



Resetting the Narrative Around K-12 Supply Chain

: : : October 18, 2023  
: : : Alexandria, Virginia

SUMMARY REPORT



# Resetting the Narrative Around the K-12 Supply Chain

- On October 18, 2023, the School Nutrition Association (SNA), School Nutrition Foundation (SNF) and No Kid Hungry by Share Our Strength convened a Supply Chain Summit, inviting representatives from across the school nutrition distribution chain to meet and discuss ongoing challenges that present barriers to success in bringing products to school meal trays.

Since 2021, and in the wake of pandemic-related supply crises that affected virtually every industry sector across the globe, SNA, SNF and No Kid Hungry have teamed up to help stakeholders in the K-12 school nutrition segment understand and address longstanding problems in the distribution system that were exacerbated to crisis levels during the height of the COVID-19 pandemic. No Kid Hungry provided a grant to SNF to support the Supply Innovation Project through which SNA/SNF conducted online listening sessions; hosted numerous conference presentations, in-person and virtual Town Hall discussions and webinars; produced research; established web resources; and published articles and papers, including *Staying Afloat in a Perfect Storm: The K-12 School Nutrition Segment Contends With Historic Supply Challenges* (aka the 2022 Supply Chain Report).

More than 120 participants attended the October 2023 Supply Chain Summit, representing the key stakeholder groups in this chain: manufacturers/processors, distributors, operators, USDA/state agency officials and allied partners. Welcomed by SNA President Christopher Derico, SNS, and SNF Board Chair and SNA President 2016-17 Dr. Becky Domokos-Bays, RD, SNS, attendees shared perspectives and experiences, while identifying potential solutions for transformative change. Highlights from the presentations and table discussions follow.



# Executive Summary

- • • To reset the narrative around procurement processes in the K-12 supply chain, the Summit convened four panels representing the key stakeholders in the foodservice chain: Distributors, Manufacturers, Operators and State Agency Administrators. Each panel was composed of four to five professionals who represented organizations of differing sizes from across the United States and offered their individual perspectives and reflections on several questions tailored to their particular roles and responsibilities in the supply chain.

Other attendees of the Summit were assigned specific tables to ensure a balanced representation in group discussions that immediately followed each of three of the four panels (Distributor, Manufacturer, Operator). Participants at each table were provided with their own questions to facilitate discussion; abbreviated reports were shared with the entire group.

Detailed commentary follows in this report, but there were a number of echoed themes and important takeaways that resonated across stakeholder groups, through both shared and unique perspectives. These include the following:

## Challenges

- As regulations for the federal child nutrition programs continually change and expand in scope, the K-12 market becomes further specialized, with decreased profitability and incentives to participate by manufacturers and distributors.
- Another disincentive is found in outdated procurement processes and documents. These often still lean heavily on paper and on language that has been rolled over from year to year, ranging from inaccurate forecasts and orders to specifying products that have come off the market to requiring bid proposal notifications in local newspapers. In too many school districts, foodservice procurement is managed by personnel who are untrained in procurement regulations and/or uninvested in successful partnerships with vendors.
- Processing and management of USDA Foods (aka commodities) varies slightly from state to state, presenting pain points for distributors and manufacturers that serve large numbers of states or operate nationally.
- Contract awards for low-price versus value-adds and service factors continue to deter participation by manufacturers and distributors whose business models cannot reconcile investment in the low margins of K-12 with the higher profitability potential in other foodservice segments.
- Poor forecasting, minimal communication, unreliability, lack of standardization and poor accountability can be seen among *all* stakeholder groups. It is essential that we address these areas in order to establish effective solutions in the foodservice segment.
- School nutrition departments across the country are contending with unprecedented increases in employee wages, leaving them less able to prioritize a vendor's quality, service and other value-added factors above lowest price. Operators are looking to eliminate "pennies" from their programs wherever possible.

## Opportunities

- Improve procurement training for all K-12 school nutrition procurement officers, as well as state agency staff.
- SKU optimization provides greater efficiency for manufacturers and drives operators to the most popular products.
- State agencies and SNA state affiliates could establish mentorship programs to encourage best practices in K-12 procurement.
- Smaller districts should be encouraged or required to join a purchasing cooperative or buying group to improve pricing and service for them and standardization throughout the process.
- Improved use of technologies can provide templates, standardization, more suitable timelines and greater accuracy throughout the procurement process. Greater adoption of current GTINs (Global Trade Item Numbers) and the GDSN (Global Data Synchronization Network) is a good place to start.
- A national Healthy School Meals for All program will produce a larger customer base, increase sales and encourage accurate forecasting and ordering for the segment.
- Increase regular communication among stakeholder groups; this might include visits to school cafeterias by manufacturers and visits to plants and facilities by operators.
- Increased funding throughout the segment could be provided in the form of higher reimbursements; tax incentives for manufacturers/distributors; incentives for accurate forecasting; training programs; development of standardized documents; and grant funding for technology development and deployment.
- Manufacturers and distributors are encouraged to view K-12 as a specialty business, committing to the mission of feeding America's future and doing what it takes to work within a niche segment.



The event was bookended with two expert presentations that offered a broader context for understanding where we are today and at least one potential direction for the future. Additionally, Cindy Long, Child Nutrition Program Administrator at USDA/FNS, shared brief remarks about the agency's current and ongoing efforts to strengthen and improve the K-12 school nutrition procurement process.



# Embracing K-12 Within Your Supply Chain

Dr. Marsha Rose

- Dr. Marsha Rose, Assistant Professor, Southwest Minnesota State University, is a 24-year veteran in the K-12 school foodservice segment. A long tenure at a frozen food manufacturer gave Rose experience with K-12 bid management, forecasting, sales, operations/logistics, project management and USDA Commodities. She kicked off the Summit by setting the table for attendees, identifying factors influencing the current climate and forecasting a likely future.

After sharing an allegory that acknowledges the commitment of stakeholders in this segment to keep rising to the next challenge in pursuit of their common goal, despite suffering a metaphorical broken nose over and over, Rose presented the “State of the Supply Chain,” identifying top factors in play (see *slide below*), while noting that the supply chain exhibits great resilience, particularly when partners plan ahead, act proactively, avoid disruptors and work toward end-to-end visibility for business continuity.

## STATE OF THE SUPPLY CHAIN

### Inflation

As of Aug '23<sup>1</sup>

#### CPI

+4.3%: 12 Mo. Change  
+.2%: 1 Mo Change

#### PPI

+3: 12 Mo. Change  
-.5%: 1 Mo. Change

### Key Disruptive Risks

- Extreme Weather
- Global Environment remains volatile
- Cyber Threats
- Material Access Turmoil<sup>4</sup>
- Policy Changes
- Uncertainty

### Labor & Logistics

#### Labor<sup>2</sup>

- Unemployment 3.8%
- Participation: 62.5%

#### Logistics<sup>3</sup>

- Capacity > Demand BUT...
- Downward Contract Rate Pressure BUT...

### Supply Chain Focus

#### Optimizing Operations

- Business Choices
- SKU Rationalization
- Technology Investment
- Sustainability
- End-to-End Visibility
- Collaboration
- Risk Mitigation



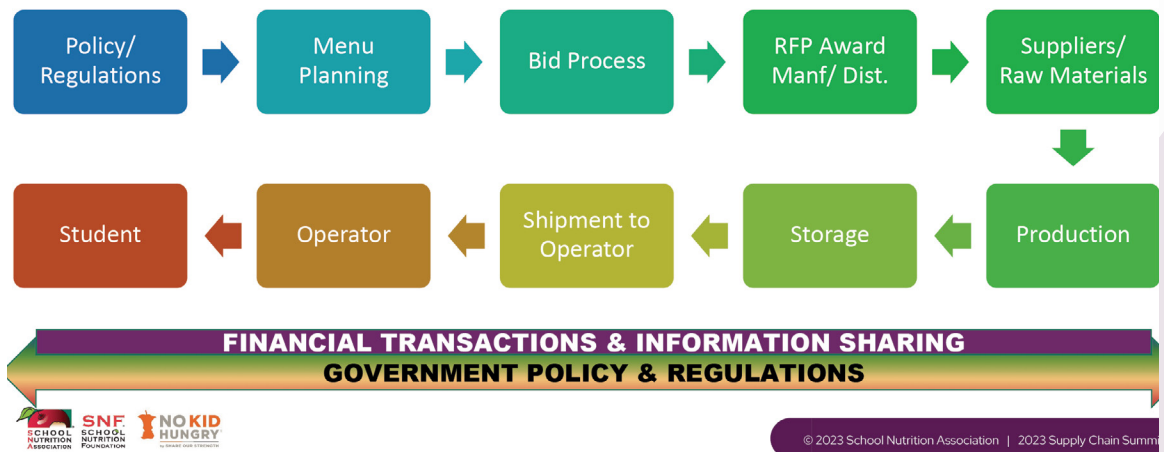
<sup>1</sup>Producer Price Indexes for final demand components, 1-month percent change (bls.gov); CPI Home - U.S. Bureau of Labor Statistics (bls.gov); Consumer Price Index Summary - 2023 M08 Results (bls.gov); <sup>2</sup> Employment Situation Summary - 2023 M08 Results (bls.gov); <sup>3</sup>Freight Market Update - September 2023 - Arrive Logistics; Freight Market & Rate Trends | North America | C.H. Robinson (chrobinson.com); <sup>4</sup>The supply chain trends shaking up 2023 - KPMG Global; 4The supply chain trends shaking up 2023 - KPMG Global

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“What happens if nothing changes? If not you, then who? If not now, then when?” —Dr. Marsha Rose

Rose asked attendees to reflect on how the Combined Value Chain (see *slide below*) is working for them today. She explained that within each link of the chain, there are various areas of opportunity to work in partnership with other stakeholders toward the common goal of serving the student. Success, she noted, will be dependent on trust, empathy and transparency.

## THE COMBINED VALUE CHAIN How is it Working for You TODAY?



Continuous improvement will require breaking away from the “We’ve always done it that way” default response to recommended changes, said Rose. “We have to question *everything*.” This applies to three key steps: Identifying repetitive processes, assessing the process and re-engineering the process—that is: “Identify, assess and rebuild.”

She encouraged attendees to seek significant opportunities that are prime for continuous improvement. Review each of the links in the Combined Value Chain to determine:

- Bottlenecks
- Waste reduction potential
- Minimizing redundancy
- Leveraging technology (this is a huge opportunity and USDA should recognize its potential with significant funding)

Rose suggested that attendees imagine the consequences if nothing changes, considering the ripple effects on their own family, career and company/organization. A K-12 “reset” will require each stakeholder to consider their own story, identifying wants, needs, depends, shoulds and musts.

The process of identifying solutions should be applied using “The Accountability Ladder” tool, which characterizes actions as passive/victim (wait and hope, make excuses, blame/complain, be unaware) versus confident/accountable (make it happen, find solutions, own it, acknowledge reality).





# Distributor Panel, Table Discussions

- • • Five representatives of distributors serving the K-12 segment shared their perspectives on supply chain management, including how their businesses are navigating new obstacles in K-12 procurement and delivery. Following their comments, attendees were asked to discuss similar questions at their tables.

## Panelists:

- Dorothy Cole, North American Director of Education, Gordon Food Service
- Shellie Dellitt, Regional Sales Director (East), Martin Brothers Distributing Company, Inc.
- Stephanie Ewing, RD, Chief, Federal and State Food Programs, Gold Star Foods
- Karen Moore, Enterprise Sales Leader-Education, Shamrock Foods
- Nicole Nicoloff, National Vice President-Education, Sysco Corp.

## Moderator:

- Dr. Marsha Rose, Asst. Professor, Southwest Minnesota State University

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“How can we streamline and standardize the processes throughout K-12 procurement?”  
• • • • •

## Question #1 What unique risks are inherent in the K-12 model?

Panelists were asked to probe such areas as: data-driven decisions, cash flow risk, forecasting, bid system complexities, value differentiation between stakeholders, challenges unique to small, remote school districts and the implications of the pending USDA Final Rule on Nutrition Standards.

## Panel Reflections

- This segment is special; few people leave it completely; they'll switch districts or change companies or move from district operations to become a broker or consultant.
- Everyone needs to be forecasting.
- There are too many unique bid requirements from district to district. This is a burden on distributors that respond to literally thousands and thousands of requests. How can we streamline and standardize the process?
- Low price requirements are unique to K-12, as are the regulations impacting procurement.
- Foodservice director positions have never been more complex and demanding—and it's not going to get better.
- As supply chain stakeholders, we should look at K-12 as a specialty business and separate it from other foodservice segments. With that change in mindset, we can commit to what it takes to work in a specialty business.
- Broadline distributors would do well to remember that when restaurants closed during COVID, schools were the segment that kept their trucks rolling.
- Some school procurement officials carry an attitude “that they can do whatever they want because they're a school.”

- USDA Commodities: We love them, but every state manages the process a little bit differently. When you're a distributor that works in every state, that's a significant pain point.
- Even if we drill down specifically to beef and pork—can we streamline the process between commercial and commodity foods better?

## Question #2 Can you provide an example(s) of a collaborative K-12 partnership that resulted in implementing a new process, approach or technology that was mutually beneficial?

Panelists were asked to probe such areas as: who benefitted most and why; ideas for a collaboration that have not been tried; and scalability.

"As supply chain stakeholders, we should look at K-12 as a specialty business and separate it from other foodservice segments. With that change in mindset, we can commit to what it takes to work in a specialty business."

### Panel Reflections

- Once we realized that COVID closures would be more than a few weeks, our team of K-12 specialists got together to identify 24 products in an effort to provide more variety of packaged items students could eat at home. We packed these with visual and written instructions on how to cook it, nutrition labels, etc. The lesson learned is that when we push ourselves to think outside the box, we can find solutions—but it requires focusing on the "why."
- Any information we received from manufacturers, we'd push out to the schools right away. We started making calls the weekend everything shut down, and we still make those calls today. There's a group of Arizona directors that used to meet via Zoom every week—they still meet every other week today.
- We used inbound fill rate and bid reports and tried to identify our manufacturers who were still struggling, both those that offered contracts and those that didn't. We showed that data to our larger bids.
- In working with operators, we could explain, "If you really want certain products, this information will help you make good decisions. You need to know what to expect." We improved our transparency of the process.
- Having a single bank for USDA commodities—processed and non-processed—was very helpful at the time, especially having access to technology that showed what inventory was available, particularly when fill rates were low.
- Supply chain issues are not new; COVID did not create them, it merely exacerbated the situation. Many of the problems have existed since passage of the Healthy, Hunger-Free Kids Act. You have 13,000 districts doing 13,000 different things. And we're never going to get a rural school in Vermont to request the same things, in the same ways, as a rural school in Arizona. We have to face the fact that we need customized solutions for each school district, although it is the school district's responsibility to explain what it is that *they* need to be successful. A bid template is not going to work across 13,000 school districts.



- When I look around the room, I see that each person here has their own unique value proposition. I don't understand how a low-price auction process allows us to create value-based decisions.
- We need to move the RFP process to value-added.
- We are selling service and the model should be serviced-based.
- Many of us could explore the value-adds of nighttime delivery, which would allow more efficient management of delivery routes and on-time deliveries. It can be done with key card access and a process for checking-in orders.

“Supply chain issues are not new; COVID did not create them, it merely exacerbated the situation.”

### **Question #3** If you could make one change within the K-12 business model that everyone was required to follow, what would it be and why?

#### Panel Reflections

- Change the bid process and move it to an RFP with value-adds. Move away from direct-to-manufacturer bids—eliminate those or allow for extended pricing to apply.
- When we make a commitment to purchase a product, we want a document that holds all groups accountable. Language in the procurement documents should show state [agencies] that these are partnerships.
- Streamline the USDA Foods program, making it easier for all stakeholders. Fifty state [agencies] doing 50 different things is hard to keep track of.
- We need greater availability of product information.
- We have to embrace the regulations, even though we don't like them. Instead of fighting them, what can we do to make them work? Right now, we are successful in providing products and recipes that meet the requirements. One of the best procurements I've seen was very clear in the scope of work [language, noting] that the vendor must be able provide demonstrable proof that they are able to meet the requirements. Don't just say you can do it—show, through your response, *how* you're going to do this. This procurement also included language that if the vendor's process is not clear in writing, they would be required to do an oral presentation.
- Good RFPs are those that are solution-based. They're not all about price, but a ranking of the value-adds.

#### Table Discussion Takeaways

Based on the distributor panel comments, participants were asked to identify 1-3 of the most important issues, brainstorm potential solutions and suggest a timeline for implementation. Top takeaways reported in person and transcribed from table notes follow:

- Bid processing and forecasting are top issues.

“We have to embrace the regulations, even though we don’t like them. Instead of fighting them, what can we do to make them work?”

- More cooperative and state bids would be helpful instead of from individual schools.
- Change bids to RFPs.
- Establish a mandatory training requirement for operators/procurement officers of school food authorities participating in the federal child nutrition program.
- Standardize solicitation documents; consider the three-tiered model used with federal procurements. There may be state and local policies that must be added, but this could be adapted in the model.
- If the IRS is able to partner with QuickBooks, can USDA have a similar tech partnership to standardize procurements?
- Close the loop between forecasts that are provided to distributors but not passed along to manufacturers until there is an actual order placed. Improve the flow of data/information among parties. Things get lost or changed in the chain.
- The role of the school board and local control makes standardization very difficult.
- Apply more tough love for operators who don’t forecast accurately or at all.
- States should develop a statewide template for procurement documents and standardize language, with some customizable plug-and-play options. The example of the procurement practice with model language for proving compliance with regulations is worth sharing more widely.
- Consider a scorecard system to reward and incentivize manufacturers regarding performance and accountability.
- Change the timelines and set national deadlines. Often, we don’t get information about bid awards and orders until we’re expected to have them delivered a week later.
- More collaboration and open conversations are needed during the procurement process.
- In addition to timeless for new and inexperienced directors/procurement officers, there should be some K-12 segment education for senior leaders in companies.
- Student participation and time to eat are key components in this equation, as well.
- USDA and state departments need to take the lead in standardizing documents, promoting partnerships and establishing transparency.
- What are we doing with historical information about substitutions?
- SNA should consider offering a boot camp session specifically on procurement pain points.



# Manufacturer Panel, Table Discussions

- Four manufacturer's representatives shared thoughts on supply chain management, including digital innovations that have synchronized processes, as well as thoughts on market growth and partnerships with distributors. Following their comments, attendees were asked to discuss similar questions at their tables.

## Panelists:

- Brian Hofmeier, Vice President of Education, J.T.M. Food Group
- Mike Piazza, Vice President of K12 Sales, Wild Mike's Ultimate Pizza (S.A. Piazza & Associates, LLC)
- Nick Stefanic, Channel Development Senior Manager, Tyson Foods
- Laura Trujillo-Bruno, RD, SNS, President, Buena Vista Foods

## Moderator:

- Mary Begalle, PhD, RD, SNS, Consultant

“We want to be leaders in feeding kids healthy foods, but at \$4/meal, we need more funding support. There's only so much we can do at the price per meal we're asked to meet.”

## Questions #1 and #2 What can the K-12 trading partners (manufacturers, distributors, schools) do to drive down costs and/or inefficiencies in the supply chain? What innovation solutions have you or your trading partners implemented that improved the K-12 supply chain?

Panelists were asked to probe such areas as implications of USDA's Final Rule on Nutrition Standards, SKU rationalization, accurate forecasting, well-written bid specifications, streamlined “boiler plate” bid documents, long-term contracts, price escalation terms and better use of technology. The discussion flowed between the first two questions for this panel.

## Panel Reflections

- I really *want* to embrace the new rule, but the way the added sugar was written is definitely a concern for us. We've spent the last six months actively reformulating, working with teams of food scientists and culinarians. The California mandate to meet these standards by January 1 is a big concern.
- When writing your procurement, don't mandate the 10% requirement, because it's [calculated] over a week, and you will risk disqualifying products.
- We look at SKU optimization every year, reviewing efficiencies and where changeovers are driving up costs. When we run a product, I want it to run three weeks straight; every time I have to stop that line to make a different product, we have to do four hours of cleaning and sanitizing the equipment, and changing multiple times a day is really inefficient and costly. In the past three years, we've eliminated 56% of our SKUs. The good news is that the 44% that remained represent 80% of the K-12 business. We got rid of “the losers.” We're going to see more consolidation as manufacturers determine what they can do. You're not going to see 500 new SKUs get introduced in the coming years.
- We had one SKU that was for a single school district; the only one in the entire country.

“The only constant has been change. A little stability in this segment would be wonderful.”

- During COVID, we eliminated 5–6 SKUs of 29 total and two of these never came back.
- Have conversations with your district customers about swaps. This communication and transparency can go a long way.
- Forecast, forecast, forecast. If I don’t know in advance, it’s going to take more time for me to fill your orders.
- We hope that the rule implementation timeline allows operators a chance to test new products and see how they work on the menu.
- I’m often writing a customer’s forecast based on what I’m hearing from my sales team. I’ve been in this business 35 years and have been right more often than I’m wrong.
- Understand the implications of CEP expansion on overall meals served. Operators need to get that information to distributors and manufacturers.
- When the Healthy, Hunger-Free Kids Act was issued, manufacturers just pulled the trigger and did what they needed to do to change their products. Today, we’re trying to look with a long-term lens about future requirements that could be 5 or 10 years out.
- Technology can help us work smarter and not harder. I’m a huge fan of GDSN and sharing data through that system. It’s key for real-time sharing. If changes are needed to a product, the spec sheet I gave the customer is quickly obsolete. This will help us from getting bogged down with sending product formulation statements. In GDSN, changes are updated within a day.
- The only constant has been change. A little stability in this segment would be wonderful.

### **Question #3** If you could make one change within the K-12 business model that everyone had to follow, what would it be and why?

#### **Panel Reflections**

- We see badly written bids on a very regular basis.
- Make better use of technology. Right now, we have digital forms that require a physical signature. So, forms have to go through multiple upload/download steps before they can be transmitted. I’d love for my bid team not to have use for a printer—we can use that money elsewhere.
- The bid process timeline needs to be much earlier, so we can also ask forecast questions earlier. Our production lead time may be 3–4 weeks, but our ingredient suppliers might need more time.
- Looking to our tech people here to drive solutions, connect GDSN to products, bid awards, bid award data. We need software to connect it all and then we could get monthly committed forecast volumes. We’re smart people, we should be able to figure it out.

“We’re going to see more consolidation as manufacturers determine what they can do. You’re not going to see 500 new SKUs get introduced in the coming years.”

- The bigger districts aren’t the problem; it’s the smaller ones—when they have poor forecasts, it can mess up our volume.
- Establish a requirement that districts of a certain size must join a cooperative or buying group. It’s going to benefit them with pricing; it would benefit us with standardization. It makes those bids more attractive to manufacturers/distributors—I’m not going to drop you.
- Manufacturers should consider bringing commercial products into K-12.
- Stop adjusting the nutritional standards every few years. Let them be for a longer period of time.
- Keep the movement to healthy meals for all; this will help the supply chain, giving us a larger customer base and more accurate information from districts.
- Operators should invite manufacturer representatives to spend a day in your cafeterias; and manufacturers should invite districts to your operations. This should almost be a requirement in the procurement process.
- Students need more time to eat—although this is not under the control of anyone in this room.

### Table Discussion Takeaways

Based on comments from both the manufacturer and distributor panels, participants were asked to identify 1-3 of the most important issues, brainstorm potential solutions and suggest a timeline for implementation. Top takeaways reported in person and transcribed from table notes follow:

- SKU optimization is among the most important issues. We need to be mindful about what’s actually being used and what isn’t. It pushes volume to the products that are the best.
- Better communication is needed from the distributor, especially transparency around low-volume items. They’ll give the pricing, but will they *really* bring it in?
- The segment needs more time and more money. I’m going to send a crate of chickens to the Governor of California and ask him to change them to chicken patties by January 1. We want to be leaders in feeding kids healthy foods, but at \$4/meal, we need more funding support. There’s only so much we can do at the price per meal we’re asked to meet.
- More time is needed for regulation implementation.
- Understand that directors don’t have control over their customer base. There are so many barriers to customers coming into the cafeteria and picking up a meal.
- USDA should give implementation grants to manufacturers to ramp up equipment that will bring greater efficiency to the supply chain.

“Have conversations with your district customers about swaps. This communication and transparency can go a long way.”

- Improve transparency by asking USDA to house the data on awarded bids.
- Regulations need to include a nutrition education component. We’re not going to get kids to choose to eat healthfully by simply serving nutritious meals. It’s an American problem, but we can fix it.
- Incentivize accurate forecasts with allocations.
- Lean into technology; we’re working with district documents that haven’t been touched since the Reagan administration. USDA or another entity should create “one tech to rule them all.”
- Offer tax breaks for manufacturers that meet the nutrition standards quickly; that might be an effective incentive.
- Why do some bids request samples? We don’t get these until the bid is awarded.
- Many schools do not understand and appreciate the bid cycle. But the budgeting process in schools is different than what many manufacturers presume.
- There’s a need for geographic pricing models.
- Distributor/manufacturer education of K-12 directors is key. Many have no idea what it costs to stop a truck [for delivery] or the benefits of changing your menu to get more from the truck stops.
- Transparency is nice, but we can’t lose sight of the fact that we’re still in competition with one another.
- Is there an opportunity for distributors to consolidate bid results—excluding proprietary information, but sharing how many bids different manufacturers in the same market wound up winning?





# Operator Panel, Table Discussions

- Four school nutrition professionals spoke to the trickle-down effect supply chain challenges have had on school meal programs—and on public perception. The panel was asked to address policy impact, relationships with vendors and possible solutions. Following their comments, attendees were asked to discuss similar questions at their tables.

## Panelists:

- Paula De Lucca, MSMOB, SNS, Senior Director, Child Nutrition Services, Wake County Public Schools, North Carolina
- Monica Deines-Henderson, MBA, SNS, Nutrition Services Director, El Paso School District #49, Colorado
- Manish Singh, MBA, Director of Food Services, Los Angeles Unified School District, California
- Keri Warnick, BFA, MBA, Purchasing Specialist, Region 10 ESC, Texas

## Moderator:

- Topaz Arthur, National Manager, No Kid Hungry

“K-12 is a niche segment; it’s never going to be the biggest money-making segment, but we’re asking our vendor partners to invest in the future of this country: the students.”

## Question #1 What are your most compelling procurement obstacles?

Panelists were asked to probe such areas as lack of qualified bidders, product discontinuations, inflation/pricing and decreasing service levels from distributors.

## Panel Reflections

- We’re still seeing very extreme pricing. We understand companies need to stay in business, but it’s really difficult for school districts.
- We prioritize and produce accurate forecasts, but we are still getting shortages or substitutions.
- Increasing food costs would be easier to absorb if we didn’t also have to absorb major local wage increases; \$8 million just to cover the increase in minimum wage.
- We’re seeing a diminishing number of distributors willing to bid. Sysco has been a great partner and we wanted to work with them to move to afterhours/Saturday delivery, but we ran into building access issues.
- Our minimum wage range is more than \$20/hour and all our employees are fully benefited. That’s 66% of my budget and it’s the new reality.
- In the pandemic, when we struggled to get products, we took what we could get regardless of price. Now, it’s not hard to get the item, but price is the issue.
- K-12 is a niche segment; it’s never going to be the biggest money-making segment, but we’re asking our vendor partners to invest in the future of this country: the students. Can we take this message to manufacturers and distributors and ask if their margins could be thinner here?

- In my state, school food procurement documents need to be authorized by the state agency before they can hit the streets, and there's a lot of back-and-forth on language and terminology. It takes an exorbitant amount of time and energy.
- The timing is frustrating for us: We get introduced to new products, but then have to wait a whole year for it to get into the RFP and then another year before we actually get it into cafeterias.
- In my state, there's only one dairy supplier.
- Our state has Healthy Meals for All, and it's been difficult to forecast participation. We had COVID data, but that's not accurate for today's models of in-person learning. So we did some forecasting based on that old data, but are seeing a lag in getting products.

"Increasing food costs would be easier to absorb if we didn't also have to absorb major local wage increases."

## **Question #2** How can technology be leveraged to optimize school food supply chain operations, from procurement to delivery and data analytics to forecasting.

Panelists were asked to address such areas as using GDSN technology solutions, as well as their experiences with back-of-house and POS software solutions.

### **Panel Reflections**

- Anything across the spectrum that can take pennies out of the process will be helpful. That includes technology that helps us avoid duplicative work. But there's a big gap in how districts take advantage of technology. When I moved from one district to another, my new district was behind where I was in my old district.
- I couldn't put together a bid with anywhere close to accurate forecasting without technology.
- I tried to get GDSN into bids; now I'm requiring the unique identifier be used by my [cooperative's] participating districts.
- I'm a firm believer that if I can dream it, someone else can make it happen.
- I'm looking for a system that can tie production records, menu planning software and procurement documents. This would allow my partners to know roughly when I'm going to pull X case of XYZ product, including related ingredients. It's a coordination issue. We're getting ready to send someone to Mars; surely we can pull together our technology solutions.
- I just don't know how you are operating a school meals operation if you are not making data-based decisions.
- I think a lot about Amazon and the cart, and how I order a product and it shows up the next day. Can we ideate *our* processes to find the best part of *their* processes to make the system more time-responsive? What would it look like if we had that Prime capability?

“As we eliminate redundancy, we can focus more on the kids we want to feed than the paperwork we have to manage.”

### **Question #3** What innovative solutions or tools have you implemented or encountered that have benefited/improved the way you manage the supply chain?

Panelists were asked to consider experiences with group purchasing, streamlined bids/RFPs, improved product specifications and online bid submission.

#### **Panel Reflections**

- In our cooperative, I had someone build the technology I wanted for the best possible forecasts. All our members are required to use it for their procurements. I feel like I'm inching toward better representation of what can happen. If you don't forecast properly, you hurt others who do.
- There's still some reliance on EXCEL workbooks and the data can get screwed up easily. Ideally, I hope to see an online system with locked-down data fields.
- I believe in trying to take better advantage of what's already out there. Our cooperative uses a group purchasing organization for better pricing. We're happy to have a partner who can take on driving the prices for all.

### **Question #4** How can schools and suppliers collaborate more effectively to incorporate local products into school menus?

Panelists were asked to speak about government procurement training for suppliers; using non-traditional delivery/transportation providers; and streamlining payment processes, such as "procurement cards."

#### **Panel Reflections**

- In California, when gas costs \$6 per gallon, we understand that distributors have to pay more and tack on that extra cost.
- We're exploring ways that schools and suppliers can collaborate more effectively around locally sourced products, rolling in small and medium-sized farms within a 200-mile radius. We're asking all our distributors to expand how they procure for us to help us change children's eating habits.
- Our cooperative in Texas encourages member districts to buy local as much as possible and they are required to send us a report about how much local they buy. We try to help connect them with local farms.
- The North Carolina Department of Agriculture set up a great program and we get shipments sent directly to us. Our produce supplier gives us a lot more information about the items that are coming in from harvest.
- In Colorado, purchasing local is difficult thanks to the short growing season. Still, we need to look at the barriers that prevent small farmers from jumping into the opportunity to work with schools and try to work with distribution partners to pick up products from the farmers.

## Question #5 If you could make one change within the K-12 business model that everyone had to follow, what would it be and why?

### Panelist Reflections

- We have to leverage technology in order to streamline the bidding process.
- I need to see a reengineering of the child nutrition programs overall. I am seriously concerned about their financial sustainability. We're facing dangerous days.
- Financial constraints are a reality. We want to serve the kids and make a difference in their lives—90% are facing food insecurity—but we need the money to do it.
- Everyone in this room has a heart for taking care of kids, but we need to come together, and use technology to close the gaps. As we eliminate redundancy, we can focus more on the kids we want to feed than the paperwork we have to manage.

“Anything across the spectrum that can take pennies out of the process will be helpful. That includes technology that helps us avoid duplicative work.”

### Table Discussion Takeaways

Participants were asked to respond to the following questions:

- What needs to be changed within the regulatory model that would most benefit all trading partners?
  - Considering the interactions between schools, distributors and manufacturers, what area has the best potential for improvement through leveraging technology?
  - K-12 training and skill development is critical to broad process improvement, standardization of procedures and enhanced effectiveness throughout the supply chain. How can USDA and other stakeholder groups assist in this area?
  - In addition, participants were asked to share experiences and recommendations for fostering talent and expertise in K-12 supply chain management.
- 
- While funding for training is important, you can spend a lot of money on an individual to get them up to speed on school nutrition and then have them last in the position just two weeks before they transfer to be a custodian, because they can make more dollars an hour.
  - Can districts help to boost salaries through their general fund?
  - Funding for schools in general is problematic. The Wisconsin state legislature introduced healthy school meals for all, and it was opposed by the school superintendents, because they would lose the per-pupil funding they received through the free/reduced meal application process.

“I just don’t know how you are operating a school meals operation if you are not making data-based decisions.”

- What are the opportunities for regional bids? Maybe a manufacturer bids on a regional bid that crosses state lines; freight would still be a calculation, of course.
- Get more vendors involved in the USDA Foods process.
- Get rid of the documentation needed for the exemption list of the Buy American rule.
- Explore tax breaks.
- Use models for technology use that work in the college/university foodservice space.
- Update old policies. There’s one district we work with where the board requires procurement documents be posted in three different “newspapers.” There aren’t any newspapers in the community anymore!
- Manufacturers can do more to automate their systems. Provide them with grant money to do so as a partner in the K-12 segment. If they leave the segment, they have to pay it back.
- Look at land grant/university models.
- Revive the NET funding for education and training.
- Consider the Produce University model for full-immersion training. The Georgia Equipment Academy is another program that should be taken nationally.
- The CEP multiplier is not enough to be truly effective.
- Consider development of a single-source portal for procurement, perhaps managed by USDA.
- State agencies should consider establishing more warehouse space.
- Nutrition standards shouldn’t be different between 4- and 14-year-olds.
- Look to establish more consistent training, despite differences from state to state.
- Let’s not reinvent the wheel but look to provide more peer-to-peer support.
- Extend the expected time between the announcement of the final nutrition regulations and their implementation.
- Individuals at USDA and Congress need a better understanding of what it takes to operate a school meals program.
- USDA should mount a national marketing campaign that promotes the current nutrient density of school meals.
- How will we recruit younger generations and foster new talent for this industry? We need to reach out to dietitians and college hospitality programs for the pathways. Review the “Bring More to the Table” recruitment toolkit from SNA.
- Prioritize the four Ts: tools, technology, training and transparency. But above all, stop talking and start acting.
- Instead of developing grant programs (and all the paperwork requirements to apply, receive and administer), put more money back into the whole program.
- Simplify all paperwork.



## Comments from Cindy Long, Administrator, USDA/FNS

- Long praised the Summit organizers and participants for applying the “resetting the narrative” approach to the conversation and applauded the breadth of comments focused on innovation and communication. She noted that the type of reengineering work that has been discussed fits in well with Agriculture Secretary Tom Vilsack’s broad vision for USDA to transform America’s food systems.

She cited the Healthy Meals Incentives Initiative program as an important step in that direction, noting that \$50 million is earmarked to provide funds that incentivize collaborations across the supply chain. That will provide a lot of space to innovate and bring a wider range of entities to the table, Long said, noting that there will be four rounds of grant funding in this area, with two opening soon.

Long also announced a new partnership with the Urban School Food Alliance, which received grant funding to help strengthen school food procurement in ways that will better position schools to be efficient and effective customers. That project will begin with the formation of an advisory group.

Long thanked SNA, SNF and No Kid Hungry—and the Summit attendees—for how much they’ve done to inform and educate the USDA team. “I’ve been in schools a long time,” she said. “But in the last few years, I’ve learned more than I ever did before—and that is what is informing some of these exciting new initiatives designed to reflect meeting the important [considerations] of operations and the supply chain.” She affirmed that she’d been taking notes throughout the Summit, intrigued about what USDA could do to better support technology solutions, as well as provide greater technical assistance.





# State Agency Panel

- Three representatives of state agencies across the United States shared thoughts on the systemic challenges facing their programs, policy impact and the complexities around procurement for the K-12 segment.

## Panelists:

- Lynn Harvey, EdD, RDN, SNS, North Carolina Department of Public Instruction
- Lynnelle Johnson, MPA, RD, SNS, North Dakota Department of Public Instruction
- Lena Wilson, MS, RD, SNS, Texas Department of Agriculture

## Moderator:

- Mary Begalle, PhD, RD, SNS, Consultant

“Even if districts participate in a cooperative, we expect directors to take more ownership of the procurement process.”

## Questions #1-5

- What do you foresee as the key trends and challenges in the school nutrition supply chain over the next few years?
- How can the complexities of federal and state procurement requirements be streamlined and standardized to make the process more efficient for schools and their trading partners?
- What is the impact on distributors exiting the K-12 market in rural areas of your state?
- With implementation of a final rule on Nutrition Standards pending, what proactive steps have you taken?
- What do you recommend schools, distributors and manufacturers do to prepare?

## Panelists were asked:

- to expand on how they prepared to address challenges and trends, as well as reflect on supply chain innovations implemented in their state
- to rate the consistency of how procurement is managed in schools in their state
- to explain the role state agencies play in working with purchasing co-ops and/or GPOs and the advantages and disadvantages of these organizational structures
- to address the opportunity to piggyback on Inter-Governmental Agency or Lead Agency for Interlocal Agreement procured contracts
- to describe coordination efforts among states in developing and implementing procurement processes and how to expand on these efforts
- to describe ways state agencies have brought schools in their state together toward standardizing approaches

“All solutions  
need to be  
sustainable and  
scalable.”

- to speak to ways that federal and state resources can be leveraged to help schools and their trading partners streamline the procurement process, including the use of federal farm-to-school funding to apply to infrastructure and supply chain solutions that would be sustainable and scalable to the broader market
- to describe incidence of distributors failing to serve K-12 districts in rural parts of their state, and what schools are doing when there are no bidders, no availability of compliant products and no distribution
- to speculate on how the crisis for rural districts might be addressed
- to note if they’ve explored co-mingling commercial food warehousing/distribution with USDA Foods
- to share if districts in their state have explored non-traditional distribution (e.g. gig economy transportation, e-commerce distribution, customer pick-up and regional outbound warehousing)
- to identify if they’ve requested USDA support rural supply chain pilot projects
- to explain how issues with rural districts have affected distribution of USDA Foods in their state
- to note if they have any state-owned or contracted warehousing/distribution
- to describe any other changes made or improvements achieved
- to identify any future plans underway for implementation of the Final Rule on Nutrition Standard

## Panelist Reflections

- Today’s Summit hasn’t yet really addressed that rural piece, where schools are getting their food supplies from Costco, Sam’s Club or even Dollar General.
- Many of the newer stakeholders in school meal programs don’t understand the business; meanwhile the old guard is resistant to change.
- Every district throughout Texas is struggling with labor—it’s a problem for us at the state agency, as well.
- In Texas, we offer incentive programs to promote local and fresh farm-to-school purchasing and inventiveness in the Fresh Fruits and Vegetable Program.
- Supply Chain Assistance funds were so critical to sustaining operations during the pandemic. I’d like to see USDA return to offering these, since school food authorities still face so many challenges in this post-pandemic arena.

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“We’re  
concerned that  
so many people  
who are in charge  
of purchasing for  
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our profession.”  
• • • • •

- In North Carolina, we’re competing with a lot of commercial restaurants for distribution. Many districts have bids that go unanswered, especially in our small, rural districts. We’ve had to partner with bordering states in some instances.

- In Texas, we’re creating a standardized template for procurement—fully electronic—that will be used statewide. Many of you in this room were part of an advisory group to develop this resource a few years ago. We use a similar approach for our contracts with management companies, and we’re modifying that model to work in the broader procurement process.

- In our state, we have cooperatives, we do not have line item bids and we focus on RFPs. We’ve also made changes around how USDA Foods work in our state. We’re also addressing the training deficiencies that have been identified during this Summit.

- Even if districts participate in a cooperative, we expect directors to take more ownership of the procurement process. We never want to hear a director or supervisor say: “I don’t know; I’m in a cooperative” when answering a question in the Procurement Review. This is the #1 place we’re taking money back from districts. Our Procurement Reviews are pretty brutal, and because districts join cooperatives at different times in their review cycle, we actually perform Procurement Reviews of our cooperatives every year. So, we’re not popular.

- Our distributor has warned us about the coming paperboard shortage for producing beverage cartons. We’re already having those conversations *now* so we can develop Plans A, B and so on.

- In North Dakota, we’re still struggling to come back from COVID. Our cooperative failed; many districts got only one or no bids, and that’s not just the outlying districts that struggle to get basics like whole grains and milk. We have more cows than people in our state, but we had only one distributor. Now farmers are sending milk across state lines to be processed.

- We’re concerned that so many people who are in charge of purchasing for a school meals program simply are not qualified. The school custodian or secretary in the role is not a good representation of our profession; it makes it seem that anyone can manage these programs.

- In North Carolina, we’ve seen some loss of manufacturers and distributors that want to serve the K-12 segment. We know we’re a niche market, we recognize the challenges and we’re grateful to those of you who support it as robustly as you do.

- When it comes to the effects of the Nutrition Standards rule on the supply chain, we’re telling our districts to simply “Do your best.” The goal is to provide nutritious, appealing meals to students, and we’re going to do all we can to prevent a punitive action based on supply chain challenges.

- School districts are resilient, and we’ll make it work.

- I believe it’s time to think out of the box—but what does that look like? How do we dream a bit? For me in North Dakota, maybe it’s establishing a regional warehouse in Wyoming and our schools send their own trucks to do the pickup.

- There needs to be more forethought on CEP. Unless that multiplier is changed, you're not creating effective change for school districts.
- The emergency supply chain funds were so, so helpful, but there were unintended consequences. District administrators started coming to the school food authority with their auditors saying, "You're no longer a non-profit. You have all this money in the bank."
- What does that say to districts that have worked hard to be in a sound financial position: Get extra money and then be taken down for it?
- All solutions need to be sustainable and scalable.
- And always remind ourselves that we are the ones making sure that the student, the child, is the focal point of every decision. It comes down to the simple act of nourishing a student—body, mind and soul.

There were no Table Discussions following this Panel.

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"We have more cows than people in our state,  
but only one distributor."  
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# What's Next for the K-12 Market?

Scott Brown

- • • Scott Brown is Senior Director Global Data Strategy at 1WorldSync, a leader in Product Content Orchestration, helping companies to create and distribute impactful content that is accurate, consistent and relevant everywhere commerce takes place. He closed the Supply Chain Summit with his reflections on the K-12 market—and future possibilities.

Brown applauded the attendees for being incredibly engaged throughout the entire day. "That can be the catalyst for how you move things forward." He noted that the entire world of commerce—not just school nutrition, not just foodservice—changed overnight, descending into chaos. "We've started to get back to normal. It's never going to be back to what it was before, but it needs to be better."

"If you're not directly serving the student, you need to be serving the people who are."

—Scott Brown

Customers continue to experience shortages and substitutions, and stakeholders in the K-12 market spend considerable time "shopping" simply to find appropriate products. A key strategy for improvement is through systems for acquiring and storing product content, specifically through a unique identification, such as the UPC bar code or another GTIN. These have become a requirement at the retail level and are more widespread in commercial foodservice. The content about the product can range from nutrition information to allergens to inventory availability.

Using an electronic catalog of UPC/GTIN products can improve the procurement process. The system can be used to expand bids or update them to be current with available items. Too often, a district might pick up information from the previous year (or years), not realizing that products have been discontinued by the manufacturer, noted Brown.

When using UPC/GTIN, operators can request potential substitutions, equivalents and replacements. "This way, you can determine what the distributor has on hand, so if they swap your product, you can tell them whether it's truly acceptable or not," explained Brown. It's also a way to push districts to move to electronic and put to rest outdated requirements for paper proposals. "Why are we dealing with that in this day and age? That's insanity."

UPC/GTIN improves processes up and down the chain. Stakeholders can request real-time velocity reports to show what is actually being purchased and identify potential substitutions. This also helps in cost management. "If you're buying a 'custom' product that only few people are purchasing, you'll pay a custom price. If you buy what everyone else is buying, you'll get a much better price," said Brown.

GTINs are scannable, making them much easier and more efficient in tracking inventory, whether it's confirming that you got what you were supposed to get or signaling when a new order needs to be placed. "The scanning equipment is very cheap," Brown noted. "And it can also be a capital expense for the district, because it can be used by the custodian to track supplies or for scanning employee or student IDs. Most scanning equipment today can be used with different types of bar codes and systems."

Brown concluded by encouraging participants to leave chaos behind and return to order by being smarter through use of pragmatic technology like UPC/GTINs, especially those managed by the GDSN to convey trusted product content from manufacturers. "Be collaborative and open to change," urged Brown.



# Looking Ahead

- • • The 2023 Supply Chain Summit, Resetting the Narrative Around the K-12 Supply Chain, earned extremely positive reviews from participants, with more than 90% rating it “very satisfactory.”
- • • Comments on evaluations reflected a desire to take the ideas and learnings and start putting
- • • change into action:
  - “Let’s go to the next steps to solve the problems.”
  - “This is such an important topic; I look forward to seeing how it continues [to be discussed and addressed] and the solutions that arise.”
  - “It was wonderful to be in a room with every [stakeholder] group in the industry and hear that...everyone is willing to work together to find resolutions. It was great to walk away from this feeling like there *will* be improvements and that we will be partners in figuring out exactly how to do that.”



The School Nutrition Association and its sister organization, the School Nutrition Foundation, will continue to work with partners like No Kid Hungry and USDA/FNS to identify opportunities to improve procurement processes for all stakeholders in the K-12 supply chain. As new initiatives, research, webinars, presentations, articles and tools are developed in this effort, they will be added to SNA’s Supply Chain Resource section on [SchoolNutrition.org](https://SchoolNutrition.org/school-nutrition.org/resources/featured-resources/supply-chain) ([school nutrition.org/resources/featured-resources/supply-chain](https://SchoolNutrition.org/school-nutrition.org/resources/featured-resources/supply-chain)). Also visit No Kid Hungry’s Center for Best Practices at [bestpractices.nokidhungry.org](https://bestpractices.nokidhungry.org).



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