

## A \$700 MILLION FOOD BUYER OFFERS SPECIAL OPPORTUNITIES TO SMALL BUSINESS FIRMS

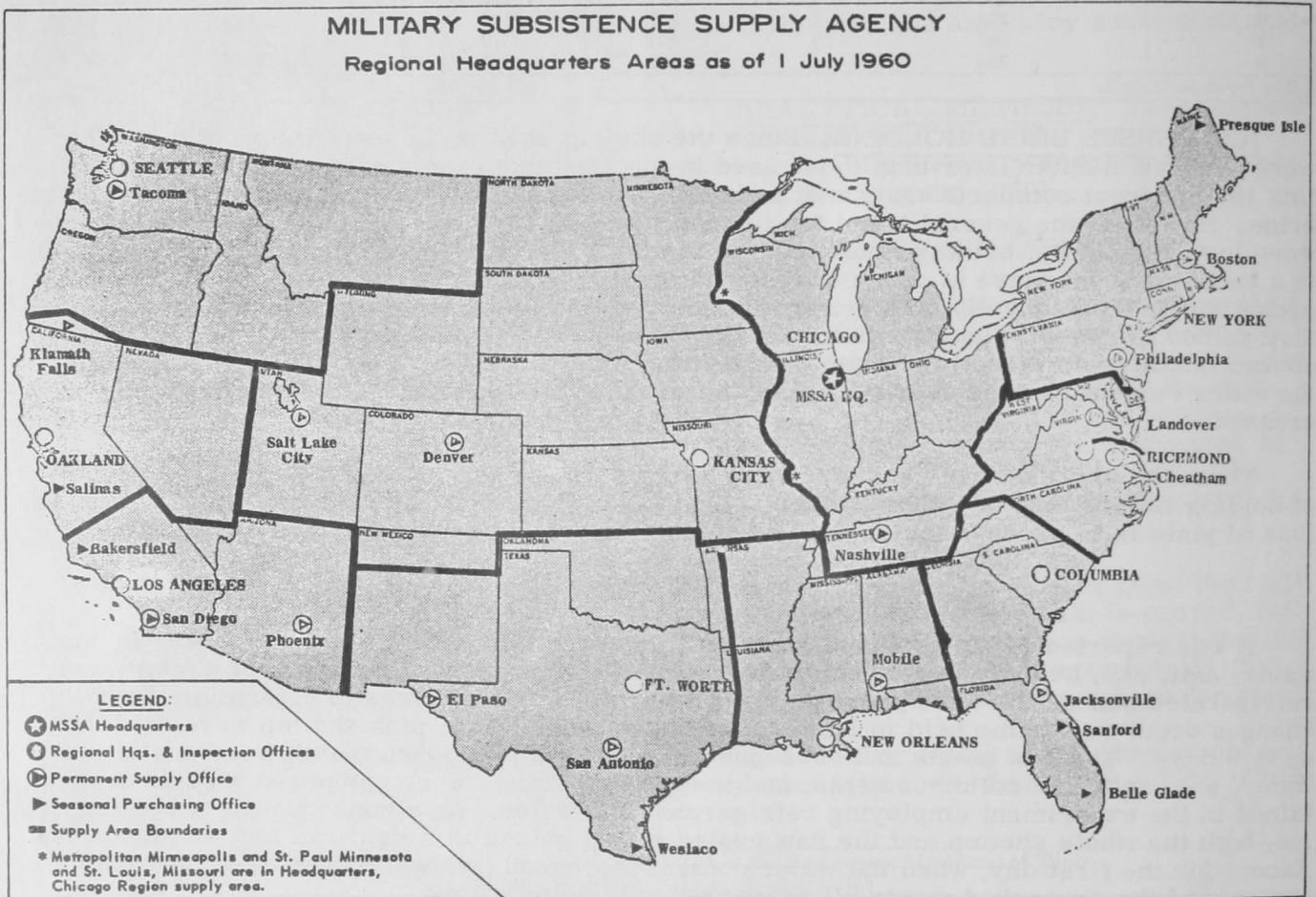
By Walter R. Jeffrey\*

Selling food to the Armed Forces by small business firms is neither difficult nor roundabout. The way is straightforward. It also runs two ways.

What is a "small business?" And who is the Armed Forces' buying organization putting up sign posts pointing to more business and, presumably, to more profits for small business concerns? What does it do for the small business supplier and how does it do it?

### MILITARY SUBSISTENCE SUPPLY AGENCY

Regional Headquarters Areas as of 1 July 1960



First of all, let us be clear on the definition of small business as the term applies to the sale of food to the Armed Forces. As defined in the Congressional small business program carried out by the U. S. Department of Defense, a small business concern is one that is:

1. Independently owned and operated.
2. Is not dominant in its field of operation.
3. With its affiliates employs fewer than 500 employees, or is certified as a small business concern by the Small Business Administration.

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U. S. DEPARTMENT OF THE INTERIOR  
FISH AND WILDLIFE SERVICE  
SEP. NO. 623

4. Additionally, the concern has not previously been denied small business status by the Small Business Administration.

5. The concern is a manufacturer or regular dealer, which submits bids or offers in its own name, but which proposes to furnish a product or end items which are:

- a. Manufactured or produced by itself.
- b. Not manufactured or produced by itself but which agrees to furnish, in the performance of any contract awarded it, a product or end item manufactured or produced in the United States, its possessions, or Puerto Rico, by a small business concern.

There is a regulatory definition or formula for clarification of each of the above terms to be found in the Armed Services Procurement Regulations and about which information may be obtained from MSSA or the SBA. How to compute the fewer than 500 employees for the concern with its affiliates is important.

However, you should be aware that if you do not meet one or more and have not been certified you will not be entitled to regulatory preferential treatment nor to participation in set-asides. In the matter of definitive prerequisite, your concern can be a small business for one transaction and be treated as a large business for another transaction according to whether the end item you offer was manufactured, produced, or processed by a small business concern or a large business concern.

There are differences between procurement of perishable and nonperishable subsistence and nonsubsistence items. You will become acquainted with applicable procedures that affect your offers through specific information given you at each time.

If you meet these five prerequisites or have been certified, you are entitled to the special procurement privileges offered for small business benefits.

Answering the second question: the Armed Forces' food buyer is the MILITARY SUBSISTENCE SUPPLY AGENCY. It is a Department of Defense organization operated by the U. S. Army Quartermaster Corps. MSSA--as it is called--is the wholesale food buyer for the Army, Navy, Air Force, and Marine Corps in the United States and overseas.

Its headquarters is in Chicago. It has regional buying offices in ten principal cities of the country: Chicago, Columbia (S. C.), Ft. Worth, Kansas City, Los Angeles, New Orleans, New York, Oakland, Richmond, and Seattle.

Because of their proximity to central supply sources, some offices are national procurement centers for certain items for the entire Armed Forces. All of them make local purchases--chiefly fresh foods in less-than-carload lots--for military installations in their region. Offices in port cities have the additional job of dispatching food supplies to the United States fleet and to U. S. military bases overseas.

#### MILITARY SUBSISTENCE SUPPLY AGENCY

Address National Headquarters:  
Commanding General  
Military Subsistence Supply Agency  
226 W. Jackson Boulevard  
Chicago 6, Illinois

#### Addresses of Regional Headquarters

Commanding Officer  
Hq., Chicago Region, MSSA  
226 West Jackson Boulevard  
Chicago 6, Illinois

Commanding Officer  
Hq., Columbia Region, MSSA  
1321 Pendleton Street  
Columbia, South Carolina

Commanding Officer  
Hq., Fort Worth Region, MSSA  
Felix at Hemphill Streets  
Fort Worth, Texas

Commanding Officer  
Hq., Kansas City Region, MSSA  
623 Hardesty Avenue  
Kansas City 24, Missouri

Commanding Officer  
Hq., Los Angeles Region, MSSA  
929 South Broadway  
Los Angeles 15, California

Commanding Officer  
Hq., New Orleans Region, MSSA  
4400 Dauphine Street  
New Orleans 40, Louisiana

Commanding Officer  
Hq., New York Region, MSSA  
3rd. Avenue and 29th Street  
Brooklyn 32, New York

Commanding Officer  
Hq., Oakland Region, MSSA  
2155 Webster Street  
Alameda, California

Commanding Officer  
Hq., Richmond Region, MSSA  
1722 Arlington Road  
Richmond 30, Virginia

Commanding Officer  
Hq., Seattle Region, MSSA  
Pier 91  
Seattle 99, Washington

United States fleet and to U. S. military bases overseas.

The Military Subsistence Supply Agency also is one of the several "single manager" establishments of the Defense Department. This means that it has wholesale supply responsibility for procurement, inspection, storage, and distribution of food for all the military services. There are similar single-manager agencies for clothing and textiles, for general and industrial supplies, for medicines, and for other common supply categories.

The responsibilities for military food supply are assigned to the Secretary of the Army by the Secretary of Defense. MSSA gets the working task from the Army Secretary through the Quartermaster General.

So much for MSSA. More interesting to a small business firm is how much business is available from MSSA? How can it obtain a share?

In the first place, realize that the over-all food procurement program for the Army, Navy, Air Force, and Marine Corps aggregates each year about one and one-quarter billion dollars. About 60 percent of that total, nearly \$700 million, is purchased by MSSA. The remainder is spent locally--principally for perishable foods--by individual military installations in the United States and by U. S. military commands outside the country.

Table 1 - Fresh and Frozen Fishery Products Purchased by Military Subsistence Supply Agency, 1956-60

1960		1959		1958		1957		1956	
Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1,000 Lbs.	\$1,000	1,000 Lbs.	\$1,000	1,000 Lbs.	\$1,000	1,000 Lbs.	\$1,000	1,000 Lbs.	\$1,000
22,917	11,839	22,651	11,624	22,511	12,850	23,452	12,080	26,610	13,413

Note: Actual total purchases are higher than indicated because local purchases are not obtainable.

Don't be apprehensive of doing business with MSSA because of the apparent size of its purchases. Remember that the figure cited is an aggregate or total one. As a matter of fact, in the fiscal year just passed, MSSA wrote over 173,000 contracts. In the year's procurement, that averaged out at about \$4,000 a contract.

For example, the Agency bought \$2,455 of "assorted items" and divided the business among five firms. This was typical of small purchases.

If smallness disinterests you, an example of an award to a small business concern in the other direction is a single contract for 20 million pounds of soybeans. Another contract was for \$109,000 of roasted-and-ground coffee.

These examples describe the range of MSSA's business. They indicate that there is something for every small business firm. And there is, provided he is interested in going after and competing for it.

The key word in the last sentence is competing. Full competition is an overriding requirement in the Agency's procurement. All of MSSA's purchases are fully publicized and fully competitive. This is good for the taxpayers because fair and reasonable prices are obtained. This is also good for U. S. business because MSSA is a wholesale buyer operating like any other big-scale wholesaler. This means large quantity purchases. It calls for central warehousing. And it calls for a national distribution system to supply retail outlets. The net result is maximum effectiveness, efficiency, and economy. MSSA's "retailers" are the country's military installations, both here and overseas.

Table 2 - Canned Fishery Products Purchased by Military Subsistence Supply Agency, 1956-60

Product	1960		1959		1958 <sup>1/</sup>	1957 <sup>1/</sup>	1956 <sup>1/</sup>
	Quantity	Value	Quantity	Value	Quantity		
	1,000 Lbs.	\$1,000	1,000 Lbs.	\$1,000	..... (1,000 Lbs.) .....		
Tuna .....	3,610	1,613	3,698	1,672	5,884	2,711	3,334
Salmon .....	3,593	2,436	1,085	737	3,336	3,111	2,798
Sardines .....	147	61	1,051	177	253	215	236
Total .....	7,350	4,110	5,834	2,586	9,473	6,037	6,368

<sup>1/</sup>Value unavailable.

Note: Actual total purchases are higher than indicated because local purchases are not obtainable.

About the product. Food items bought by MSSA for the Services are comparable in variety and quality to those appearing on a typical American table. Generally speaking, the table-type items are called "issue" items. They are supplied to the Services for use in mess halls, dining halls, and galleys. A portion of issue products purchased also is resold to military personnel for consumption at home by their families. The Services also need many food items with special military characteristics for operational uses. Meeting this last need is most important to United States industry and to small businesses throughout our country.

This is the general background of MSSA. Its activities are similar to chain-store-type operations. Now, where is the so-called privileges for small business firms heretofore mentioned?

Underlying the privileges are the laws passed by Congress to aid small business firms. In carrying them out, the Department of Defense "sets aside" designated portions of its procurements for exclusive participation by small business concerns. MSSA applies the desire of the Congress to the military food procurement program in this manner.

How is this done? Let us illustrate.

MSSA, let us say, gets an order from the Army, Navy, Air Force, or Marine Corps for 100,000 cases of tuna. It announces to all interested U. S. suppliers that at a certain date it will make this purchase. To advance the small business interest, procurement may follow one of two courses: (1) it may be "totally set aside" for small business or (2) a portion may be "partially set aside" for exclusive participation by small business concerns. An obvious third method is to "open" the entire purchase to all businesses, large and small.

Total set asides are made when procurement officers are convinced that small business firms can supply the full requirement at fair and reasonable prices. Open procurement is utilized when the complete range of suppliers, small and large, is needed to fulfill Armed Forces' requirements.

If the bids received from small business concerns under the total set-aside plan are not fair and reasonable in relation to the prevailing market, the procurement is withdrawn and the item re-solicited from small and large business firms. In partial set-asides, awards to small business firms are made at the best award price obtained for the "unrestricted" portion of the procurement (obviously, this is made first). MSSA offers the set-aside portion only to the small business concerns (in priority of their original price offer) who offered on the unrestricted portion and whose offers were within 120 percent of the "unrestricted" award price. If MSSA's offer is not accepted by them, the partial set-aside preference is dissolved and the procurement reopened to all concerns.

It should be evident that the small business "privilege" is then, one of opportunity. It permits the small concern to participate in public business and to receive awards if its prices are fair and reasonable. Although designed to help small business firms, the privilege does not conflict with the best interests of the public.

Partial set-asides are effective when (1) awards on the open (unrestricted) portion of a procurement have been based on normal prices related to the current competitive market and (2) no small business firm has submitted a "token" opening offer to achieve subsequently an unfair advantage over other small business competitors eligible for set-aside awards. Failure by small business firms to accept awards at the highest prices paid on the unrestricted portion results in the purchase being opened to all bidders.

To keep pace with the dynamic, fast-moving American food business, MSSA has long followed most of the commercial day-to-day procurement practices. The Agency is not bound by the slower procedure of formal bid-openings. In line with practice in the food industry to obtain perishable foods (1) it uses the telephone, (2) its buyers operate in terminal markets with the same on-the-spot facility and responsibility vested with commercial purchasing agents, or (3) its buyers enter the fields during harvest seasons and there contract for portions or even entire crops. The desire to contact all qualified vendors who wish to sell to MSSA is common to all methods.

On-the-spot or sight-buying activities by MSSA usually involve less-than-carlot quantities. When carlots are required, MSSA sends a written "Notice of Intent to Purchase," called a NIP, to a nationwide mailing list. Offers from business firms first go to a MSSA regional headquarters for initial evaluation. There the low and responsive bids received are sent to a national desk where final evaluation against low and responsive bids from all regional offices is made to determine the award winner on the basis of full and free nationwide competition.

In every case of local or national buying, suppliers are made fully aware of MSSA's intent to buy. As stated, competition is full and free. There is no "selected" or preferential list of suppliers. Contracts are awarded on the basis of the lowest price from responsive and responsible bidders.

Some small business firms have felt that there has been too little profit in doing business with MSSA. This is regrettable but, of course, MSSA cannot guarantee profits. Nevertheless, the Agency takes every measure and means to assure that each business firm gets fair and equitable consideration when contracts are awarded.

It is emphasized again the MSSA cannot choose or select its suppliers. Awards must be made to the responsive and responsible bidder whose offer is the low one. MSSA finds that the best interests of the offeror usually coincide with those of the U. S. Government. As indicated at the start, integrity is a two-way proposition.

There should be no misunderstanding about the competitive nature of the set-aside privilege. It is not a "this-is-for-us" small business subsidy. Set asides are made on the basis and in the belief that there are a sufficient number of small business competitors who have both capacity and experience to fulfill MSSA's contracts under full competition and at fair and reasonable prices.

One of the pitfalls most encountered by small concerns is failure to recognize that offers are evaluated by MSSA on (1) the bid price f.o.b. origin and (2) the cost of delivering the product from origin (i.e., the manufacturer's plant) to first destination. Transportation is an out-of-pocket cost to the taxpayer and must be computed in evaluating prices. This means that distant plants ordinarily have less chance to win the award than firms nearer to the designated site of delivery. Failure to realize this additional cost factor has caused some disappointment without comprehension of the reason.

Another complaint that MSSA hears from unsuccessful offerors is that they are unable to find out who won the award and the price at which it went. This information is available to those who submit offers or affirmatively indicate an interest. Awards for the larger contracts appear in the daily "Synopsis of U. S. Government Proposed Procurement, Sales and Contract Awards" published by the Department of Commerce. Information on smaller contracts is posted weekly at MSSA's regional offices. Furthermore, competing firms may call MSSA offices for information.

Note, however, that MSSA does not give out information concerning unsuccessful offerors and bids.

Historically, more than 50 percent of MSSA's business, in contracts and in dollars, has gone to small business. Yet, the Agency feels that there are still too few small business concerns supplying food to the Armed Forces. MSSA seeks continually to expand its procurement base by asking more firms to compete for the privilege, and the profit, of supplying food items to the Armed Forces.

To get started, the new applicant for military food business should apply to the regional MSSA headquarters nearest to him for a "bidders mailing list" application. It will be sent to him along with a check list of the items that MSSA buys. The prospective bidder may indicate on the list the items he wants to sell. The check list, along with the filled out application, should be returned to the office that sent it.

This action usually results in getting on a MSSA mailing list. Thereafter, and so long as it is interested, the concern will receive each pertinent Notice of Intent to Purchase sent out by MSSA. The NIP will tell him what MSSA is going to buy, when it will buy it, where, and how much. It also will contain information about the product and the manner in which it is to be packaged. It lists specifications which furnish details about product quality. Specifications are available at no cost to the supplier.

Products sold to the Government, and methods of processing as well, must comply with government standards and requirements. It is important, therefore, that NIPs and specifications be read and studied carefully. The offeror needs to have a complete knowledge of the item, its components (when applicable), and the method of packing required by the Government. Many performance failures have been due to a lack of knowledge or understanding of what was required.

This should not frighten the interested and qualified small business manufacturer. Government requirements usually are in close harmony with commercial standards and practices. Suppliers with a good industrial knowledge of an item usually have little difficulty in conforming production to any different or additional requirement that may be imposed because of military necessity or to provide a common basis for fair and free competition.

MSSA's military and civilian buyers and procurement officers at the ten regional headquarters and 20 affiliated field buying offices will be glad to provide additional information and explain further how to go about getting food business from the Armed Forces. The Agency continuously strives to simplify and to clarify its procedures so that small business firms not familiar with government procurement may readily and easily understand the what, when, and where of selling to MSSA. Many small business concerns, as has been said, have had little difficulty in getting military food business. Over 65 percent of 173,000 contracts MSSA issued in fiscal year 1960 went to small business firms. In dollars, this represented about 60 percent of the \$675 million expended that past year by MSSA for food for the Armed Forces of the United States.

Nevertheless, MSSA still feels that there are many small suppliers who, when aware of the common-sense procedures as well as the opportunity to sell to MSSA, would like to go after military food business. Most who try are successful. The absence of complaints from them indicates their satisfaction with MSSA methods and also with the promptness with which it pays its bills.

If you are included among the American small business food suppliers not now doing business with MSSA, let this encourage you to write or phone to the nearest MSSA office indicating that you would like to do more business and want to do it with the MILITARY SUBSISTENCE SUPPLY AGENCY in meeting the food needs of your Armed Forces.



#### SEA TRANSPORTATION OF FROZEN FISHERY PRODUCTS

Taking into account both the bacteriological aspect and the economics aspect of the problem of transporting frozen fish by sea, the author is of the opinion that a temperature of  $-8^{\circ}$  to  $-12^{\circ}$  C. ( $18^{\circ}$  to  $10^{\circ}$  F.) is most suitable for a trip of 2 to 3 weeks. ("Transport of Fish," General Fisheries Council for the Mediterranean Proceedings, 1957, 3 p.)