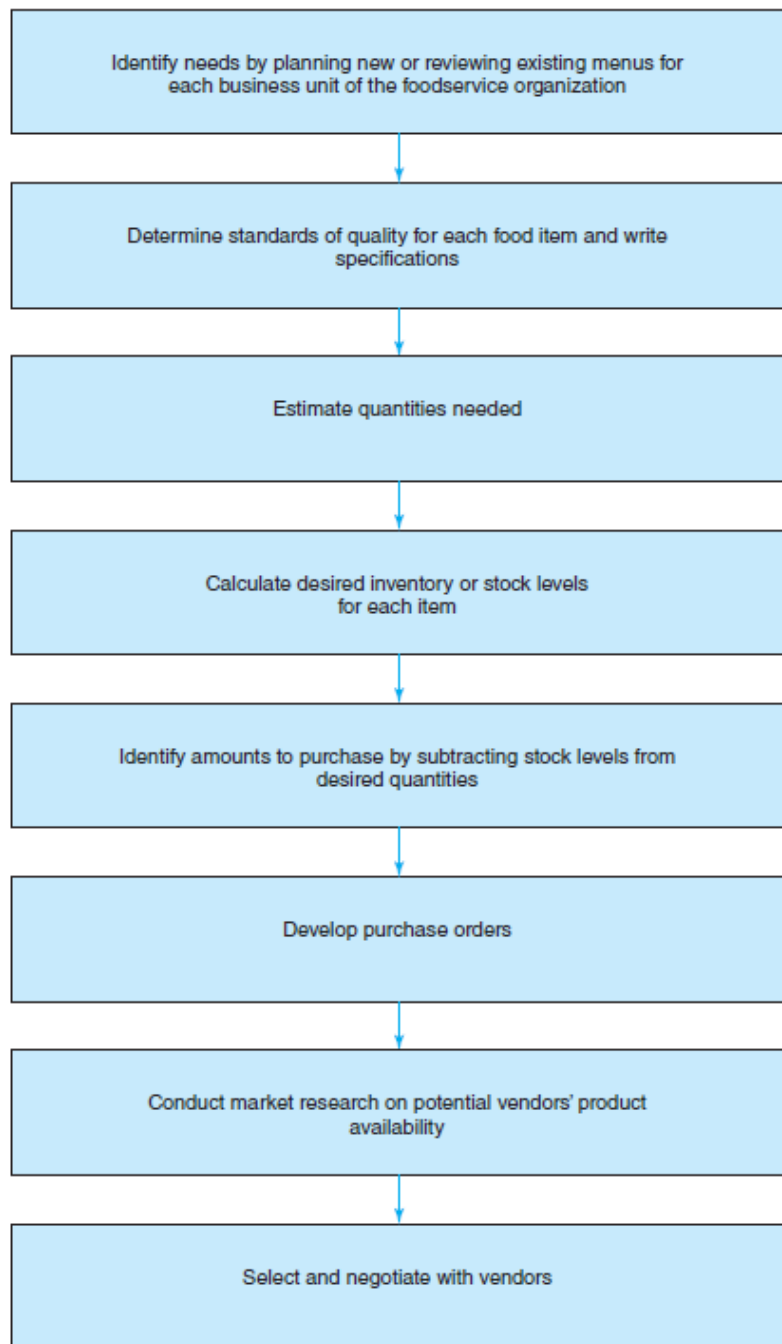


# Chapter 6: Purchasing

# Purchasing

- the *process* of securing the right product for a facility at the right time and in a form that meets pre-established standards for quantity, quality, and price.
- it is a sequence of consecutive actions with a goal of securing food, supplies, and equipment to meet the needs of the foodservice operation
- The basic flow of purchasing :

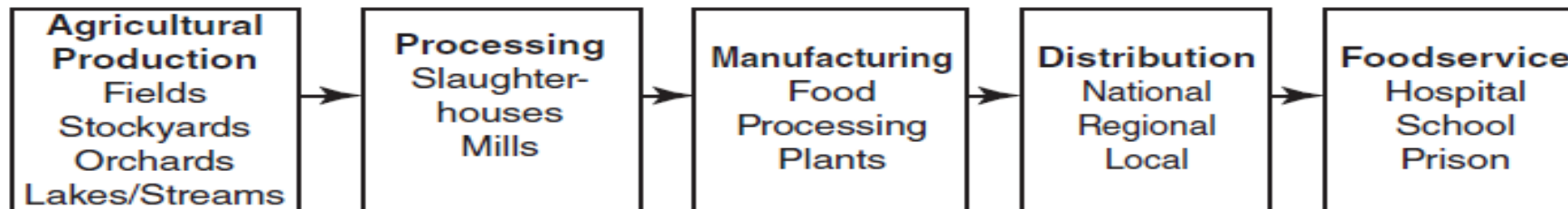


# The market

- The medium through which a change of ownership occurs
- in the context of purchasing is actually a reflection of several concepts related to the products available for purchase and the processes involved in moving them from the original source of supply to the point of service, or from field to fork.
- **commodities** or the raw agricultural products used to produce foods. These include the meat, grain, and milk markets
- **Food system can also be called a market**
  - continuum of activities involved in moving food from farm to fork. Activities include growing, harvesting, processing, producing, manufacturing, packaging, marketing, distributing, selling, serving, and consuming food.

# Market distribution

- Food is distributed from sources to consumers through a series of **market channels**
- **channel** is a segment of the distribution process where an exchange of ownership occurs.
- Components of the distribution system include:
  - growing, harvesting, storage, processing, manufacturing, transportation, packaging, and distribution.



# Market channels

- Exchange of ownership
- Change the product form
- Added costs !
  - Costs increase at each exchange point and are ultimately passed along to the consumers at the end of the distribution system

# *Intermediaries*

- The movement of products through the distribution system is guided through the work of intermediaries or **middlemen**
- **Middlemen** act as conduits between the manufacturers, distributors, and consumers.
- The two most common middlemen who influence the foodservice segment are
  - **brokers** : Serves as a sales representative for a manufacturer or group of manufacturers
  - **manufacturer's representatives**: Serves as a sales representative for a single manufacturer

# Market regulation

- Through food inspection programs
  - To check for safety and wholesomeness of food supply
  - Check for food misbranding
  - determines the standards of quality and identity
- 
- USDA, FDA, ENVIRONMENTAL PROTECTION AGENCY ...ETC



# Structure of purchasing

- Varies depending on the size and type of organization
- 1. centralized purchasing
- 2. group and cooperative purchasing

# *Centralized Purchasing*

- in which a **purchasing department** rather than a department manager is responsible for obtaining needed supplies and equipment for all units in the organization
- used in many large organizations, including universities, schools, multiple-unit restaurants, and hospitals
- cost effective and time saving for the foodservice
- **Disadvantage** : friction can develop between the purchasing department and the foodservice unit if there is not a clear understanding of decision-making authority, especially on quality standards

# *Group and Cooperative Purchasing*

- cooperative purchasing agreement.
- It is beneficial for buyers to increase volume and lower service requirements to improve leverage with suppliers and, thus, buy at lower prices
- the main advantage of cooperative buying is the **price advantage** gained by increased volume, which in turn may attract more prospective vendors

# Vendors and food distributors

- Vendors : sellers / sources of supply
  - **Broad line vendors** :large food supplies, everything needed by the food service establishment
  - **Specialty vendors** : carries a limited product line ( meats, groceries, ..etc)

# Methods of purchasing

- Informal or open market buying
- Formal competitive bid buying

# Informal or open market buying

- in smaller foodservice operations.
- The system involves ordering needed food and supplies from a selected list of vendors based on a daily, weekly, or monthly price **quotation**
- The buyer may request daily prices for fresh fruits and vegetables but may use a monthly quotation list for grocery items

# Purchase order form



## Purchase Order

OPEN

Purchase Order	Date	Revision	Page
FS10800868	10/25/2010		1
Payment Terms	Freight Terms	Ship Via	
Net 30	FOB Destination	BEST WAY	
Buyer	PHONE:	Fax:	
Bruce A Carlson	608/263-1525	608/263-0343	

**Ship To:** Food Service Receiving  
600 N Highland Ave.  
F4/150  
Madison WI 53792

**Vendor:** 001547 (800/366-8711 X2)

SYSCO INC  
910 SOUTH BLVD  
61  
Baraboo WI 53913-0090  
PHONE: (800)366-8711 FAX: (608)355-8401

**Bill To:** DEPT OF ACCOUNTS PAYABLE  
P.O. BOX 5448  
MADISON WI 53705-5448

Tax Exempt? Y Tax Exempt ID: 39-1835630

Line	Description	Mfg ID	Quantity	UOM	PO Price	Extended Amt	Due Date
1	1516236 APPLES RED DEL. FCY 72 COUNT	MISC	1	CS	31.65	31.65	10/25/2010
						<b>UWH Item ID:</b>	3272884
2	8337842 AVOCADO 100% FRESH PULP, 4/4# BAGS/CS		1	CS	37.79	37.79	10/25/2010
						<b>UWH Item ID:</b>	4009009
3	2004513 HERB BASIL FRESH 4 OZ BAG		1	BG	5.40	5.40	10/25/2010
						<b>UWH Item ID:</b>	4006118
4	7700404 CARROTS,PRECLEANED,WHOLE,PEELED,5 #BAG.	MISC	1	CS	18.48	18.48	10/25/2010
						<b>UWH Item ID:</b>	3273691
5	1750041 CAULIFLOWER FLORETS 2/3 LB BAG/CS		9	CS	18.41	165.69	10/25/2010
						<b>UWH Item ID:</b>	4002786
6	6524086 Celery Diced 3/8		2	EA	26.00	52.00	10/25/2010
7	1739846 CUCUMBERS,50# BOX,USFANCY,NOT<6"LONG	MISC	1	CS	30.12	30.12	10/25/2010
						<b>UWH Item ID:</b>	3270205
8	1821537 PABLO ICECREAM BEEFED FIB BAG		1	JAR	42.44	42.44	10/25/2010

# Formal competitive bid buying

- written specifications and estimated quantities needed are submitted to vendors with an invitation for them to quote prices, within a stated time, for the items listed
- The request for bids can be quite formal and advertised in the newspaper or published to certain vendors only
- Bids are opened on a designated date, and the contract generally is awarded to the vendor that offers the best price and meets product and service specifications.



# Advantages and Disadvantages

- **Advantages :**

- minimizes the possibility of misunderstandings occurring regarding quality, price, and delivery.
- The bid system is satisfactory for canned goods, frozen products, staples, and other nonperishable foods.

- **Disadvantages :**

- may not be practical for perishable items because of the day-to-day fluctuation in market prices.
- The system is time consuming, and the planning and requests for bids must be made well in advance
- Manipulation can occur when large amounts of money are involved

# Product selection

- Market forms of food
  - Decide to make or buy
  - Make or buy calculation
- Food quality

# Market forms of food

- Deciding on the form in which food is to be purchased is a major decision that requires careful study
  - physical shape (whole, sections, diced, etc.)
  - temperature (dry, frozen, or refrigerated).
- Variation in cost and acceptability by consumer
- Example : cheesecake ( ready crust, ready filling... etc)

**Table 6.2**    **Make-or-buy decisions.**

<b>FACTOR</b>	<b>CONSIDERATIONS</b>
Quality	Evaluate whether quality standard, as defined by and for the organization, can be achieved.
Equipment	Assess availability, capacity, and batch turnover time to ensure that product demand can be met.
Labor	Evaluate availability, current skills, and training needs.
Time	Evaluate product setup, production, and service time based on forecasted demand for the product.
Inventory	Gauge needed storage and holding space.
Total cost	Conduct complete cost analysis of all resources expended to make or buy product. Use cost as decision basis after other factors have been carefully analyzed.

# Make or buy decision

- alternatives in purchasing that can save preparation time: ( if the operation wants to prepare the food)
  - Frozen chopped onions
  - precut melons
  - shredded cheese
  - frozen lemon juice
  - cooked chicken and turkey
  - various baking, soup , sauce, and pudding mixes

- Make or buy calculation

**Scenario:** Need lettuce for a salad bar. Which is the best buy, whole head lettuce or chopped ready-to-serve?

Information	Whole Fresh Head Lettuce	Chopped Ready-to-Serve Lettuce
Pack	24 count per case	4/5 # bags
Weight A.P.	36#	20#
Yield	76%	100%
Price/unit	\$17.35	\$15.56
Labor time to process unit	0.317 hours (19 minutes)	0
Labor cost/hour	\$12.00	\$12.00

Calculations for whole fresh head lettuce

1. As purchased (A.P.)  $36\# \times 0.76 = 27.36\#$  edible (usable) portion (E.P.)
2. Labor cost per case:  $\$12.00 \times 0.317 = \$3.80$
3. Labor cost per usable pound:  $\$3.80/27.36 = \$0.138$
4. Food cost per usable pound:  $\$17.35/27.36 = \$0.63$
5. Total cost per usable pound:  $\$0.138 + \$0.63 = \$0.77$

Calculations for chopped ready-to-serve lettuce

1. As purchased (A.P.)  $20\# @ 100\% \text{ yield} = 20\#$  edible (usable) portion (E.P.)
2. No labor needed for preparation
3. Total costs per usable pound:  $\$15.56/20\# = \$0.78$

Factors beyond cost that need to be considered

1. Quality and shelf life
2. Availability of refrigerated versus freezer space
3. Food safety

# Food quality

- The **top grade may not always be necessary** for all purposes.
- Foods sold under the lower grades are wholesome and have essentially the same nutritional value, but they differ mainly in **appearance** and, to a lesser degree, in flavor.
- Foods that have been **downgraded** because of lack of uniformity in size or that have broken or irregular pieces can be used in soups, casseroles, fruit gelatin.

# *Quality Standards*

- refer to :
  - Wholesomeness
  - cleanliness
  - freedom from undesirable substances.
  - It may indicate a degree of perfection in shape, uniformity of size
- It may also describe the extent of desirable characteristics such as:
  - color, flavor, aroma, texture, tenderness, and maturity
- Assessment of quality may be **denoted by grade, brand, or condition.**



# *Grades (meats , poultry, eggs, cheddar cheese, fresh produces, canned fruits and vegeteables)*

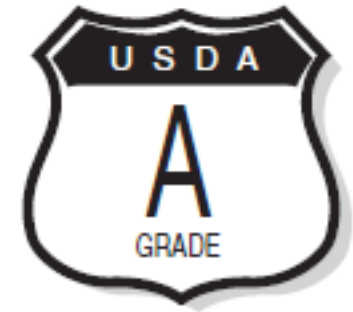
**Figure 6.9** Federal grade stamps for meat, poultry, and eggs.



Federal grade stamp for meat



USDA poultry grade mark



USDA shell egg grade mark

**Figure 6.8** Standards for USDA grades of canned fruits and vegetables.

Standards for Canned Foods		
Fruits		
Grade	Quality of Fruit	Syrup
U.S. Grade A or Fancy	Excellent quality, high color, ripe, firm, free from blemishes, uniform in size, and very symmetrical.	Heavy, about 55%. May vary from 40% to 70%, depending on acidity of fruit.
U.S. Grade B or Choice or Extra-Standard	Fine quality, high color, ripe, firm, free from serious blemishes, uniform in size, and symmetrical.	About 40%. Usually contains 10% to 15% less sugar than Fancy grade.
U.S. Grade C or Standard	Good quality, reasonably good color, reasonably free from blemishes, reasonably uniform in size, color, and degree of ripeness, and reasonably symmetrical.	About 25%. Contains 10% to 15% less sugar than Choice grades.
Substandard	Lower than the minimum grade for Standard.	Often water-packed. If packed in syrup, it is not over 10%.

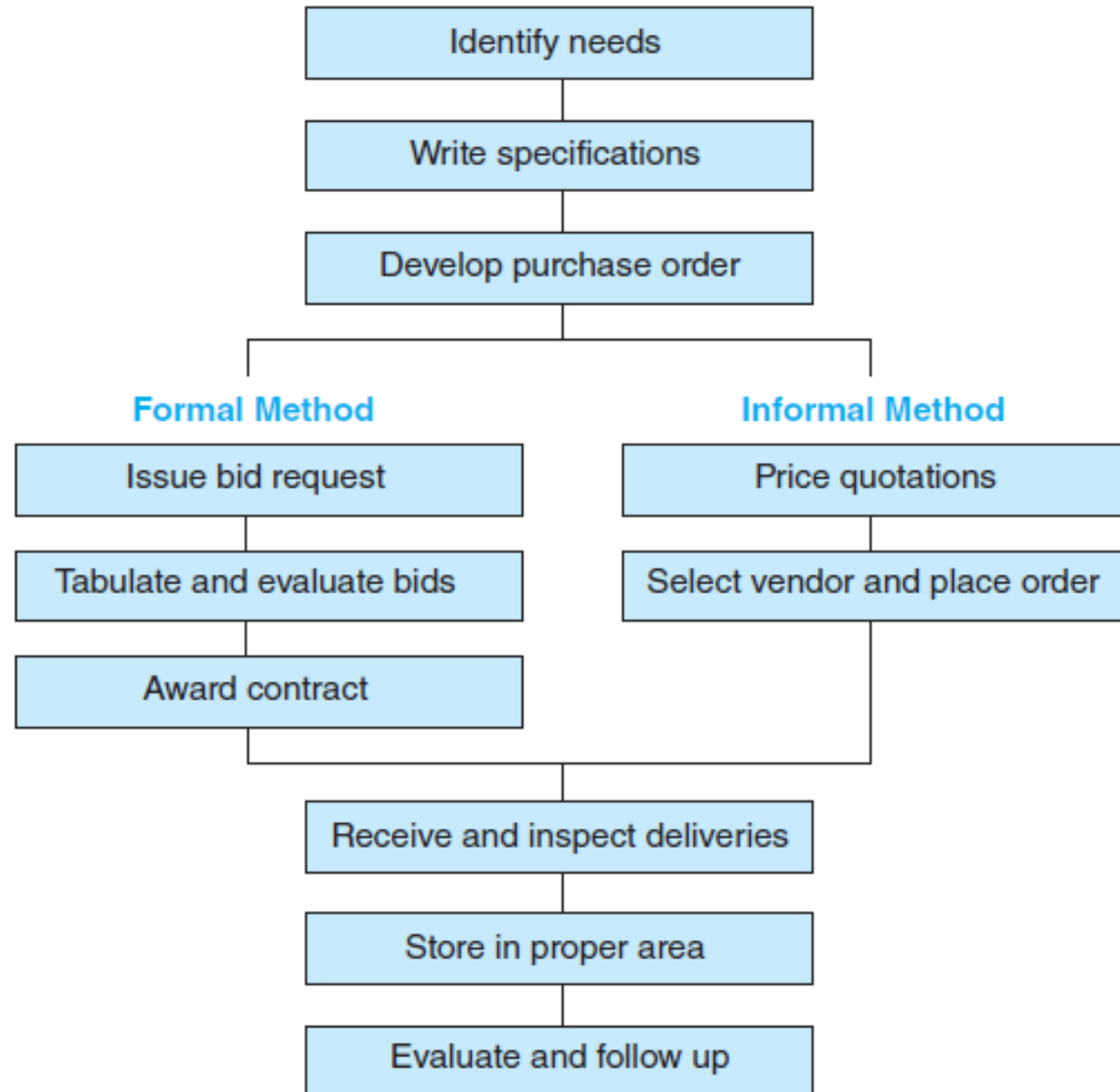
# *Brands*

- A particular make of a good or product usually identified by a trademark or label

# Purchasing procedure

- depends on :
  - the size and type of an organization,
  - whether the buying is centralized or decentralized
  - and established management policies

## Purchasing Process

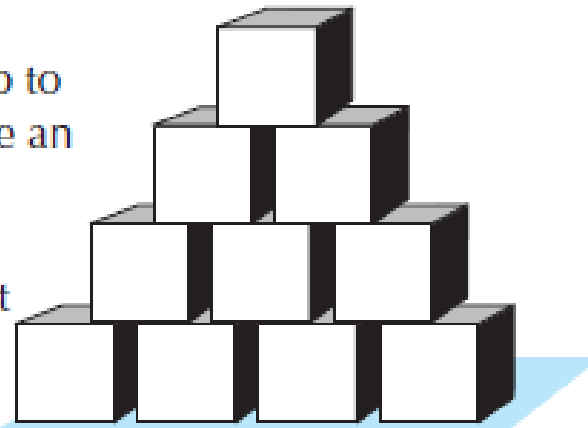


# Identifying Needs

- ***Inventory Stock Level***
  - **Inventory**
    - A detailed and complete list of goods in stock
- The ***minimum stock level*** includes a safety factor for replenishing the stock.
- The ***maximum inventory level*** is equal to the safety stock plus the estimated usage, which is determined by past usage and forecasts.
  - *Then we can establish (re-order) !!*

### Par Stock System

Stock is brought up to this level each time an order is placed regardless of the amount on hand at the time of the order.

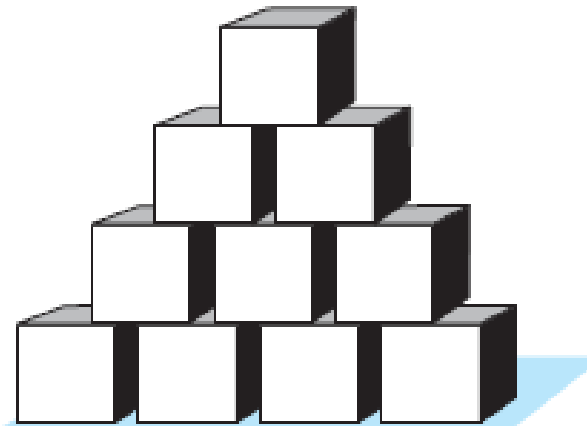


**Par: 10 units**  
(required amount on hand)

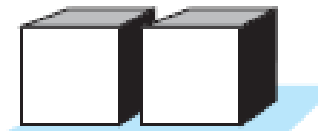
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### Mini-max System

Stock is allowed to deplete to safety level before new order is submitted to bring level up to maximum.



**Maximum: 10 units**  
(largest amount allowed on hand)



**Safety stock factor: 2 units**  
(minimum required amount on hand—reorder point)

# Quantity to buy

Daily Purchase Order					
ON HAND		ORDER	ON HAND		ORDER
<i>Dairy:</i>			<i>Meats:</i>		
_____	gal whole milk	_____	_____		_____
_____	cs ½ pt whole	_____	_____		_____
_____	cs ½ pt choc	_____	_____		_____
_____	cs ½ pt B. milk	_____	_____		_____
_____	cs ½ pt skim	_____	_____		_____
_____	lb cot. cheese	_____	_____		_____
_____	Ice cream	_____	_____		_____
<i>Bread:</i>			<i>Fish:</i>		
_____	White bread	_____	_____		_____
_____	Wheat bread	_____	_____		_____
_____	Rye	_____	_____		_____
_____	Sandwich white	_____	_____		_____
_____	Sandwich wheat	_____	_____		_____
_____	Sandwich rye	_____	_____		_____
_____	Crumbs	_____	_____		_____
<i>Sweet Rolls:</i>			<i>Poultry:</i>		
_____	Raisin bread	_____	_____	Chicken	_____
_____	Cinnamon	_____	_____	Turkey	_____
_____	Butterscotch	_____	_____	Eggs	_____
_____	Raised donuts	_____	_____		_____
_____	Bismark	_____	_____		_____
_____	Twist	_____	_____		_____
_____	Pecan strip	_____	_____		_____
_____	Stick donuts	_____	_____		_____
_____	Jelly donuts	_____	_____		_____
<i>Potato Chips:</i>			<i>Fresh Vegetables:</i>		
_____		_____	_____	Cabbage	_____
_____		_____	_____	Carrots	_____
_____		_____	_____	Cauliflower	_____
_____		_____	_____	Celery	_____
_____		_____	_____	Celery cabbage	_____
_____		_____	_____	Cucumbers	_____
_____		_____	_____	Egg plant	_____
_____		_____	_____	Head lettuce	_____
_____		_____	_____	Leaf lettuce	_____
_____		_____	_____	Onions	_____
_____		_____	_____	Parsley	_____
_____		_____	_____	Peppers	_____
_____		_____	_____	Potatoes	_____
_____		_____	_____	Spinach	_____
_____		_____	_____	Squash	_____
_____		_____	_____	Tomatoes	_____
			<i>Frozen Vegetables:</i>		
			_____	Asparagus	_____
			_____	Green beans	_____
			_____	Lima beans	_____
			_____	Broccoli	_____
			_____	Brussels sprouts	_____
			_____	Cauliflower	_____
			_____	Peas	_____
			<i>Fresh Fruits:</i>		
			_____	Apples	_____
			_____	Bananas	_____
			_____	Berries	_____
			_____	Cantaloupe	_____
			_____	Grapefruit	_____
			_____	Grapes	_____
			_____	Lemons	_____
			_____	Oranges	_____
			_____	Peaches	_____
			_____	Pineapple	_____
			_____	Plums	_____
			_____	Watermelon	_____
			<i>Frozen Fruits and Juices:</i>		
			_____	Apples	_____
			_____	Cherries	_____
			_____	G. fruit sections	_____
			_____	Lemon juice	_____
			_____	Orange juice	_____
			_____	Peaches	_____
			_____	Rhubarb	_____
			_____	Strawberries	_____
			<i>Miscellaneous:</i>		
			_____		
			_____		



# Specifications

- detailed description of a product, **stated in terms that are clearly understood** by both buyer and seller.
- Specifications should be brief and concise but contain enough information so that there can be no misunderstanding

# Specifications

- **Name of the product:** This is the common or trade name of an item.
- **Federal grade or brand:** As already noted, the USDA has established federal grades for most agricultural products, but many packers or food processors have developed their own brands or trade names for canned, frozen, or other processed foods. If a bidder submits a quotation on a brand-name product in lieu of a federal grade, buyers may request verification of quality by the USDA Acceptance Service; see “Grading and Acceptance Services” earlier in this chapter under “Food Quality.”
- **Unit on which price is quoted:** This refers to the size and type of unit, such as case, pound, gallon, can, bunch, or other unit in common use.
- **Name and size of container:** Examples of container size include a case holding six No. 10 cans, a 30-pound pail of frozen cherries, or a crate of fresh shell eggs.
- **Count per container or approximate number per pound:** Examples include 30/35 count canned peach halves per No. 10 can; eight-per-pound frankfurters; or size 36 grapefruit, which indicates the number of fruit in a bushel box. Oranges and apples also are sized according to the number in a box. Apples 80 to 100 are large; 113 to 138, medium; and 150 to 175, small.

Additional information may be included for various categories of food:

- **Fresh fruits and vegetables:** Variety, degree of maturity, geographic location; for example, Jonathan apples, Indian River grapefruit, or bananas turning ripe, pale yellow with green tips. If needed immediately, specify fully ripe, bright yellow flecked with brown, and no green.
- **Canned foods:** Type or style, pack, size, syrup type, drained weight, specific gravity. Examples include cream style corn; whole vertical pack green beans; No. 4 sieve peas; apricot halves in heavy syrup or 21 to 25 degrees brix (syrup density); diced beets, drained weight 72 ounces (per No. 10 can); or tomato catsup with total solids content of at least 33 percent.
- **Frozen foods:** Variety, sugar ratio, temperature during delivery and on receipt; for example, sliced strawberries, sugar ratio of 4:1, or delivered frozen, 0°F or less.
- **Meats and meat products:** Age, market class, cut of meat, exact cutting instructions, weight range, fat content, condition on receipt.
- **Dairy products:** Milk fat content, milk solids, bacteria count, temperature during delivery and on receipt.

# Issuing Bid Requests

- bid request includes quantities required and specifications for each item

## University of Wisconsin - Madison

### REQUEST FOR BID

AGENT: Dave Brinkmeier

**THIS IS NOT AN ORDER**

Questions regarding this bid – see Section 3.1

For Submittal of Bid Instructions – see Section #1.

#### OFFICIAL SEALED

CONTRACT NUMBER: 13-5817

ISSUE DATE: 11/06/12

DUE DATE: 11/27/12 2:00 PM CST

Bid prices and terms shall be firm for sixty (60) days from the date of bid opening, unless otherwise specified in this Request for Bid by the UW-Madison Purchasing Services.

Unless otherwise noted, public openings will be on the date and time specified. Award(s), if any, will be made as soon thereafter as possible.

If **NO BID** (check here) ☐ and return.

The bid abstract will be on file and is open to public inspection only after award determination has been made.

#### DESCRIPTION

##### FRESH BAKERY ITEMS: BREAD, BUNS, ROLLS AND DONUTS FOR THE RESIDENCE HALLS

for the period January 1, 2013 through December 31, 2013 or one year after date of award, and will be automatically renewed for two (2) additional one-year terms.

The current contract may be viewed at <http://www.bussvc.wisc.edu/purch/contract/wp5817.html>

In signing this bid, we have read and fully understand and agree to all terms, conditions and specifications and acknowledge that the UW-Madison Purchasing Services bid document on file shall be controlling. We certify that we have not, either directly or indirectly, entered into any contract or participated in any collusion or otherwise taken any action in restraint of free competition; that no attempt has been made to induce any other person or firm to submit or not to submit a bid; that this bid has been independently arrived at without collusion with any other bidder, competitor or potential competitor; that this bid has not been knowingly disclosed prior to the opening of bids to any other bidder or competitor; that the stated statement is accurate under penalty of perjury. I certify that the information I have provided in this bid is true and I understand that any false, misleading or missing information may disqualify the bid.

COMPANY NAME:	
COMPANY STREET ADDRESS:	
COMPANY CITY, STATE & ZIP:	
SIGNATURE:	DATE :
TYPE OR PRINT NAME:	
TITLE:	
TELEPHONE NUMBER: (    )	FAX NUMBER: (    )
EMAIL ADDRESS:	
FEIN NUMBER:	DUNS #: