

Bidding Milk in Plastic Bottles



The New Look of School Milk promotes cold milk, in multiple flavors, and kid-appealing plastic packages. If you are interested in providing the New Look of School Milk in your district, the first step is to communicate this request to your area dairy processors. The following are responses to some commonly asked questions to assist you in that process.

- Q. What is the appropriate bid language for specifying plastic bottles?
- A. In addition to the language in your current bid regarding the milk itself, you might state: packaging to be single-service 8 oz [10 oz, 12 oz, etc.] plastic bottles.
- Q. Do I need to specify the type of plastic like high-density polypropylene, etc.?
- A. No. In fact, the more specific you are in identifying the details about the plastic to be used the higher the cost and the more limited the responses you may receive. There are a large number of plastic bottles available to milk processors. Once they have committed to a particular product, you restrict their ability to be a responsive bidder if what you are requesting is not the product they offer. The more generic your specification, the greater the chance of creating a competitive environment, which will result in competitive pricing. In fact, if you knowingly ask for a bottle that only one dairy offers, you could be in violation of federal procurement rules.
- Q. Can I specify a case count for my milk?
- A. If it is a bona fide requirement because of space or weight limitations, the answer is yes. But it is important to understand that, as stated above, the more restrictive your specification the greater the potential to limit competitive responses.
- Q. Can my bid request either paperboard or plastic? Can I accept a bid for plastic even if the price is higher than the paperboard product?
- A. Yes and yes. During this time of transition as dairies are adding capacity for plastic single-serve bottles, it is possible that bid prices for plastic will be higher than for paper and may, in fact, be higher than your willingness or ability to pay. If interested, you should bid plastic bottles in addition to paper cartons so you can evaluate the relative costs of each container and the various tradeoffs that may impact your decision. Here is language you might consider including in your bid to facilitate this:

The _____ School District would prefer to offer milk in 8 oz. plastic bottles. However, the District must also consider the additional cost of this improved packaging and is price sensitive. While the enhanced packaging offered in the retail environment is very desirable, the price may exceed the District's ability to pay. Therefore, the District requests bidders to evaluate lower cost alternatives that still provide the improved quality package of a plastic bottle that the District feels will increase milk sales and consumption.

Evaluating the bid response

Regarding accepting the higher price if it fits within your business plan, USDA Food and Nutrition Services has indicated that it is acceptable to award the bid for plastic even if it is higher in price as being "more responsive" to the district's needs. The official guidance statement on this was posted in March 2006 as part of a Q&A on procurement. The full document can be viewed at the USDA Web site:

http://www.fns.usda.gov/cnd/Governance/Policy-Memos/2006/SP_19-2006.pdf

It states:

Question #8: An SFA would like to purchase milk in plastic packaging (commonly called chugs) instead of the traditional paperboard cartons. If, however, the SFA is unaware whether it can afford the higher cost of the plastic packaging how can it award the contract to a supplier of the milk in plastic packaging when the supplier of the paperboard carton submitted a cheaper bid price?

Answer: As long as the SFA is not prohibited by State and local procurement requirements from using options within its bid documents, then it can conduct a solicitation that will allow for pricing on each type of carton individually. To accomplish this, the SFA's bid document should:

1) include the specifications for each type of product (i.e., plastic packaging versus traditional paperboard cartons); 2) provide explicit information about how bids for each option will be evaluated to determine responsiveness and pricing and the basis for contract award; 3) make clear that in the evaluation of the bids, responsiveness and pricing will be compared only within each option (i.e., the bids submitted for plastic packaging are only compared to each other); or across all of the options (i.e., price of plastic packaging compared to paperboard packaging); and 4) ensure that the award criteria is drafted to permit the SFA to award the bid to the lowest priced responsible responsive bidder for either of the options. Also, to maximize competition, potential bidders should be encouraged to submit bids for all of the options offered.

Disclaimer -- The foregoing information is necessarily general in nature and does not take into account any specific circumstances that may affect a particular school district or geographic region. The decision as to whether or not to follow the recommendations is, of course, purely voluntary by each school district. The foregoing material is not intended to be a substitute for legal or other advice that would address the particular facts and circumstances effecting individual school districts. Food Service Directors should obtain appropriate advice concerning their unique issues and circumstances.