**Wisconsin Direct Diversion Processing Program**

**Questions, Answers, and Examples**

**Q1.** What is direct diversion processing?

1. Direct diversion processing is a processing option where School Food Authorities (SFAs) choose bulk USDA Foods and indicate the number of pounds and which processor to divert each bulk USDA Foods on behalf of their SFA.

**E.** SFAs select a processor for each of the bulk USDA Foods they choose to process into finished end products (i.e., the SFA chooses Eggs R Us, Inc. to process whole eggs into various finished end products).

**Q2.** Are the Direct Diversion Processing Program and the Commercial Distribution Program the same thing?

**A.** No. Direct diversion processing, as described above, is a processing option. Commercial distribution is a delivery option for those SFAs choosing to have their USDA Foods delivered by a commercial distributor.

**E.** Your SFA may choose the direct diversion processing option. In this option, your SFA would be selecting the processors and committing bulk USDA Foods to these processors. In addition, your SFA may also choose to have ABC Trucking deliver your USDA Foods.

**Q3.** Do I have to do direct diversion processing?

1. No. The State Processing Program will still be available. Annually, each SFA will have to select a processing option. SFAs will select their option at the time of the annual USDA Foods order.
2. Your SFA chooses the state processing option, which allows your SFA to order the core state processed products for School Year (SY) 2020-2021. For SY 2021-22, your SFA can choose to participate in the direct diversion processing option. This option allows SFAs to allocate bulk pounds of USDA Foods to processors of their choice (i.e., bulk chicken to “Happy Cluck Co.,” bulk beef to “Mr. Burgers, Inc.,” etc.).

**Q4.** Do I have to order Wisconsin state processed products or direct diversion processed products? Or may I opt to use my entitlement dollars for brown box items and/or in the Department of Defense (DoD) Fresh Fruit and Vegetable Program?

1. Your SFA may choose to spend entitlement dollars on just the brown box items and/or commit entitlement dollars to the Department of Defense Fresh Fruit and Vegetable Program. If your SFA chooses this option, you must select the State Processing Program on the annual USDA Foods order. On this order, you will have the option of committing your entitlement to brown box USDA Foods, as well as making an entitlement dollar commitment to the DoD Program.

**Q5.** Will the State Processing Program be discontinued?

1. At this time, DPI does not have plans to discontinue the State Processing Program. Annually, DPI and the Wisconsin Task Force on USDA Foods will evaluate the State Processing Program to determine the cost effectiveness of the program. Should it no longer be cost effective to run the State Processing Program, DPI will consider terminating that option to SFAs. However, SFAs would be given sufficient time to switch to the direct diversion processing option.

**Q6.** Why do direct diversion processing?

1. Direct diversion processing gives the SFA more choices as to which processor(s) to use and which end products to have processed. SFAs should have more product choices, consistency between USDA Foods-based products and commercial purchases (seamless purchasing), and each SFA is able to control the delivery of their products.
2. A SFA awards their procurement of precooked hamburger patties and Salisbury steaks with U.S. Beef. During the annual USDA Foods order, the SFA commits pounds of bulk beef to U.S. Beef. In late spring, the SFA will work with all procured processors, food brokers, and commercial distributor(s) regarding their processed products orders for the upcoming school year. In this example, until their committed bulk pounds are used, the SFA will receive a discount/reimbursement on each case, based on the federal-determined value of the USDA beef. Once your committed bulk pounds are used for the year, you can continue to purchase the same patties and Salisbury steaks, but you will not receive the discount/reimbursement. Your students will see the same hamburger/Salisbury steaks for the whole year and the district will not be storing months’ worth of beef in their freezers.

**Q7.** If I choose the Direct Diversion Processing Program, can I still get the state-processed products?

1. No. At the time that you enter your annual USDA Foods order, you will choose which processing option you will participate in—State Processing Program or Direct Diversion Processing Program. If you choose direct diversion processing, you will not see any state processed items on your survey, only bulk USDA Foods that you will need to divert to processors. You will still be able to order the brown box products (peaches, pears, beans, etc.) on either survey.
2. A SFA cannot choose to receive state processed mozzarella pizza sticks and then direct divert their chicken pounds to U.S. Chickens. Each SFA either chooses to order the state’s processed products or to directly divert their allocation of bulk USDA Foods to their processors.

**Q8.** Do your brown box choices change with direct diversion processing?

**A.** No. The same brown box USDA Foods will be available to all SFAs regardless of the processing option they choose.

1. You will still see the brown box USDA Foods items such as the canned fruits and vegetables, rice, salsa, etc.

**Q9.** What products can I divert?

1. SFAs can divert any of the bulk USDA Foods available for processing; there are no limitations. However, the half-truckload requirements per bulk per processor must be met; e.g., DPI must order bulk USDA Foods in at least half-truckload increments. Therefore, all SFAs’ commitments statewide must equal at least a half truckload. (See Question 12 for explanation on minimum truckload requirement.)

**Q10.** If I participate in the direct diversion processing option, who will deliver my finished end products?

1. Regardless of which delivery option chosen for brown box, the finished end products resulting from direct diversion must be delivered by the selected processors or through commercial distribution. It is the SFA’s responsibility to work with their selected processors to arrange for the delivery of the finished end products.
2. SFA 1 is using the state delivery system for the delivery of their brown box USDA Foods. SFA 1 has chosen the direct diversion option. The SFA will need to work with the processors to arrange the delivery of their end products. Therefore, in this example, SFA 1 will be using two different delivery methods for the delivery of their USDA Foods.

**Q11.** If we go to direct diversion processing, can we divert our entitlement into a chicken product we want?

1. Yes. If you do direct diversion processing, on the annual survey you will indicate the pounds of chicken you wish to divert, and you will choose the processor(s) based on the outcome of your procurement. DPI will then send USDA bulk chicken to the selected processor(s) on behalf of your SFA. You will work with the processor(s) regarding your finished products and delivery schedules. You would make a commitment for all other bulk products you wish to process.

**E.** A district should be able to get multiple chicken products—nuggets and spicy patties, for example. With some processors it may be possible to change products during the year—for example, dropping the spicy patties and ordering chicken strips instead. This change is dependent on the language in the SFA’s procurement.

**Q12.** Can any size SFA participate in direct diversion processing?

1. Yes. DPI does not plan to implement any minimum pound requirements. However, DPI must order bulk USDA Foods in half truckloads to each processor. All participating SFAs’ commitments will be combined to meet DPI’s minimum. In addition, SFAs will need to work with the processors regarding any minimum run requirements and minimum ship requirements they may have, and also work with their distributor regarding their slotting requirements.
2. Jack’s Tomato Processing, Inc. may work with four SFAs to process bulk tomato paste into spaghetti sauce. When the state combines the orders, the state total (from these four SFAs) of bulk tomato paste to Jack’s Tomato Processing is 1250 pounds. This is a small percentage of a half truckload of bulk tomato paste. The four SFAs would be unable to process bulk tomato paste into spaghetti sauce with Jack’s Tomato Processing, Inc. Therefore, during the balance process it will be necessary for DPI to zero out the 1250 pounds committed to this processor by the four SFAs. Once the pounds of bulk tomato paste have been zeroed out, the entitlement dollars for these commitments is credited back to the four SFAs. If possible, and requested by the SFA(s), DPI will utilize any remaining entitlement dollars on other USDA Foods.

**Q13.** Is the Cheese Processing Program still an option for state processing?

**A.** Yes. The Cheese Processing Program will still be available for those SFAs choosing to participate in the State Processing Program.

**Q14.** Should a small SFA stay with the State Processing Program and avoid direct diversion processing?

1. All SFAs should determine which processing option is best for their SFA. Some of the things to consider are: Do your students like the processed items currently available through the state? Are you able to spend all of your entitlement dollars? Do you have sufficient time to handle the administration of your own Direct Diversion Processing Program?

Remember, this is a yearly decision that your SFA will make. Your SFA can talk to other SFAs participating in direct diversion processing to learn from other SFAs’ experiences.

**Q15.** How does my SFA know which processors are eligible to participate?

1. The processors who will be eligible for processing in the Direct Diversion Processing Program will be approved by USDA under the National Processing Agreement. In addition, these processors will also complete paperwork required by DPI in order to process in Wisconsin. DPI will review the submitted paperwork to determine eligibility for processing in Wisconsin. Once this is done, DPI will compile a list of the eligible processors, which will be posted on our website in the fall of each school year. SFAs will be able to select from this list of Wisconsin-eligible processors for the processing of their bulk USDA Foods. In addition, you should follow your local bid requirements when bidding out the processing of your USDA Foods.

**Q16.** Should I identify my processors first?

1. SFAs should bid out USDA Foods processing in the late fall, so that you have awarded bids and chosen processors by the time of the annual USDA Foods order.

**Please Note**: All company names listed in this document are fictitious.



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