Working Together to Thrive

Kate Houston
2015 Agricultural Outlook Forum
Cargill works with businesses from farmers to Fortune 500 companies

Creating and optimizing supply chains from farm forward

Helping farmers optimize crop quality and yields and access the best markets

Creating food ingredients that promote health

Formulating foods and recipes for schools and other customers

Managing risk and stabilizing pricing for farmers and food companies
Cargill’s commitment to K-12
Bringing solutions to school feeding programs

• Serving K-12 schools since 1985.

• In 1996 Cargill Kitchen Solutions began commodity processing.

• In 2012 Cargill’s turkey business began offering commodity processing.

• Today we are serving schools in 42 states with more than 60 delicious and high quality products.
Diced Eggs
CN: 1 Meat/Meat Alternative
• 9 g protein
• 70 mg sodium

Skillet Frittata® Wrap - Chorizo
CN 2 meat & 1 grain
• 10 g protein
• 420 mg sodium
THAT’S WHY SHADY BROOK FARMS® USDA PROCESS VERIFIED TURKEY

is now available – from our family farms to your students – through the National School Lunch Commodity Processing Program for the 2015/2016 school year.

SHADY BROOK FARMS® TURKEY IS the first from a major brand to be raised without using antibiotics for growth promotion. Our 700 independent farms have worked hard to make it possible to meet the demands of today’s families.

ALL SHADY BROOK FARMS TURKEYS are raised by independent farmers – like the Rodes Family of Riverhill Farms – who are trained in animal handling practices. You can learn more about these family farms and our commitment to better food on shadybrookfarms.com/ourstory.

WE’RE COMMITTED TO BRINGING you better food at a better price. You shouldn’t have to pay premium prices for turkey raised without growth-promoting antibiotics, and in school year 2015/2016 you now have a choice with Shady Brook Farms turkey.
## Complex Operating Environment

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing extra costs due to the new federal K-12 school nutrition regulations or guidelines</td>
<td>79%</td>
</tr>
<tr>
<td>Sourcing problems - some items we need to meet guidelines/requirements are not available</td>
<td>54%</td>
</tr>
<tr>
<td>Staying within the maximum calorie limits</td>
<td>52%</td>
</tr>
<tr>
<td>Dealing with a higher number of complaints from kids and/or parents</td>
<td>51%</td>
</tr>
<tr>
<td>Declining use of school breakfast or lunch programs - more kids bringing meals from home</td>
<td>45%</td>
</tr>
<tr>
<td>Staying under new guidelines for salt / sodium</td>
<td>41%</td>
</tr>
<tr>
<td>Meeting whole grain requirements</td>
<td>39%</td>
</tr>
<tr>
<td>Being able to maximize commodity dollars available</td>
<td>33%</td>
</tr>
<tr>
<td>Meeting requirement for variety of vegetables</td>
<td>32%</td>
</tr>
<tr>
<td>Staying under new requirements for amount of fat</td>
<td>20%</td>
</tr>
<tr>
<td>Meeting minimum vegetable requirements</td>
<td>14%</td>
</tr>
<tr>
<td>Meeting minimum fruit requirements</td>
<td>7%</td>
</tr>
<tr>
<td>Other*</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Base = Foodservice Directors answering; N = 352

Q23 Which of the following problems or issues, if any, have you experienced in meeting the new federal K-12 school nutrition regulations or guidelines? *See Appendix for “Other” problems
Program Faces Numerous Pressures

Tight Budgets
- Food costs
- Production costs

Program Requirements
- Reduce salt, sat fat, trans fat, calories
- Increase whole grains

Program Demand
- Student acceptance
- Parent acceptance
- Perceived product quality

Local Requirements
- Ingredient Reputation
- Animal Welfare
- Antibiotics
## Opportunities

| PROCUREMENT          | Complexity of Bidding Process  
|                     | Significant paperwork burden and varying documentation and formatting requirements from different schools (marketing program information, resumes of staff, etc.) |
| DISTRIBUTION        | Limits due to Distributor Networks & Product Selection  
|                     | Distributors may not stock certain suppliers’ products or elect to stock only certain products |
| COMMERCIAL CROSS OVER | Unique Product Requirements beyond Nutrition Standards (specific ingredient restrictions, local, etc.)  
|                     | Little Overlap with Other Commercial Markets |
| SUPPLY/DEMAND       | Lack of clarity in bid award process, inventory status  
|                     | Manufacturers may not be notified when win/lose bids, face challenges with product stocking  
|                     | Products cannot always be sold to alternative customers |
| NUTRITION INNOVATION | Aligning Innovation Timeline with School Needs/Requirements  
|                     | Lack of Certainty around Product Requirements/Standards |
Opportunities to Streamline the Bidding Process

SAMPLE BID REQUIREMENTS

- **Detailed implementation plan/strategy** including **marketing strategies** to increase student participation and menu enhancement.
- Documentation of **experience with manufacturing food commodities**: type of equipment used, detailed description of storage and transportation methods.
- Summarize any qualifications, knowledge or expertise in the following categories: **manufacturing of commodity foods, temperature monitoring, sanitation practices, environmental monitoring programs**, partnerships with distributing firms.
- Vendors must include all **resumes** for each proposed individual on the State format provided for key personnel responsible for performance of the contract
- Be submitted on **recycled paper**
- Long responses will be construed as a **lack of environmental and cost consciousness**
- Requires use of **re-usable binders** rather than spiral or glued bindings
- Excludes use of “**expensive paper**, specialized binding” in submitting a bid
For Students, Taste Still Rules

• FSDs know that the taste experience matters
  – Healthier is good – especially in the eyes of parents – but students still have to like it
  – Taste and appeal are key to maintaining high student participation
A Holistic Approach

Reducing Sodium
Reducing Sugar
Reducing Fat, Sat Fat
Increasing Whole Grains
Adding Functional Benefits

Balancing:
- Nutritional Quality
- Student Appeal
- Affordability
- Supply Chain
MD House Bill 679
CHEMICAL-FREE SCHOOLS ACT
A PUBLIC SCHOOL OR A LOCAL SCHOOL SYSTEM MAY NOT PURCHASE, SELL, OR SERVE FOOD IN A PUBLIC SCHOOL DURING REGULAR SCHOOL HOURS IF THE FOOD CONTAINS ANY OF THE FOLLOWING INGREDIENTS OR CHEMICALS:

(1) ARTIFICIAL COLORS;
(2) ARTIFICIAL FLAVORINGS;
(3) ARTIFICIAL SWEETENERS
(4) BREAD OR FLOUR ADDITIVES
(5) BROMINATED VEGETABLE OIL (BVO);
(6) MONOSODIUM GLUTAMATE (MSG) AND OTHER ADDITIVES CONTAINING GLUTAMATE
(7) MYCOPROTEIN (QUORN);
(8) PRESERVATIVES,
(9) SODIUM NITRATE;
(10) SODIUM NITRITE;
(11) SULFUR DIOXIDE; AND
(12) SODIUM SULFITE.

“Our nutrition services department emphasizes local, sustainable and healthy true foods. We strive to nurture all children with access to quality food and feel that we should err on the side of caution with regards to GMOs and children until they are established to be safe for human consumption as there is currently no consensus from the scientific community.”

--Minneapolis Public Schools
Innovation Timeline

Need 2+ years to react to sodium target level

- Concept to First R&D Test – 90+ days
- Product Refinement – 30-90 days
- Package Development – 30 days
- CN Label Approval – 50 days
- Label Printer – 50 days

Products Ready for Bidding

DAY 1

DAY 310