

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.

Livestock, Poultry, and Fish Industry Meeting BMI Discussion

Forecasting

- Forecasting—BMI—Long-term contracting—economic price adjustment. Poultry industry is vertically integrated. Proposed a 5-year contract with a 4-year option. Supply is completely controlled. For example, McDonald's—more like level of dynamics—index to market conditions.
- Poultry Solicitation is best to be put out in December. It would save the USDA a lot of money. If you buy birds in the summer it will cost you \$1.60, but if you buy birds in the winter it will only cost you \$1.15 because the market is down in the winter.
- Would like the brown box/direct delivery program to have more forecasting involved. As of now they only fulfill orders based on the opportunity they have from product currently being produced for the commercial market. They will only bid on those solicitations when they have that product in the production plan.
- The buyers of livestock and poultry have to know more about what type of product will be produced so that product meets AMS specifications. Forecasting must reach all the way to the farm level, not only for how much and when, but what type of livestock and poultry they need to grow. Different types of livestock and poultry must be used for different types of products and their specifications (e.g. dark meat, white meat, and lean beef 80/20). They have issues with what to do with the unused portions of the animal.
- Forecasting should come from schools and State Agencies. We would have to work with FNS for this.
- One Vendor said the problem with recipient forecasting sometimes is that it is terrible – they order or indicate what they will order and don't pull the pounds (carry through with the purchase of the product). Instead of dollars, we would prefer to calculate purchases in pounds.
- Current forecasting for AMS
 - Purely historical forecasting
 - One vendor said based on solicitations
 - Fish vendor- Purchased twice a year
- Forecasting for other customers
 - Customers provide a forecast, pretty regular updates
- How would it impact
 - Help to cope and prepare for big changes in the volume
 - Better able to plan for raw material supply
- One vendor suggested FNS needs to work with schools and communicate better in order to make forecasting work.
- A few vendors said they are eager to make forecasting work.

- Large schools are the worst for vendors since they do odd procurements/have their own procurement models.
- How do you forecast AMS purchases?
 - One vendor said they make estimate based on historical demands.
- How do you forecast other customer's needs?
 - Either the customer provides information, or they base it on historical. Processors may not communicate with all their customers (particularly if they have 10,000 customers). Market fluctuation could impact it.
- How far in advance of actual orders must a forecast be received to be meaningful?
 - It depends what type of pricing being considered. Vendors were on different schedules; some now (October) looking at January-December forecasts.

Supply Planning

- Carry-over—a problem for one vendor—annual reconciliation—risk is not manageable at this time.
- With the way that the USDA does their solicitations it's always a guessing game if you will get an award or not. We need more than 90 days to allocate raw materials and supply planning.
- Livestock and poultry suppliers at the farm level need to be more aware of what they need to supply ahead of time to meet the demand and product specifications.
- Vendors do not receive compensation for “cut out” (unused) parts for brown box, processed direct delivery products. Therefore, the cost for that is added into the price of those items when they submit bids. That is why these items are more expensive.
- One vendor said they also supply directly to schools, and these prices are set based on demand, marketing, school size, and product need.
- One vendor said year-long contracts would work if we know when we would have to ship.
- How do you plan your supply/production?
 - Certain departments buy raw products for their own areas. One smaller company is planning cattle now for next summer.
- How does this differ for USDA-unique products versus commercial spec products?
 - USDA has come a long way; not a whole lot of difference. Few ingredients.
- What are the timeframes of this planning, i.e. how long before harvest or production?
 - If not vertically integrated, it can be completely different.
- How do you plan supply/production for AMS purchases?
 - They don't actually plan—they wait until they are awarded, then production is inserted into the plan. They understand no business is guaranteed forever. USDA has so much potential, no business is guaranteed. They appreciate competition.
- AMS usually says to look at history to plan for AMS purchases. What are the challenges in doing this?
 - When they submit a quarterly bid, they look at the previous bids and market prices to determine how far off they were. Very helpful information.
- When would be the ideal time for you to know what AMS wants? Does this need to be a bid/contract, or just a forecast?
 - If they knew what they were awarded 6 months in advance of delivery--that would be great. With ground beef, a couple months would be better. Six weeks is enough for beef/pulled pork.

Long-term Contracting

- Long-term contracts would align USDA more with private customers.
- Commercial side/national account companies (fast food chains, etc.) do have long term contracts with one poultry vendor. Usually from 1-2 years.
- Volume minimum must be used, contracts also must be done by volume and not price.
- Price flexibility must be taken into account for long term contracting. They can only commit to a volume with an adaptive price.
- Detailed forecasting on volume needs also must be provided. Commercially, they are given detailed forecast.
- Two vendors said they have consistent purchasers, but one doesn't necessarily have long term contracts involved. The orders they are fulfilling are just done on a regular basis from the same customers. Therefore, they consider it more of a "verbal" contract.
- One poultry vendor already has the risk built into their long term pricing.
- For one vendor, pricing changes every week so there is more volatility with their products. Therefore, they do not mind month to month contract.
- They felt that long term contracts should have more requirements than just price.
- Factors may include: vendor history, product quality, etc.
- Hybrid long term contracts may work, between drawing down on product (IDIQ-type possibly?) and having Purchase Orders.
- They would like more than just "opportunistic solicitations," especially for brown box items where they will only bid if they happen to have enough product to fulfill an order already on hand.
- One vendor said they have a problem with long-term contracts in how it might be handled if the salmon weren't running as normal and we couldn't make our contractual obligations.
- One fish vendor said: We weren't aware of what an economic price index was until now, and we might be able to come up with an index that would apply to our industry. However, we still have the problem of fulfilling a contract when we have no idea what the fish runs will be like. It might be possible to enter a somewhat longer contract for a year, but we can't see how we could possibly know the fish quota 5 years out. We do have current long-term contracts with other customers, most are 12 to 18 months long and the price is fixed for the entire time. None of them have EPA indexes and we would have to research indexes to see if any fit, but would be interested in longer term contracts to secure orders (subject to fish being catchable).
- Have them with commercial, new price every 3-12 months
 - Price tied to an index, rolling average
 - A lot of 3 year contracts, some 5
- Timing depends on customers
- Indexes
 - EMI
 - Catfish – Tied to live fish price
- Generally approve of LTC
 - As long as protected against raw material cost changes
- One vendor said:

- Likes the way it is now
- Price variability
- USDA is a big part of our business, we're at capacity
- There was a lot of concern over locking out vendors (i.e., if a contract is awarded for 5 years, there's the potential that somebody would be completely locked out for 5 years.) One vendor indicated that they would want longer contracts for direct delivery – 1 year would be good. All firms; however, were concerned about the risk if one company received the entire requirement and the others were locked out.
- On direct deliveries, they talked about diced chicken as an example --if the price were locked in, it would be 1-year maximum. If they know the volume in advance, they can lock in prices. Freight costs would be significantly higher. The one company does not have their own trucking line, but can get decent rates. However, with the recent disasters, FEMA took over a lot of the trucks, and there were problems everywhere. Companies understand how much it costs for drop ships.
- Do you currently have long term contracts with commercial customers? One firm indicated they have year-long contracts--but within that year, pricing is based on USDA's market news reports. There can be a variation on quantity; if so, they tie loads together. In retail, it's not the same – they may get a division or a couple divisions but no guarantee of fixed volume. There was also discussion on 1-year contracts, fixed, and hedged against futures contracts.
- Would you be interested in AMS going to long-term contracts? Why or why not?
 - Sure, as long as they won the bid.
- What information would you want in order to lock into a long term contract (i.e. volumes, volumes by delivery, destinations, etc.)?
 - All that—especially volumes by destination and by delivery period.
- 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?
 - Not big ticket item--7 days.

FOB Origin Purchasing

- Fully delivered FOB contract out—no multi-drop—for example Chicken Fajita solicitation—multi-drop for NY—six bills of lading for one truck. Let's keep delivery window the same 2-weeks—communicating with our recipient for specific dates.
- Clearly define when the title change happens if we take over transportation.
- Do pilot of direct delivery.
- Do not try to fit all into one model, but consider doing hybrid models of FOB destination and FOB origin. Commercially, they do both.
- A chain of custody must be firmly established if we take over transport and do FOB origin. Once the product is loaded on the truck then we accept responsibility for any delivery issues, product damage during transport, liquidated damages, etc.
- Some vendors also said that if FOB origin were in place then they would no longer be willing to pay for checkloading. It would not be a value-added cost for them any longer, because we would be taking responsibility for the load as it is packaged for transport.
- In order to pilot an FOB origin program, brown box shipments would be better than bulk processing.

- FOB Origin—puts suppliers on a more level basis and puts AMS in the freight trucking business—could create issues?
- Trucking transportation is not as much as an issue for the vendors.
- Will additional inspection be required at staging for FOB?
- A fish vendor said FOB Origin pricing would be good because they have difficulty pricing freight since it changes so much between the time we make an offer and have to deliver.
- A fish vendor said: if a forecast could be provided to us, we could anticipate what's coming up, but we still wouldn't be able to make a long-term commitment until we had firm commitment of orders. We are in the wild fish business, so we are never sure how much to harvest since our forecasts can be wildly off.
- Generally in favor of AMS picking up.
- Advance notice - If already produced, 24 hours
- In foodservice, it's common. Freight and product price are generally separate. Foodservice picks up, retail delivers. All vendors talked about fees – there are so many fees, you'd find out after the fact--a lot of hidden fees--never a standard fee. Pickups are usually easier in major cities. They indicated it's simpler for vendors to do it themselves. F.o.b. origin from plants all over the country would create a whole new business segment for USDA. There's no guarantee that it would pay off for USDA.

Transportation Management

- 40,000 LB. weight trucks are a current problem, they are always over gross weight with all the fancy beds and new equipment on trucks.
- USDA will have to make a strict contact with the transportation company. Vendors were complaining about how they have a contract with the carrier, but other customers will pay a premium and that carrier will then drop them to make more money.
- Co-packing takes plus or minus 10%, you have to be exact and some items you just can't get an exact weight for.
- If the vendor ships more than the product they don't get paid for that, but private customers will pay for the extra amount.
- Instead of just vendors, they suggested that we need to talk with the graders and inspectors as well, especially to better understand the transportation management.
- Vendors present at this table, along with vendors in F&V and DGO industries are very concerned about us taking over transportation.
- The variety and quality of transportation is very wide-ranging, and it often takes years for vendors to find reliable companies. Sometimes they cannot find them depending on where their plants are located or where they are shipping to.
- Vendors are concerned that the rules and regulations we have to follow would slow down the transportation process. In order for it to go as smoothly as possible communication must be incredibly efficient. They cited our communication chain when a delivery issue occurs, or any other complaint, where there are several different people, offices, and branches, along with organizations outside USDA that messages must pass through to reach from the recipient to the vendor and back.

On the commercial side, if there is an issue then the recipient communicates directly with the vendor and it is resolved quickly.

- Vendors asked our rationale for taking over transportation, which we told them was to save cost and make more food options available to schools. They explained that it would increase administrative work because currently there is a two way communication when the product is in route, between supplier and processor. If we take over transportation, it would add a middleman and increase the administrative burden and communication between all three.
- Vendors emphasized that transportation communication needs to happen in real-time and issues need to be resolved in real-time, so inserting us as the transportation middleman will only delay communication.
- Look at commercial model for transportation and try to match it.
- Each company has different processes.
- A fish vendor said: we would be interested if we could get a delivery schedule of some sort. Not sure if we would be able to win business over our competitors in some of the demand areas of the country because of the effect of transportation on overall price. With destination pricing, we usually only quote on deliveries due within a week to 10 days. We might be able to contract with other suppliers if there is a shortage of salmon.
- A fish vendor said: we would prefer it if AMS would take over responsibility for transportation. We mostly contract our transportation to a small fleet for local deliveries.
- One vendor said they usually use transportation lanes of service for freight delivery. They use spot rates for lane of service pricing.
- 3 stop orders
 - Not cost effective
 - DCs would be good
 - One vendor said they use their own fleet
- Concern over waiting for USDA to pick up product, capacity constraints and storage costs
- Would you be interested in bidding on transportation?
 - One vendor said yes for our own orders, not interested in contracting as a carrier for USDA.
 - Another vendor said all our freight is subcontracted, so not interested in bidding on transportation

Checkloading and Inspection/Grading Requirements

- Inspection is hand-stamping every case—production stamp/shipping date. Scanning would be simple, perhaps every 3rd lot.
- Industry is seeing more and more split loads which they don't like.
- All vendors at the table have problems with seal issues and check loading.
- For grading of product there is a lot of redundancies. For Poultry the specifications of grading are too general and don't give enough detail.
- If you can eliminate the non-value added activities:
 - Some administrative cost
 - Destination changes
 - Checkloading – this is not required on the commercial side

- One vendor said: We have two methods of checkloading. The first is that our own people checkload all material leaving our plant. The second is that we have to use a USDA checkloader. Why can't I do it all with our own people.
- One vendor said not a huge problem, been doing it for so long.
- Commercial customers:
 - Bill of lading and ship
 - Seeing more demand for temperature monitoring
 - We are self-certified – just inspect and sign off
 - Seals and temperature monitoring
 - Multi-stop, if we paid on checkload amounts?
 - Because we're self-certified, not sure if they would allow that
 - May be different for 3rd party
 - If it did apply, can't really see advantage or disadvantage
- Currently, we require checkloading for fruits, vegetables, poultry, and a few products that have had delivery issues. What are your thoughts on checkloading?
 - At least one of the companies already have 2 days' worth of graders, potentially 3 graders. It would be great to eliminate it. Recommend zero tolerance based on spot checking--then the company would no longer be able to either (1) participate or (2) continue checkloading on a spot basis.
- Do other customers require checkloading by a 3rd party, or is that your responsibility?
 - The majority of the firms indicated, it's the company's responsibility. Nobody else. One firm has third party audits every 3 months.
- Would you recommend removing the checkloading requirement completely from AMS's requirement? Yes.
- What other inspection/grading practices should AMS consider changing? Provide a reason for the change.
 - They appreciate the reason why USDA requires a grader. In a perfect world, they'd prefer to ship it like they do for other customers; however, they appreciated USDA's reasoning.
- How should discrepancies be settled if Checkloading is not in place?
 - They recommended USDA be aggressive on violators. Vendors could have a certain level of 'strikes against them' and eventually they just are not allowed to participate. One firm indicated they provide photos of the pallets.

Distribution Centers

- With your bid, would you provide palletization?
 - Yes, as long as they have a SKU, this can be provided at time of bid.
- On the commercial side, temp coolers are required and if a load reaches destination above temperature, a data printout can be requested.
- Transponders are used by 3PLs to know where trucks are at any time.
- Timeframe for customer pickup is 4-5 days.
- Cooked products normally don't leave facility after 7 days, micro hold.
- Some of the benefits of Distribution Centers and FOB Origin

- Some portions of monthly performance can be eliminated
- Some Non-value added activities can be eliminated
- Grading will only be needed on the production side
- No coordination done on transportation side
- Destination changes would be minimal
- Concerns
 - Corporate may not want to participate because they do not know how much to plan for under IDIQ.
 - Distributors must include what their sales are, a lot of double dipping.
- A fish vendor said: AMS does a good job and we are happy with it. We do have the capability to provide advanced warehousing functionality such as USDA specific coding to cases, product images, and nutrition panels. The best way to receive information is through an informal phone call and documents because then we have more opportunity for both parties to get feedback.
- Would you be able to fulfill a multi-SKU FTL?
 - One vendor said not right now, would be significant added cost for them.
 - Another vendor said not an issue for them.
- Do you use DCs?
 - One vendor said:
 - Would NOT be interested in bidding as a DC
 - Yes, we have 3rd party WHs that are part of our customers' customized distribution networks
 - Works really well, those customers are usually pallet size orders
- Depends a lot on states and their willingness to work with DCs.
- Pros: More flexibility and open up variety
- Would big districts (L.A., N.Y.) be exempt from DCs?
- Con-Not saving money
- Con-Food Safety Concern-increase risk but similar to how commercial groups do business
- Do you utilize distribution centers (owned or leased)?
 - There were multiple responses – one company has their own; another indicated their customers have their own distribution centers; and another said they have both owned and leased centers.
- How many do you have, and how many do you deliver to?
 - While they didn't know how many they had, they said it was a lot. Some companies ask customers to pick up if it's less than truckload.
- 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?
 - Companies do ship half loads. They prefer knowing up front as it's very expensive. They talked about bracket pricing; and about setting the price based on the amount of pounds. They also indicated that seals could be a problem.
- Would you be able to fulfill a multi-SKU FTL shipment if you were awarded multiple SKUs?
 - All companies said yes – as long as they're full pallets.

Supplier Management

- KPIs/evaluation
 - One Vendor said:
 - KPIs and method of reporting varies by customers
 - Internal KPIs
 - Mostly cost-related
 - Yield
 - Cost
 - Overhead
 - Throughputs
 - Most customers are quarterly
 - Yearly would be better
 - Especially for small business requirements
 - One major customer
 - Has a system that we enter information into
 - Most customers' process is informal
- If USDA started factoring performance into award?
 - No problem with that
 - One vendor said they track and analyze complaints already
- What are the key performance indicators that your commercial customers track?
 - On-time delivery, complaints, shortages. Also on-time fill rate reports and, if they get below a certain rate, they would no longer be allowed to participate.
- How frequently do you meet with your major commercial accounts to review performance?
 - Quarterly—all agreed
- How do you handle reporting key performance indicators – do you report to your customer, or does your customer document all activity?
 - The majority of companies at the table indicated they rely on customer documents to report; however, one said they do both – they bring in their own reports so they can speak to customer complaints.
- If performance, including late deliveries, complaint response, small business reporting, etc., were to be a key factor in awarding AMS contracts, would you have an issue with that?
 - None of the firms would have a problem. It keeps them honest. It's commercial practice.

Processing Program

- Processing program—proposed that forecast for year be developed during the spring. For example, 3,000 loads, 2,500 for sure—lock in.
- Value pass-through—arbitrary—huge level of value? Let's focus on school \$ and what we're going to spend—drop the lbs. altogether. Allocate—understand what everyone is using. Specificity from state to state. Value-added—project 3,000 loads—guarantee 2,500 minimum. Four promotions per year—for example, chicken fries—Burger King—change flavors. Separate contracts by macro-commodity types—bulk vs. brown box—RFP/IFB quality factor—raw material lock in—fully integrated.
- It is easier for them to forecast for the processing program.

- One vendor suggested that our processing program work more like DOD Fresh. We attempted to explain this program and the reasons why it is different for raw, whole fruits and vegetables vs. processed meats. Ultimately, they just want us to eliminate the brown box program and only purchase bulk items for processing. They want to be able to sell directly to the schools.
- Communication between supplier and processor is not happening. They feel that the way it is done now is inefficient, since they have to go through FNS to communicate with the processor. They already know what companies are doing the processing just by knowing where the product is going, but they are kept in the dark about it and it makes the process of resolving any issues inefficient. They want more transparency and license to work with processors since they already have good working relationships with them in the commercial realm. They believe that having a direct communication between supplier and processor to resolve issues will make it more efficient and saves time. In their commercial business, they have assigned POC between the two. But currently for USDA Foods, they feel like the USDA is the counselor who will not let the marriage happen between the supplier and finished processor.
- How do I know who I am supposed to bill? A load of bulk chicken can be Kentucky but can also be used for Tennessee, Virginia or another state.
- One vendor suggested we do brown box pilot first versus processing:
 - Brown box and processing would be done simultaneously and CP would test overall industry.
- Regulations will be needed to regulate distributors
- Recipients forecasting demand for bulk commodities. Forecasting –it’s broken the end user level. They can’t always predict what the end user will do. In schools, different staff have different abilities. They indicated some recipients may not know how to effectively manage their business.
- Dollars to set aside, AMS calculates pounds needed to purchase.
 - It’s too much of a paradigm shift to change to dollars. Less resources and that’s the bulk of the country. There are challenges with a variety of different schools districts; large districts might be able to do it; rural, forget it.
- FOB Origin and long term – AMS procures bulk product for at least the year, AMS arranges for transportation as needed by the processor.
 - One firm indicated they are fine with the way it’s done now.
- Would you set all deliveries for the volumes you anticipate at the beginning of the year (i.e. one truck every Wednesday for the year)?
 - No. They indicated they are month to month; they set delivery dates when awarded.
- Would you wait until you have an end-item sale to schools before requesting delivery of bulk products? What would be the timeframe you would like to be able to make that request before the product is delivered?
 - Yes; however, it’s hard to say. Each co-pack can produce different volumes per shift (deboned or not deboned). Each finished item is different.
- If a supplier of the bulk, how much in advance of the delivery would you need to be informed to produce the product?
 - A month. Only because a lot of locations have graders that come from far away. Six weeks is pretty typical.
- How should inventory be managed?
 - Right now, one firm has pounds allocated to certain school districts; it’s already allocated. They use K12 system that automatically draws down to that specific school. Whenever products are shipped, it draws down--broker, distributor everybody has visibility into it.

- Value pass through—one firm indicated they didn't think that dollar amounts would work. Right now, one of the processors takes the November 15 file price multiplied by the pounds. If you do a dollar value for a load, they know exactly what to deduct. One vendor alluded to rural schools that have staff who do not know how the November 15 price file works.

Electronic Capabilities

- EDI—direct delivery—Arizona grading—product does not need to be inspected upon destination—BOL/ASN number.
- EDI system takes care of a lot of extra work, if you have to input that information into WBSCM that's just one more added step to the processes.
- Vendors systems are usually set up to only communicate internally, not with external systems.
- EDI systems are usually used in the commercial world, especially by processors.
- Every distributor has their own system.
- Need to switch to an electronic POD option, where a receipt in WBSCM automatically triggers a payment, or at least the uploading of paperwork by the recipient.
- Right now paperwork, including BOL, invoice, etc., must be either mailed or faxed, causing delays. So they suggested getting rid of the BOL scan first and instead have it as a post-audit where they can upload later.
- Some vendors must rely on the delivery driver from a third party to mail the paperwork, which at times proves to be unreliable or causes delays in payment.
- Industry standard is 7 days for payment after delivery, unless customer uses FOB origin and picks up the product themselves. Then it's 7 days after shipment.
- Do pilot on lean beef processing program so we can understand the difficulty of the entire chain especially with transportation, inspection and refrigeration.
- Uses EDI. There VAN is Open Text.
- Invoicing would be affected by EDI, how would the Certificate of Inspection be received?
- There are some receiving facilities don't have EDI and some loads are refused because they don't have EDI.
- Would prefer if there the bar coding were on the pallet tags and not on the case.
- One Vendor said they use EDI for some customers
 - Drawback
 - So many 3rd party middlemen
 - Coordination between 10 different companies
 - Use barcodes
 - Integrates with customers' systems
 - EDI would really help administrative efforts
 - Reduced duplication of efforts
 - No problem with absorption of cost as long as it's passed through to USDA
- Another vendor said:
 - We use it but not a lot
 - Use barcodes, Integrates with internal systems
 - No problem with absorption of cost as long as it's passed through to USDA

- Generally in favor of easy simple, EDI
- Goods receipt
 - One vendor said:
 - Have had times where goods receipts are entered weeks late
 - Have to sign and submit BoL to get paid
 - Usually not a problem
 - Not sure how much AMS would be able to do
 - FOB Origin would likely take care of that
- How does your system communicate with customers' systems?
 - They use EDI for certain customers. There are complicated if EDI fails. Locations must be manually input.
- What information would you like to see electronically available to or from WBSCM?
 - Although all companies indicated they liked the information WBSCM provides now (and agreed that once they understood the system, it is user-friendly), they would like more live-time reports (BOL's to Puerto Rico).
- Would you be willing to absorb the cost of sending/receiving information electronically to/from AMS?
 - It there was enough volume, sure. With USDA, it's unknown now.
- 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, everybody does.
- 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?
 - Transportation guy would be ecstatic. Cumbersome to do and if you can't change.
- Other ideas on making the movement of information more electronic and seamless?
 - Commercially, they use e-mail and phone, even Faxes. Occasionally, WBSCM times out when bidding on a large solicitation.

Assortment Planning

- Assortment planning—new product development
- The more commercial you can make the specifications the better. You will save time and money.
- For ground beef, ABP explained the issues they are having in meeting our specifications due to the type of cows they must use for the lean/fat content required.
 - They cannot use steers, which are grain fed and have higher fat, but also have a much more stable price. There is a Board for Steer that gives the market price, but such organization does not exist for cow meat, so they constantly guess based on what the dairy industry look like. Essentially they cannot hedge cow meat.
 - They have to use milk cows that graze and are leaner. Therefore, the prices are much more volatile because milk farmers only sell them when they need to base on environmental factors, production demands, or other factors. The prices change every week, and will fluctuate based mostly on the supply, regardless of the demand of the beef industry.
 - Packers and stockers also must pay dairy farmers for their cows everyday they are not purchased and processed because of price volatility.

- Farmers use their dairy cow as cash commodity, and when taken to the sale barn, ABP must pay for that cow within 24 hours.
- The specs for beef are outside of the industry standard because the majority of beef purchased commercially comes from steers.
- They would like to have a more even yearly distribution of purchase orders and deliveries. They said that meat could be frozen and stored over the summer months so that there aren't so many ups and downs in their production year for USDA programs. However, most specifications as they are now would prohibit this longer term storage. For example the 60 day inspection.
- Overall they said that specifications should be simplified to cut down costs.
- One vendor emphasized that they already have commercial products that meet our specs, so why can't schools use their entitlement for those commodities, thus mimic the DOD Fresh model. We tried to explain why not.
- Carry Over inventory between current way and new way: What happens to that inventory?
- A fish vendor noted: An improvement AMS has made that helps us out is the new material codes reflecting commercial packaging because AMS can now accommodate less than full pound amounts (like 49.5lb per case). Before this, we had to manually correct reports to be accurate. An improvement that AMS could make is to make some pack sizes lighter. For example, the pack size for the new fish sticks are 8-5lb packages with means case weight is 40 lbs. – that is as high or higher than some schools let their employees lift.
- One vendor said there are cases where we supply product to the USDA that are different enough from our other customers, that we are required to run separate production runs. For example, USDA requires special film with the USDA emblem on it while all our other customers in the commercial industry just use simple plastic film. This requires us to stop production, load the USDA film to produce USDA products, and reload to continue commercial production.
- Pallet size issues AMS should be aware of include that the pallet size we use depends on the size of storage racks at the recipient location. Pallet rack heights range from 55"/48"/50". When we deliver to Costco, they have 96" rack heights. We use the same pallet pattern, just different rack heights to accommodate storage at the recipient location.
- Specs team will reach out informally over email or phone-prefer informal communication as is
- Improvements in communications?
 - Not really, not much experience
- USDA-specific coding and cases
- No problem, just would take time to replace labels (2 weeks)
- Electronic images
 - One vendor said they do not have that capability
 - Another one said they can do that
- No issues with varying pallet sizes, cases, heights, etc.
- Smaller pack sizes are not uncommon, but they are more expensive
- Whole grain and low sodium requirements
 - One vendor said:
 - Killed the taste of our product
 - Definitely seen less demand, probably cut in half
 - Understand that there's not much USDA can do about that

- Introduction of Pollock has contributed too
 - Would prefer a raw/frozen product and let the school season it how they want to
 - More variety for schools
 - Can use catfish for anything you can use whitefish for, more versatile than you think
 - AMS has said it's FNS decision to do breaded vs raw
 - We do sell raw product to schools commercially
 - Unsure of demand level, sell through distributors (Sysco, etc.)
 - Would have difficulty selling USDA product to commercial customers
 - Another vendor said:
 - Don't have the same difficulties with nutritional requirements
- Expiration date
 - One vendor said:
 - 6 times a year, get an email about not having expiration dates, have to explain Julian dates
 - Julian is what we do for everyone else
 - Another vendor said:
 - Varies by customer
 - Retail needs sell by date
 - Best by on USDA
 - Don't really have a preference
- Pack sizes-no issues, just bulk is cheaper
- Do you have the ability to add USDA-specific coding to cases, e.g. standardized expiration dates, SKU # formats, etc?
 - They can dual code any item.
- Do you have ability to provide electronic images of your products and nutrition panels?
 - They provide them all the time; take pictures—sometimes based upon request.
- 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.)
 - The regular e-mail they get is good; phone calls work too.
- Are there improvements we can make to our pack sizes?
 - Pack sizes are pretty similar.