

MANDATORY REQUIREMENTS FOR PRIMARY AND SECONDARY SUPPLIERS
FOR
BRAND NAME FRESH CHICKEN MERCHANDISING PROGRAM

The following criteria are mandatory requirements for both primary and secondary suppliers to participate in this merchandising agreement. Each of these requirements should be **addressed in the exact order** in your written proposals.

1. Each supplier must have or obtain a Resale Ordering Agreement (ROA) prior to the implementation of this program. The ROA shall be used as the contractual instrument for ordering, receiving and payment. This ROA must have a start date of no later than July 1 and be established in sufficient time to allow for the stores to initiate orders under this program. The supplier must have the ability to transmit electronic price quotes to Defense Commissary Agency (DeCA) using the EDI 879 transaction set. Failure to meet this requirement shall be cause for removal of the supplier from further consideration under this program.
2. Delivery Ticket Invoicing (DTI), Electronic Funds Transfer (EFT), Central Contractor Registration (CCR), and EDI Pricing are all required.
3. DeCA has 24 pricing periods. Prices shall be provided for 1st-15th and 16th through the end of month. All pricing will be based on the date of delivery.
4. Price quotes offered in the presentations will be for the entire merchandising program. All fresh chicken products shall be pre-priced showing weight, price per pound, and total price prior to delivery at DeCA commissaries.
5. The “immediate previous week” Wednesday Georgia/Los Angeles Docks Quoted Price Tier will be used in determining the net selling price. No additional factors can be used to determine net selling prices.
6. Georgia/Los Angeles Dock Quoted Price Tiers - Suppliers price increases shall not exceed \$0.04 per pound when adjusting up to the next tier price.
7. Supplier will provide promotions based on 1st-15th and 16th through the end of month. There will be 13 Voluntary Price Reductions (VPRs) per year required on the specified core items listed on attachment 9. All scheduled VPRs will be required for the duration of the program to include the option years; however the specified core items or time periods may be changed at the start of the next option year. The number of VPRs will not exceed 13 per year. **The VPR program will be part of the grading criteria for Modified EDLP proposals and must be annotated on attachment 9 with “cents off” where blocks are not highlighted. Ensure that attachment 9 is included with your Modified EDLP presentation proposal. All VPRs shall be promoted via POS material and signage.**
8. Vendor stocker support is required. Vendor stocker shall be available to stock cases from opening to closing. Chicken display cases **MUST** be fully stocked with fresh product at least 2 hours before store opening.

9. DeCA reserves the right to re-evaluate and make changes to the initial space allocation between the primary supplier (70%) and secondary supplier (30%). This space allocation may be re-evaluated and decreased if a primary or secondary provider fails to produce package volume equal to the percentage of display space allocated. Any changes made will be based upon the agency's data on product sales performance in each marketing sales area. Space allocation may be evaluated twice a year and will be adjusted if deemed necessary.

10. Attachment 2 and 4 (Store Listing by Marketing Area), identifies the store, the DODAAC, the store class, and the minimum number of deliveries required per store, per week. Suppliers shall make a minimum of two deliveries per week to Class 1 and 2 stores, and three deliveries per week to Class 3, 4 and 5 stores. Due to only two barges per week going to Alaska and Hawaii, suppliers shall make a minimum of two deliveries per week to all Alaska and Hawaii stores. No exceptions will be granted to change the minimum number of deliveries.

11. Stores will be allowed to adjust their orders (increase or decrease) up to 24 hours after the initial order is placed.

12. Supplier will deliver ordered product no later than 96 hours from the date/time of the order. This applies to all commissaries with the exception of commissaries in Alaska and Hawaii which may have additional hours. Please note that all chicken products must still be received with a minimum of 50 percent shelf life remaining at the time of delivery to all commissaries (to include Alaska and Hawaii). This time period shall apply to each individual order placed, and shall apply for each commissary in each marketing sales area, excluding Sundays.

13. All deliveries shall have a minimum of 50 percent shelf life remaining (or no less than 7 days remaining for boneless products; and no less than 5 days for bone-in products) at the time of delivery to all commissaries.

14. Supplier shall have a Contingency Plan to ensure that a store does not experience, "not in stock (NIS)" on any fresh chicken item, at any time. The store waiting for the next scheduled delivery does not constitute a supplier's contingency plan. The plan shall ensure that the store receives an emergency shipment of fresh chicken within 24 hours after the missed delivery.

15. Order fill rates must be 98% or better, and will be calculated by store, not as an average for the marketing sales area. All core items are considered "never out of stock items" and are required to be displayed during all opening hours.

16. All suppliers for this program must have a 100 percent guaranteed buy-back for all unsold fresh chicken products. Suppliers may markdown product a minimum of 25 percent starting at 3 days prior to the "sell by date". DeCA encourages suppliers to utilize instant redeemable on pack coupons to facilitate the sale of this product, and to reduce the need for Vendor Credit Memorandums (VCMs). Consideration will be given for circumstances beyond the reasonable control of the chicken supplier.

17. This Agreement may be terminated for cause at any time for the benefit of the Government. Poor or nonperformance of the Mandatory Requirement Elements of this Agreement as

documented can result in termination. Poor or nonperformance may result in not achieving sales growth, missed deliveries, not in stock situations on core items, late deliveries, shorted deliveries, lack of savings, lack of timely processing of VCMs, etc. Notice of poor or nonperformance will be given to the supplier in writing. In the event of termination of this Agreement, the supplier that was rated as second in the overall evaluation process may be given the opportunity to be elevated to the status of primary supplier for that marketing sales area, provided that they are able to perform in accordance with the terms of this Agreement. In the event that the secondary supplier is unable to meet the terms of this Agreement, then DeCA may select, without further advance notification to Industry, a source to supply product for the remainder of the current year and options years or until a new Merchandising Agreement can be put into place. Any costs that the Government incurs to obtain a replacement supplier will be the responsibility of the previous supplier.

18. All packages of chicken will have an “open code sell by date” or a “use or freeze by date.”

19. Ensure all products (*except for the 10 pound bag leg quarters*) are labeled “FRESH”. No product shall be delivered without proper labeling. No exceptions will be granted. No fully cooked products will be displayed in the fresh poultry display case; and will not be added as discretionary items to this agreement.

20. All 17 core items are required to bear the USDA Grade A label. This includes all sizes of the core items. Discretionary items may bear the USDA Grade A label but it is not a requirement. Discretionary items must be of a quality that is equivalent to USDA Grade A standards.

21. Skinless boneless breast products ONLY may be enhanced up to 7 percent on the primary supplier’s offer.

22. When applicable, provide DeCA an opportunity to take advantage of any over produced product at lower VPR prices. When this occurs, supplier is required to promote the product via POS material and signage.

23. All suppliers will have a marketing program of their own in place to promote their products during commissary special events and grand openings.

24. All deliveries must be made in temperature controlled vehicles capable of maintaining proper temperatures as specified in the ROA Terms & Conditions, Section XII, Inspection Requirements. Poultry and poultry products shall be purchased as "fresh" (delivery temperature 27 to 32 degrees F). Vehicles must be capable of meeting all sanitation requirements.

25. Provide your company’s fresh chicken tonnage, package sales and market share for each Brand Name, Private Label or Control Brand products sold in each DeCA marketing sales area for which you are bidding. Provide the chicken item (part) name, the chicken part identifier, package volume, and if the chicken part is enhanced or unenhanced. If the chicken part is enhanced, you must provide percentage of pump. This information shall be listed on attachment 10.

26. During the initial program implementation period, supplier shall provide weekly updates on program status for the first 3 weeks. At the end of each month, two monthly reports shall be forwarded to the Sales Directorate, Attention: Chief of Perishables. Core and discretionary items shall be shown on all reports.

27. First Report: Provide a monthly business review to the Sales Directorate broken out by the specific Marketing Sales Area updating the stores' participation in the program. This report shall include the following:

- Marketing Sales Area
- Item Number
- Regular Price and VPR Price
- Total pounds and dollars shipped
- Total pounds and dollars sold
- Total pounds, dollars, and percent salvaged (of delivered product)

28. Second Report: Provide commercial retail prices for all products sold to DeCA during each roll up period by UPC or PLU number, and the DeCA tonnage of each item. The percentage of patron's savings will be calculated for core and discretionary items by DeCA average price compared to retail average price by pricing period.

29. Supplier shall provide other summarized sales data upon request by the category manager.

30. Supplier shall provide professional retail point of sale (POS) material, signage, etc. for day-to-day image enhancement, scheduled VPRs on core items, and any over produced items that DeCA takes advantage of at lower VPR prices. Signage must include DeCA's average price, remaining markets average price (based on the previous 26 weeks) percent of every day savings for this item, the current sales price and the percentage of savings realized with this promotion. Supplier shall include a sample of the signage you will be using for the VPRs. The POS material must be displayed throughout the entire pricing period.

31. Supplier shall provide company name(s), address(es), fax number(s), e-mail address(es), and phone number(s) of headquarters and account managers who serve as points of contact for this program.

32. Chicken Suppliers must adhere to all the Mandatory Requirements Elements (1 through 32) set forth in this NTT/Merchandising Agreement. Any supplier that is habitually not adhering to elements of the Mandatory Requirements will be put on Written Corrective Notice. The supplier will have a set number of days to correct the problem based on the Mandatory Requirement Element. If the Mandatory Requirement Element is not corrected within the set number of days, or was corrected and later resurfaced, the Government will have the unilateral right to remove the supplier from that specific Marketing Sales Area and will pursue other alternatives. The parties agree that if the supplier is removed from the specific Marketing Sales Area, the supplier shall continue to be responsible for all outstanding Vendor Credit Memorandums (VCMs).