

PSM

March 10, 2006

NOTICE TO THE TRADE – DeCA NOTICE 06-54

SUBJECT: Brand Name Fresh Chicken Programs

The purpose of this notice to the trade (NTT) is to provide our new merchandising program for brand name fresh chicken throughout CONUS, commencing August 1, 2006. This program is designed to obtain the best possible value for our patrons with regard to brand name fresh chicken products. It will encourage competition among suppliers, standardize pricing in geographical areas and increase fresh chicken category sales over previous years. This notice to the trade includes mandatory requirements at attachment 1 and individual packets containing forms and schedules for each marketing sales area (attachments 2 – 6).

The Marketing Business Unit (MBU) will be accepting presentations from potential suppliers on April 25 and 26, 2006, for the Southern Marketing Area, Northern Marketing Area, Midwest Marketing Area, and the Southwest Marketing Area. All presentations will be conducted at the Defense Commissary Agency (DeCA) Headquarters located at 1300 E Avenue, Fort Lee, Virginia.

Presentations will not exceed 1 hour in duration. Each vendor will be given 15 minutes before the presentation to prepare the room and 15 minutes after to clear the room. All appointments must be made no later than April 3, 2006, by contacting Ms. Evelyn Trisvan at (804) 734-8614.

Please note, *this is not a formal solicitation*; the end result of this process will be merchandising agreements, which are not governed by the Federal Acquisition Regulation. Industry is also hereby informed that the government is not liable for any expenses incurred in the preparation or the conduct of these presentations.

An evaluation committee will select primary and secondary suppliers of brand name fresh chicken from companies making presentations for each respective marketing sales area. The marketing sales areas are the Northern Marketing Area, Southern Marketing Area, Midwest Marketing Area, and Southwest Marketing Area. The states of Washington, Idaho, Montana, Alaska, and Hawaii will not be included in the program. Specific store locations by marketing area are provided at attachment 5. The primary supplier selected will not be considered for the same location as the secondary supplier. Tonnage figures for each marketing sales area for program year 2005 are provided at attachment 6.

The new program will consist of a base period of performance of approximately 1 year, with the potential for two 1-year renewal options available. However, the decision to exercise

renewals is a unilateral determination of the government, and will be based upon such things as supplier performance and adherence to the criteria specified in this notice to the trade.

The evaluation committee will use specific grading criteria to evaluate each presentation. The primary grading criteria consisting of: (1) every day low price (EDLP), (2) on-pack instant redeemable coupons, and (3) voluntary price reductions will be applied to core items. However, as a brand name selection program, additional consideration will also be given to such things as brand name recognition, product and packaging differentiation, and point of sale material.

There are basic requirements mandated by DeCA in order to participate in this merchandising program. For example, all suppliers must have a Resale Ordering Agreement with DeCA prior to the actual implementation of the program. For a full list of requirements, please review the "Mandatory Requirements" list at attachment 1. When submitting their proposal, the offeror should ensure that they address every specific criteria/issue addressed as a mandatory requirement. Failure to do so may adversely affect the offeror's standing among other competitors. For ease in identification of the contractor's offer, it is also recommended that the format of the offeror's proposal mirror the content of attachment 1.

If you cannot meet the minimum mandatory criteria as noted in attachment 1, you will not be allowed to schedule an appointment for presentation. All interested companies must provide pricing strategy on the Georgia or Los Angeles Dock (Southwest Marketing Area stores only) price lists as applicable. Please complete attachment 2 providing your company's overall "marketing incentives." This attachment shall be included in your presentation proposal.

The base selling price for chicken items will be determined using the "Wednesday" Georgia Dock price list from the "immediate previous week." These prices are sent via Electronic Data Interchange (EDI) to DeCA prior to price quote deadline dates. The Los Angeles Dock price list, using "Wednesday" price list from the "immediate previous week," will be used for stores in the Southwest Marketing Area only. This procedure will establish the selling prices for the twice a month pricing periods: either the 1st-15th or 16th to the end of the month. The EDI price quotes for the 1st-15th of the month must be transmitted by the close of business on the 10th of the previous month. The EDI prices effective from 16th to the end of the month must be transmitted by close of business on the 25th of the previous month. The Georgia/Los Angeles Dock price lists and the supplier's pricing factor must reflect the net selling price per pound. Georgia/Los Angeles Dock prices will not be rounded. The final selling price should be rounded upward to the nearest whole cent.

The price submitted by the offeror is subject to revision in accordance with the Dock prices set forth above. The offeror is not entitled to any other pricing adjustments during the term of any resulting agreement, other than those authorized under the terms and conditions of this NTT and the resulting agreement hereafter. Adequate planning should be exercised prior to submission of the offeror's pricing arrangement to account for any contingencies.

The program will consist of mandated or "core" items, which all stores will stock, and discretionary items, which will be optional. Fresh poultry will be given 30 percent of the fresh meat display space in the Southern, Midwest, and Southwest Marketing Areas and 35 percent in

the Northern Marketing Area. Fresh chicken will be given 93 percent of allocated fresh poultry space in the Southern, Midwest, and Southwest Marketing Area and 90 percent of allocated fresh poultry space in the Northern Marketing Area. The primary brand name supplier will be provided approximately 70 percent of the fresh chicken display space and the secondary supplier will be given the remaining 30 percent.

The core items for the primary supplier in all marketing areas will be:

- #804 – Whole Cut Up Fryers ----- Class 1, 2, 3, 4, 5
- #805 – Whole Fryers ----- Class 1, 2, 3, 4, 5
- #806 – Split Breast ----- Class 1, 2, 3, 4, 5
- #808 – Drumsticks ----- Class 1, 2, 3, 4, 5
- #809 – Thighs ----- Class 1, 2, 3, 4, 5
- #810 – Wings ----- Class 1, 2, 3, 4, 5
- #829 – Skinless Boneless Breast ---- Class 1, 2, 3, 4, 5
- #872 – Jumbo Drumsticks ----- Class 2, 3, 4, 5
- #873 – Jumbo Thighs ----- Class 2, 3, 4, 5
- #874 – Jumbo Wings ----- Class 2, 3, 4, 5

The core items for the secondary supplier in all marketing areas will be:

- #805 – Whole Fryers ----- Class 3, 4, 5
- #808 – Drumsticks ----- Class 3, 4, 5
- #809 – Thighs ----- Class 3, 4, 5
- #810 – Wings ----- Class 3, 4, 5
- #829 – Skinless Boneless Breast --- Class 3, 4, 5

Discretionary items for both primary and secondary suppliers will be all other fresh chicken products currently produced and available in civilian retail markets. Discretionary and new items may be approved through presentations to the MBU category manager.

Class 1 stores will stock 7 core items plus 4 discretionary items for a minimum of 11 items. Class 2 stores will stock the 10 core items plus 4 additional discretionary items for a total

of 14 items as a minimum. Class 3, 4, and 5 stores will stock the 10 core items plus 6 additional discretionary items for a total of 16 items as a minimum. Commissaries will be encouraged to purchase additional items from the primary brand name vendor. Class 3, 4, and 5 stores must carry products provided by the secondary supplier of fresh chicken to provide commissary patrons a choice. The secondary supplier will be allowed to provide #805, #808, #809, #810, #829, and 4 discretionary items for a total of 9 items as a minimum. Exceptions to the secondary supplier requirements will be granted ONLY by the MBU.

All companies may appeal the selections made by the evaluation committee. The appeal must be in writing and must be received within 14 calendar days of the date on the NTT announcing the selected suppliers. The MBU staff will provide a response to all appeals within 14 workdays of receipt. No new or additional data will be considered in the appeal review process. Appeals and inquiries regarding this program may be directed to the Category Manager, Mr. Mark Arland, at (804) 734-8226.

/s/
Scott E. Simpson
Chief Operating Officer

Attachments:
As stated