



United States  
Department of  
Agriculture

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Farm and Foreign  
Agricultural Services

Farm Service  
Agency

Kansas City  
Commodity Office  
P.O. Box 419205  
Kansas City, Missouri  
64141-6205

## **NOTICE TO CHEESE SUPPLIERS**

### **SUBJECT: EXCHANGE OF NONFAT DRY MILK FOR CHEESE UNDER LONG-TERM CONTRACTS**

Under Section 416(a) of the Agricultural Act of 1949, the United States Department of Agriculture (USDA) intends to exchange Commodity Credit Corporation (CCC) owned nonfat dry milk (NDM) for cheese. At USDA's option, CCC-owned NDM will be used as partial payment in addition to a cash payment. The option will apply to future contracts under the competitive bid announcements Natural American Cheese (BCD2), Mozzarella Cheese (MCD3), and Pasteurized Process American Cheese (PCD4).

The USDA exchange program of NDM is based on whole milk containing 3.67 percent milkfat and 9.0 percent solids not fat used to standardize cheese vats. Under BCD2 and PCD4 for every pound of cheese USDA purchases, CCC will provide 1.1275 pounds of NDM. Under MCD3 for every pound of cheese USDA purchases, CCC will provide 1.7607 pounds of NDM.

By early April, USDA will invite offers subject to the terms and conditions of the applicable announcements (BCD2, MCD3 and PCD4), as amended, to sell cheese to USDA under a Firm-Fixed, Market Adjusted Price, Indefinite-Delivery, Indefinite-Quantity contract, for use in domestic programs. The minimum and maximum quantity will be shown in the invitation. USDA will award contracts resulting from the invitation to the responsible and responsive bidders whose offers will be most advantageous to USDA in terms of the lowest overall cost.

The total contracted price for cheese (FOB destination) will be based on:

- 1) The Previous Month Average (PMA) of the Chicago Mercantile Exchange (CME) cash market price for 40 pound blocks or 500 pound barrels; PLUS
- 2) The differential price (which includes overhead, margin, freight, etc.) FOB destination for contiguous United States; LESS
- 3) The value of CCC-owned NDM that will be released to the contractor.

Offers shall show the NDM payment price on the DEBES Certification Page.

The NDM payment price will reflect the offeror's commercial value of the CCC-owned NDM converted to the cheese price per pound (NDM price multiplied by the exchange rate).

The invitation will specify the type, grade, and amount of NDM to be exchanged, the office to which offers are to be submitted, the closing time for receipt of offers, and the provisions applicable to the proposed procurement.

The NDM will be released instore to the contractor when the contractor certifies that all requirements for a delivery have been satisfied and the contractor has complied fully with the representations and certifications set forth in the pertinent announcements and invitations. CCC will execute the release of CCC-owned NDM upon receipt of documentation from the contractor confirming that all requirements of the contract have been met.

The following will apply to NDM exchange:

- The NDM will be U.S. Extra Grade
- Pack size is a 25-kg. bag
- Age of NDM may be between 3 and 12 months old on the date of issuance of the Notice to Deliver.
- Location of NDM will be listed in the Invitation.
- NDM will be released to the contractor instore at the point of CCC storage.
- NDM will be released in warehouse lot quantities.
- CCC will allow up to 45 days of storage after issuance of the Notice to Deliver or until the NDM is loaded out, whichever date is earlier. Warehouse charges accruing thereafter will be for the account of the contractor.
- The net weight will be evidenced by the Notice to Deliver/Forwarding Notice issued by CCC or by the most recent certificates issued by AMS. Claims for shortages must be supported by documentation evidencing the shortage.
- The most recent grading certificate issued by the Agricultural Marketing Service (AMS), USDA shall be conclusively presumed to be evidence of the grade of the product delivered by CCC. A copy of the certificate will be furnished to the Contractor, if requested in the offer. (Milk older than 6 months old will be graded by AMS before release to contractor)
- The Contractor may, before shipment, request reinspection of any part of the product by AMS or an independent private inspection service, agreeable to both the contractor and CCC, whose findings as to grade of the product shall be deemed to be final and conclusive. Such reinspection shall be for the account of the contractor, unless the reinspected product fails to meet the grade represented by CCC, in which case, the cost of the reinspection shall be for the account of CCC.

The terms and conditions of the contract supersede those of this Notice.

Questions or comments regarding this exchange program should be directed to:

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/s/ George W. Aldaya

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Director