



Wellness and Nutrition Services, Office of the Chief Operating Officer

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## MEMORANDUM

To: School Food Authorities

From: ***Lindsey Palmer***

Lindsey Palmer, RDN, LD  
School Programs Manager

Date: August 20, 2015

Re: Value of USDA Food Orders Received

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### State Agency Memo

#### NSLP #22-15 FD #2-15

The purpose of this memo is to clarify the potential difference in the value of United States Department of Agriculture (USDA) Foods which is deducted from School Food Authority (SFA) Entitlement allocations when orders are placed and the value SFAs should expect to receive from USDA Foods. These values should be also recorded by the SFA and reported as appropriate for internal and external audits.

Each year eligible SFAs are sent a USDA Food Entitlement notice which specifies the Entitlement allocation which can be used as the basis for the SFA's USDA Food orders. USDA Foods include bulk foods such as dry, canned, frozen, and refrigerated foods such as cheeses, meats, poultry, grains, fruits, and vegetables as well as fresh produce through the DoD Fresh program.

SFAs often expect to receive a total value in USDA Foods equal to the value in the USDA Foods Entitlement notice. However, this is normally not the case for several reasons including the actual types and quantity ordered, when the orders are placed, how they were used and when they were actually delivered to the SFA as well as whether inventory is made available.

#### Order Values to be deducted from SFA Entitlement Allocations

SFA order totals rarely match the exact amount of Entitlement in the notices issued. For example, an SFA's Entitlement notice may have indicated that \$5,000 were available for USDA Foods Orders. Orders could be placed totaling only \$4,763. It is also possible that additional unallocated funds could be made available to the SFA and additional orders placed totaling \$7,651. In the end, the total order value is what is considered spent or drawn down from the SFA's entitlement allocation.

All bulk USDA Food orders must be submitted to and approved by the State Agency for completion in the USDA Web Based Supply Chain Management System (WEBSCM). For bulk USDA Foods, there are potential differences between the value of the initial order and the final purchase price USDA pays on behalf of the SFAs. The initial values of bulk USDA Food items offered to SFAs are *estimates* based on past purchasing practices for the same or similar items, current and expected market conditions, and a host of other factors. However, due to USDA's procurement processes which can take months to complete, the final purchase price USDA pays for a shipment may be different from the initial order value. This final purchase price may be lower or higher than the initial estimate, however, it is the amount which will be deducted from an SFA's Entitlement allocation.

For example, a truckload of Frozen Broccoli may have been ordered at value of \$41,039.45 (or approx. \$36.19/30lb. case) in March for delivery in October. However, USDA may not complete its' procurement process and until July. The final purchase price USDA pays, which is also the actual amount of Entitlement used to purchase it, may be \$38,546.15 (or \$33.99/case) or it could be \$43,647.26 (or \$38.49/case). In the latter case an SFA would have used \$2,607.80 more than planned. It is the final purchase price which is deducted from the SFA's Entitlement.

The same process is followed for bulk USDA Foods which are sent to processors. The final purchase price is the amount deducted from and SFA's Entitlement.

All DoD Fresh produce is ordered through the DoD Fresh Fruit and Vegetable Ordering System (FFAVORS). The value of each produce item in FFAVORS which can change weekly is based on overall market conditions and availability. However, the value of the produce when ordered is the value which will be deducted from an SFA's Entitlement allocation. The value of the produce ordered will be clearly indicated on all reports and screens from the system.

### **Value Received**

The actual value an SFA receives for a given USDA Food item can differ from the final purchase price USDA paid depending on the type of item, how and when it was ordered, and when it was actually delivered and utilized. For the purpose of this section the USDA Foods will be classified as DoD fresh produce, direct delivered bulk USDA Food, or bulk USDA Food ordered for processor diversion.

**Department of Defense Fresh Fruit and Vegetables Program (DoD Fresh).** As stated previously, the order values for a given DoD fresh item may change weekly with market conditions, however, the value of the produce when ordered *is* the value when received. Reports can be run in FFAVORS which can indicate exact types, quantities, and values or all produce ordered and received for each SFA.

**Direct delivery of bulk USDA Foods** – For all bulk directly delivered USDA Food, the value received is the USDA final purchase price. For Example, the initial value of the USDA Sliced Cheese ordered by an SFA in March for delivery in August was \$34,742.40 for a 19,800 pound half truck load. The final value of the cheese purchased by USDA two months later was \$37,450.00. This \$37,450.00 is what was deducted from the SFA's Entitlement allocation and

the value to be used for it when it arrives in August. In this example it would equate to \$1.8914 per pound or \$0.1182 per ounce.

**Processor Diversion** – The USDA final purchase price and the resulting deduction from an SFA’s Entitlement allocation is the same for processor diversion as it is for directly delivered bulk USDA Foods. However, the value an SFA should expect to receive from finished end products is almost always different.

In order to facilitate the processing program, USDA sets the per pound value for each USDA Food item approved for processing. USDA may adjust the values each year and they are indicated on the Summary End Product Data Schedules (SEPDS) for each processor under USDA’s Nation Processing Agreement. These values are based on the USDA average price paid or the “November 15<sup>th</sup>” value for the year prior to the year the SEPDS is in effect.

For example, suppose the cheese in the example above for direct delivery was sent to a processor instead. The amount deducted from the SFA’s entitlement would be the same. However, the processor would be required to credit the school at a rate of \$2.1010 per pound of cheese used in the production each case of finished end product. The \$2.1010 value is what was established by USDA and must be used by the processor from July- June.

As another example, an SFA orders truckload of chicken to go to a processor. The initial order value was \$27,516.00 for a truck load of 36,000 pounds, or \$0.76433 per pound. Based on limited supply due to an avian flu outbreak, the final purchase price was \$35,723.54 per truck load of 36,000 pounds, or \$0.9923 per pound. The value per pound returned in finished end-products would be \$0.8534 per pound which is based on the “November 15” average price for the prior year.

The “November 15” average price of \$0.8534 per pound is the value all processors of this USDA Food item would be responsible for crediting and the value the State Agency and all SFA should use in determining the value received for the school year.

If there is any inventory remaining at the processor after June of any year the value returned would be based on the current SEPDS which is based on the most recent “November 15” average price in effect.

**Processor-to-Processor and State-to-State transfers to processors** – With State Agency approval, USDA Food inventory can be transferred between processors and/or State Agencies and then re-allocated to an SFA. At the option of the State Agency, the SFA’s Entitlement balance may be adjusted.

When either combination of transfers occurs, the value of the USDA Food is calculated the same as with a processor diversion. From the SFA perspective, *the value of any USDA Food at a processor is the value of whatever “November 15” average price is in effect at the time of the transfer or time of use.*

**USDA Foods to a meal provider** – The value of any USDA Food received by a meal provider from an SFA or received directly on behalf of an SFA, is the same as if it were received directly by the SFA. So the SFA should expect to receive the same value in credits from the meal provider as if it received the USDA Food directly or from a processor as applicable.

**NOTE: USDA Regulations require that an SFA *must* be credited for at least the full value of all USDA Foods (including DoD Fresh produce) its’ meal provider receives on its’ behalf plus any additional credits or discount the meal provider may receive as a result of using USDA Foods.** The crediting *must* be done at least annually (crediting monthly is strongly recommended) and by the end of the school year. The crediting must be done whether or not all USDA Foods, including processed end-products made with USDA Foods, were used in the meals provided during the year. *In the case of processed end-products, the value of USDA Foods returned in those items may not be the same as the value at which the entitlement was used to purchase them.* SFAs should only hold meal providers responsible for the value of USDA Foods contained in end products received. However, if a meal provider possesses items that were processed prior to the end of the school year, either at the meal provider’s facility or stored at a distributor, the meal provider is still responsible to credit the school for the value of USDA food in those products at the time they were processed. *Please contact this office for clarification on the values you should expect to be returned to you.*

In summary, the value as it relates to Entitlement spending for an SFA is sum of the final USDA purchase price for all items (bulk direct delivery, bulk processor diversion), net transfers, and all DoD Fresh orders in FFAVORS. The actual value of USDA Foods received by an SFA is sum of the final USDA purchase price for all bulk direct delivered USDA Foods, the total value listed for all DoD Fresh orders which were received, and for processed end-products the sum of the USDA Food value per pound for all items processed and delivered during the school year based on whatever USDA “November 15” average price is in effect at the time the USDA Foods was processed.

While every effort will be made to ensure access to all available Entitlement funds for spending, there is no guaranteed the exact Entitlement amount allocated will be available for spending. Furthermore, due to the USDA Procurement process there is no guaranteed all USDA Food orders placed will be received.

The State Agency tracks from a variety of sources the amount of all USDA Food ordered and the amount and value of all USDA received at all approved processors, distributors and SFAs. When scheduled and unscheduled audits are performed, SFA records of the value of USDA Food received may be reviewed to ensure they are in line with those of the State Agency.

Thank you for your continued participation in the National School Lunch and Food Distribution Programs. If you have any questions or concerns regarding the Food Distribution Programs, please contact Mr. Major Langford at (202) 724-7865 or by email at [major.langford@dc.gov](mailto:major.langford@dc.gov) .