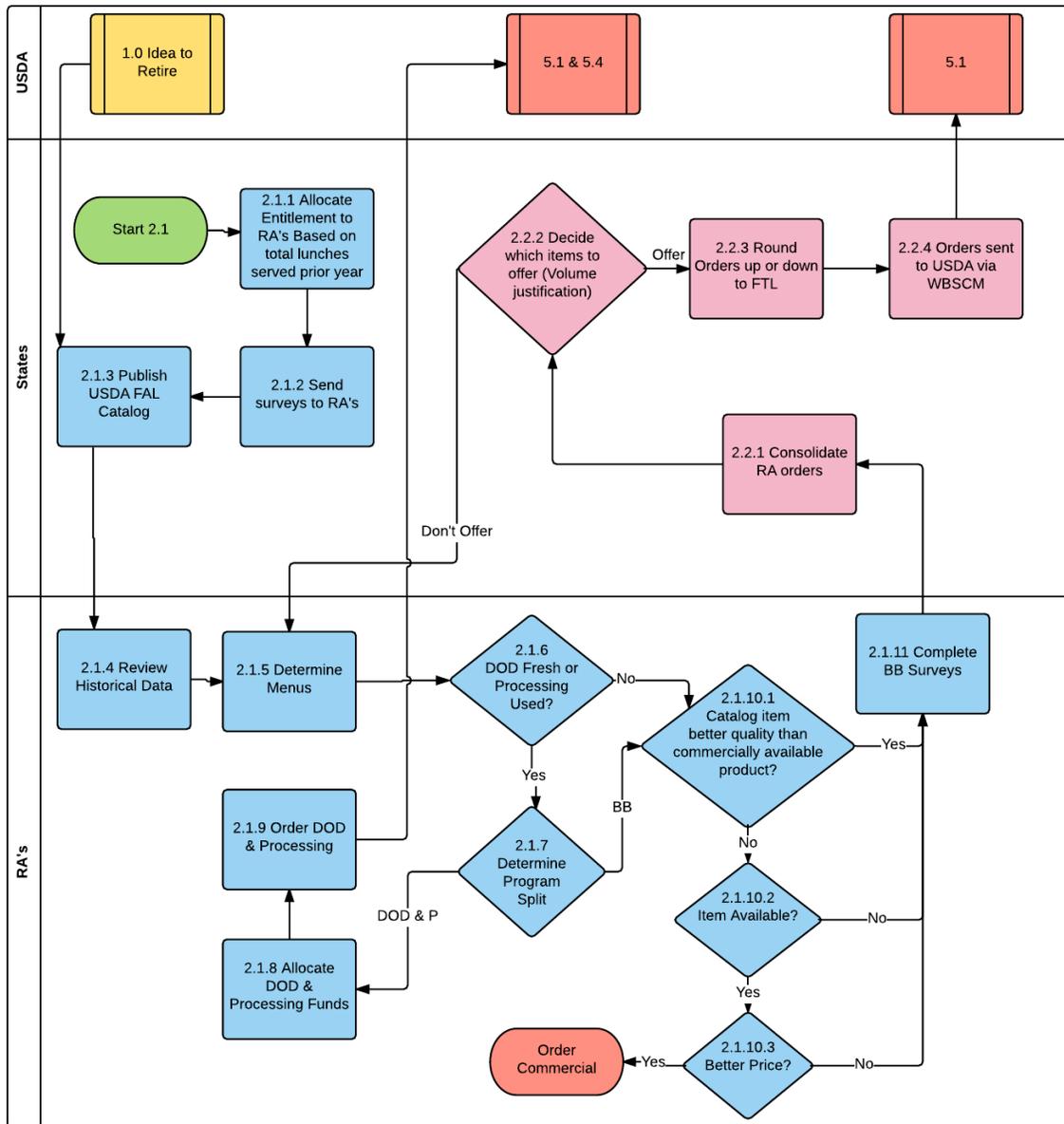


Business to S&OP (2.0) As-Is Process Flow and Narrative

2.0 BUSINESS TO S&OP

BMI Domestic Team | April 25, 2016



2.1.1 States Allocate Entitlement

- Entitlement is based on prior year's actual amount of claimed lunches
- **Pain Point**
 - Historic usage does not necessarily take into account student population changes.
 - Breakfast meals not included in entitlement yet regulations must be followed during breakfast and USDA Foods are used for breakfast

Business to S&OP (2.0) As-Is Process Flow and Narrative

- Initial entitlement value applied for next school year (Feb – Apr ordering) is an estimate based on previous year entitlement. Actual entitlement reimbursement rate is established at beginning of school year (July) from Mar, Apr & May PPI data.

2.1.2 Some States Send Surveys to RA's

- Surveys are designed to determine demand for catalog items. RA's complete the surveys based on decisions in 2.14 – 2.1.10.
- Some states use surveys to determine how to cut down the catalog & determine what to offer

2.1.3 States Publish USDA FAL Catalog

- Catalog is sent to RA's for requisition placement
- Most states cut down the catalog to a smaller number of core items prior to sending it to RA's.
- **Pain Point**
 - Prices -change after the publishing of the catalog and between truckload purchases

2.1.4 RA's Review Historical Data

- Analysis used to determine potential need and preferences from year to year.
- **Pain Point**
 - Historical data does not currently account for product spec changes

2.1.5 RA's Determine Menus

- Decisions based on nutritional goals, student acceptance, labor availability, etc
- **Gap**
 - Menus are not determined beyond the following school year.
 - Actual forecasts are not routinely created

2.1.6 RA's Determine Whether or Not to Use Processing and DOD Fresh

- Reasons to choose Processing & DOD over Brown Box
 - More certain of receiving what they order when they want it
 - Choice of manufacturer and flavor profile. Consistent product.
 - No WH space to store large quantities of brown box items
 - Little faith in the brown box program
 - Easier to manage volume due to shorter time between order and consumption
 - No single SKU full truckload requirement
 - Cost of Storage
 - Cost and Availability of Distribution
- Reasons to choose brown box over DOD and Processing
 - Better for portioned frozen products
 - Quality can be better
 - Known to be only domestic products
 - All products meet dietary regulations

Business to S&OP (2.0) As-Is Process Flow and Narrative

- Advantages of DOD Fresh
 - Faster delivery
 - Less stringent minimum delivery requirements
 - delivery fee is built into price and paid with entitlement
 - This advantage is dependent on the state distribution charges
 - Procurement process is already done. No additional competitive bidding
 - Not as complicated
 - Less risk of cancellation – total entitlement usage known
 - Higher chance more entitlement
- **Pain Points**
 - When you divert bulk to a processor who doesn't win the local bid to provide processed product it requires a re-route by AMS
 - On time delivery for brown box is perceived as very poor
 - Inconsistent brown box product and variable nutritional specs
- If no, move to process 2.1.10
- If yes, move to process 2.1.7

2.1.7 RA's Determine how much of their entitlement to Use for Each Program

- Determining factors vary between locations and include:
 - Availability of local produce
 - Local Processors
 - Delivery fees
 - Ability to handle full truckloads of brown box
- Most districts focus their entitlement on center of the plate protein and fresh fruits and veggies
- **Pain Point**
 - Price fluctuations mean this step could be revised if the swing is too large.
- Processing and DOD Fresh goes to process 2.1.8, brown box to 2.1.10

2.1.8 & 2.1.9 RA's Deduct DOD & Processing Orders from Entitlement and Place Orders

- This feeds into Process Area 5.1 and 5.4 at the USDA

2.1.10.1, 1.1.10.2, & 2.1.10.3 RA's Determine Which Brown Box Products to Order

- Is the item of better quality and taste than the commercial alternative?
 - If so, order through Brown Box Program
- If no, is the item available commercially?
 - If not, order through Brown Box Program
- Is the commercially available item domestically sourced?
 - If yes, order commercial
 - If no, order through Brown Box Program
- If yes, is the price acceptable to the budget
 - If yes, order commercially
 - If no, order through Brown Box Program

Business to S&OP (2.0) As-Is Process Flow and Narrative

- Brown Box items (Fruits and vegetables) are all US grown. SFA cannot always get domestic fruits and vegetables through their distributor at all or at a reasonable price, so that is a big plus for brown box
- Comment: If trucks are cancelled SFA do not always have the ability to use all their allotted entitlement dollars

2.1.11 RA's Complete State Surveys with Volume per SKU

- Survey data becomes hard orders
- RA's are held accountable for what they order
 - Some trading can be done between districts to account for unused product
- **Pain Points**
 - Full truckload requirement limits the number of SKU's that can be ordered.
 - Large order quantities can result in waste if kids do not like the product
 - No samples of brown box items available

2.2.1 & 2.2.2 States Consolidate RA orders and Determine if Volume Justifies Fulfilling

- If Volume is deemed too small, the State chooses not to offer the product and communicates the cancellation to the RA.
 - This then leads back to process 2.1.5 where the RA needs to decide whether to change the menu or order the product through an alternate channel.
- If Volume is sufficient, move to process 2.2.3

2.2.3 & 2.2.4 States Round Orders into Full Truckload Quantities and Place Orders with USDA

- Orders are rounded up or down into full truckloads
 - Based on historic data, some states order extra product to store in state warehouse to cover potential additional demand.
 - Some work with neighboring states to fill trucks
 - States have various ways to track, including excel sheets and systems.
- **Pain Points**
 - Most complicated part of the ordering process
 - Big driver for cancellations if volume does not justify full truckloads
- **Opportunity**
 - LTL or mixed load shipments would enable more products to be offered.
 - Do consolidating at the USDA level
- Final orders are submitted to USDA via WBSCM. Go to process 5.1.