Agricultural Marketing Service
Creating Opportunities for American Farmers and Businesses

2017 INDUSTRY MEETING
FOR
USDA FOODS CONTRACTORS AND SUPPLIERS

OCTOBER 24-25, 2017
ARLINGTON, VA
Business Management Improvement

Dave Tuckwiller
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Business Management Improvement (BMI)

- Business Process Review/Re-engineering of the USDA Foods program
- Sponsored by FNS & AMS
- Initiated October 2015
USDA Foods BMI Goals

- Improve product availability
- Improve on time delivery / shorten delivery periods
- Improve product variety for small states
- Minimize storage and distribution expenses
- Increase demand and supply visibility
- USDA Foods complement program operations
USDA Foods BMI Goals

- Reduce order management administrative overhead
- Address technology challenges
- Integrate more seamlessly with industry commercial operations
- Reduce expenses providing little program value
- Redirect savings to more food and customer service/program improvements
BMI Activity

• Developed the business case for the opportunities that came out of the “To-Be” process documentation

• Developed an implementation plan

• Created workgroups (FNS & AMS)
  – Determine and finalize the scope for all opportunities
  – Identify, determine project success factors, and implement pilot tests
  – Develop project plans for full rollout of the business changes
Opportunities

Big Ideas

- Supplier Management Program
- Optimize Check Loading
- EDI/Automation/Reporting
- Inventory/Distribution Centers
- Long-term Consensus Forecast
- Assortment Planning/SKU Rationalization
- Supply Planning
- FOB Origin
- Transportation Management
- Streamline National Processing Program
- Align supply/demand windows
Processing Program – Current High Level Process

1. Local selection of Processors and Distributors
2. Orders Placed by States in WBSCM with Delivery Periods and FTL – Entitlement Adjusted
3. USDA procures and delivers raw FTL to the processors – Entitlement Re-adjusted
4. Draw down of inventory based on actual sales to recipients
Local selection of Processors and Distributors

RA/States allocate $ of entitlement to processing - Forecast

USDA procures through LTC and processors request deliveries when needed

Draw down of inventory & entitlement adjusted based on actual sales to recipients
Processing Program Challenges and Discussion

- Forecasting
- Long-term Contracting (at least 1 year)
- FOB Origin vs. FOB Destination
- Processor pulling inventory
- Value pass-through
- Transparency through Distributor
- Entitlement Draw Down
Direct Delivered (Brown Box) – Current High Level Process

Orders placed by States in WBSCM in FTL quantities – Entitlement Adjusted

USDA procures based on orders FOB Destination – Entitlement Re-adjusted

Vendor responsible to make appointments and deliveries within 15 day window

Payment made when invoice submitted and GR entered
Direct Delivered—BMI High Level Concept

USDA/SDA/SFA forecast volume of product needed to purchase

USDA procures when Industry needs based on forecast - FOB Origin

USDA determines product for DC

Orders placed by States in WBSCM in FTL/LTL/Pallet quantities with delivery day – Entitlement Adjusted

USDA fills orders from DC or direct from vendor in FTL – transportation management

Vendor payment made upon shipment of product

Delivery made on delivery day

Transportation payment made upon delivery – Entitlement Re-adjusted
Direct Delivered Challenges and Discussion

- Forecasting
- Long-term Contracting (at least 1 year)
- FOB Origin vs. FOB Destination
- Order quantity – FTL, LTL, Pallet
- USDA Inventory Management
- USDA Transportation Management
- Entitlement Draw Down
Vendor Input

• We asked for volunteers to participate with us

• We asked for comments/concerns after last year’s Industry Meeting

• For those attending ACDA’s annual conference, we gave another opportunity for comments/concerns

• Responses have been somewhat limited
Breakout Session – It’s Your Turn

• Each table has a facilitator

• Each table has a set of questions meant to facilitate discussion

• We would appreciate your feedback for the next approximately 2 hours
Breakout Session - Topics

- Forecasting
- Supply Planning
- Long-Term Contracting
- FOB Origin Purchasing
- Transportation Management
- Checkloading
- Distribution Centers
- Supplier Management
- Processing Program
- Electronic Capabilities
- Assortment Planning
Discussion
Wrap Up

• We hope the discussion doesn’t stop here – talk to others in your organization, ask the questions, and send responses to us

• Next steps
  – Pilot test, then pilot test
  – System changes and updates
  – No big bang, will take time
Additional Questions/Comments

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