Processing Basics

Processing is the conversion of a raw commodity into a finished end product. Processing is optional. During the annual order cycle, which is in December/January for the school year starting that August, the raw commodity is ordered by the school on the Illinois Commodity System (ICS). ICS will subtract the value of the commodity diverted from the Beginning Balance for that school year. (The value of Bonus commodities would not be charged against PAL.) Processors are eligible to participate if the combined pounds ordered by the schools in Illinois are equivalent to a full truckload of raw commodity. When the deadline has passed for the schools to place their orders, all eligible processors will be sent a contract by the Illinois State Board of Education (ISBE) and become approved processors in Illinois for that school year.

The processors have the option of placing their Approved End Product information on ICS for you to view and print if desired. After logging onto ICS, select Reports, Approved End Product Reports from the menu bar at the top of the page. You may then select either Fee for Service, Net Off Invoice or Rebates. You can print all the end products for all processors in either category or you may select an individual processor and print the end product information for only one processor. You may also print the end products for all processors for any commodity. If you are looking for a particular processor and cannot find them, they may not have entered their information in our system. In this case, you will have to contact them directly. There is a link to the USDA National Approved Processors List on the ICS webpage. Once you determine how many cases of end product you will need, calculate the pounds of donated food to divert. There is a Processor Guide that offers step-by-step guidance at the end of this document to help you determine if you should process, and if so, how many donated pounds you would need for each end product. You may choose more than one processor per commodity. Remember, the total value of commodities diverted for processing cannot exceed your Beginning Balance. This dollar amount is shown on your Annual Order Form on ICS. The minimum amount of beef, pork, chicken, turkey, or eggs that can be diverted to one processor is 100 pounds.

If you choose to participate in processing, it is very important that you check the message board on ICS throughout the annual ordering cycle to be kept informed of any important information. After the ordering cut-off date, when all of the schools orders have been entered, they will be added together to compile full truckloads for diversion to processors. The state may round up or down (no more than 20 percent) to create the full truckloads needed for ordering from USDA. Processors that do not receive enough
orders to have a full truck diverted to them will not be eligible for processing for that school year. You will have the opportunity to adjust your order if a processor you chose did not get enough requests to warrant ordering a full truckload. There will be a message on the ICS message board with the dates this may be done, instructions, and a list of approved processors. ISBE will zero out your original pounds diverted to non-approved processors. You may want to access ICS again to verify the actual pounds being diverted on your behalf once we have prorated the final pounds. Once the final pounds have been determined, the school contact information and pounds ordered will be provided to the processor(s) you have chosen. The processor will then contact the schools to get the orders for specific end products. If you do not have your processing order on ICS by the deadline, you will not be able to process for that school year.

There are three methods of ordering the end products from the processors:

1. Fee for Service—the processor charges the school for making the end product. This fee reflects the cost of manufacturing less the value of the commodity (donated food or DF). The end products are delivered back to the school through Lanter or some other mutually agreed upon distribution point. It is the school's responsibility to pay the processor in a timely fashion. This is generally considered to be when you have a statement from the processor, and the product is available to you (on your bulletin).

2. Net Off Invoice—the school purchases the end products through their distributor at whatever their bid price is, minus the value of the donated food used to manufacture the end products (at discount). Value Pass Through is another terms used to describe the discount process. It is the school's responsibility to pick a processor and end products that are available through their local distributor.

3. Rebate—the school purchases the end products through their distributor at whatever their bid price is. Then the school must apply for a rebate from the processor for the value of the donated food used to make the end products that were purchased. It is the school's responsibility to pick a processor and end products that are available through their local distributor. It is also the school's responsibility to apply for the rebate.

If you choose to divert commodities for processing, follow the instructions for Diverting Commodities to Processing in the Instructions for Placing Annual Commodities Orders. Only pounds placed on the Diversion to Processor form on ICS will be considered for processing. The PAL Request and Bonus Request forms are for commodities being delivered directly to your school as ordered.

Processing Guide
• A step-by-step guide for determining if you should process, and if you do how many pounds to process
• Commodity PAL Dollars are a part of your food budget
• You must plan your PAL spending just as you do cash spending

**Step 1.** After reviewing the Approved End Products Reports on ICS, compare them with your menu needs. You will need the information on these reports to complete this step-by-step guide.

**Step 2.** Select the processor and end products that meet your specifications for quality and student acceptability.

**Step 3.** Compare total value per serving of processed end products to the commercially purchased equivalents.

**Step 4.** If the processed end product total cost per serving is less than the commercially purchased equivalent, processing may save you money.

If processed end products are more expensive than commercially purchased equivalents, diverting commodities to a processor to make that end product is not the best use of your PAL dollars.

If you cannot purchase a like item and the processed item fits your overall food budget, processing could be beneficial.

**Step 5.** Calculate your menu need for each end product. Keep in mind that you may not start receiving end products at the very beginning of the school year.

How many Servings do you need each time you serve?
A. ____________Servings needed each time I serve the item
B. ____________Times I plan to serve the item next year.

Multiply AxB= number of servings you need for a year.
C. ___________x___________=_____________________
   Servings times served servings needed per year

**Step 6** Determine how many cases you will need.

How many servings are in a case of processed end product?
D. ____________Servings in case

Divide number of servings needed (C) by servings in case (D)
E. ____________divided by_____________ = ____________
   servings needed servings in case cases needed
Step 7  Determine Pounds to process for that menu item.

How many Pounds of Donated Food (DF) does it take to make a case?  
F.__________Pounds of DF to make a case

Multiply ExF=pounds to process for that menu item  
G._______x_______=________________________

cases  pounds  pounds to process for that menu item

Step 8  Repeat steps 3-7 for each menu item that you want to receive as a processed commodity.

Step 9.  Determine pounds to process for each commodity for each processor.

Combine the pounds of DF per menu item for all menu items using the same raw commodity, going to the same processor.  Refer to Steps 7 and 8.  The sum of all the pounds entered on line G for a single commodity and processor = pounds to process.  Pounds to process must be calculated separately for each processor.

H. __________ Processor  
__________ Commodity  
__________ Pounds of that commodity to that Processor

Step 10.  Determine the value of commodities to divert to processors.  Multiply the total of all pounds to process of each commodity by the value per pound for that commodity.  This value is available on the Diversion to Processor form on ICS.  
I. $_________x_____________=$__________for__________  
Value  Pounds to Process  Total Value  Commodity

Step 11.  Repeat Step 10 for each commodity you want processed until you have calculated the value of all commodities going to all processors.

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Step 12.  Add the total value of all Commodities for Processing from Step 11.  
J. $_______________Total Value of all Commodities for Processing

Step 13.  Compare your Beginning Balance with the Total Value of Commodities for Processing.  
K. $______________Beginning Balance Available

If the total value of commodities ordered is greater than your Beginning Balance, you must reduce your Diversion to Processor order until the value does not exceed it.  ICS will not allow you to divert more commodities than you are entitled to.
\[ K \underline{} - J \underline{} = \$ \underline{} \]

Beginning Balance \underline{} Total Value of Commodities for Processing = Ending Balance

How you use your PAL is entirely up to you. If you use all or nearly all of your PAL for processing, you will not be allocated other PAL Commodities or very few of them. However, you will still be eligible to receive Bonus commodities if available.