

Supplying Beef to Public Schools



JERRY M. HAWKES
**DEPARTMENT OF EXTENSION ANIMAL
SCIENCES AND NATURAL RESOURCES**



New Mexico State University
All About Discovery!

Purchases of Product



- AMS purchases the product
- These purchases are a part of the USDA program for commodity foods
- Supplier must satisfy the AMS requirements, not have incurred a FSIS enforcement action, and have an active Federal Grant of Inspection
- AMS solicits bids and often awards the low-cost bid



Agricultural Marketing Service (AMS)



- AMS purchased \$300 million of raw and cooked beef products in 2011
- Approximately one-third was raw meat
- Approximately two-thirds was processed in the form of patties, Salisbury steaks, cooked ground beef and other products



National School Lunch Program (NSLP)



- Safety of product is the primary concern
- AMS regulates this process
- *Salmonella spp* is the primary concern
- AMS results indicated that the presence of contamination was less in the NSLP programs than other food service industries



System Requirements



- Processing facility must meet AMS standards defined in: *Technical Requirements Schedule-GB-2013 for USDA Purchases of Ground Beef Items*
- <http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5103936>



Before the Bid is Placed



- USDA certified facility
- Animal welfare considerations are met
- 40lb cases
- Minimum of 40,000 pounds available
- Shipping requirements must be met. This varies on product. Some wrapped, some not wrapped, wax impregnated or interior panels on containers.

Before the Bid Continued.



- Technical proposal must include:
- Scope of the project
- Material including; QCP, origin, humane handling, non-ambulatory disabled cattle, spinal cord removal, pathogen intervention steps and carcass testing
- Traceability of the product is a **MUST**

Before the Bid Continued



- Mechanical separation, must be an approved technique
- Processing, bone collection, shape and waffling of patties, metal detection and approved mechanical equipment
- State of refrigeration
- Fat limitations
- Weight, thickness, shape and color
- Delivery of the product



Economic Factors



- The market is not limited to only AMS contracts
- Price offered
- Quality standard costs
- All variable and fixed costs



Economic/NSLP Considerations



- NSLP markets typically are the lowest cost and smallest margin opportunities that exist
- Ground beef is the most challenging product to market
- Ground beef has the smallest potential profitability margin of the aggregate beef animal



Strategic Action



- Financing the operation
- Fluid decision making is necessary for successful ventures
- Small economic margin for any mistake in this market structure
- **FOOD SAFETY is ESSENTIAL**



Low-Price = to Profitability?



- The low-price bid wins
- Fulfill the contract parameters after being an approved facility/supplier
- Penalties will occur if the contract is not met
- Economies of size and scale are important



New Facility Cost



- It is estimated that a new USDA/AMS facility in New Mexico would cost approximately \$18 million dollars
- Updates and continued maintenance would be incurred
- Standards are going to increase rather than stay stagnant is the expectation



Proposed Situation



- Does the local community have a facility that meets the USDA/AMS standards at this time?
- Does New Mexico have a satisfactory inventory of cattle to meet the marketing objectives?
- What is the minimum acceptable profit margin established by the firm?



Proposed Situation



- What is the proposed tax structure of the organization?
- What is the proposed supply chain
- Market availability
- Economies to size and scale considerations



Summary



- Current market structure
- Available facility
- Capital for new facility
- Business/tax structure
- AMS guidelines
- NSLP incentives



Questions



- Jerry M. Hawkes
- 575-646-2322
- jhawkes@nmsu.edu



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