchase amount falls below a certain threshold, you can use a less formal bid. Which type of procurement document will you use: an IFB (Invitation for Bid) or an RFP (Request for Proposal)?
When considering working with a new distributor, the person responsible for school nutrition procurement should schedule a pre-bid conference to discuss a variety of issues and determine if the company is qualified to serve the school district. Review the Pre-Bid Discussion Points and then use the following Checklist during your meeting, so that you have a reference for later.

Although you likely know many of the answers to these questions when working with current distributors, a review of the issues together from time to time can be helpful, especially when there are new staff members working in your operation or theirs.

### Pre-Qualified (School Food Authorities Pre-qualifying New Distributors)

<table>
<thead>
<tr>
<th>✓</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the company have references?</td>
<td></td>
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<tr>
<td>What is its capacity?</td>
<td></td>
</tr>
<tr>
<td>Does it have a demonstrated ability to deliver?</td>
<td></td>
</tr>
<tr>
<td>Is the company reliable? Does it have experience with the foodservice segment?</td>
<td></td>
</tr>
<tr>
<td>Credit check—is the company in good standing with manufacturers?</td>
<td></td>
</tr>
<tr>
<td>What are their accounting procedures? What are their facilities and equipment like?</td>
<td></td>
</tr>
<tr>
<td>Does the company have a buying group affiliation?</td>
<td></td>
</tr>
<tr>
<td>Are there general terms and conditions?</td>
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</table>

### Bid Lead Times

<table>
<thead>
<tr>
<th>✓</th>
<th>Notes</th>
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<tbody>
<tr>
<td>How many weeks does the company require?</td>
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</table>

### Length of Bid/Renewals

<table>
<thead>
<tr>
<th>✓</th>
<th>Notes</th>
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<tbody>
<tr>
<td>What is the duration of the contract?</td>
<td></td>
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<tr>
<td>Does the contract contain a renewal clause?</td>
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</tbody>
</table>
**Payment Terms**

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the company offer discounts?</td>
<td></td>
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<tr>
<td>Does it have disincentives for payment terms?</td>
<td></td>
</tr>
<tr>
<td>Does it allow payment by P-card?</td>
<td></td>
</tr>
<tr>
<td>Does it offer payment by E-commerce, EFT, EDI or other electronic capabilities?</td>
<td></td>
</tr>
</tbody>
</table>

**Delivery Variables**

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the hours of delivery?</td>
<td></td>
</tr>
<tr>
<td>What are the number and frequency of drops?</td>
<td></td>
</tr>
<tr>
<td>Are there minimums, incentives or penalties for drop sizes?</td>
<td></td>
</tr>
<tr>
<td>What are the HACCP requirements?</td>
<td></td>
</tr>
</tbody>
</table>

**Product Specification Minimum**

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the number of items on the bid?</td>
<td></td>
</tr>
<tr>
<td>Is there an accepted brand “or equal”?</td>
<td></td>
</tr>
<tr>
<td>Distributor choice?</td>
<td></td>
</tr>
<tr>
<td>What are the shelf-life requirements?</td>
<td></td>
</tr>
</tbody>
</table>

**Commodities**

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will the company offer a net-off invoice system?</td>
<td></td>
</tr>
<tr>
<td>Does it offer “brown box” distribution?</td>
<td></td>
</tr>
<tr>
<td>What is the value placed on commodity-processed products?</td>
<td></td>
</tr>
<tr>
<td>What are the state warehouse costs?</td>
<td></td>
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</tbody>
</table>
### Price Considerations

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the company apply a fuel surcharge?</td>
<td></td>
</tr>
<tr>
<td>How does it audit its price fluctuations?</td>
<td></td>
</tr>
<tr>
<td>What are the cost basis definitions?</td>
<td></td>
</tr>
<tr>
<td>Do contracts include a pricing escalation clause?</td>
<td></td>
</tr>
</tbody>
</table>

### Service Requirements

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the fill rate expectations?</td>
<td></td>
</tr>
<tr>
<td>How does the company handle damaged cases?</td>
<td></td>
</tr>
<tr>
<td>How does it handle split cases?</td>
<td></td>
</tr>
<tr>
<td>How does it handle returned goods?</td>
<td></td>
</tr>
<tr>
<td>Are there restocking charges?</td>
<td></td>
</tr>
<tr>
<td>How does it handle back orders?</td>
<td></td>
</tr>
<tr>
<td>What kind of notification does it provide regarding shortages?</td>
<td></td>
</tr>
<tr>
<td>What are the substitution criteria?</td>
<td></td>
</tr>
<tr>
<td>What penalties and fees exist?</td>
<td></td>
</tr>
<tr>
<td>What is the lead time to place an order?</td>
<td></td>
</tr>
<tr>
<td>What type of distributor performance tracking is in place?</td>
<td></td>
</tr>
<tr>
<td>Does the company have velocity reports?</td>
<td></td>
</tr>
</tbody>
</table>
### Basis of Award

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>How does the company meet geographic/regional/minority-owned award considerations?</td>
</tr>
<tr>
<td></td>
<td>What transparency of process is there?</td>
</tr>
<tr>
<td></td>
<td>Do you have a matrix template for award evaluations?</td>
</tr>
<tr>
<td></td>
<td>Is this a line item bid?</td>
</tr>
<tr>
<td></td>
<td>Is this an aggregate award bid?</td>
</tr>
<tr>
<td></td>
<td>Is this a category award bid?</td>
</tr>
<tr>
<td></td>
<td>Is this a regional award bid, if applicable?</td>
</tr>
</tbody>
</table>

### General Terms & Conditions

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Are there termination clauses?</td>
</tr>
<tr>
<td></td>
<td>Is there indemnification language?</td>
</tr>
<tr>
<td></td>
<td>What process is there for follow-up, clarification and further discussion?</td>
</tr>
</tbody>
</table>

### Procurement Method

<table>
<thead>
<tr>
<th>√</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Invitation to Bid?</td>
</tr>
<tr>
<td></td>
<td>Request for Proposal?</td>
</tr>
<tr>
<td></td>
<td>Cooperative/Group Purchasing?</td>
</tr>
</tbody>
</table>
School nutrition operators aren’t the only ones who should be asking questions during a Pre-Bid Conference. A prospective distributor will have a number of questions about your operation and about your expectations. Before you meet together, be prepared to answer questions and provide information about the following categories.

<table>
<thead>
<tr>
<th>Number of Delivery Locations</th>
<th>Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility of Delivery Times</td>
<td>Commodity Banks/NOI Vendors</td>
</tr>
<tr>
<td>Preferred Delivery Days</td>
<td>Preferred Vendor Program</td>
</tr>
<tr>
<td>Number of Non-Stocked Items</td>
<td>Amendments to Terms and Conditions of RFP/Bid Requirements</td>
</tr>
<tr>
<td>Estimated Volume</td>
<td>• Indemnification</td>
</tr>
<tr>
<td>Drop Size</td>
<td>• Assignment of Agreement</td>
</tr>
<tr>
<td>Loading Dock</td>
<td>• Termination Clauses</td>
</tr>
<tr>
<td>Warehouse Drop or Kitchen Delivery</td>
<td>Award Criteria</td>
</tr>
<tr>
<td>Order Lead Time</td>
<td>Pricing</td>
</tr>
<tr>
<td>Payment Flexibility</td>
<td>• Cost Basis</td>
</tr>
<tr>
<td>Computer Capable</td>
<td>• Pricing Terms</td>
</tr>
<tr>
<td>Substitutions</td>
<td></td>
</tr>
</tbody>
</table>
Setting Goals, Planning Menus, Making Changes in Procurement Procedures. Opening lines of communication with the other partners in the supply chain. All of these actions will help to improve efficiencies, but there is another important step that must not be overlooked. All stakeholders should assess the results to verify that efficiencies have been achieved—and to identify any areas with room for further improvement.

How should school nutrition operators go about this assessment process? There are several areas you can review and benchmarks to apply.

**Actual vs. Planned**
Using the procurement tools available in this Toolkit (such as the Annual Purchase Plan Template and the Order Forecasting Tool), school nutrition operators can compare the food items and quantities planned for use during the school year with the actual items and quantities that were purchased and served. If the planned amounts differ significantly from the actual amounts used, the difference—whether over or under the planned amounts—likely resulted in extra costs. This is because there are costs involved both in making up for too little ordered (extra deliveries or rush charges) and too much left in inventory (storage costs).

Review the specific items and quantities to analyze what might have caused the difference. Look at other records related to those periods. For example, did lower usage correlate with periods of inclement weather or the cold/flu season? Does higher usage correspond with a cafeteria promotion? Can better planning solve the problem in the future?

Be sure your staff keeps production records, so you can use these with your planning and forecasting documents. It’s essential to conduct this kind of assessment annually, but depending on the size of your district, the workload for you and your staff and your use of cycle menus, you may want to perform this kind of review with greater frequency.

**Industry Benchmarks**
Another assessment step that can provide useful insight is comparing key indicators with industry standards. Analysis of meals per labor hour (MPLH), price of paid meals and participation are three good areas to start. Industry benchmarks are as follows:

<table>
<thead>
<tr>
<th>MEALS PER LABOR HOUR (MPLH)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary School</td>
<td>21–35 MPLH</td>
</tr>
<tr>
<td>Middle School</td>
<td>18–30 MPLH</td>
</tr>
<tr>
<td>High School</td>
<td>15–30 MPLH</td>
</tr>
</tbody>
</table>
## PRICE OF PAID MEALS

<table>
<thead>
<tr>
<th>Year</th>
<th>Elementary School</th>
<th>Middle School</th>
<th>High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08 Meal Prices</td>
<td>$1.74</td>
<td>$2.02</td>
<td>$2.11</td>
</tr>
<tr>
<td>2008-09 Meal Prices</td>
<td>$1.86</td>
<td>$2.16</td>
<td>$2.23</td>
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</table>

## PARTICIPATION

### LUNCH

<table>
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<tr>
<th></th>
<th>2007</th>
<th>2005</th>
<th>2003</th>
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</thead>
<tbody>
<tr>
<td>Elementary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>55.0%</td>
<td>59.0%</td>
<td>56.0%</td>
</tr>
<tr>
<td>Free/Reduced</td>
<td>76.0%</td>
<td>75.0%</td>
<td>77.0%</td>
</tr>
<tr>
<td>Middle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>50.0%</td>
<td>52.2%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Free/Reduced</td>
<td>70.0%</td>
<td>69.0%</td>
<td>65.0%</td>
</tr>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>40.0%</td>
<td>40.0%</td>
<td>33.0%</td>
</tr>
<tr>
<td>Free/Reduced</td>
<td>52.0%</td>
<td>52.0%</td>
<td>45.0%</td>
</tr>
</tbody>
</table>

### BREAKFAST

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2005</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Free/Reduced</td>
<td>36.0%</td>
<td>35.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Middle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>6.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Free/Reduced</td>
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<td>22.0%</td>
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<td>High</td>
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<td>Paid</td>
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<td>4.0%</td>
</tr>
<tr>
<td>Free/Reduced</td>
<td>20.0%</td>
<td>18.0%</td>
<td>16.0%</td>
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</table>
Satisfaction Surveys
An efficiently run school nutrition program serves nutritious meals that are enjoyed and eaten by students, with minimal waste. Satisfaction surveys conducted with students on a regular basis at set times during the year will help school nutrition operators to determine whether they are meeting quality and taste goals with student customers. A Sample Simple Satisfaction Survey is available as a tool in the Appendix.

Nutrition Recap
Taste must be paired with nutritional integrity. Don’t wait for the state agency to conduct a formal review to confirm that meals meet federal and state nutrition requirements. School nutrition operations can and should use nutrient analysis software to analyze menus—even if you are using a food-based menu planning system—to confirm that school meals meet the recommendations of the Dietary Guidelines for Americans.

Commodity Utilization
Commodity utilization is another helpful step in assessing the results of your efforts to improve supply chain efficiencies. When you determine how much of your commodity entitlement dollars remain at the end of the year, you can gain a window into whether you have made effective use of the commodities you received from the government. Compare the commodities you requested with those that actually were provided and used; you may need to adapt your commodity strategies next year.

Efficiency Scorecard
It’s important to evaluate periodically the performance of your vendors and distributors. By doing so, you can determine whether a company is meeting your expectations, allowing you to make changes accordingly. The Efficiency Scorecard can help you in this area of assessment.
It’s important to periodically evaluate the performance of your vendors and distributors. By doing so, you can determine whether the company is meeting your expectations, allowing you to make changes accordingly.

**How to use the Efficiency Scorecard:**
The sample Efficiency Scorecard here suggests a few areas to consider evaluating; but these are not the only areas you can examine. Modify the categories to best reflect the needs of your school nutrition operation. You also will need to create an evaluation scale. This can be a simple two-tier word-based range: “Meets Expectation” and “Does Not Meet Expectations”. Or you can create a scoring system, assign number values from 1 to 5, with “1” representing “Does Not Meet Expectation” and “5” representing “Exceeds Expectations.”

<table>
<thead>
<tr>
<th>Category</th>
<th>Evaluation</th>
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<tbody>
<tr>
<td>On-Time Delivery</td>
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<td>Fill Rate</td>
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<td>Damage</td>
<td></td>
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<tr>
<td>Substitutions</td>
<td></td>
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<tr>
<td>Problem Resolution</td>
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</table>
SCHOOL NUTRITION IS AN EXTRAORDINARILY COMPLEX SEGMENT OF THE FOODSERVICE BUSINESS. While regulations relating to nutrition content, procurement and food safety provide important oversight to maintain the integrity of school meal programs, they also create complications in the supply chain. But one uniquely positive hallmark of school nutrition operations is a willingness among directors and other stakeholders to share best practices, strategies and innovations. The contents of this Toolkit and the accompanying web pages on SchoolNutrition.org feature general and specific insights from professionals at the top of their game.

Be sure to take advantage of many of the specific and customizable tools featured in this Toolkit and in the Supply Chain web section. Many of these are resources specifically developed by school nutrition operators for use in their own districts.

- Annual Purchase Plan Template
- Sample Timeline for Efficient Procurement
- Budget Calculator
- Order Forecasting Tool
- Pre-Bid Conference Discussion Points
- Pre-Bid Conference Checklist
- Pre-Bid Questions By Distributor
- Proposal Evaluation Tool
- Sample Simple Satisfaction Survey
- Efficiency Scorecard

In addition, stakeholders are encouraged to participate in the Supply Chain Discussion Forum available at SchoolNutrition.org. This is an excellent resource to use to ask questions, seek advice, share effective strategies and post tools and resources that work in your districts and companies. In particular, users are invited to share their experiences in using other tools and resources to analyze price versus cost; scratch versus prepared; commercial versus commodity; and other factors and decisions that affect supply chain decisions.
The Supply Chain Task Force has made significant progress in identifying areas to enhance supply chain efficiencies, as well as developing resources for SNA members to implement changes. While progress has been made, a long road lies ahead. There are many more challenges that must be met by all the stakeholders in the supply chain: schools, manufacturers, distributors and brokers. For example, some areas, such as accommodating special diets and food allergies, must be looked at more closely.

One critical component that must be a part of any discussion about developing an efficient school nutrition supply chain is the need for increased, open communication among all the players within the chain. When more information and business realities are shared, less confusion and guesswork goes into the process. If we each understand the challenges that others face, we can begin to see the areas where compromise and cooperation will lead to greater efficiency, lower costs and better value.

To encourage this kind of ongoing communication, a discussion forum has been established in the Supply Chain Toolkit area of SchoolNutrition.org.

Our collective challenge is to apply the tools presented in this Toolkit and build upon them and other technologies to close the supply chain gap. Our collective opportunity is to start realizing the genuine business benefits of efficient supply chain management—which long have remained largely untapped.

With the increase in commodity and food costs expected to continue for some time, as well as an ongoing rise in labor, benefit and indirect costs, the pressure is on all the stakeholders in the school nutrition supply chain. We must work together to maximize efficiencies, while maintaining nutritional integrity and quality food choices and growing student participation in the National School Lunch Program and School Breakfast Program.

Transformation is an ongoing journey, and the work of the Supply Chain Task Force is not complete—yet. We encourage you to use this Toolkit and provide comments and suggestions for its improvement to the members of the Task Force (see Acknowledgements). The Supply Chain Toolkit is a living document; we expect that it will change as the needs of the school nutrition segment change. We welcome all thoughts and ideas as we work to develop additional resources to aid you in developing a more efficient supply chain.

School nutrition operators who rise to the challenge will reap numerous benefits, such as better decision-making, greater flexibility, more agile operations, increased stakeholder value, increased revenue, improved profits and greater customer satisfaction. If you keep an open mind and dedicate yourself toward real advancement, you will start to see breakthrough results in all of these areas. And these benefits only hint at what can be achieved today—and in the future.
Appendix—Glossary of Terms

Aggregate Award—awarding bid items in like categories (e.g. canned, staple and frozen foods, milk, other dairy products, bakery items) for a specific period of time.

Agricultural Marketing Service (AMS)—the USDA agency responsible for purchasing surplus-removal items, such as meat, poultry, fruits and vegetables. AMS also provides end-product certification that, at a minimum, certifies against non-diversion and non-substitution of donated food.

Award or Bid—following 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 as established in the bid documents.

Bid Template—a template or document with standard language that may be utilized as a base for bid documents.

Bottom-line Award—contracting with a vendor based on lump sum price quoted for all products in a group.

Brokers—sales representatives, usually independent, hired by a manufacturer to market products, acting as an extension of the manufacturer’s sales force and working with both distributors and school districts.

Brown Box Commodity—a product that is received in the same form in which it was ordered from USDA. Frozen corn, diced chicken and canned peaches are examples of brown box commodities.

Centralized Purchasing—when the district school nutrition office makes purchasing decisions and consolidates purchases for all schools.

Child Nutrition Label (CN Label)—a packaging label that states that a meat/meat alternate or juice/juice drink product conforms to the nutritional requirements of USDA’s Food and Nutrition Service (FNS) and shows how the product may be credited toward the meal pattern. This is a voluntary program.

CN Label Number—the specific number assigned by USDA/FNS to a particular product meeting CN Labeling requirements.

Commodities—items purchased by USDA through established mechanisms and offered to states to allocate to school food authorities based on the established guidelines for a particular school year. Entitlement commodities are allocated based on an established rate that is based on participation levels from the previous school year. Bonus commodities are allocated through different procedures.

Conflict of Interest—any private or professional activity that would create a conflict between an individual’s personal interest and the interest of his or her employer.

Contracting Agency—either USDA, the distributing agency, the sub-distributing agency or the recipient agency that enters into an agreement with a commercial food processor for the conversion of raw donated food into finished end products.
Cooperative Purchasing or Purchasing Cooperative—a group of school districts that join together to accomplish all or part of the steps in the procurement process.

Cost-plus-fixed-fee or Formula Pricing—a bid based on the market-based price of an item, plus the cost of freight, overhead and profit-margin. This type of bid allows the final price of an item to fluctuate over the bid period, according to the market price.

Cycle Menu—a set of menus that repeat over a specified period of time, usually expressed in weeks. The length of the cycle varies depending on the needs of the foodservice operation.

Data Submission Form—a form used to obtain the nutrient information of a product from a food manufacturer for the purpose of conducting a nutrient analysis while planning menus.

Distribution Channel—a set of interdependent organizations involved in the process of making a product available for use by the end user.

Distributor—a commercial food company who purchases, receives and/or stores commercial food products. Distributors, in turn, sell, deliver and bill the recipient agency for goods and services provided.

District Purchasing Profile—a document provided to prospective vendors for the purpose of conveying specific information related to purchasing about the school district and the school nutrition program.

Economies of Scale—the most efficient operating level; the point where the costs are less per unit.

E-procurement/Electronic Procurement—the term used to describe the use of electronic methods at every stage of the purchasing process, from identification of bid requirements through to payment, and potentially to establish contracts.

Escalator/De-escalator Clause or Market-based Pricing—a provision in a contract stipulating an increase or decrease in price under certain conditions.

Ethics—rules or standards governing the conduct of individuals within a particular organization. A Code of Ethics is a written code of conduct that includes rules or standards governing the conduct of individuals within a particular organization.

Establishment Number—a number assigned by USDA’s Food Safety and Inspection Service (FSIS) that identifies a manufacturer’s name and plant location.

Fee-for-service—the price charged by pound or by case representing a processor’s costs of ingredients (other than donated foods), labor, packaging, overhead and other costs incurred in the conversion of the donated food into the specified end product. Fee-for-service is an alternative to using a standard value pass-through system. It primarily applies to meat and poultry products or other non-substitutable donated foods.

First In, First Out (FIFO)—a method of inventory rotation that dates all stock as it enters the facility and ensures use of oldest stock first.

Fixed-price Contract—any contract except a cost-type contract. This term also includes firm-fixed-price contracts.
Food Biosecurity or Food Defense—the protection of food supplies from bioterrorism. Bioterrorism is the intentional use of chemical, physical or biological agents to cause harm. Another accepted term is Food Security.

Food and Nutrition Service (FNS)—the USDA agency responsible for administering the federal child nutrition programs.

Forecasting—the use of historical records and other available information and relevant factors to project and adjust the number of servings of each menu item that will need to be purchased, prepared and served at a given time.

Formal Purchasing—the purchasing procedure used for purchases that exceed the allowable dollar amount, known as the Simplified Acquisition Threshold or the Small Purchase Threshold, established at the federal and state level. Invitations for Bid (IFBs) and Requests for Proposal (RFPs) are the two main types of formal purchasing methods used by school nutrition programs.

Hazard Analysis Critical Control Point (HACCP)—a risk management system in which food safety is maximized through the analysis and control of biological, chemical and physical hazards as food flows through a foodservice establishment.

Hold—a time period imposed by USDA to investigate a potentially unsafe product prior to making a decision whether or not to issue a recall for the product. During this time, the school may not use the product.

Informal Purchasing—the purchasing procedure used for purchases that do not exceed the allowable dollar amount, known as the Simplified Acquisition Threshold or the Small Purchase Threshold, established at the federal and state level.

Intermediary—an individual or business that transforms the quantities and assortments of items made by producers into the quantities and assortments wanted by the customer.

Inventory—the value of food and supplies on hand, either at the food preparation site or at other storage locations.

Inventory control—the process of maintaining food and supplies at the desired quantity levels and quality levels.

Inventory management—the process of ensuring that the quantities of food and supplies necessary to operate are available when needed, while controlling the costs of ordering and holding inventory at the lowest possible level.

Inventory Turnover—the number of times the average inventory has been purchased during a particular time period, such as a month or a year. This is calculated by dividing the cost of goods purchased by the average value of inventory.

Invitation For Bid (IFB)/Invitation To Bid (ITB)—a publicly advertised bid document requiring vendors to respond with a sealed bid that is publicly opened at a specified time.

Just in Time (JIT)—a system that minimizes inventory by ordering food and supplies as they are needed, typically only ordering what is needed in the next 7 to 10 days in inventory for a district that receives weekly deliveries.

Lead Time—the time between when an order is placed and when it is delivered.

Legal Contract and Binding Commitment—a term that means the school district and a vendor have an agreement, preferably written, that is enforceable by law and that both parties have a legal obligation to follow the terms and items specified.
**Line Item Award**—an award contract for products based on the price of each item on the list.

**Line Item Bidding**—bidding in which the distributor bids on each item on the list and the distributor offering the lowest price receives the order on that item.

**Logistics**—the managing and controlling of the flow of goods from the source to the end user.

**Market-Based Pricing**—a process that bases the cost of commodities (i.e. milk, produce) on markets.

**Material Safety Data Sheet (MSDS)**—a written description of the content, hazard and safe handling procedures for chemicals and products containing chemicals as required by the federal Occupational Safety and Health Administration (OSHA).

**Middle Man**—the term used to describe vendors or suppliers in the purchasing process who conduct business transactions between the manufacturer or processor and the school district or SFA. In school nutrition purchasing, the middle man is often the local distributor. Large school districts or purchasing cooperatives may remove the distributor from the process and establish costs to procure certain products directly from the manufacturer or processor.

**Net-Off Invoice**—a variation of the hybrid sales system that allows a distributor’s velocity report to the processor to act as the rebate application. These reports may be transmitted electronically.

**Number of Days of Inventory**—the value of food and supplies tied up in inventory at a particular point in time, usually the end of the month, stated in days and based on the average daily food cost for that month. This value is used for cost control and benchmarking.

**Nutrition Facts Label**—a label containing information on ingredients, product serving size, selected nutrients and other information as required by the Nutrition Labeling and Education Act of 1990.

**Open Competition**—a purchasing environment in which all responsible vendors have an equal opportunity to supply the school district with the goods and services that the district specifies.

**Ordering**—the process of communicating the items and quantities of food and supplies that are needed to be delivered on a given date to the vendor.

**Order Placement Calendar**—a calendar developed annually and organized by weeks that helps the manager to order food and supplies for a given menu period for delivery by the date needed. It contains the date the menu is to be served, the order date and the delivery date.

**Outsourcing**—the subcontracting of a process to a third-party organization. The decision to outsource is often made in the interest of lowering firm costs, redirecting or conserving energy directed at the competencies of a particular business.

**Par Stock**—the level to which inventory is restored each time an order is placed.

**Perpetual Inventory**—a daily accounting record of the receipt and usage of donated food, which is updated with each transaction of receipt or usage. Perpetual inventory tracks on paper the amount of donated food that should be in physical inventory at any given time and is periodically reconciled with physical inventory.

**Physical Inventory**—a periodic physical count of all items in all storage areas.
Pre-bid Conference—a meeting held with prospective vendors prior to issuing a final bid. This meeting typically results in a better bid process, because vendors can communicate with the purchasing agent(s) and ask questions. Final bid documents can be revised or improved as necessary to facilitate a more competitive environment through changes in the product list or in other sections of the bid document.

Prime Purchasing Practices—a set of purchasing principles and strategies that will help directors and managers of child nutrition programs control costs, preserve the integrity of established purchasing systems and improve program operations.

Prime Vendor—a term used for a vendor from whom a school nutrition program or purchasing cooperative purchases the majority of food products.

Product Number/Code—the number or code used by a manufacturer to identify a specific product. This code is on the label and is used to ensure that products that are received are products that have been ordered.

Procurement—the process of obtaining goods and/or services; it includes all activities associated with preparing product identifications, making purchases and administering contracts.

Purchasing—the process of getting the right quality and quantity of food products into a school facility at the right time and the right price. Purchasing must meet pre-established standards for quantity, quality and price.

Purchasing Agent—any individual who is officially designated by the school district or school board to contract for necessary supplies, including food, equipment and services.

Purchasing Planning Calendar—a document that lists all tasks related to the bid process, establishing the purchasing system for a given school year and the respective timeline of each task. To construct the calendar, the purchasing agent typically starts with the date of the first food delivery and works backwards.

Recall—a voluntary action by a manufacturer or distributor to remove products from the marketplace and protect the public from products that may cause health problems or possible death; a recall also is used to remove products that have been mislabeled.

Receiving—the point at which a foodservice operation inspects the products and takes legal ownership and physical possession of the items ordered. The purpose of receiving is to ensure that the food and supplies delivered match established quality and quantity specifications.

Recipient Agency—any of the following organizations within a state that are eligible to receive USDA-donated foods: schools (public and private), residential child care institutions, charitable institutions, nutrition programs for the elderly, summer camps, Summer Food Service Program sponsors/vendors and soup kitchens.

Reorder Point (ROP)—a predetermined number usually calculated based on a number of factors. Once inventory drops below the ROP, a replenishment order is generated.
Request For Proposal (RFP)—an invitation for suppliers, through a bidding process, to submit a proposal on a specific product or service. A bidding process is one of the best methods for leveraging a purchasing organization’s negotiating ability and purchasing power with suppliers. The RFP process brings structure to the procurement decision and allows the risks and benefits to be identified clearly upfront. The RFP purchase process is lengthier than others, so it is used only where its many advantages outweigh any disadvantages and delays. The added benefit of input from a broad spectrum of functional experts ensures that the solution chosen will suit the purchasing organization’s requirements.

Request For Information (RFI)—a proposal requested from a potential seller or a service provider to determine what products and services are potentially available in the marketplace to meet a buyer’s needs and to know the capability of a seller in terms of the offerings and strengths of that seller. RFIs are commonly used in major procurements, where a requirement could potentially be met through several alternate means. An RFI, however, is not an invitation to bid; is not binding on either the buyer or sellers; and may or may not lead to an RFP or RFQ.

Request For Quotation (RFQ)—a process that is used in situations where discussions aren’t required with bidders (mainly when the specifications of a product or service are already known), and price is the main or only factor in selecting the successful bidder. An RFQ also may be used as a step prior to going to a full-blown RFP to determine general price ranges. In this scenario, products, services or suppliers may be selected from the RFQ results to bring in to the operation and further research in order to write a more fully fleshed-out RFP.

Responsive Vendor—a bidder who responded to all of the required portions of the bid and followed specified directions.

Responsible Vendor—a bidder that is a reliable supplier that can fulfill the provisions/specifications of the contract.

Reverse Auction—a tool used in industrial business-to-business procurement. It is a type of auction in which the role of the buyer and seller are reversed, with the primary objective to drive purchase prices downward. In an ordinary auction (also known as a Forward Auction), buyers compete to obtain a good or service. In a reverse auction, sellers compete to obtain business.

Robinson-Patman Act—an antitrust law that prohibits unfair trading practices.

Run/Code Date—the number stamped on the label of a product at the time it is packed. This number identifies the date, shift, etc., when a product was packed.

Safety Stock—stock held that is in excess of what the organization expects to sell. The purpose is to act as buffer inventory to account for unexpected customer orders, increased demands and longer-than-expected manufacturing or transportation times.

Sealed Bid—a bid submitted as a sealed document, by a prescribed time. The contents of the bid will not be known to others prior to the opening of all bids.
Specification—a statement that contains a clear, concise and detailed description for a particular food item, supply material, equipment or service. Specifications address the characteristics of the items to be purchased and the conditions under which the purchase will be made. Various authors list different elements for a food specification. Characteristics for food items might include the name of the product, federal grade, size information for container and product, unit on which price will be based, quality indicators, packaging procedures and type of package, test or inspection procedures.

Standards of Identity—a term used to specify what ingredients a product must contain for the product to have a specific name.

Standards of Quality—Minimum standards used to establish specifications for quality requirements, such as color, uniformity, defects, etc. For some food products (such as canned or frozen fruits or vegetables, meat, eggs, poultry, etc.), federal grade standards set uniform quality standards.

Standard of Fill—the standard that tells the packer how full the container must be and how this is measured.

Standard Terms and Conditions—the section of a bid document that contains legal language covering details such as the correction of mistakes, collusion, unit price prevailing and adherence to specifications.

Stock—the inventory of food and supplies on hand.

Storage—the act of placing food products into climate-controlled locations, such as store-rooms, refrigerators or freezers to maintain quality and assure safekeeping.

Strategic Sourcing—an institutional procurement process that continuously improves and reevaluates the purchasing activities of a company. It is one component of supply chain management.

Substitution—the replacement of the item ordered with an alternative item, because the item ordered is not available; substitution also may relate to the replacement of a menu item with an alternative menu item because that menu item is not available. Menu Substitution is a change made to a planned menu due to various reasons, such as food shortages or improper delivery from vendors; substitutions may change the nutrient content of planned menus.

Velocity Report—a report generated by the distributor that tracks how often a product is ordered.

Vendor—an organization that sells goods or services; a supplier.
Appendix—Web Resources

There are several websites that have additional resources that can help you improve supply chain management and your purchasing practices. For example, in the Supply Chain section of SchoolNutrition.org, you will find a number of links and resources, including USDA procurement memos. The following references were consulted by the authors in assembling this Toolkit.

**ACDA Handbook for Recipient Agencies**  
American Commodity Distribution Association  
December 2007  

**First Choice: A Purchasing Manual for School Food Service, 2nd Edition**  
National Food Service Management Institute  
2003  

**Prime Purchasing Practices**  
School Nutrition Association  
2006  