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School Food Purchase Study: Final Report

Executive Summary

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EXECUTIVE SUMMARY

This study provides national estimates of the food acquisitions of public unified school districts participating in the National School Lunch Program (NSLP) and School Breakfast Program (SBP). It describes the type, quantity, and value of foods purchased by public school districts and the relative importance of foods donated to these school districts by the US Department of Agriculture (USDA). The study also examines procurement practices and operating characteristics of these school districts and the relationship of these characteristics to food costs. Data were collected from a nationally representative sample of 324 unified public school districts during School Year 1996/97. Findings are compared to the results of a similar study conducted in SY 1984/85.

School Food Acquisitions

Food acquisitions by school districts participating in these programs were classified in one of three categories: commercial purchases, USDA-donated commodities, or processed products containing donated commodities. The type, volume, and frequency of USDA-donated commodities can have an important effect on what school districts purchase locally. In addition, variations in food purchasing behavior among public school districts can reflect many influences including differences in local food preferences, the availability of a breakfast program, the relative importance of *a la carte* foods, as well as operating characteristics such as district size, rates of participation, access to wholesale markets, availability of vendors, and food storage capacity. Key findings related to the acquisition of food by NSLP school districts in SY 1996/97 are as follows:

- Unified public school districts acquired food valued at more than \$4.6 billion in SY 1996/97. Of the total value of school food acquisitions, 83 percent were purchased commercially, 13

percent were donated by USDA, and 4 percent were processed foods containing donated commodities.

- Milk and other dairy products accounted for almost one-fourth of the total value of foods acquired. Bakery products, red meats, poultry, fruits and fruit juices, vegetables, and prepared foods each accounted for about 10 percent of the total value.
- School districts acquired a great diversity of food items as evidenced by the 842 different food items obtained by the sample districts. However, ten food categories representing less than 7 percent of the individual food items accounted for nearly half the value of all school acquisitions. Fluid milk, pizza, ground beef, cheese, and potato products (frozen and chips) were the five leading food categories by share of total value.
- For certain foods, USDA donations are the primary source of supply. USDA donations accounted for at least half of the total value of all acquisitions of peanuts and peanut butter, turkey products, beef products, vegetable oils and shortening, cheese, flour, and eggs.

Comparison of SY 1984/85 and SY 1996/97 Food Acquisitions

The last study conducted by the Food and Nutrition Service to collect detailed information about school food purchases occurred during School Year 1984/85. Since then the Department has made a concerted effort to improve the nutritional content of school meals. Recent legislation requires that school meals meet the Dietary Guidelines for Americans that call for diets lower in fat and containing more fruits, vegetables, and grains. While it was not the intent of this study to make an assessment of the nutritional values of foods acquired by schools, the study did examine shifts in the type and mix of foods acquired since the previous study. A comparison of results of the two studies reveals the following:

- There have been striking changes in the composition of the school food market basket. Foods that experienced sharply higher rates of use include breakfast cereals, prepared foods, yogurt, fruit drinks, and margarine. There were significant reductions in the use of fluid milk, butter, salad dressing and mayonnaise, vegetable oils and shortening, and lard and other animal fats.
- There was a dramatic change in beverage use, with the reduction of fluid milk partially offset by large gains in the use of fruit juices, fruit drinks, carbonated beverages, and bottled water.
- The acquisition of fresh fruits and vegetables increased with the share of total volume rising from 5.6 percent to 7.2 percent. A much larger variety of fresh fruits and vegetables are now being made available through the donation program.
- The role of donated commodities has been substantially reduced over this period. While donated commodities accounted for about 30 percent of the total value of food acquisitions in SY 1984/85, in SY 1996/97 they accounted for less than 13 percent.

Food Procurement Practices

The analysis of school district food purchase practices provides an up-to-date profile on several dimensions of school food procurement. The purchase and acquisition of food is a complex process that is affected by many influences including the type of food acquired and the size of the school district. Purchasing practices that are effective in one set of circumstances might not be effective in a different set of circumstances. Study findings indicate that the following with regard to school food procurement practices:

- On average, public unified school districts used eight vendors to satisfy their food purchase requirements. Large school districts with higher volume needs and access to more vendors used three times the number of vendors than smaller districts (17 vendors to 5 vendors).

While price was the key consideration in vendor selection, vendor dependability and food quality were also very important.

- Methods of food procurement varied among school districts as well as by food type. With the exception of the purchase of fresh product, fresh meats, and snack items, a majority of school districts use formal bidding procedures in buying their food in SY 1996/97. Of the two formal approaches, line item bids were used by more school districts than lump sum bids.
- The share of school districts participating in cooperative buying programs has grown dramatically since the earlier study. In SY 1996/97 over one-third of all public unified school districts participated in cooperative buying compared to less than 10 percent in SY 1984/85. Although small school districts are the most frequent participants in cooperative buying, almost one-fourth of the large districts took part as well. Participating districts reported buying over 60 percent of their food purchases through cooperatives.
- The number of food service management companies (FSMCs) operating school food programs continue to grow, accounting for almost 10 percent of all public unified school districts. FSMCs have concentrated their operations among mid-size school districts but are found in districts of all sizes.
- Branded foods were offered in almost 40 percent of all public school districts with national brands offered about twice as frequently as house brands (38 percent and 18 percent). Pizza and tacos/burritos were the most prominent national branded products while pizza and subs/sandwiches were the most prevalent house brands.

Relationship of School District Characteristics and Procurement Practices to Food Costs

School feeding programs have been under continuing pressure in recent years to hold the line on the prices they charge students, while confronted with escalating labor and food costs. When attempting to identify purchasing practices that could possibly provide cost savings to school districts, it is necessary to examine these relationships with caution. Observed relationships between purchasing practices and food costs can be greatly influenced by district size or some other variable.

Large school districts tend to pay lower per unit prices for their food. However, it is unclear if this relationship reflects an economy of scale based on the volume of food they are purchasing, the use of highly centralized procurement systems or formal procurement and pricing methods typically found in large school districts, the accessibility to more vendors leading to a more competitive marketplace, or a combination of factors. No one method produced the best cost per pound for all food items. It is therefore not possible to say that adopting certain purchasing practices would necessarily lead to a reduction in food costs.