Missouri
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EDUCATION

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Missouri Department of Elementary and Secondary Education
Food & Nutrition Services
Net-Off-Invoice Information

DESE – FNS allows Missouri Local Education Agencies (LEA) to utilize the USDA Value-Pass-Through (VPT) method known as Net-Off-Invoice (NOI). NOI allows LEAs to divert raw lbs of ***substitutable*** USDA Foods to further processors and in turn receive the Value of the Donated Food as a discount off their commercial invoice. NOI = discounted from commercial distributor's invoice. On the USDA Foods Packet SY 16-17 Web Page you can find a list of approved processors offering NOI discounts or a separate document has the Contact Information for each of the processors.

In order for the NOI discount to occur 6 things must take place:

1. LEA diverts raw USDA Food to processor via annual USDA Foods Packet
    a. These lbs will be sent to the processor of the LEAs choice. ***Lbs cannot be reallocated to another processor at a later date.***
2. DESE – FNS orders lbs to be delivered to processor. DESE – FNS will work to send the exact amount as requested by the LEA. Some variances (plus or minus) may be necessary for DESE –FNS to fulfill full truck requirements for USDA.
3. LEA selects an approved distributor to deliver the processed end products
    a. LEAs should create a user I.D. with www.k12foodservice.com and www.processorlink.com to view available balances. The processor determines which tracking website they use for tracking USDA Food inventory levels and NOI discounts.
4. LEA coordinates the ordering of approved processed items through selected distributor.
    a. LEAs can purchase any approved item utilizing the USDA Donated Food they diverted to the selected processor.
    b. LEA should **forecast** usage of each product with the distributor to verify approved items are available when needed.
        i. Similar items produced by other processors than the selected processor are not eligible for the NOI discounts
            1. Similar items can be served to fulfill a menu; however LEA should keep in mind the lbs intended to be used by the selected processor were not used and could create excess inventory at the end of the school year.
5. LEA verifies commercial purchases receive the NOI discount until all lbs are depleted.
    a. Monitor commercial invoices – NOI discounts must be listed on separate lines for easy tracking.

b. Monitor www.k12foodservice.com and www.processorlink.com to verify account balances reflect the appropriate purchases made by the LEA.

6. Achieve zero (0) balance by June 30th each year
    a. Brokers for your selected processor will assist LEAs in keeping pace to achieve zero balances by June 30th (end of the school year)
        i. A periodic check-up in November to see 33% usage
        ii. 2nd periodic check-up in February to see 66% usage
            1. If usage levels are not met, brokers will notify LEAs to make LEA aware of the less-than desired level of usage
            2. If LEA does not submit a plan for complete usage by June 30th during the February check-up; broker and DESE – FNS will work to reallocate the LEAs lbs to other LEAs who will utilize the lbs to achieve a zero (0) balance.
        iii. Using NOI lbs early assures full value of entitlement will be received and will open the door for the possibility of additional lbs later in the school year from LEAs who are not responsibly using NOI lb diversions.

Typical NOI Timeline

1. January – February – Calculate and Divert lbs via DESE – FNS annual Packet
2. February – June – conduct commercial bid to determine price
3. July – Assign distributor for each USDA Food on www.k12foodservice.com or www.processorlink.com
4. July – October – Utilize at least 33% of diverted lbs for the school year
5. November – Broker check-up with LEAs
6. November – January – Utilize at least 66% of diverted lbs for the school year
7. February – Broker check-up with LEAs
    a. Plan orders for next school year to order on DESE – FNS annual Packet (see #1)
8. February – June – Utilize 100% of diverted lbs for the school year for zero (0) balance
    a. LEAs with under-utilization may lose lbs to be transferred to LEAs utilizing lbs responsibly and in need of additional lbs for the school year.

Please Note: LEAs electing to participate in the Net-Off-Invoicing (NOI) program ***must*** check with their commercial distributor to verify the actual items available through the distributor which are offered/approved by the processor for NOI. LEAs will have accounts established either on www.k12foodservice.com or www.ProcessorLink.com where they can log in to review their lb balances and make distributor changes.

DESE – FNS does not coordinate the commercial distributor assignment or end-product selections for N.O.I items. **This is the LEA's responsibility!** DESE – FNS will only coordinate the diversion of the requested amount of raw USDA Foods and monitor Monthly Performance Reports for State balances. If you do not intend to monitor your balances or assign a distributor, only select Fee-For-Service products which will be coordinated by DESE – FNS to be delivered to your LEA via the state-contracted warehouse during your monthly commodity delivery.

Net-Off-Invoice Additional Information taken from ACDA RA Processing Handbook
www.commodityfoods.org

Indirect Discount (Net off Invoice or NOI) – RA is invoiced directly from distributor at net price + distribution fees. The use of Hybrid Value Pass through Methods, such as Net off Invoice (NOI), may eliminate the need for storage costs. However, the RA will need to assess any increase in service and delivery fee a Distributor may require for this type of transaction to cover possible associated administrative costs. Additionally, note that the delivery fee is already included in the commercial price from which the value of DF is deducted.
NOI Commentary: NOI can only be successful if the SDA approves the VPT method, the processor(s) participate, the foodservice distributor has the required tracking capabilities (the most critical piece), and the school district is willing to commit to the required sales verification. If one of those pieces is missing, the whole thing could be an accounting disaster. Before the SDA can responsibly approve that VPT in their state, all of these factors must be considered and confirmed.

1. NOI Requirements:
    - Processor has approved SEPDS with SDA
    - Sale to eligible RA
    - RA has a positive inventory “on the books” or “in the bank”
    - Distributor must sell at net price + distribution fees
    - Poultry Processors with Substitution Approval/ Standard Yield
    - Fully Substitutable Commodities
    - Identical Commodity/Commercial Products
    - Processor sells to distributor at gross price
    - Distributor sells product to any customer
    - Sales Verification:
        - Processor responsible to conduct RA sales verification
        - Several methods to verify RA sales:
            - Email and/or web-based notification
            - Written correspondence
            - Verbal communication
            - RA responsible to confirm receipt of NOI product AND commodity value
        - RA may also be contacted by SDA to confirm same sale
2. Title of Product
    - RA takes title of product once the distributor delivers product.
3. Invoicing and Payment
    - Distributor invoices the RA the net price. The invoice must identify the gross case price and the value of commodity food(s) per case.
    - The gross price must be negotiated or bid.
    - The RA ends up being billed at a price after the commodity discount is given.
4. Record Keeping
    - RA should have a tracking system in place to compare and validate distributor and processor verification requests to verify sales. (SDA is required to randomly sample RAs for verification.)

5. RA can expect the SDA to…
    - Provide a list of eligible processors to process in their State.
    - Provide diversion information (number of pounds/cases) to RA and processor.
    - Upon request, provide SEPDS showing all products available, the types of commodities that can be processed, the commodity value per pound, the amount of commodity food per finished case, and the value of the commodity food per finished case.
6. RA can expect the Processor to…
    - Upon request, provide the SEPDS.
    - Pass through value of commodity(s) contained in the finished product.
    - Provide competitive prices to distributor(s) offering bids to the RA (through procurement process, if applicable). RAs are encouraged to bid distribution as a separate line item from processing as they are two separate business decisions, but check with your SDA as to the distribution methods allowed in your State.
    - Inform the distributor of the number of pounds/cases that will be put into the distributor's commodity tracking system on behalf of the RA.
7. RA can expect the Distributor to…
    - Prepare invoices with the bid price for the food product listed on the first line and the value of the product, (provided by the processor), deducted on the second line thus giving the net case price.
    - Clarify how distributor will communicate sales/velocity reports to processor.
    - Maintain a program that meets audit requirements that tracks and deducts the commodity value of the product delivered to the RA and tracks the remaining allocation (entitlement).
    - Agree that no brand or item code substitution is allowed.
    - Agree that the distributor will slot all items the RA has requested for processing that meet distributor's volume requirements, keeping in mind that special order items must meet volume requirements and business practice guidelines. Distributors reserve the right to deny stocking commodity items for RAs that do not meet the volume requirements.
8. Participation
    - Processor must inform RA of authorized distributors to conduct NOI on their behalf.
    - RA should confirm with the SDA that processor is approved for NOI.
    - RA should verify with the SDA and the processor which end products are included in the processor's NOI program. RA should consider the need for CN labeled products, product variety, and distributor's ability to stock requested items.