

To: Board of Education

From: Paula Murrish, director, food services & purchasing, ext. 2706  
Lindsey Morgan, supervisor/registered dietitian, food services, ext. 2663

Re: Milk Bid for 2017-2018 School Year

Date: June 22, 2017

Background:

Bids for milk and milk products for the Child Nutrition Programs were submitted to three vendors including Anderson Erickson, Hiland Dairy and Dean Foods, requesting price quotes based on April 2017 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:

Bids were received from Anderson Erickson and Hiland 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, 2017. 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, 2017) 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.
3. The milk bid with escalator clause has been financially advantageous for the district the past sixteen years. Dean Foods did not bid. Bid results are as follows:

	Skim White	1% White	Skim Chocolate
Anderson Erickson	.2570	.2690	.2740
Dean Foods	No Bid		
Hiland Dairy Company	.2436	.2560	.2606

Recommendation:

Administration recommends the purchase of milk and milk products from Hiland Dairy for Child Nutrition Programs.

Motion:

"I move the Board of Education approve the purchase of milk and milk products bid with escalator clause to Hiland Dairy Company for the 2017-2018 school year."