

School Nutrition Programs – Commodity Foods

How Do They Work?

- K-12 School Districts receive Federal cash and food donations to operate a non-profit foodservice program. This includes the School Breakfast, Lunch and After School Programs.
- USDA administers the program & makes 150+ food specifications available for donation to 14,000+ districts nationwide for total support that exceeds \$8B. Many specifications are not in ready to eat form.
- Districts request many donations to be sent to food manufacturers to be further processed into branded finished goods. Ex: bulk potatoes sent to McCain.
- These value added products qualify for a discount for those schools that have provided donated ingredients to participating manufacturers. Ex: McCain sells finished commercial product to schools at a reduced price.
- Districts work with manufacturers through approved procedures to receive back the value of the USDA donation.
- Many districts now receive that USDA value in the form of a discount off invoice from their preferred commercial distributor at the time of purchase instead of using a State warehouse and distribution system.
- This process has become known as “Net Off Invoice”. In reality this is simply a deviation funded by USDA with bill backs processed by the manufacturer.
- By Federal Regulation, it is formally referred to as “Indirect Sales Discount”.

How Does It Work?

- Districts send USDA donated commodity foods to approved processors following State guidelines.
- Manufacturers produce value added products containing USDA donations. Each case then carries a discount that is fixed for the school year.
- Districts inform manufacturers of their chosen K12 Services “Certified” distributor that they would like to receive commodity discounted products from.
- Distributor supplies manufacturers participating product to eligible districts using agreed upon price.

- k12foodservice.com officially communicates: eligible districts, balances and products to the distributor.
- Distributor disperses applicable discount on invoice on the next line below the eligible product.
- Distributor supplies velocity data electronically to K12 Services Data is then validated, customer balances are adjusted and reports are generated.
- K12 Services provides distributors with: notices of failed transactions, bill back reports, customer balances.
- K12 Services also provides support to distributor's staff at no cost. This includes initial program development with the I.T, sales, and bid departments. K12 Services also provides continued support once the program is up and running.

Why Would A Distributor Offer NOI?

- Distributors offer Net Off Invoice to lower overall customer cost without decreasing gross profit. More districts using market basket approach to bidding. Commodity discounts really allow distributors to lower bid responses.
- Distributors also build volume and sell non commodity product to schools who might otherwise purchase elsewhere.
- Districts are looking for value beyond product when selecting distributors. NOI allows distributors to facilitate federally funded discounts to districts which often average 20% of a districts' food spend!
- Districts request NOI because many of the products that qualify for the commodity program are the same as the distributor carries. Simply the district receives a discount for some quantity of them.
- Builds volume, less invoices to process.
- Deliveries are more frequent than State alternative.
- Enables school to use more Federal funds throughout the school year.

For more information, please feel free to contact:

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