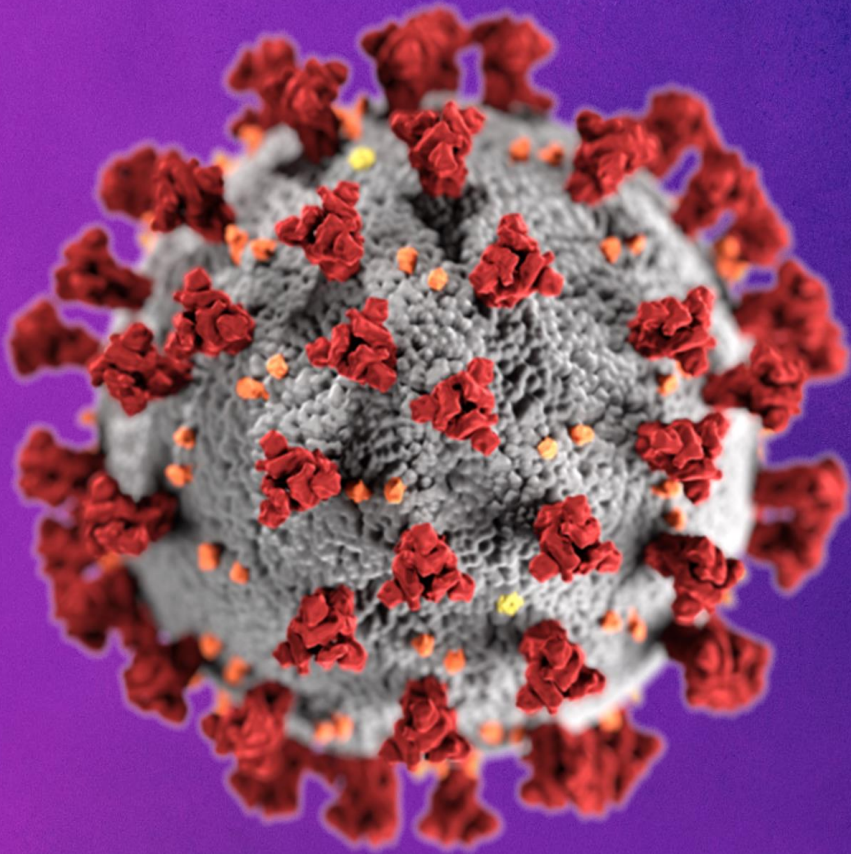




COVID-19

report 12: K-12 OPERATORS
4.13.20



K-12 operators are one of many on-site segments that have complex needs in a Coronavirus-filled world. Nearly all school districts have ended in-person instruction, with many states planning to keep schools closed for the remainder of the academic year. But the need for those students who rely on free and reduced meals doesn't end when a pandemic starts. In fact, some districts are seeing rising participation compared to when schools first closed as more families experience layoffs and furloughs.

These operators take seriously their goal to keep kids fed, and the government has been working to support them. The segment historically had strict limitations on what food can be served, when, where, and to whom, and many of those limits have been lifted.

But life isn't easy. K-12 operators were previously not allowed to deliver food or have food for off-premise consumption, but now those are their only modes of service. Although these operators are used to dealing with an at-risk population and have existing safety measures and dedicated workers, they are still challenged by limited prep areas and by serving foods that travel and keep well.

These findings are compiled based on secondary research and an operator survey fielded March 25-26 with 426 operators, including 45 K-12 operators.



In a pandemic, government regulations go out the window in favor of safely feeding kids.

K-12 operators are historically some of the most limited in all foodservice with regard to what food they can serve, as well as when, where, and to whom they can serve it. They are subject to federal and state guidelines in order to receive reimbursements for meals. However, due to the pandemic, the USDA has implemented nationwide waivers that apply to all states and make it easier to serve students in what was named the COVID-19 Child Nutrition Response Act.

Key waivers include:

- Allowing states to waive meal pattern requirements, so local operators can create meals with the foods they have available
- Removing the requirement that kids be present at meal pick-up (so now a parent or guardian is the only one needed for pickup)
- Eliminating meal time requirements to make meal pick-up easier (so lunch can be given out during breakfast times)
- Axing the requirement that meals be served in group settings
- Doing away with the requirement that after-school meals and snacks served through certain programs be accompanied by educational activities
- Delaying administrative deadlines associated with the Community Eligibility Provision to ease burdens on schools that are currently closed due to COVID-19

Offering flexibility has reached a whole new level.

With the temporary waiver on meal requirements, K-12 operators have been given more leeway than they've ever had. Although most will still try to stick to providing well-rounded and nutrient-dense meals to kids, they aren't tied to label restrictions. Purchasing largely remains the same, and schools are still working with their regular suppliers. Large purchases also still need to be put out to bid by public-school districts, but K-12 operators are more likely to be making micro purchases of additional items that may be better suited to their current service environment than they otherwise would.





K-12 operators aren't going anywhere.

Although most K-12 schools are currently closed, schooling as we know it isn't going to go away. Once the COVID-19 pandemic is under control, schools will fill up with students again, and that means their cafeterias will fill up too. That doesn't mean operators aren't feeling the pinch or worried about what the future holds. Issues around federal meal reimbursements and student expectations around dining in a post-COVID world may still weigh on K-12 operators' minds.

K-12 operators



ALL operators

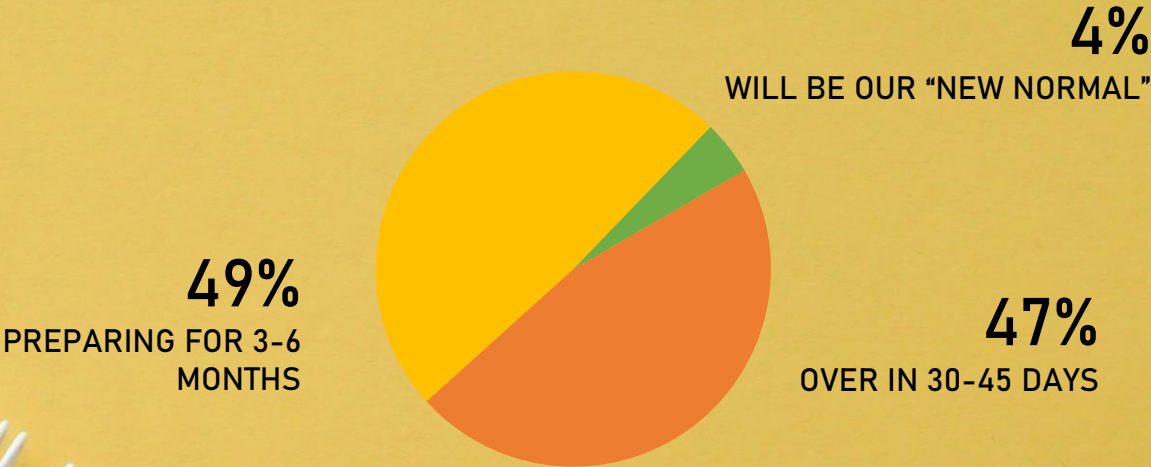
Cautiously optimistic; expect our operation to come through this stronger than ever	22%
Worried, but fairly confident our operation will get through this in one piece	65%
Very nervous that our operation will not be able to come back from this crisis	13%

K-12 operators are less likely than operators overall to have a negative outlook for many months.

This difference might be driven by the fact that we are bumping up against the end of the school year. There is a cyclical nature to K-12 dining that means operators are not thinking about the summer but are instead focused on what this means for the rest of the current school year.

what is your outlook on your business as it relates to the Coronavirus crisis?

K-12 operators



ALL operators

Will be our "new normal"	13%
Over in 30-45 days	26%
Preparing for 3-6 months	61%

Confidence is relatively high among K-12.

Similar to healthcare operators, K-12 operators are accustomed to feeding an at-risk population. They already have a lot of BOH safety and sanitation rules and are accustomed to detailed safety regulations. Although the novel Coronavirus is very different than the flu, procedures that K-12 operators already have in place are not all that different than current CDC recommendations. Some operators do still want supplier help of course, but their needs may not be as acute as other segments.

	K-12 operators	ALL operators
Yes - would appreciate some help / guidance from suppliers & manufacturers	29%	36%
No - while we could use help, we're not really looking for this from suppliers & manufacturers	29%	38%
No - no help needed; we feel confident in knowing what steps to take during this crisis	42%	26%



74%

have added curb-side pick-up

(among K-12 operators currently open)

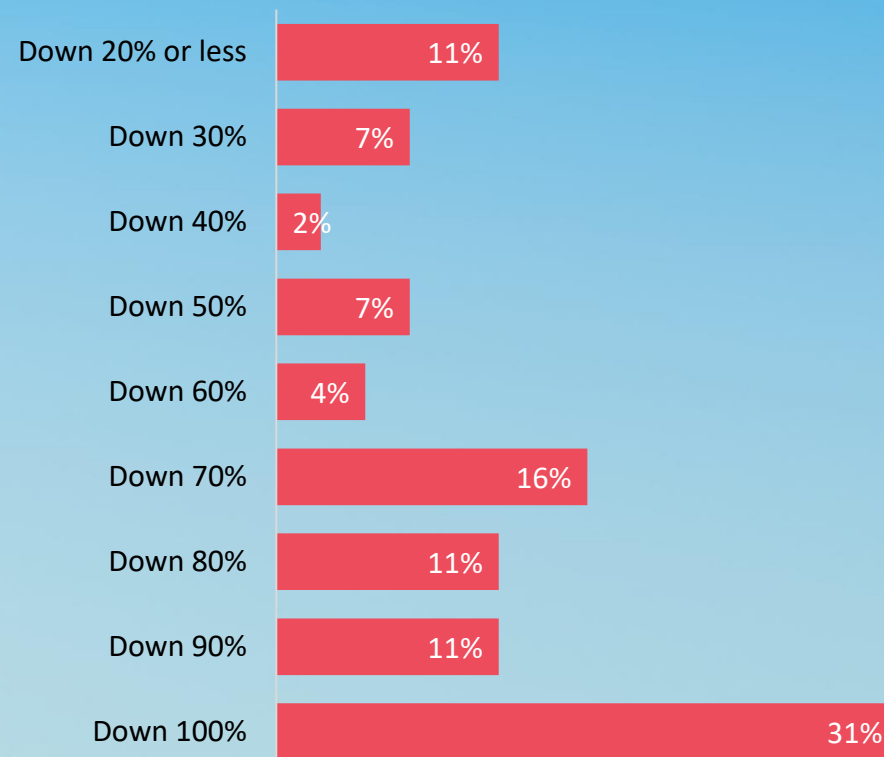
	K-12 operators	ALL operators
Open completely for business - in all respects, including dine-in service	2%	5%
Closed our dine-in service, but still offering takeout and / or delivery	67%	65%
Closed completely for the time being	31%	30%

The service model for K-12 has completely changed.

Very few are still open entirely and most have switched to an off-premise model — something that before Coronavirus *never* happened in K-12. In fact, districts were required to serve meals on-site in a group setting in order to be eligible for USDA subsidies. Now, nearly all meals are either picked up or delivered. Since this is totally new to these operators, they may be looking for anything that can help streamline the process, from technologies that manage deliveries to products that are shelf-stable and individually wrapped for easy distribution. A return to in-person schooling is not likely any time soon (many states have already closed schools for the remainder of this academic year) and so these operators are doing off-premise for the foreseeable future. A few districts have shut down entirely as they face labor challenges, don't feel confident they can safely serve meals, or simply don't have as much student need.

K-12 sales have dropped to summer feeding levels but may be ticking back up.

K-12 operators simply aren't serving as many meals as they used to. Many talk of running at "summer levels" and are doing just 10% of their usual meals served. However, for better or worse, many say that they are seeing an increase in meals served since the pandemic first hit. As schools figure out processes and get the word out, they are finding more families who are taking them up on their offer of free meals. The USDA has been helping increase awareness with an interactive "Find Meals for Kids" online map. In addition, with massive layoffs and furloughs across industries, many families who might not have previously considered using K-12 free meal services are suddenly taking part. What's more, some districts, like Los Angeles, have opened up their grab-and-go meal services to the greater public and say as much as one-third of the meals they serve go to adults in need and two-thirds to children.



how much has your overall business decreased or increased since the outbreak of COVID-19 / coronavirus??

If you can store it on a pantry shelf, K-12 operators are probably interested.

Although some school districts are only distributing single meals, others are passing out multiple meals at a time, sometimes as much as five days' worth of food. On top of this, some students who need these meals may not have access to refrigerators or microwaves at home and so don't have the option to store or re-heat items. This means that there is a unique and immediate need for nutritious items that are shelf-stable.

K-12 operators are already heavy users of pre-made product and rely a lot less on scratch prep than other segments. Now, they are dealing with new space limitations, as some districts aren't allowing them to use school buildings for prep or even storage, forcing them to rely entirely on district commissaries. Portability and prep are taking on a whole new meaning as these operators look to serve as many students as possible with limited staff and limited facilities.



have you laid off staff in
response to COVID-19?

	K-12 operators	ALL operators
No staff cuts due to coronavirus so far	69%	37%
We let go of more than 75% of our staff	18%	34%
We let go of up to 75% of our staff	4%	11%
We let go of up to 50% of our staff	7%	9%
We let go of up to 25% of our staff	2%	10%

K-12 operators are mostly fully-staffed.

Perhaps it is the knowledge that someday schooling — and therefore school feeding — will return to normal, but K-12 operators are better than most segments in keeping staffing levels the same. The segment is also well-served by having a steady customer base (even if it is a small fraction of their usual meals served) and government support (through the National School Lunch Program). Operators are not necessarily putting all their staff to work. Most aren't, but they are keeping their staffing levels relatively high, which among other things means they could quickly ramp up and return to normal operations if needed.



Not all superheroes wear capes — some distribute meals to kids.

K-12 operators have always taken their jobs seriously. They are often providing nutrition and meals to an underserved population and have long felt the importance of what they do. Throw in a pandemic, and that feeling is magnified. These operators are on the front-lines, sometimes risking their own health and well-being, in order to provide basic and important food to those in the greatest need. What's more, in addition to providing food, they also provide emotional support and work to create a sense of normalcy and consistency for the nation's kids.





HOTSHOT REPORT

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