



Understanding the USDA Foods Processing Program:

Tips on How to Efficiently and Effectively Utilize USDA Foods Diverted to Processors

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Program Analyst, Program Integrity & Monitoring Branch



Overview

- USDA Foods National Processing Program
- Stakeholder Responsibilities
- State Distributing Agency Perspective
- USDA Processing Program Contacts & Resources



USDA Foods Options

Direct Delivery



USDA Foods for Processing



USDA DoD Fresh Program



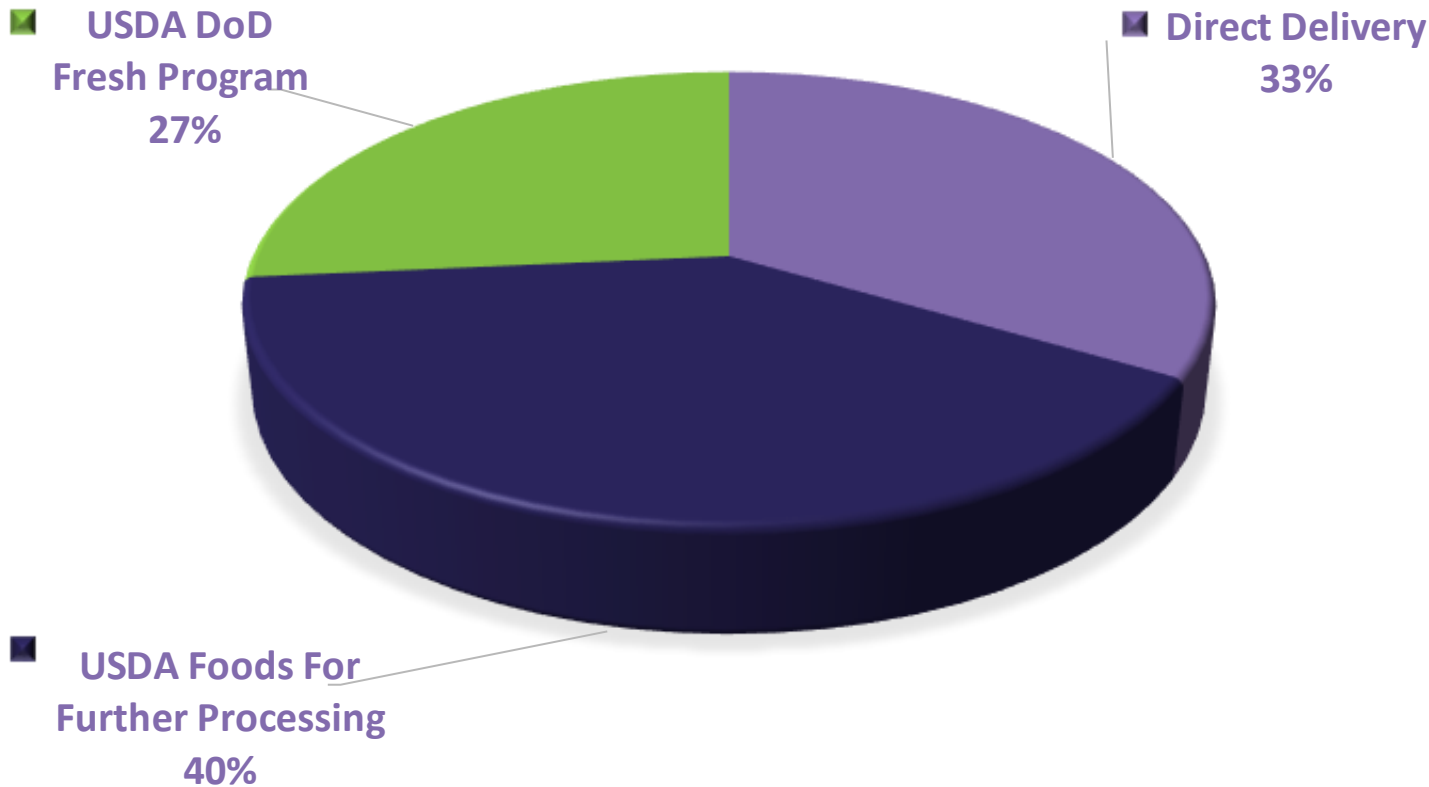
USDA Foods Processing Program

- One of three choices SDAs have to spend their USDA Foods entitlement,
- Allows schools to contract with commercial food processors to convert USDA Foods into a variety of convenient, ready-to-use end products.
- USDA Foods Processing Program provide options that maximize the use of USDA Foods.
 - More than 5,000 finished end products offered by participating processors.



USDA Foods
in Schools

FY22 USDA Foods Entitlement Allocations



**% of Total
USDA Foods
Entitlement
for NSLP**



USDA Foods Processing Program

- SDAs, schools and food manufacturers collaborate to ensure that processed products complement popular commercial items.
- Processing of USDA Foods provides the industry the opportunity to market its finished products.
 - Schools can purchase items that they're already purchasing commercially.

USDA
Foods



USDA Foods
in Schools

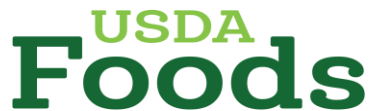
How does further processing operate?

- SDA or schools competitively procure the services of food manufacturers, and commercial distributors.
- Further processed product should be items that have been purchased by customers in the K-12 market consecutively for several school years.



How does further processing operate?

- Contract between the processor or distributor and the SDA or school, is a legally binding agreement
- A processing agreement is required between processor and FNS or the SDA
- USDA Agriculture Marketing Service (AMS) purchases USDA Foods , and the contracted vendors deliver the USDA Foods to the designated processing location as requested by the SDA.



USDA Foods
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Benefits of Further Processing

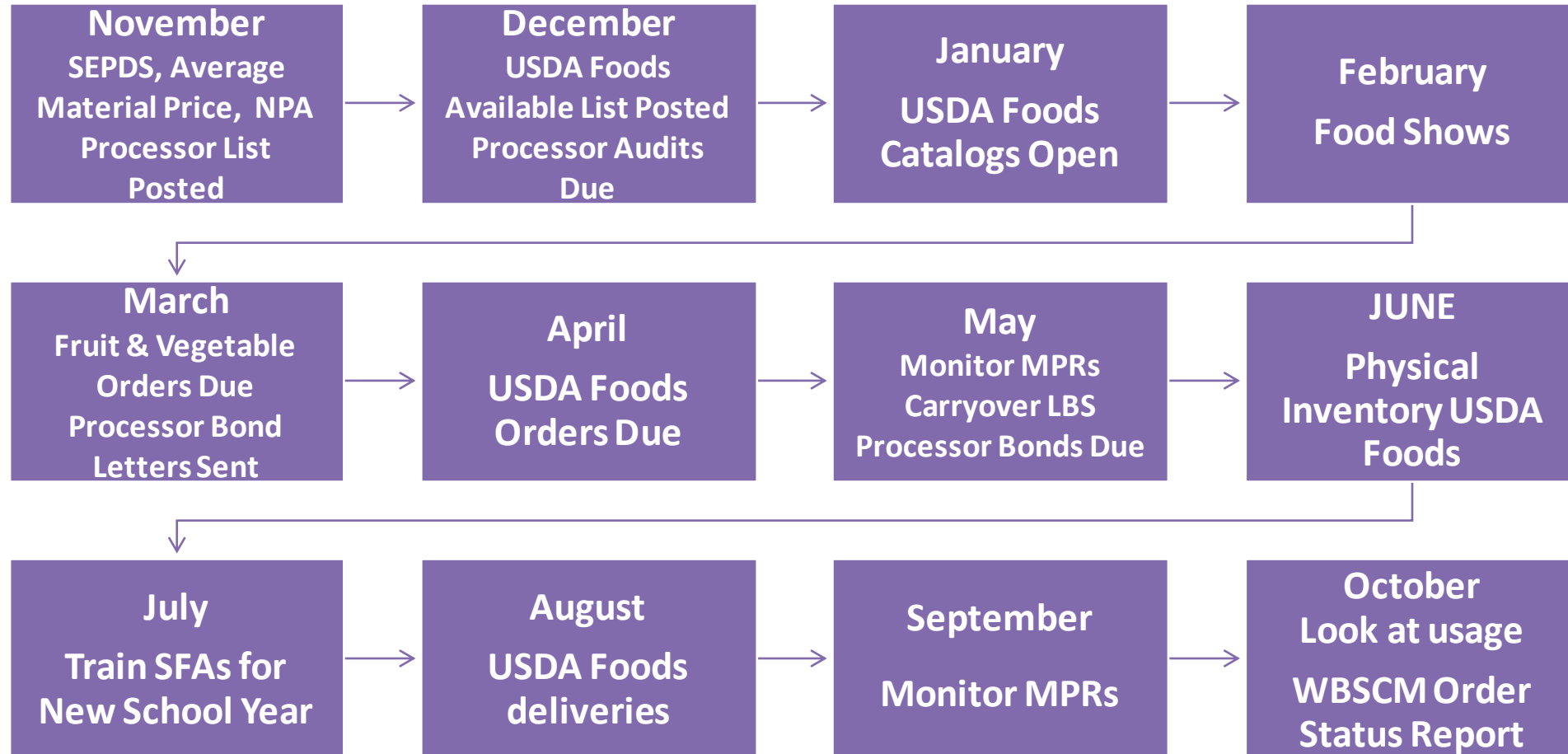
- ✓ Stretch USDA Foods dollars by ordering USDA Foods which may reduce their overall food budget;
- ✓ Procure popular commercial items students like
- ✓ Help ensure food safety by limiting the handling of raw product in school foodservice operations;

Benefits of Further Processing

- ✓ Reduce labor costs and cash outlays for food preparation;
- ✓ Reduce storage and delivery costs; and
- ✓ Have USDA Foods delivered directly from USDA vendors to the contracted processor(s).



Processing USDA Foods- Perpetual Calendar



Processing USDA Foods

State Participation Agreement (SPA)

- SDA must enter into a SPA with an NPA processor to permit the sale of end products to eligible SFAs in the State or to directly purchase end products
- State specific requirements, such as method of end product sales permitted and approved end products
- Duration of agreement may be permanent

Procurement Requirements

Comply with requirements 2 CFR part 200 and 400

Required information in procurement documents for processed end products containing USDA Foods:

1. The price to be charged for the end product or other processing service
2. The method of end product sales
3. The value of USDA Foods in the end products
4. The location for the delivery of the end products



Value Pass Through Systems

FD-40 Inventory Drawdown in USDA Foods Processing (Revised):

Methods of end product sales to ensure receive credit for value of USDA Foods contained in end product:

- Refund or Rebate
- Direct Discount
- Indirect Discount also known as Net off Invoice (NOI)
- Fee-for-Service
- Closed SKU NOI (beef & pork)

<https://www.fns.usda.gov/usda-fis/fd-40-inventory-draw-down-usda-foods-processing-revised>

USDA Responsibilities

- Manage USDA Foods Processing Program
- Monitoring and evaluate USDA Foods inventory
 - Monthly NMPRs and Forecast Tool
- Facilitate pound transfers between processors and SDAs
- Provide technical assistance to processors and SDAs on program operations
- Communicate on a regular basis with processors and SDAs



USDA Foods Inventory at Processors

USDA Foods are a perishable asset, and it is the responsibility of the SDAs, schools, FNS and processors to monitor the inventories of USDA Foods at processors and to **take action** when inventory at a processor is in excess of a six-month supply or there is limited or no drawdown of pounds

April 2019 memo, [FD-064 Management of USDA Foods at Processors](#)

USDA Foods Inventory at Processors

Transfers:

1. Same Processor
 - RA to RA
 - State Account to RA
2. State to State
 - **Requires FNS Signature**
 - **State Signatures**
 - **Processor Signature**
 - Entitlement Credit (*Only if in current SY and received status in WBSCM*)
3. Processor to Processor - **Limited**
 - **Requires FNS Approval**
 - Paper
 - Physical



USDA Foods Transfer Request

State-to-State Releasing State: LA Receiving State: GA Processor: Gold Creek

Processor-to-Processor Physical Paper Authorization Number (State Use): State Signature: _____

Releasing Processor: Receiving Processor: _____

Recipient Agency: RA Number: Contact Name: RA Signature: _____

Sales Order Number	SO Item Number	Material Code	Material Description	Quantity (Cases/Lbs)	SDA (Sold-To Party BP)	Entitlement Adjustment	
						YES	NO
		100103W	Large CHX White	84,866.00			X
For Paper Transfers:		\$ value and check amount					

RELEASING STATE OR PROCESSOR

Releasing State Signature _____ Date ____/____/____ Phone: _____

Mail Address: _____

Processor Signature (if applicable) _____ Date ____/____/____ Phone: _____

Mail Address: _____

RECEIVING STATE OR PROCESSOR

Receiving State Signature _____ Date ____/____/____ Phone: _____

Mail Address: _____

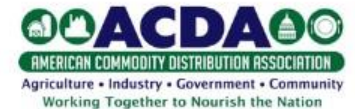
Processor Signature (if different from above) _____ Date ____/____/____ Phone: _____

Mail Address: _____

FNS USE ONLY

DA/FNS Specialist: _____ Date ____/____/____ Phone: _____

Mail Address: _____



Example

Forecast Tool

USDA Material	Material Description	February Inventory Usage	March Inventory Usage	April Inventory Usage	May Inventory Usage	June 2022 Inventory Usage	Total YTD Usage	SY22 AMU Col O /10 months
100124D	Bulk Turkey - Dark	3,784	10,416	8,052	2,682.92		135,218	13,522
100124W	Bulk Turkey - White	4,500	25,067	5,516	4,206.16		139,095	13,909
								27,431

Monthly NMPR Data

July 2021 Actual Ending Inventory	Sept 2020 Actual Ending Inventory	December Actual Ending Inventory	March Actual Ending Inventory	SY22 Purchased April	Projected June 2021 Ending Inv. (AJ+AK)-L-M-(I)	Projected June 2022 MOH
14,388	(26,927)	39,022	34,048	54,000	63,792	4.72
4,647	(5,707)	55,569	30,215	54,000	60,583	4.36

WBSCM Sales Order Data



USDA Foods in Schools

State Distributing Agency Responsibilities

Actions SDAs need to take throughout the school year:

- Communicate regularly with School Food Authorities (SFAs), Processors, and USDA
- Frequently monitor inventory, look at monthly performance reports (MPRs) and usage in 3rd party systems
- Check **wide open** WBSCM Order Status Report – cancel or delay orders
- Evaluate inventory, **at each processor**, to transfer or sweep pounds if not being used
- Ensure all Sales Orders are receipted in WBSCM within two days

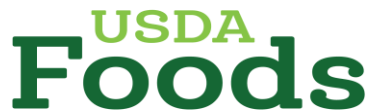
Recipient Agency Responsibilities

- Communicate with processors and SDA
 - What products are available
 - Ask how much lead time is needed for orders
- Accurate forecasting to determine end products for school year
- Request USDA Foods through WBSCM or state system
- Follow proper procurement requirements for end products
- Monitor inventory balances – use pounds in year received
- Purchase correct end products – **submit rebate timely**



National Processor Responsibilities

- Communicate with SDAs what USDA Foods material codes to order
 - Delivery dates
 - Delivery location
- Efficiently and effectively monitor sales orders in WBSCM and USDA Foods inventories, 6-months or less
- Submit Monthly Performance Report (MPR)
- Credit for value of USDA Foods in end product
- Respond to State and/or school bid solicitations
- Obtain CPA audit and submit to FNS by December 31



USDA Foods
in Schools

Distributor Responsibilities

- **Communicate** product availability and order lead time
- Store and deliver products per contracts
- Maintain tracking system for finished products received, stored, and delivered
- **Communicate** sales data to processors
- **Communicate** with schools if inventory over 6-months
- Provide timely sales data to processor

Adapt to Circumstances

When certain end products are not available, prices increased, or the distributor is not offering specific end products

- Communicate with processors and distributor, ask what end products are available, how much lead time is needed for orders
- Transfer pounds to other schools or to another State
- Monitor WBSCM Order Status report, cancel orders



Becoming a USDA Foods Processor

Demonstrate schools are buying end products and are requesting to divert USDA Foods for your end products

Complete questionnaire:

- Provide list of commercial products that are currently selling to K-12 customers
- Provide commercial sales data for K-12 customers
- Provide a list of States/schools that are currently selling products through distributor(s) or direct sales
- List the USDA Foods that will be utilized





Welcome to Iowa

Sarah A. White

Education Program Consultant, Food Distribution
Program

Iowa Department of Education



USDA Foods in Iowa - Overview

- SY 21-22 Overview
 - 442 School Food Authorities
 - ~\$27 Million in Entitlement
 - \$11.8 Million to Direct Delivery (426 SFAs)
 - \$9 Million to USDA DoD Fresh Program (312 SFAs)
 - \$6.7 Million to Further Processing (298 SFAs)



USDA Foods in Iowa – Further Processing

- State wide procurement of Processing since SY 13-14
 - Started with direct to manufacturer bidding
 - SY 20-21 switched to a Distributor bid (Indirect Discount/NOI)
 - Same distributor delivers Direct Delivery USDA Foods
 - 20 Processors/119 items
 - SY 21-22 Single Bank Process



USDA Foods in Iowa - Monitoring

- USDA DoD Fresh Program
 - Weekly ordering through FFAVORS
 - Pull Balance Report Weekly – upload into state system
- Further Processing
 - Weekly ordering through state procured distributor
 - Pull reports from K12/Plink weekly – upload into state system
- Direct Delivery
 - Weekly ordering through state procured distributor
 - Receive monthly usage reports from distributor – upload into state system



USDA Foods in Iowa - Communication

- Primary Method of Communication - Email
 - New with single bank, sent out monthly updates of statewide balances
- State USDA Foods System
 - Announcements
 - Uploads of spending data
- Google “living” docs





Welcome to California

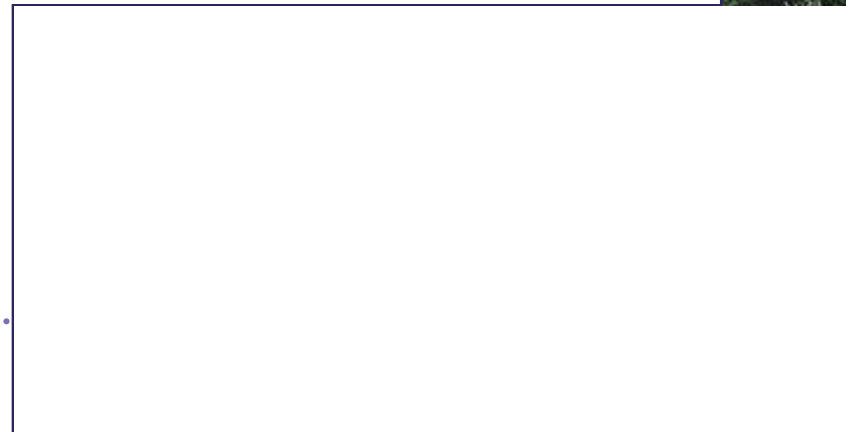
Carrie Robinson

Manager II, Food Distribution Program
California Department of Education



California's Food Distribution Program

- Recipient Agencies = 1107
- School year 2021-22 Entitlement = \$210,144,011
- Approved Processors = 64
- FDP Team
- Customer Driven



Communication

- Time Sensitive Communications
- One on One TA Offered to All
- Trainings / Webinars / Online Resources
- Processor / Co-op Conference Calls
- Advisory Committee



Managing and Monitoring

Distribution Centers	Recipient Agencies	Processors
<ul style="list-style-type: none"> Ordering 	<ul style="list-style-type: none"> Mid-year review 	<ul style="list-style-type: none"> Internal MPR tracking
<ul style="list-style-type: none"> October review 	<ul style="list-style-type: none"> Tools encouraged (PL, K12, commodity calculators) 	<ul style="list-style-type: none"> Transfers (with justification)
<ul style="list-style-type: none"> Conduct bi-annual inventory 	<ul style="list-style-type: none"> Encourage trades 	<ul style="list-style-type: none"> Real-time monitoring
<ul style="list-style-type: none"> Bi-monthly shelf life review 	<ul style="list-style-type: none"> Entitlement tracking 	<ul style="list-style-type: none"> Sweeps



Inventory Reconciliation Process (aka Sweeps)

- July 1 – Processor enters carryover to worksheet
- RA's have until October 31 to use carryover pounds
- Processor adds July 1 – October 31 usage to worksheet
- FDP reviews and finalizes total to be swept
- Processor confirms pounds transferred to CA Excess account
- Agencies notified
- Swept pounds available to all on first come-first serve basis



Thank you!

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<https://www.cde.ca.gov/ls/nu/fd/>

USDA
Foods



USDA Foods
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Summary

- **Communicate** frequently with schools and processors
 - Contact the NPA mailbox for technical assistance
- **Monitor and Manage** allocations, inventory and transfer pounds as appropriate
- **Review, Assess, and Evaluate** sales orders in WBSCM against current inventory levels (MPRs) and allocations before submitting orders for solicitation
- **Utilize** pounds diverted to processors during the school year received

USDA Foods Processing Program Contacts

Program Activity	Responsible Entity
USDA Foods Transfer Request <ul style="list-style-type: none"> Processor submits requests to SDA Processor submits request to FNS 	NPA@usda.gov
New WBSCM Ship-To Location Requests (BPID) <ul style="list-style-type: none"> Processor submits <i>FNS-7</i> requests to NPA NPA approves request and sends to WBSCM Ship-To Help Desk 	wbscm-ship-to@usda.gov
EPDS & SEPDS <ul style="list-style-type: none"> EPDS Approval and Revisions SEPDS Revisions and Updates 	NPA@usda.gov ; Designated Processing Program Specialist
Add/ Update/Remove Partner Web User Partner Web Access	NPA@usda.gov
USDA Foods Complaints: <ul style="list-style-type: none"> Product quality Product availability Delivery issues Product not Meeting Product Specification 	NPA@usda.gov ; usdafoodscomplaints@usda.gov
Processing Program Technical Assistance	Designated Processing Program Specialist
Requests to change WBSCM Ship-To locations <i>*Contract modification requests must be submitted to CNOB at least 45 days before the FIRST day of the delivery period. *</i>	Designated CNOB Specialist
Requests to change delivery dates <i>*Contract modification requests must be submitted to CNOB at least 45 days before the FIRST day of the delivery period. *</i>	Designated CNOB Specialist, Designated Processing Program Specialist



Resources

- **Processing and Reconciliation Training**

<https://www.fns.usda.gov/usda-fis/advanced-processing-reconciliation-training>

- **7 CFR Part 250 is the overarching regulation for all USDA Foods programs**

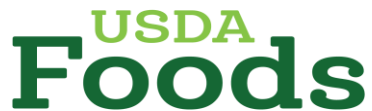
<https://www.ecfr.gov/current/title-7/subtitle-B/chapter-II/subchapter-B/part-250#sp7.4.250.c>

- **USDA Foods National Processing Community Partner Webpage**

<https://partnerweb.usda.gov>

- **USDA Processing Program Webinars**

https://www.fns.usda.gov/resources?f%5B0%5D=program%3A35&f%5B1%5D=resource_type%3A118&f%5B2%5D=topic%3A60



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Questions?

Email: SM.FN.NMPA@usda.gov



USDA Foods
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