

The following is a summary of vendors' comments regarding process improvement collected by AMS' Commodity Procurement Staff during Business Model Improvement (BMI) breakout sessions at the 2017 Annual USDA Foods Contractors and Suppliers Industry Meeting, Oct. 24-25, 2017.

Specialty Crops Program Industry Meeting BMI Discussion

Forecasting

- One firm uses Archive, which uploads into SAP (SAP isn't that flexible); they need it to be user-friendly. It takes an army of people who must tabulate weekly, monthly daily forecasts of a food district. They only get a nod for USDA commodity when they're in oversupply. USDA gets in line behind Kroger's, Safeway, and Winn Dixie.
- How much crop carryover do potatoes have? Raw inventories and finished goods are managed to nothing. The goal is not to be carrying over any on the raw side. Sometimes they cut it too close.
- Capacity restriction. Not enough capacity—one company indicated it can sell every potato it grows.
- Time buckets (e.g. monthly, quarterly, annually)? Fruit juice is different. There are a lot of problems caused by nature. Quarterly system works well for juice. For tomatoes and potatoes—annually
- Currently do not forecast for AMS purchases, but wait on bids
- With commercial customers, forecast ahead of time through the contract season
- AMS should request quarterly forecast from recipients.
- If AMS could forecast, it would be easier for our bidding availability.
- Prefer to have a minimum of 60 days advance notice of actual order for the forecast to be meaningful. Need to know more than a year on IDIQs so not to have all loads in the beginning
- Also brought up the issue of 60 day inspection before shipping, check loading, if freight only goes regional or nation, and more. Essentially factors that would affect the timing of when the forecast needs to come out.
- Challenges – it's tough and time intensive to get
- AMS purchases – get away from the bids
- Other customer's needs – Know how many tons of the product let's say in CA, get the average consumption of every individual.
- Depends on crop timing, all about pack season
- If AMS were to request a forecast from the recipients, what information should we gather?
 - Do an annual forecast, revisit every quarterly, then evaluate where they are and adjust.
- USDA will have more accurate date if you use the monthly performance reports, commodity uses history. This company uses a system that pulls the monthly performance report for commodity history/performance reports a year ago, projected performance based on customer demand, and a report of what actually happened all on one page to compare the forecasting for that month.
- One vendor said we don't have issues with the current forecasting

- Stated that it's impossible to forecast, because they don't know when the orders are going to come & they can't enter into a contract when you don't know what the quantity is.
- Short turnaround between when we release the Solicitation & when the bids are due. Referenced the Bonus Buy
- Vendors would like to know in advance when the bid will going out – concerned about the bid staying out only for a week.
- Two vendors said they can't bid on regular Dry Bean Solicitations due to the Set-Asides as they are a large vendor. They did get a chance to bid on the Bonus Buy due to no Set-Asides.
- Forecast duration? Year in advance.
- Time buckets (e.g. monthly, quarterly, annually)? Quarterly – 6 months (Juice vendor).
- Forecasting – tomato forecasting has been out of whack.
- AMS does not forecast and if it does it does not do it correctly.
- With three month buys they can really drill down the fruit cost.
- With IDIQ they can drive up price 1 or 2 dollars per case because of shipping, however also with that we know what products you want and we have it ready and on hand.
- Accurate forecast will help vendors with their forecast.
- Many vendors would like to have information about the bids earlier so they have more time to put product together.
- AMS is looking to be in control of shipping through HUBS.
- Vendors would like a forecast for at least a year. They said that would be great.
- When forecasts would come out that early they would be able to plan better for their future deliveries.
- Suppliers would like to forecast so they can know in advance what to expect.
- One vendor feels that the analysis takes too long, roughly 6 mo.
- A couple of weeks is more realistic
- Validation process shouldn't take so long
- USDA bids process is before orchard knows what's going to happen; costs them as least 10%.
 - July is too early, buy is risk, if wait until August reduces risk by 50%
- Bidding for full school year
 - Processors tell them when they should have delivery
- Get orders at least twice a week by cases
 - Have 3-5 business day lead only
- So these processors of apples feel they are already doing this as far out as they can commit to
- Want venue to get feedback from processors on yearly basis
- Processors forecast to suppliers now
 - School orders are more predictable than commercial (Walmart, grocery store)
 - Same size & same number of students to feed
 - School might not know but school district does know how many cases of apples historically purchased per week
 - Distribution only put in on quarterly basis
- The model we are presenting is what they are doing
 - We project when getting loads
 - We are marketing specialists

- USDA gathers forecast of bulk product and goes into IDIQ bid
 - USDA has inventory bulk on paper
 - You notify then when needed
 - Only pulling what is needed to process when order is placed
- Don't know where product actually went until get payment back
 - Distributors orders
- Don't have a voice – too small
 - Want to reduce risk put in contract for fresh programs
 - Schools buy by pound by the dollar; if pay more for risk then get less product
- Timing of bids needs to be more accurate to what costs are going to be in January versus July
- Value Pass Through to schools
 - Over time will get right product with right size
- One Vendor
 - New to USDA
 - More finite we can get on a monthly basis, will benefit USDA = More able to give a specific price
 - Accurate forecast would help greatly from a production standpoint
 - USDA comes first, leftover goes to customer
- One Vendor
 - Yearly or even 6 month forecast would be very helpful
 - Customers come first, leftover goes to USDA
 - If we had a forecast in advance, would be more able to work USDA into the production schedule
- One Fruit Vendor-All comments are driven from a packaging of dried fruit perspective
 - Forecasting will be dependent on the size of the crop
 - Forecasting at a quarterly level will be the farthest horizon
 - Predicting surpluses will be difficult
 - Variation in shelf life within the same crop is a forecasting concern
 - There is uncertainty that suppliers will properly handle a surplus
 - Example: there may be a surplus of dates- but their packing won't see that increase because other vendors will have consumed the surplus (large bulk buys) before they got a chance to buy
- One Vendor- All comments are driven from raw fruits, vegetables, and other commodities for the food processing and packing industry.
 - Annual crops would work very well with Forecasting and Long Term contracts
 - Perennial crops wouldn't work well with either Forecasting and Long Term contracts
 - Would have to split Annual and Perennial crops into different demand streams
 - Annual Crops: The forecast should be published at 'Seeding Time'
 - Time the bids to match the harvest times
 - These dates will vary depending on the crop
 - Aligning bidding to the harvest times will create more price friendly responses

Supply Planning

- How will bonus buys fit into this process?
- current form is very manageable
- Vendor would prefer to ship product over a three month period rather than all at once to a HUB.
- Vendors do not see the value in check loading. They have said that 99% of the time it passes with no issues.
- One vendor who comes from fresh side feels their inter controls are more stringent than ours anyway.
- Lower bid for no check loading.
- One vendor said they have a red, yellow, green light scale for years. Maybe USDA can implement some type of light system as well. Basically loads are inspected randomly and if they don't receive a percentage of green light loads the inspections get more frequent. If yellow or red light loads comes up even more inspections are done until they get back to green light loads.
- 2 bids in May is good and IDIQ - Difficult to give good price due to storage costs
- One vendor said they are just looking for consistency

Long-term Contracting

- Performance penalties are something practiced by industry
- How will set-asides be affected by long-term contracts?
- How will being a non-manufacturer be affected by long-term contracts?
- Spot buying is preferred over long-term contracts
- How will market value be handle throughout a long-term contract?
- What happened when USDA does not go through with their contract (seems to currently be the case sometimes)?
- With commercial customers, contracts are year to year because of the seasonality of their commodity so they cannot low-ball it.
- If LTC exist, it would only change the volume.
- Pricing is fixed per season.
- Indexes used to determine pricing for LTC are field costs, labor costs, and USDA Market News.
- If continue with FOB destination and how it affects transportation costs, would like to know 60-90 days in advance versus the current 45 days minimum for IDIQs. The prices are high because of risk.
- LTC with AMS would have to be negotiated. Issue of contract fulfillment vs. default.
- One vendor said:
 - Happy with their IDIQ contract with AMS
 - AMS is flexible
 - Would probably consider no more than 2 years but prefer 1 year – sufficient crop
- Not interested in long term contract.
- Crop size could change depending on weather, shortages, and/or any other issues.
- Raisin Vendor: Commodity Specifications require even pallet quantities is can be an issue for industry. One-year contract would be great, but not a multi-year. Product Fumigation should only

happen once (USDA requires a product to be fumigated every 30 days, sometimes forcing the vendor to fumigate multiple times).

- Quarterly purchases work for vendors because everyone gets multiple tries to participate. If there is only one buy per year, vendors may not get another chance for a long time and it could cause vendors to leave program.
- It would be hard to commit to a long term contract because crops could vary year to year, along with annual prices.
- Ideally would like 1-2 year contracts with ½ or ¼ pricing adjustment.
- Weather and disasters are big risks to long term agreements.
- New products that would require capital investments by the vendor would be good for a long term contract.
- Long term contracts would eliminate some vendors entirely.
- Would the contracts be product specific? (i.e., just tomato sauce, or sauce, salsa, and paste)
- We currently have no long term contracts with commercial customers.
- From the standpoint of the dry edible bean world, long term contracts, while doable, would not be cost effective for AMS. Dry edible beans have no risk management options available. Prices would need to be elevated in order to contract in advance
- As far as destination purchases go the best and safest (for both parties) freight rate is going to be within a two week time frame. This is why we feel quarterly bids are the most manageable in terms of guaranteeing freight rates, packaging materials and labor costs, basically all of our packaging costs
- Quarterly bidding allows us to maintain a competitive edge
- We are a small farmer owned company that prides itself in providing AMS with a quality product for a small profit. And I really feel the quarterly bidding allows the best option for us
- Do you currently have long term contracts with commercial customers? **Yes.**
- What is the duration of those contracts? **1 year & Lassonde 2 years.**
- For how long is pricing fixed? **Price is fixed or Force Majeure (Excusable delay).**
- How could pricing work for a long term contract (i.e. what indexes to use, freight if we continue with destination purchases, etc.) **Use orange Future index in commercial pricing. Use USDA market news, several indexes.**
- Would you be interested in AMS going to long-term contracts? Why or why not? **Yes, but 1 or 2 years for both vendors.**
- AMS can do contracts for 1 year plus 4 option years (a total of 5). What would be the longest length of contract that you could support? Why? (document what products too) **Same as above. Fruit Juice might be able to do a 2 year basis with an EPA (Estimated Pricing Adjustment) on long term.**
- What information would you want in order to lock into a long term contract (i.e. volumes, volumes by delivery, destinations, etc?) **Volume & Destination if long term delivery.**
- If we were continuing with destination purchases, how far in advance do you need to know where to deliver to and when, in order to get the best transportation pricing? **Depending on the type of transportation you are using. Lock in prices when bid is submitted USDA.**
- Are there any challenges to doing long term contracts with AMS? (I.e. if there is a shortage, would AMS take a shortage or be out completely?) **Concerned that if they enter into a contract & they**

get towards the end of the contract & there is no supply to finish the contract out – who is liable for the product that is not available.

- One vendor would like 1 year contracts at a time because of the product that they sell. However they would be open to a two year contract if there would be controls in place to adjust for pricing over the seasons.
- Another vendor would like a 1 year contract that would begin in October.
- Vendors are open to long term contracts based on some type of index. They love the idea of long term contracts. However on long term contracts there needs to be some type of caveat for bad product or crop year.
- For long term contracts now, they adjust price per case per month based on storage costs.
- How far in advance do you need to know destination deliveries? Rates are loaded in now but the floods are causing transportation costs to escalate. Better pricing in trucking comes with longer notice.
- One vendor would like to have the ability to do long term contracting because they are more efficient if they are able to know when they are shipping. They suggest 3-5 yrs.
- Another vendor recommended 1 yr.
- They would all like a benchmark
- Timing of procurements is crucial to processors or fresh food
 - Every year timing differs for harvest
 - Bidding early adds risk
- Goal of doing LTL and pallets
 - They already do this
- Look at category of commodity for future processing
 - Buy in FTF; standardization spec of raw product will help
- Long Term Contracting not good for them as previously discussed
 - Don't want to commit more than a year out
- One vendor said:
 - 1 year would be ideal
 - Price and quantity can fluctuate greatly
 - Maybe 2 years, with 1 year and then review
 - Commercial contracts are a year (or a season)
 - Indexes - tie prices to an index sometimes
 - Fresh - Fresh Commodity Market Price
 - Frozen
 - Established beginning of season
 - Influenced by competition
 - Longest? 1 year with options
- A second vendor said:
 - October/November – 1 year at a time - Commercial contracts are 1 year
 - Don't really use indexes
 - Longest? 1 year with options
- Continue with destination, how far in advance

- 1 or 2 month
 - With definite location and quantities, can lock in loads with a carrier
 - 6 months for the best price

FOB Origin Purchasing

- From the simplest standpoint—it would be great if USDA would pick up; however, from a cost standpoint – none of the vendors could see how it would work. Most of their transportation is contracted w/ brokers and external auditors. They feel they can negotiate a better rate. They all felt it was a bad idea and they didn't understand why USDA was considering it.
- With commercial customers, do have contracts where customers pick up. They deal with inspection fees, storage costs are built into the firm-fixed price annually, and they take full truck loads.
- Yes they are interested in AMS locks in volumes of products at beginning of contract period and arranges for transportation.
- For pick up appointments, those processors with on-site inspector needs 10 days. The facilities without on-site inspectors need 60 days for scheduling availability.
- Vendors would be willing to accept pick-up of product in less than truck loads (not full truck loads) if
 1. Certificate extends beyond 60 days and
 2. When load is not broken into 4 when contract says FTL.
- Would need to be able to designate volumes by delivery period window in original contract in order to plan production.
- One Company:
 - Yes, they have customers pick up the product from them.
 - If AMS solicit FOB origin, the transfer of title is from the plant.
 - If the product is delivered late, it's between the government and the carrier, contractor is out of it.
 - Interested in AMS locking in volumes of product and arrange for transportation.
 - Two weeks advance notice depending on when product is inspected and shelf life of the certificate.
 - As long as there is no additional cost to the manufacturer, they are willing to have the state/school's distributor, either in full truckload or LTL, pick up the product – but would rather disregard using a distributor– not advantageous, higher cost to the government.
- Could we also bid on transportation? This would be a separate contract
- How will USDA solicit for trucks?
- How would check loading work if another company is responsible for trucks?
- How can we control quality of truck and will we be penalized for late deliveries if we refuse a dirty truck?
- How will we schedule inspectors if others are scheduling appointments?
- When will we know the quantity for contract?
- How does it get forecasted?
- Concerns about holding product if we don't have storage
- If USDA has their own DCs, they should have rail options if vendors want to transport that way

- Some vendors would feel disadvantaged if they couldn't deliver their own cases. They have their own trucks or contracts that are already in place to handle USDA business
- How will USDA warehouses work?
- Are they following the Indian Reservation model?
- We like a two week advance notification for pickup at our plant
- One company operates both a brokerage and a fleet of over the road trucks.
- I believe all bean suppliers have roughly the same commodity prices.
- It is each of our abilities to source cost effective transportation that provides AMS with a competitively price delivered product. This in turn keeps transportation companies honest in their bids to suppliers. It is very apparent in every award that demographics of the transportation rates play a huge role in the cost of the delivered product. This process gives each bidder a chance at a portion of the award
- Yes, we would like to have an opportunity to bid the freight. My fear is, as a small company we would be living in the shadows of the mega transportation companies
- It might be nice to give people the option of whether they want to bid their products FOB their plants or delivered. Maybe offering each. So like each better could offer an FOB price and a delivered price. And AMS could consider both prices and then decide if they could get Transportation at a better rate
- Do you have contracts where the customer picks up product? How are those contracts structured?
Have a few; depending on customer they will get a flat allowance. If FOB origin \$10.00 if it's delivered \$12.00. Trinidad/Benham – 2 week leave time to pick-up from plant. It was also stated by the vendors that once it leaves the dock, it's not the vendor responsibility and if we are going to do FOB then check loading still needs to be a part of the process. .
- Would you be interested if AMS locked in volumes of product at the beginning of the contract period and arranged for transportation as needed? **Yes. Would need to have the forecast & delivery schedule.**
- How much advance notice do you need for pick up appointments? **2 weeks but 24 hours if product is ready to ship.**
- FOB origin I with check loading the vendors need about three weeks.
- Would you like the opportunity to allow to bid destination if you could? All vendors agreed that they would. All of them would like the option to bid that way.
- How much advance notice for pickup?
 - Frozen, 2 weeks (3 weeks with check loading)
 - Fresh, less
 - Largely in favor of USDA purchasing FOB Origin and managing Transportation
- How do you contract transportation?
 - Went to our main carrier, even though there were 30 loads could not get a guarantee from the carrier
 - Have had to renegotiate with hurricanes
 - Do not have our own fleet
- Would you like to bid on transportation?
 - No

- May behoove USDA to allow larger vendors, especially with own fleet, to bid on transportation

Transportation Management

- Needs to be tested for all recipient end places i.e. FDPIR, Schools, etc.
- How do we know what transportation costs will be? Will it be fair in regards to location and distribution center sites?
- Will this lead to awards becoming more regional sense transportation costs are currently included in bids?
- How will freight costs be factored into a solicitation? Will there be freight bids?
- Some vendors have their own trucks, would this kill their transportation group? Would they be able to bid on transportation?
- USDA would begin experiencing all the transportation issues the vendors experience, which appears to be the largest source of issues
- How do you contract transportation? They use brokers. They indicated that if USDA went to third party transportation manager, it would not work--costs would go up. And...commercial food service distributors are a separate entity. They don't use only one company. They need to leverage costs. They arrange a fair amount of freight themselves, but it's mostly pickup. They have distribution centers. USDA would likely rely on that third party to handle it. USDA should not be part of transportation.
- They feel that we should not do transportation management and only do distribution center. They feel once we take on transportation, which involves check loading and inspection, it will be so cumbersome and add more administrative work that we will just give it back to them in five years.
- They still think we should do the transportation pilot to learn, and suggest we do it with smaller, regional transportation companies and not with Sysco and USDA Food Service.
- Sysco and USDA Food Service are harder to work with because they do not need our business and they use their own internal PO. So vendors suggest that if we do use them, then we need to get their internal PO printed on our PO.
- If AMS contract for transportation, it will be a headache – too much issues.
- One company owns their trucks and not interested in bidding for transportation contract.
- Don't believe that AMS could lower transportation costs by managing transportation themselves, it may cost the government more.
- For USDA to take on transportation of product they would need to have one or two national contacts with a trusted and reliable company. New industry standards to be aware of are that drivers can now only drive 10-11 hours a day and then need a 10-hour break.
- Tree Nuts: Transportation difficulties are that tree nuts are worth a lot of money and the trucks are a target to steal.
- Some mid-west docks are unionized and don't allow drivers on the dock. USDA should look up what percentage of locations don't allow truckers.

- It would be really nice to for vendors to have the option when bidding to bid FOB or to destination like they do with HI/PR. They would save the government money especially if they are shipping to areas that are close to their facilities.
- Transportation Issues that USDA will face: Sometimes food banks are too full to take all the product.
- Who would have to pay the detention fee? Does the vendor get reimbursed for staff to pay for truck cost of overtime?
- Vendors feel that it's going to be a bigger challenge to manage carriers, contracts, USDA inspectors to FOB origin.
- To get the best rate, the carrier wants to know volume
- A hub and spoke process was suggested

Check loading and Inspection/Grading Requirements

- Who will inspect the trucks before they leave the vendor's facilities?
- Currently, we require check loading for fruits, vegetables, poultry, and a few products that have had delivery issues. What are your thoughts on check loading? Because the bill of lading is the legal document, they feel it's "double inspecting" and not necessary. Why additional inspection necessary? They're in favor of eliminating check loading because they feel it's redundant. One firm mentioned GFSI audits that are more intensive than USDA inspection, and they recommended that be used instead.
- What other inspection/grading practices should AMS consider changing? Provide a reason for the change. Every processing GFSI certified facility and have been audited by FDA that it should suffice versus USDA inspection. It's required and you're not getting rid of it because it's mandated by FSMA. Additionally, inspectors are not always available. Third party inspectors should be allowed instead of only USDA.
- One company said not doing check loading is amazing (currently participating in the pilot).
- Many vendors agreed:
 - Only USDA requires check loading.
 - Definitely would recommend removing the check loading requirement completely from AMS's requirement – it's a duplication of inspection and cost. Cost them to inspect the product and to check load.
 - In multi stops, case counts – mistakes always happen.
- USDA is the only customer that requires check loading, please remove this requirement. Plus the vendor follows the procedures and load is certified all there, but if the food bank says they are short then the vendor still gets penalized even if the check loading report states all product was in full when the truck was sealed. Biggest expense is the amount of time check loading takes.
- Vendors would rather deal with the very few issues and penalties than the cost and time implication of check loading.
- The history of check loading produces very few negative findings. Wouldn't the recipient of the truck be more likely to notice a mistake?
- Most/many vendors already have audit procedures for their loading processes.

- Pallet and case barcoding is an opportunity for efficiency
- Vendors feel accountable anyway
 - Vendors pay to have it checked
 - USDA is the only business that requires it
- Procedurally check loading is the same for both canned/frozen
- USDA is checking everything that the vendor is checking already
 - The vendor checks in real time/USDA checks the product after the fact
- Vendors are requesting to broaden the time of grading and cut sampling back
- What are your thoughts on check loading?
 - One vendor said:
 - Do not like check loading
 - Paying for 6 hours roundtrip of non-value-added expense
 - A second vendor said:
 - We have very stringent controls in place
 - Maybe it would make sense for USDA to come periodically or to audit the first few shipments, but every time is not efficient
 - Often product sits for a long time waiting for check loading
 - Would having access to our audits and 3rd party certifications help?

Distribution Centers

- Will these just be for canned products? What about fresh products?
- Do you utilize distribution centers (owned or leased)? Yes, they use for retail products (about 10). They send products to distribution centers and then they mix and match smaller parcels into stores. Another firm also has them, six frozen and another five or six on the shelf-stable, dry potato side--different locations. For juice, none. One firm indicated distribution centers can make your life miserable if they want to.
- How many do you have, and how many do you deliver to? One firm indicated 10-12.
- AMS is considering contracting with distribution centers to be able to deliver less than truckloads, or multi-products on a truckload, to customers. Are there other alternatives to a distribution center concept that AMS should explore? Firms indicated a concern over pallet configuration. Less than truckloads can be very expensive.
- What are the positives and negatives to AMS contracting with distribution centers based on your experience? People. Relying on their logistics, on their schedule. It adds a layer to the customer service level, lead time, order lead time, and sales forecasting to position that inventory. It can take 2 or 3 weeks to get it into the pipeline. One firm asked if there are any commodities considering using an Amazon model in the future. Nobody had an answer. There were discussions about the middle people; however, if you can drive the efficiencies in the program, you can do it. Amazon is an example. Technology will change things rapidly. One firm mentioned they have a production facility that runs without forklifts--Cold storage facilities that have no people. All computer driven.
- Vendors said to be aware of storage limitation issue with distribution centers.
- Vendors asked about how our DC pilot would affect the state administration fee. For example, one company pays \$1 per case to FNS, but if we utilize DCs, how is the fee affected.

- Will this hurt our ability to win contracts in CA? Shipping from PA

Supplier Management

- What are the key performance indicators that your commercial customers track? On time delivery, available stock on hand. They talked about Wal Mart – and the ability to reduce case size for them for a small carbon footprint. (Although, it takes twice as much corrugated to ship them product.) One company indicated it does a lot of order reporting to chain investors.
- KPIs tracked by commercial customers?
 - On time delivery
 - ill rate
 - Spec compliance
 - Order entry changes
 - Logistics compliance (i.e. correct pallet type)
- How do you handle reporting KPIs?
 - Depends on the customer
- How frequently do you meet with major commercial accounts to review performance?
 - Varies by customer
 - Usually annual with semi-annual meetings
- If performance became key factor, would you have an issue with that?
 - Level playing field
 - Ok with that, allows you to award more business to best performing vendors
 - If we are going to invest in improved operations, we would expect to be awarded more work
 - We pride ourselves on our quality of product
 - Needs to be a two way street
- Facilitating better relationships
 - Site visits
 - Structure and investment in facilities
 - Customer site visits take our relationships to the next level
 - One contract was awarded to the wrong supplier
 - Furmano’s prices were lower
 - Protest took 3 months before Furmano was awarded
 - Still expected to ship at the original time
 - Furmano lost about \$10,000 on the deal
 - Only time it happened, but won’t protest in that situation again.

Processing Program

- At least one company indicated they were fully substitutable, so they’re very flexible (potatoes). There was some conversations about subcontracting with smalls -- 98% of the cost is potato, so they can’t do very well with small business goals.
- A large group of vendors said they are not interested in the program

- USDA buys material for their brown boxes
- Already doing forecasting for full school year
 - Know how many pounds of NOI needed
 - Distribution enters draw down per cases
 - Paying fee for service
- Doesn't believe high perishable can be forecasted any more than 1 year in advance
 - You would be setting price without knowing cost of product
- Distributors selling commercially as well as commodities
 - Take money on bill back basis
- Auditors want to know where food went from processors
 - Want to make sure product paid by USDA gets there
 - Don't follow case – not possible
- Primary purpose of processing vice direct delivery
 - Want apples sliced versus whole fruit
 - Value added is benefit to them
- USDA buys 4.5 ounces to make ½ cup serving
 - The value add is the whole product is consumed
 - Not paying for core, stem, etc.
- Brand is on package so benefit to processor
- Schools want to pick what they are getting
 - Want consistent product
 - Operating as family farm/ bulk farm

Electronic Capabilities

- What information would you like to see electronically available to or from WBSCM? They made a general comment that WBSCM runs a lot better than when it first came out.
- Would you be willing to absorb the cost of sending/receiving information electronically to/from AMS? No, they'd rather not increase cost. EDI is industry standard.
- We would like to make it more electronic to enter Order Acknowledgements, Advance Shipping Notices and Goods Receipts. Do you have thoughts on how we might accomplish this? One company indicated it uses EDI for order acknowledgements. They felt that advance shipment notices are a problem anyway—a waste of time—redundant--over control. They also complained about inputting Goods Receipts into the system within 48 hours for processing. Receipt should be done by receiver, but when you get it done in fob origin situation, it's different. A lot of deliveries are made to volunteer organizations and they (the vendors) cannot get mad when the receivers don't input GR's quickly enough.
- Other ideas on making the movement of information more electronic and seamless? One company indicated it uses GS1 for nutritional information, which is very useful for school lunch program audits. Another indicated putting orders in Gateway (like amazon), shopping cart, and then comes into their system. They can alter it later. A lot of food service companies that order that way. A lot of complaints on folks who just want to e-mail it.

- Vendors want to see the front-end improved because EDO does not change the backend. The data is dumped in EDI, but they still have to process invoices the same way.
- One vendor does have EDI with General Mills. The other vendors are too small and just have their own internal system.
- For WBSCM, vendors do not want to absorb costs of EDI capabilities, but they also said it depends on how much.
- Believes current process of GRs, ASNs, etc. are fine.
- An electronic system would benefit the process and confirmation of orders. Would prefer to place POs this way, but orders and invoices are the priority
- How does your system communicate with customers' systems? **EDI – VAN and AS2**
- If through EDI, what VAN do you utilize? **Sterling Commerce**
- What information would you like to see electronically available to or from WBSCM? **All Available**
- Would you be willing to absorb the cost of sending/receiving information electronically to/from AMS? **Depending on the cost**
- Do you utilize bar coding or some other identification so that upon receipt in a warehouse data is transmitted to your system without having to key data in? **Yes**
- We would like to make it more electronic to enter Order Acknowledgements, Advance Shipping Notices and Goods Receipts. Do you have thoughts on how we might accomplish this? **EDI Documents – Order Acknowledgements (855), Shipping Notices (856), Receipts (861)**
- Other ideas on making the movement of information more electronic and seamless? **Customer Portal**
- All vendors want EDI to be used at USDA.
- Local USDA inspection offices really need to update their electronic and computer systems.
- Check with vendors to see exactly how many vendors are using EDI.
- See if there is some way to merge EDI with WBSCM. Vendors use EDI for everything from scheduling to invoicing already.
- EDI for small processors
 - Use EDI with distributors now who place orders with them
 - Would use tracking for trucks if it was available
 - Not really a big deal for them to do this
- Two companies said:
 - Would love EDI!!!
 - Both use it
 - Many of our customers require it
 - Invoicing, ASNs, Order confirmations, orders, goods receipt
- Barcoding
 - Barcoding integrated with WMS
 - GTIN
- How to implement
 - To absorb the cost, the cost for EDI is based upon the amount of volume you do with that customer.
 - Cost would be passed through, monthly fee.

Assortment Planning

- How could AMS do a better job of communicating new products or changes to products that FNS recipients would like to explore? Advertise point person for new products/changes. They recommended more commercial-like products versus FNS-only products. Warehousing specific products. For commercial product, they can always move it somewhere; even at a distressed price. However, if it's not commercial, it's difficult to find a home for it, if it's distressed. Leads to problems.
- Do you have the ability to add USDA-specific coding to cases, e.g. standardized expiration dates, SKU # formats, etc? Yes, that's easy. For potatoes, they have the capability to do it, but their products are commercial. If USDA wants additional stamping or grading, they don't want to do it because it affects everything they supply. If it's a USDA-specific item, they could do it but there would be additional costs. There was a question about how many colors USDA requires on its labels.
- Do you have ability to provide electronic images of your products and nutrition panels? Yes, through GS1. It's a database that shows all nutrition data. It feeds to commercial distributors, includes ingredients, preparation information, nutritional information. In the school world, they go through audits. They also do a k12 nutritional analysis sheet.
- What is the best mechanism to receive information about new products or changes to products? (Formal RFI, informal phone call, document to provide comments, etc.) Firms indicated e-mail; requests for information; and if you're a partner with the gs1 system, companies could just get it.
- Do our material codes reflect commercial best practices? (I.e. correct case weight, weight per truck, etc.) One firm mentioned that shelf stable 12 1-lb dehydrated flaked potatoes is not commercial. Industry standard is 40-lb bulk or 2.5-pound bags versus 1-lb.
- Are there improvements we can make to our pack sizes? The more USDA moves to industry sizes, the better off the program is.
- Are there cases where you supply product to the USDA that is similar to your commercial spec, but different enough such that you are required to run a separate production only for the USDA? Please provide examples if applicable. How would this improve efficiencies of your operation by converting to the commercial spec? USDA would be more successful if it did not deviate from standard commercial specs. For tater tots and rounds (for example) the sodium, percentage of calories from fat– not realistic. They're not the foodservice standard.
- AMS would like to allow pallet ordering for the majority of products from our distribution centers. Are there issues with varying pallet sizes, cases, or heights that we should be aware of? Firms indicated they'd like to get rid of pallets. If pallet sizes fit on the trucks, then it's ok. However, at least one firm uses slipsheets. They use push pulls to pull them off the truck and rack them.
- AMS could do a better job of communicating new products or changes to the products that FNS recipients would like to explore if forecasting is accurate. Changes to the product - added cost, reduced flexibility to the packer and increased cost.
- Yes, AMS's material codes reflect best commercial best practices.
- With regards to packaging – there is no flexibility of changing packaging due to many factors, one of which is cost.

- One vendor said cases where USDA product is similar to commercial spec, but different enough to run a separate production only for USDA – when the canned fruit started moving from regular to light sucrose, then light to extra light sucrose.
- Nationwide vs. regional interest
- Low sugar, fat, and sodium products are expensive and there isn't really an incentive to invest in them if the low bid always wins
- Not ideal when USDA does not want our commercial products. The best situation would be if USDA took products we already make or are willing to invest in.
- What will pallet, stacking, and case counts be on new products or if USDA starts FOB/warehousing? Will need to inform vendors
- Create more one on one visits with vendors; would help to create personal connections.
- Communicate spec updates to vendors when they are issued.
- Navigating the website is not necessarily intuitive.
- List the last revised date on the spec
- Many specs are very outdate, need to update.
- Pallet sizes
 - Don't want to go down that path
 - Once you establish the cube of what the pallet is, DC will charge you extra fees for anything different
 - You want the same pallet, case size, and heights if possible.
 - USDA would need to include standard sizes in product spec
 - You want to cube out the truck, don't want pallets moving
- Sell USDA product to commercial vendors?
 - Currently running a USDA-specific production line
 - Would probably be able to sell that food to school districts commercially if not through USDA
 - Low sodium all natural beans being sold commercially now
- Provide electronic images of products and nutrition panels?
 - One vendor said pretty standard, Mandatory for many vendors
 - Another vendor said they have a third party website that does this
- USDA-specific coding to cases, etc?
 - Double edged sword
 - We want to do what's right for the customer, but...
 - Right now not selling product to anyone else, but if we're also selling to commercial customers, can't sell that to anyone but USDA
 - There would likely be a cost associated with it
 - Probably not beneficial to overall efficiency

Miscellaneous Comments

- They suggested doing a pilot on frozen products to understand the most difficult, time consuming end-to-end process (bid – processor – transport – delivery received).

- Best to put out solicitation right after the crop comes in so the company knows what they are working with.
- What is negative of having USDA branded product in a catalog? Having 5 of 1 item?
- Schools set equivalencies for processors
- US suppliers no longer competing just on price
 - Processors don't like this, don't have standardized substitutability; don't have 5 different kinds of sliced apples
 - Lots of redundancy
 - Local will win every time because of shipping variable
 - Too many options are inefficient
 - Spend time on understanding industry standards
 - School nutritionists get confused