

# Basic Commodity Processing



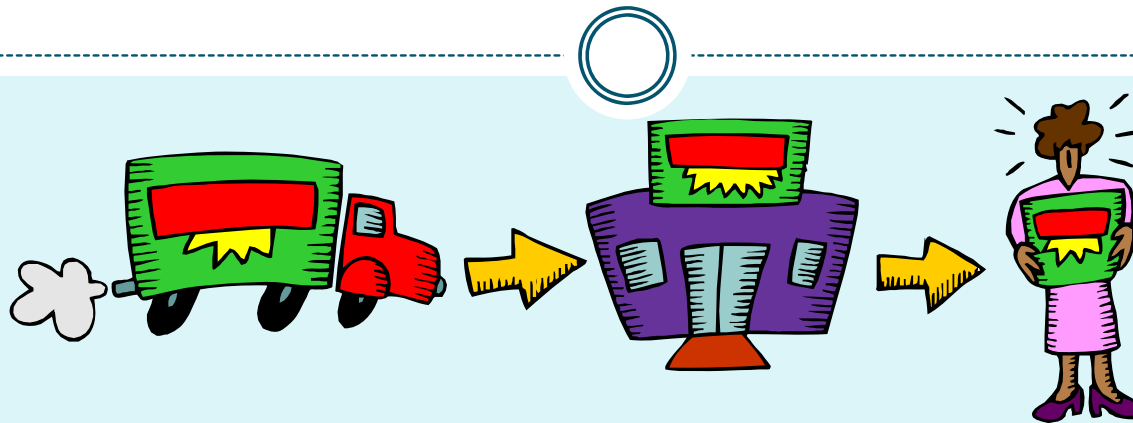
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**FDD Program Support Branch**

# Basic Commodity Processing Topics



- What is Commodity Processing?
- Processing Popularity Trends
- Program Partners
- Commodity Processing Flow
- Partner Roles and Responsibilities
- NPA Website Resources
- ECOS Website Resources

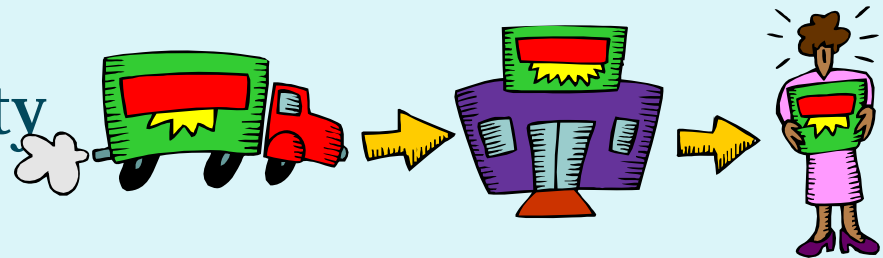
# What is Commodity Processing?



**COMMERCIAL FOOD PROCESSOR USES  
COMMODITY INGREDIENTS TO  
MANUFACTURE END PRODUCTS**

# What is the Commodity Processing Program?

- Regulatory Authority 1958 – to maximize the use of commodities in School feeding programs
- Commercial food manufacturers convert raw bulk commodity into end products
- Wide variety
- More convenient
- Impacts Food Safety



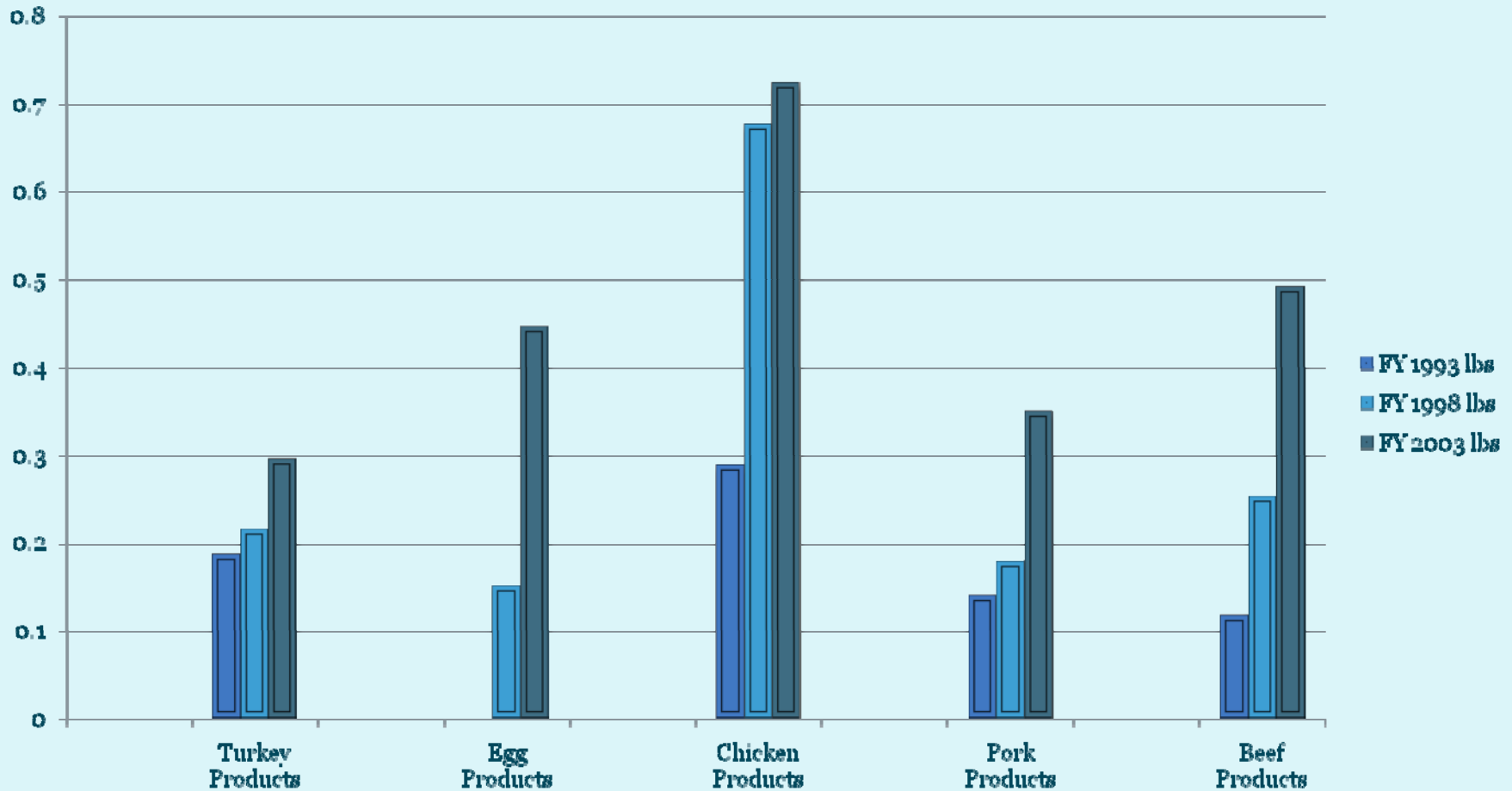
# What is commodity processing?



For example:

- Raw chilled chicken into chicken nuggets
- Raw coarse ground beef into cooked patties
- Cheese, flour, tomato paste into pizza
- Nonfat dry milk into cheese & yogurt
- Frozen fruit into fruit pies
- Tomato paste totes into pizza or spaghetti sauce

# FY 1993 – 2003 Trend Analysis: Entitlement Pounds diverted for processing



# Processing Popularity



## School Year 2007-2008

- 100 National Processors
- 106 commodity codes
- 5,000+ end products approved
- \$400-\$600 Million inventory
- Almost 50% of entitlement is used for bulk commodities diverted to processors



# Approved National Processing Agreement (NPA) Processors

Approving Agency	Commodity	Number of Processors
FNS FDD	Cheese	43
	Fruit & Veg	27
	Grain	15
	Oil	11
	Egg	8
AMS MCG	Beef & Pork	17
AMS PY Grading	Chicken & Turkey	11



# The Flow



1. Entitlement allocation
2. Decision to process
3. Agreement with processor
4. Procurement takes place with RA or SDA
5. State orders commodities to processor
6. USDA purchases commodity & delivers to processor
7. Substitution & Processing
8. Sales, delivery, VPT
9. Monitoring & Audit

# Processing Agreements



## Multi-State Processors

- 1) National Processing Agreement (NPA)
- 2) State Participation Agreement (SPA)

## In-State Processors

1. State Master Agreements
2. State Agreements
3. Recipient Agency Agreements



# WHY NPA?



## ADMINISTRATIVE EASE

### Perpetual !

- For State
  - National EPDS approval
  - Less paper
  - Federal clearance may streamline State clearance
  - No more Bond monitoring
- For the Processor
  - Standardizes agreement
  - Streamlines clearance – less paper to State
  - A single bond



# National Processing Agreement



## **DOES NOT**

- Eliminate bidding/procurement by SDA/RA
- Specify delivery and billing terms
- Specify value-pass-thru method
- Coordinate truck loading or commodity ordering
- Monitor State inventory draw-downs
  - Verify minimum yield/return met
- Monitor acceptability or field complaints

# Program Partners



- USDA/FNS - Federal Agency that is responsible for approving National Processing Agreements and receiving commodity orders from DAs
- Processors – commercial food processors who apply for approval to participate in the National or State processing programs

# Program Partners



- Distributing Agency (DA) – State government agency which enters into an agreement with FNS for the distribution of DF to eligible RAs
- Recipient Agency (RA) – Organizations within a State eligible to receive DF
  - Schools (public and private), RCCI, CI, NPE/NSIP, SFSP, summer camps, soup kitchens

# Our Sister Agencies



## **AMS** – Agricultural Marketing Service

- “Group A” Commodities
- Beef, Pork, Poultry, Eggs, F&V
- “Surplus Removal”
- End Product Certification (Grading)

## **FSA** – Farm Service Agency

- “Group B” Commodities
- Cheese, Grain, Oil, Peanut
- “Price Support”





The  
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# P.I.T.S

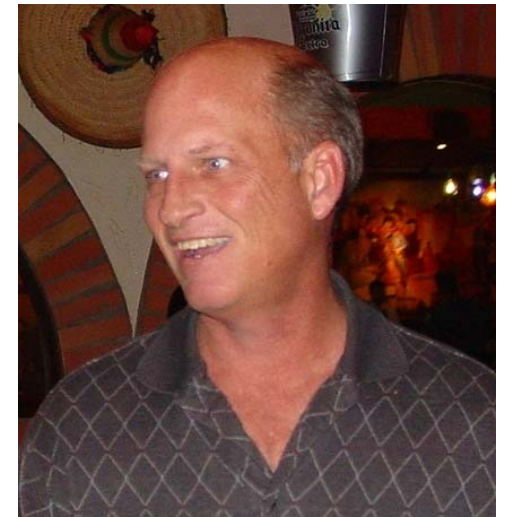
Processing  
Initiatives Team



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# USDA Responsibilities



- USDA enters in to agreement with processor
- USDA approves EPDS and SEPDS
- USDA holds the bond or letter of credit
- USDA purchases commodity and delivers to State designated location/processor
- Review national MPR from processors
- Monitor inventory levels nationwide

# Processor Responsibilities



- Processor enters in to agreement with USDA or State Agency
- Processor submits EPDS and SEPDS to USDA or State for approval
- Processor submits the bond or letter of credit to USDA
- Processor enters into agreement with SDA
- Processor receives commodity and delivers to State designated location
- Processor submits MPRs to SDA and USDA

# State Responsibilities



## Ordering

- Make commodities available for order
  - Divert for further processing
  - Receive “brown box” from USDA
- Advise schools what processed products are available
- Consolidate truckloads
- Coordinate diversions with processors
- Monitor inventory levels

# State Responsibilities



## Agreements

- Enter into participation agreements with processors
- Select Value Pass Through systems
- Select end products
- Specify delivery terms and locations
- Verify yields, where applicable



# State Responsibilities



Help with any problem that may occur

- Monitor acceptability of processed product and field complaints
- Quality
- Delivery



# Recipient Agency Responsibilities



- Go through procurement process to obtain processing services
- Calculate needs as accurately as possible
- Schedule and utilize processed commodity inventory in a responsible manner
- Communicate regularly with SDA to submit orders or complaints
- Maintain required program documentation



# NPA Website



<http://www.commodityfood.usda.gov>

## Commodity Processing

### **National Processing Agreements**

Here you will find guidance and information to States, eligible recipient agencies, and commercial processors regarding the review and approval of a USDA National Processing Agreement (NPA).

#### **NPA Resources**

- Commodity Processing Fact Sheet
- NPA Agreement SY08 (rev. 04/2007)
- NPA Contacts
- NPA Approved Processors (rev. 04/2008)
- NPA Participant Roles & Responsibilities
- NPA Participating State Distributing Agencies
- NPA Starter Kit
- NPA Subcontractor Agreement
- Suggested Format for Surety Bonds



# Electronic Commodity Ordering System

**What processing tools  
can States use in ECOS ?**



**Login to ECOS now**

**<http://www.commodityfoods.usda.gov>**



# Contact Us



FNS General Commodity Inquiries

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**Questions?**

