



## Idea To Retire As Is Process Flow and Narrative

### 1.1 Product Concept

- New products are identified in multiple ways:
  - Driven by changes in nutritional guidelines and FNS seeks out options to meet them (e.g. lower sodium or whole grain breadings)
  - Vendors seek to introduce new products to the USDA Foods program
  - Recipient agencies request new items from FNS
- FNS has a document with 10 criteria to consider for new products
  - Key Criteria is Demand which is determined by asking states and RAs to communicate their needs or industry providing statistics on distribution volume to the targeted program area
- FDA regulations require a different SKU for low sodium products than no sodium products, as an example of what may drive a new SKU
- FNS looks at the evolution of a product “grouping” to see where they can fit the appropriate product

### 1.2.1 Frame Product Parameters and Preliminary Specifications

- This step includes laying the desired qualities of the product (e.g. package size for household, nutritional specs to be met, cooked vs raw, etc.) necessary to initiate potential sources of supply and/or product development

### 1.2.2 Procure & Sourcing Integration

- AMS provides market research and procurement services to determine potential sources of supply, issue RFIs, etc.
- AMS is engaged with FNS via weekly or biweekly meetings
- There is not a formal policy on when RFIs are used and when they aren't
- Encourage suppliers to research historical USDA spend on commodities to make justification for effort in developing new products, as well provide justification based on commercial sales in similar market sectors
- Vendors have invested in the processing program, which may take away desire to participate in brown box items, or reduce incentive to spend on R&D
- Opportunity: multiple awards for LTCs with staggered periods of performance
- **Pain Point:** There can be a lack of standardization of pack sizes which makes it hard to enable all vendors to participate
  - When the sizes aren't the same, AMS and FNS typically consider the highest volume commercial pack size and/or the one that drives the greatest competition
  - Variation of pack sizes between households and school districts
- **Pain Point:** Communication in the industry and the timing of the feedback received. People with the most information about nutritional guidelines and specs do not have direct access to vendors

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- **Pain Point:** Not using a commercial specification makes process more time consuming; USDA doesn't do any development but relies on industry
- **Pain point:** Difficulty getting R&D from vendors due to lack of long-term contract
- **Pain point:** Need specs that drive competition in product supply with recipient desire for consistent flavor profiles and product quality

### 1.2.3 Commercially Available?

- Decision point – if products meeting the requirements are commercially available, then the product development process steps are not required. If no commercially available products meet the requirements, then the process to develop a product with a vendor (or group of vendors) is initiated.

### 1.3.1 Plan Development Project

- Requirement for a formal plan depends on the product availability. Commercially available products that do require special specifications can be rolled out in two months whereas other items can take up to two years. Project planning typically only applies to the latter.
- Today AMS has proposed a timeline for schools but no formal project planning is done. They have introduced a timeline but it didn't go over well because on a product level and harvest timelines the overall timeline became difficult to manage.
- FNS has a process flow chart but the steps are not formally documented
- Baseline objective in the planning process is making sure that there is adequate time for the schools to respond based on their needs and have the product ready when the Foods Available List is published
- For Households: they have more flexibility in their timelines as they are not constrained by school years
- **Pain Point:** Lining up what industry is doing to ensure that bidding and supplying (which runs parallel) is in sync
  - Industry doesn't want to develop until they know what the USDA specification is. USDA doesn't want to move forward until they understand details and timelines from Industry

### 1.3.1 Product Design

- Process step includes defining the parameters of the desired products, incorporating intelligence gained from surveying commercially available products, nutritional guidelines, package sizes, labelling and recipient requirements
- Attempt to untangle differences between components essential for processing (e.g. rice flour on dates) and naturally occurring elements (e.g. sodium in milk) vs added in processing and added for flavor or an optional component to help design a product with the best attributes
- Packaging of the food is often the largest barrier. There's a constant iterative process with industry and there is often no standard across vendors

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### 1.3.2 Select Development Vendors

- This process step does not follow normal procurement/contracting actions utilized when purchasing the developed product
- Ensure the company is legitimate, check financial stability, appropriate documents in place (e.g. insurance)
- Vendor engagement does not constitute a guarantee to win future business.
- Vendors do not get typically go through the formal approval process until the USDA confirms the product

### 1.3.3 Vendors Develop Product & Produce Samples

- Process may be iterative and specifications may be updated to reflect the product developed. Critical that multiple vendors are capable of producing product to spec
- School districts generally do their own tasting for their commercial products, may have a preference for a specific vendor's product
- Recipients want vendor-specific samples before committing to FTL
- Reliant on nutritional analysis for moving forward, may have to keep upper limit higher to keep vendor pool more plentiful
- **Pain Point:** Labeling and the need to move to commercial labeling
- **Pain point:** Vendor sales reps promise pack size or express interest in bidding on a product manufacturing cannot or will not deliver
- **Pain Point:** Challenge creating specs flexible enough to produce competition and narrow enough to ensure consistency
- **Pain Point:** Items produced to spec may be different in taste/texture/color by vendor

### 1.3.4 Accept?

- If yes, then evaluate specifications and product documentation versus developed product
- If no, then vendor may be requested to continue development or in some cases the product development process may be aborted

### 1.3.5 Spec Changes?

- If yes, specifications and product design information is revised accordingly
- If no, it is assumed the product package is in final draft the process continues at step 1.4.1

### 1.3.6 Revise Specs

- Update product specifications to match product developed by industry and evaluated by the USDA

### 1.4.1 Qualify Demand

- Qualification of demand is considered early in the development cycle and may result in termination of a product concept prior to this point in the overall process.

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- Process steps includes:
  - Verifying there is sufficient demand to justify FTL quantities (confirmed earlier in the process during 1.1 Criteria Eval)
  - Verifying multiple sources of supply (confirmed earlier in the process during 1.1 Criteria Eval)
  - Determining a rough cut demand plan for bidding
  - Confirming product specs are complete and sufficient for bidding
  - Estimating product cost
- During new product development when narrowed to specific attributes (Cost estimates are layered into the specification process)
- USDA does not have optimization models set up or the data that could drive them
- **Opportunity:** Price targets not used as a driver with vendors
- **Pain Point:** Sales will say can supply at a price...operations says they can't
  - Schools may be willing to pay a premium for desired products (e.g. cooked chicken strips vs. whole raw chicken or leg quarters which are about ¼ the price per pound compared to cooked chicken strips. This helps food banks stretch entitlement dollars) but household programs are more price sensitive

### 1.4.2 Justified?

- If yes, then proceed to next step to complete product information package
- If no, then determine if changes to product specs are required or if insufficient demand/supply then discontinue effort

### 1.5.1 Finalized Product Info Package

- There is a formalized process for specifications
- There is an upper and sometimes a lower limit for nutritional specs

### 1.5.2 Publish to Web

- Product information package posted to USDA website to solicit industry feedback

### 1.5.3 Two Week Industry Response Period

- Response period is typically two weeks but may be longer or shorter depending on changes
- Process step to solicit industry feedback on product specs to determine if it can be sourced as defined

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### 1.5.4 Industry Acceptance?

- If yes, then determine if a pilot program will be undertaken or rolled out nationally
- If no, then determine if specification changes are required and update accordingly

### 1.5.5 Pilot?

- If yes, then proceed to plan the Pilot activities
- If no, then move forward with activities to get the item in the catalog

### 1.5.6 Define Pilot Plan

- Plan the Pilot activities including product, vendor(s), duration, recipients, etc.
- Pilot plan also includes timeline for inclusion of successful products into the NSLP school planning cycle

### 1.5.7 Execute Pilot

- There's no formalized process, it's case by case
- Used a really measured approach for the high protein yogurt pilot because there was high risk – refrigerated product, new distribution model
- Duration varies, aggressiveness of timeline may be based on desired national launch date
- States are required to spend entitlement dollars to participate in a pilot
- Procurement follows standard process, just smaller scale
- Pilot is great for learning, but adds substantial time, sometimes a full school year to the launch of a new product
- Use surveys at the end of the pilot to gauge success
- OMB regulations limit the number of people in a survey to 9 before they need to ask for permission

### 1.5.8 National Launch?

- If yes, the item is incorporated into the Foods Available List
- If no, define if product will move into an extended pilot or if efforts will be discontinued

### 1.6.1 Foods Available List Published & Communicated

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- There's an email blast that goes to the states. Communication is not requested back from the states, however states do communicate back questions they have.
- **Pain Point:** USDA cannot provide vendor-specific product information or samples of newly developed or reformulated products

### 1.6.2 Annual Product Assessment

- Discussions are started in the fall between AMS and FNS
- Look closely at unstable markets and low volume items (e.g. 3 states ordering 1 truckload each)
- Determine which items are candidates for elimination and reach out to the states, processors, and industry groups to understand impact of elimination
- Incorporate feedback from suppliers regarding products the suppliers are going to discontinue
- Once finalized, an email is sent to officially notify stakeholders about products to be retired
- Foods Available List is released once per year with one main communication for all programs for consistency
- Start research and development of new products in April
- TEFAP tends to spend the money in quarters because they know that we do our offerings year round

### 1.6.3 Retire?

- If yes, process includes reviewing open orders/contracts in WBSCM, closing out master data records as noted in 6.X Enterprise Master Data
- If no, product continues as part of the annual product assessment review