

To: Board of Education

From: Paula Murrish, executive director, nutrition & wellness/purchasing & printing  
Lindsey Morgan, nutrition & wellness supervisor/RD

Re: Purchase of Milk/Milk Products- Milk Bid for 2018-2019 School Year

Date: July 2, 2018

Background:

Bids for milk and milk products for the Child Nutrition Programs were submitted to three vendors: Anderson Erickson, Hiland Dairy and Dean Foods requesting price quotes based on April 2018 Federal Milk Marketing Order for Class I Skim and Class I Butterfat. This pricing is subject to change as the cost of raw milk fluctuates up and down each month based on the cost changes in raw milk according to the USDA Federal Milk Market Price Announcement and the Dairy Farmers of America.

Rationale:

On May 2, bids were received from Hiland Dairy Company based on the following escalator clause:

1. Bids are based on Class I at 3.5% butterfat for the raw milk price as of April 1, 2018. The Class I price is established under the terms of the Central Federal Milk Market Order #32.
2. This bid is based on an escalator clause. The formula for the adjustments of fluid milk delivered in half-pint and all other size containers is as follows:
  - Compute the difference per hundred weight for Class I milk between the price for the month in question and the price for the base month (April, 2018) based on the factors relating to the actual cost of each product. Actual cost for each product is determined as follows: (skim factor) \* (skim price) + (butterfat factor) \* (butterfat price) + location adjustment + premiums. Skim factors /butterfat factors are as follows: whole milk - .9665/3.35; 2% milk - .9800/2.00; 1% milk - .9900 / 1.00; skim milk - .9995/05.
  - Multiply this difference per hundredweight by .086 (8.6 / 100 – 8.6 lbs. to each gallon of milk) to calculate the difference in price per gallon.
  - One-sixteenth of this difference is the amount of change in price for each one-half pint container of milk. All other size containers will be proportional.
  - If the price for Class I milk is higher during the month in question than in the base month, the sum will be added to the previous price charged by the vendor. If the price for Class I milk is lower during the month in question than in the base month, the sum will be deducted from the previous price charged by the vendor.
  - The milk bid with escalator clause has been financially advantageous for the district the past sixteen years. Anderson Erickson and Dean Foods did not bid due to not having a current established route to handle our volume.

3. Bid results are as follows:

	Skim White	1% White	Skim Chocolate
Anderson Erickson	No Bid		
Dean Foods	No Bid		
Hiland Dairy Company	.2450	.2548	.2610

Recommendation:

Administration recommends the purchase of milk and milk products from Hiland Dairy for Child Nutrition Programs for the 2018-19 school year.

Motion:

"I move that the Board of Education approve the purchase of milk and milk products bid with escalator clause to Hiland Dairy Company."