



WHITE PAPER

USDA COMMODITIES IN THE NATIONAL SCHOOL LUNCH PROGRAM

**FOOD AND NUTRITION SERVICE
USDA**

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USDA Commodities In The National School Lunch Program

Introduction

The National School Lunch Program provides cash and commodity assistance to assist States in providing nutritious lunches to school children free or at a low cost. From its inception in 1946, the school lunch program has been making nutritious school meals available to school children for more than 60 years. Today, over 31 million school children receive a nutritious school lunch each school day in over 100,000 participating public and private nonprofit schools and institutions.

The authorizing statute, the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et al) clearly envisioned a dual mission for the school lunch program:

“It is hereby declared to be the policy of Congress, as a measure of national security, to safeguard the health and well-being of the Nation’s children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs.”

The National School Lunch Act’s dual mission for the school lunch program is to –

- strengthen the Nation’s nutrition safety net by providing nutritious meals to school children; and
- support American agricultural markets by donating commodities for use in school lunches.

Cash and Commodities for School Lunch

To assist States in providing low cost or free meals, USDA provides States with cash assistance for each school lunch served to school children. States are generally reimbursed on the basis of the number of lunches served to children at participating schools at reimbursement rates that vary according to family need.

In addition, USDA provides States with commodities for use in preparing school lunches. The commodity subsidy is based on a “rate per meal” concept similar to that used for cash assistance. Calculation of the commodity subsidy and the availability of “bonus” commodities are described in more detail under “Federal Funding Sources.”

Every dollar’s worth of donated commodities used in a school menu frees up money that a school would otherwise have to spend on food purchases. As school districts face ever tightening budgets, commodities have become a valuable resource to keep local food service budgets in the black. Especially important in this regard is the Federal government’s large volume purchasing power, allowing the procurement of commodities at a lower unit cost than if a school were purchasing product on its own.

On an average day, commodities make up about 15 to 20 percent of the product served on the school lunch line. The remaining 80 to 85 percent is purchased from commercial markets using the cash assistance provided by USDA, funds provided by State and local governments, children’s payments for reduced price and paid lunches, proceeds from vending machines, catering activities, and other funds earned by or provided to the school food service.

Three USDA Agencies’ Role in Procuring and Distributing Commodities

The Food and Nutrition Service, the Agricultural Marketing Service and the Farm Service Agency work together to purchase and provide commodities in the quantity and varieties requested to meet the needs of schools and other cooperators in providing Federally-supported meals.

The Food and Nutrition Service is responsible for the general oversight, regulation, and administration of domestic commodity programs. It acts as the primary liaison between USDA and the administering State agencies. The Food and Nutrition Service calculates and tracks commodity entitlements, takes commodity orders from States, monitors the flow of commodities, and provides policy guidance on program issues.

The Farm Service Agency and the Agricultural Marketing Service act as the Food and Nutrition Service’s commodity purchasing and delivery arm. These two agencies work together, in consultation with the Food and Nutrition Service, to develop commodity specifications, issue and accept commodity bids from manufacturers, purchase product, and deliver commodities to State designated locations.

Types of Commodities Made Available to Schools

Commodities procured by the Farm Service Agency and the Agricultural Marketing Service fall into two categories, perishable and non-perishable. Traditionally, perishable commodities are referred to as “Group A” commodities and non-perishable commodities are referred to as “Group B” commodities.

Group A Commodities: The Agricultural Marketing Service purchases **perishable** items such as beef, pork, fish, poultry, egg products, fruits, and vegetables. The majority of these commodities are purchased under USDA’s market support authority. Under this authority, purchases are limited to commodities that reduce levels of surplus, thus, stabilizing prices.

Group B Commodities: The Farm Service Agency obtains basic **nonperishable** commodities such as cereals, grains, peanut products, dairy products, and oils. These commodities are purchased commercially by the Farm Service Agency or obtained by the Commodity Credit Corporation under USDA’s price support authority. Purchases that are made under USDA’s price support authority are limited to commodities that support farm income and prices, help maintain balanced supplies of agricultural commodities, and aid in their orderly distribution.

In addition to being a procurement agent for Group B commodities, the transportation of many Group A and all Group B commodities to State designated locations is arranged by the Farm Service Agency through its Kansas City Commodity Office.

The table below identifies Group A and B commodities:

USDA’s Group A and Group B Commodities	
Group A – Perishable commodities purchased by the Agricultural Marketing Service	<ul style="list-style-type: none"> • Beef & Pork • Fish • Poultry • Egg products • Fruits • Vegetables
Group B – Nonperishable commodities purchased by the Farm Service Agency	<ul style="list-style-type: none"> • Grain products • Peanut products • Dairy products • Oils

Federal Funding Sources

The authorities for the purchase of commodities for the school lunch program are found in:

- Section 6 of the Richard B. Russell National School Lunch Act, as amended;
- Section 32 of the Act of August 24, 1935, as amended; and
- Section 416 of the Agricultural Act of 1949, as amended.

The combined authority in these three Acts permits USDA to make “entitlement” and “bonus” commodities available to participating schools and institutions. The commodity entitlement is the dollar value of commodities that States are entitled to each year under Section 6 of the Richard B. Russell National School Lunch Act. Bonus commodities are made available in addition to the planned entitlement purchases requested by the Food and Nutrition Service.

Section 6 Funds (entitlement purchases)

Section 6 of the Richard B. Russell National School Lunch Act established a guaranteed level of commodity assistance at 11 cents per meal to be adjusted annually for inflation which is called the State's commodity entitlement. The law mandates use of a formula that multiplies the number of lunches served during the previous year by a commodity per-meal rate, which is adjusted annually for inflation. The per-meal rate is based on the Bureau of Labor Statistic's "Producer Price Index for Foods Used in Schools and Institutions." This Index averages the price of specific foods (grains, dairy products, meats, fish, fruits, vegetables, and oils) over a three-month period. The commodity per-meal rate is announced each July through a Notice published by the Food and Nutrition Service in the Federal Register. The per-meal rate generally trends upward, but can be reduced. Such a reduction most recently occurred in School Year 2006/2007.

Section 6 funds are made available to the Food and Nutrition Service for the purchase of commodities (to address nutritional concerns and the nutritional standards established by USDA) for school meals. Since Section 6 funds are not required to be spent on direct intervention in agricultural markets, USDA has greater flexibility in the type of products it can buy with these funds. Purchases are made to provide nutritious foods and accommodate school preferences for the types of foods purchased.

Some Group A entitlement commodities and all Group B entitlement commodities are purchased using Section 6 funds. In Fiscal Year 2006, USDA used Section 6 funds to purchase \$144 million in Group A commodities and \$236 million in Group B commodities for child nutrition programs.

Section 32 Funds (entitlement and bonus purchases)

Section 32 of the Act of August 24, 1935 authorizes the equivalent of 30 percent of annual customs receipts to support the farm sector through a variety of activities. This percentage of customs receipts amounted to \$6.48 billion in Fiscal Year 2006. The Secretary is required to use a portion of Section 32 funds to purchase surplus supplies of perishable foods. See Attachment A for more information regarding the use of Section 32 funds.

Section 32 funds for commodity purchases are set aside into two basic accounts—one for entitlement purchases—and the other for bonus purchases. USDA refers to the account for entitlement purchases as the Section 32R (Regular) fund. The account for bonus purchases is referred to as the Section 32C (Contingency) fund.

- 32R Funds (entitlement purchases): In planning the required commodity purchases, USDA consults with various groups inside and outside of USDA, and devises, in early spring, a tentative purchase plan for the next school year. The plan is based on prior year purchases, likely school needs, expectations of available funds, and any anticipated surplus or other market conditions in the coming year, among other considerations. Section 32R (Regular) funds are used to purchase a portion of the Group A entitlement commodities, consistent with the purchase plan. In recent years, over \$465 million has been set aside for Section 32R purchases for child nutrition

programs. The 2002 Farm Bill requires that \$50 million of this amount be used each year for Department of Defense Fresh Fruit and Vegetable purchases (see “Special Features”).

- **32C Funds (bonus purchases):** In order to relieve rapidly developing market surpluses, funds must be available to purchase product on short notice. The Agricultural Marketing Service uses Section 32C (Contingency) funds to purchase Group A bonus commodities for this purpose. These purchases are made, often at the request of industry groups, after USDA has conducted a careful analysis of the need to provide market assistance to a specific product. Each purchase with Section 32C funds must be approved by the Secretary of Agriculture.

Some products purchased with Section 32C funds are given to schools and some are used in other USDA domestic nutrition programs. In recent years, Section 32C purchases for child nutrition programs have varied anywhere between \$11 million to over \$160 million depending on the need to remove surplus product from the marketplace.

Section 416 Funds (bonus purchases)

The Commodity Credit Corporation is a semi-autonomous Federal corporation within USDA. It was established during the Depression for the purpose of influencing agricultural production, prices, supplies, and distribution in support of America’s farmers. Section 416 of the Agricultural Act of 1949, as amended, grants the Commodity Credit Corporation authority to donate commodities that are acquired under its price support activities.

All Group B bonus donations are made using Commodity Credit Corporation funds. In recent years, such purchases for child nutrition programs have varied anywhere between \$0 to over \$100 million annually depending on the need to support prices in the marketplace.

Cash-in-Lieu of Commodities

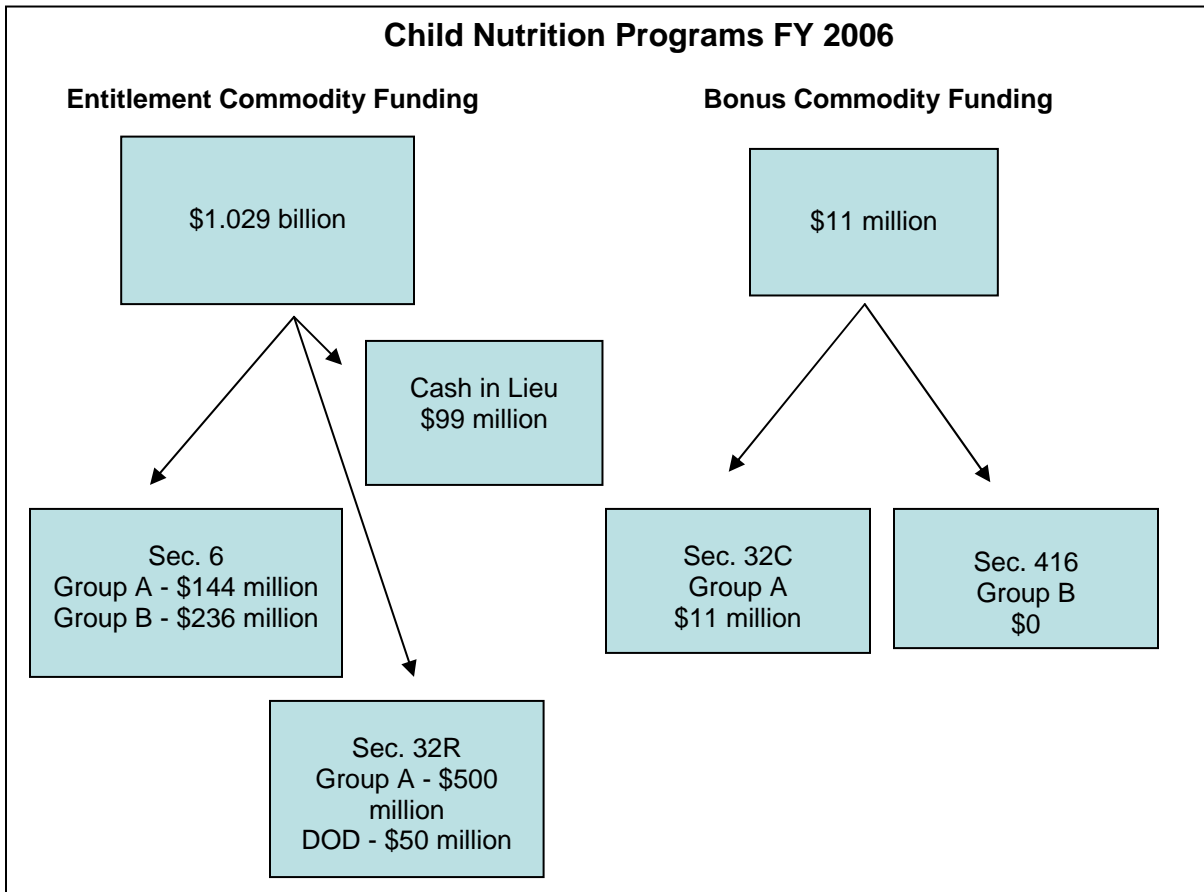
Section 6(c) of the Richard B. Russell National School Lunch Act authorizes funds to be used by USDA to provide cash alternatives to the commodity program for schools. Only a small number of recipients currently receive cash-in-lieu of commodities. These are sites that were pilot projects receiving commodity assistance in the form of cash or a Commodity Letter of Credit that have been permanently grandfathered in to receive such assistance, the entire State of Kansas, and nonresidential child care institutions electing to receive their commodity entitlements in cash. In recent years, \$70 million to \$99 million a year has been provided in the form of cash-in-lieu of commodities.

A summary of funding sources for Group A and Group B products for child nutrition programs is shown in the tables below:

2006 Commodity Support for Child Nutrition Programs

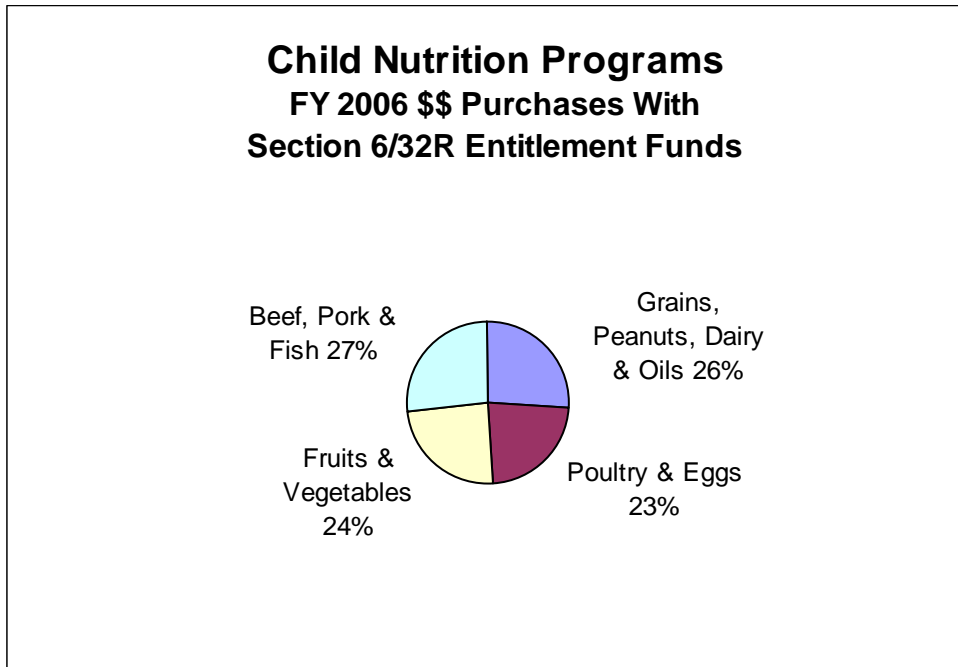
Funding Sources for USDA Commodity Products			
Entitlement Commodities		Bonus Commodities	
Group A Agricultural Marketing Service	Group B Farm Service Agency	Group A Agricultural Marketing Service	Group B Farm Service Agency
funding sources: Sections 32R and 6	funding source: Section 6	funding source: Section 32C	funding source: Commodity Credit Corporation (through Section 416)

The chart below identifies the Fiscal Year 2006 allocation of entitlement and bonus commodity funding for child nutrition programs broken out into funding sources.



Commodity Allocation To States

As mentioned, each State receives a dollar value of commodities based on the meals served in the previous year. This dollar value is referred to as the State's commodity "entitlement." Each State orders commodities against its entitlement until the dollar balance is depleted.



The Allocation of Bonus Commodities

Each State's commodity entitlement is supplemented by donations of "bonus" commodities purchased by USDA. Bonus products are in addition to those received as part of the State's entitlement and are offered to States throughout the year on a fair-share basis. Bonus purchases are made through USDA's price support and surplus removal programs in order to help stabilize and support U.S. agricultural markets. Because of the nature of agricultural markets, the type and quantity of bonus commodities purchased each year cannot be predicted in advance.

USDA Procedures for Obtaining Commodities

Determining Commodity Offerings

Each year the Food and Nutrition Service works, in consultation with the Agricultural Marketing Service, to develop a plan outlining how Section 32R (Regular) and Section 6 funds should be allocated among the general categories of Group A entitlement foods (i.e., beef, pork, fish, poultry, eggs, fruits, and vegetables). This is called the commodity “purchase plan.” The plan is periodically updated during the year as market conditions change. The Food and Nutrition Service and the Farm Service Agency work to identify Group B entitlement offerings purchased with Section 6. These offerings are typically driven by past State Group B orders and demand rather than by a purchase plan that allocates specific commodities.

Buy American

All commodities must be of domestic origin.

USDA Specifications and Invitations

The Agricultural Marketing Service and the Farm Service Agency develop standards for each commodity in consultation with the Food and Nutrition Service. These standards are referred to as commodity specifications. Commodity specifications address product attributes such as nutrient content, flavor, color, texture, size, weight, labeling, and inspection requirements.

There is a common misperception that commodities are below-standard product. In fact, commodities generally are equal to or better than their commercial counterparts. For instance, the specification for ground beef requires it to be lower in fat and to go through more testing than its commercial counterpart in order to help fulfill USDA nutrition and food safety goals.

Purchasing and Delivering Commodities

The Agricultural Marketing Service and the Farm Service Agency purchase commodities by inviting vendors and producers to participate in a formally advertised competitive bid system. The two agencies issue “invitations for bid” that outline the specification requirements for each commodity and the date bids must be submitted. Specifications and invitations for bid may also require the bidder to deliver product to a specific location during a designated timeframe. Once bids are received, they are analyzed and contracts are awarded.

State Procedures for Ordering and Delivering Commodities

The Food and Nutrition Service provides States with an annual list of commodity offerings available, and information about the specific dollar value of each product. Many States also allow local school districts access to available offerings, and some local school districts actually select the commodities made available through their State. States order commodities from the list of offerings until the dollar value in their entitlement

balance is depleted. Bonus commodities are offered to States throughout the year on a fair-share basis. These bonus products are in addition to those received as part of the State's entitlement.

As States place orders with the Food and Nutrition Service, they identify where they want the commodities delivered. Some deliveries go to warehouses under contract with the State, or in a few instances, owned by the State. The State in turn, periodically distributes the product stored in warehouses to school districts. In a growing number of cases, States ask that product be delivered directly to school districts, commercial distributors, or to manufacturers for further processing.

Deliveries are primarily made directly by the vendor or producer of the product being purchased, although in some cases they are made through commercial transportation companies under contract with the Farm Service Agency's Kansas City Commodity Office. Once the commodity is delivered to the location designated by the State, it becomes the responsibility of the State.

State Distributing Agencies deliver the commodities to school districts which pass them on to individual schools for use in meals. In School Year 2006, USDA purchased 1.2 billion pounds of product worth about \$1 billion for child nutrition programs (the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program, and the Child and Adult Care Food Program).

Quality of Commodities

Building on past improvements, USDA is undergoing an aggressive effort to improve the nutritional profile of its offerings. USDA continually explores better ways to support the *Dietary Guidelines for Americans* and the *MyPyramid* food guidance system. Many improvements in commodities have been made over the years and continue to be made:

- Over the past two decades, the levels of fat, sodium, and sugar have been reduced in selected commodities.
- Since the 1980's, canned fruits are required to be packed in light syrup, water, or natural juices. Years ago, fruits packed in heavy syrup were removed as an offering. Unsweetened applesauce is now available to schools in School Year 2008.
- Since 1992, USDA has offered beef patties with a fat level as low as 10 percent. Other lower fat meat offerings include 97% fat free ham, 95% fat free turkey ham, and turkey taco filling.
- USDA offers meatless spaghetti sauce, several varieties of low-fat/reduced fat/lite cheeses and cheeses made from skim milk, and other lower fat items.

- Butter has been eliminated as an offering to schools since 1997.
- Shortening has been eliminated as an offering effective School Year 2008.
- Trans-fats have been eliminated from frozen potato products effective School Year 2008, and USDA is working aggressively to remove them from its other offerings.
- USDA offers whole grain products such as whole wheat flour, brown rice, rolled oats, and whole grain dry kernel corn for further processing. Whole grain spaghetti and rotini have been added to USDA's expanding array of whole grain offerings for School Year 2008. USDA is also pursuing the purchase of whole grain macaroni and quick-cook brown rice.
- USDA continues to work steadily to purchase canned products, such as vegetables, that are lower in sodium than our current offerings.

In the 1980's, commodity choices were limited. There were fewer frozen and refrigerated items—most items were either canned or dry. USDA and State stakeholders, recipient agencies, and industry developed a customer driven, value-added commodity system designed to provide recipients more of what they want, when they want it.

Today, USDA offers more frozen and refrigerated products, more size options, and more varieties (e.g., chicken is offered diced, cut-up, breaded, as fajita strips, as raw bulk for further processing, etc.). USDA encourages States to order more bulk items for processing into value-added products to stretch commodity dollars and meet individual school needs. For example, USDA purchases whole bulk poultry to supply a State's or school's order to a processor. Schools can order finished products of choice, with a credit applied for the value of the USDA commodity purchased. See Attachment B for a list of USDA Commodities Available for the National School Lunch Program in School Year 2008.

In 1981, USDA offered 47 commodity products to schools including 11 frozen or refrigerated meat products (chicken, turkey, beef, or pork), 8 types of fruits, 17 types of vegetables, 9 types of grain products, and 2 cheeses. Today, USDA offers over 180 products, including over 30 frozen/refrigerated meat products, over 30 fruit products, over 40 types of vegetable products, over 40 grain products, and over 15 cheese products.

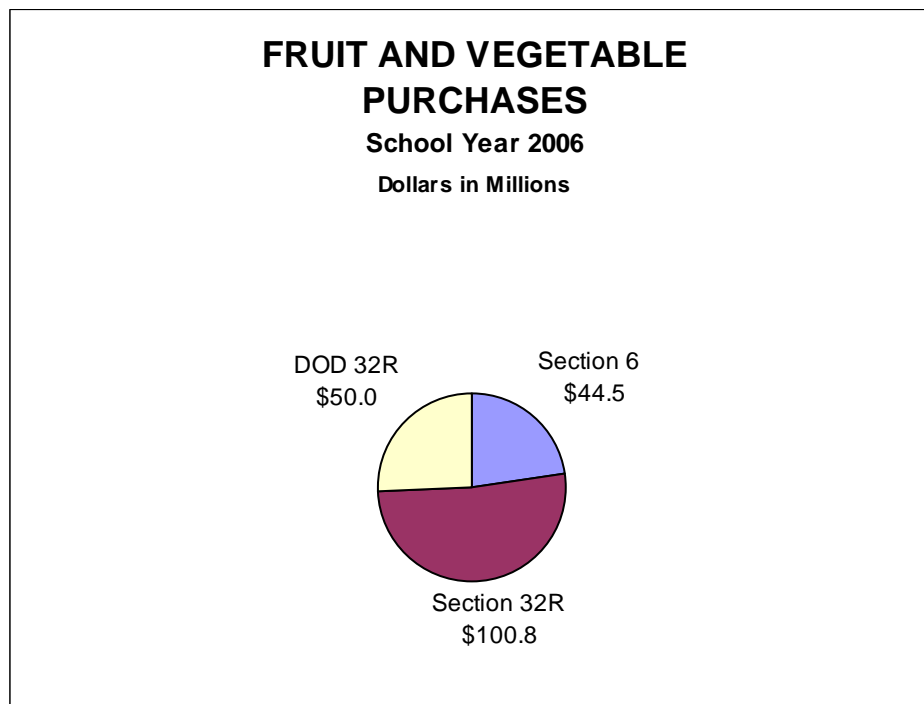
Schools are ordering more bulk commodities that can be processed into "kid friendly" items. Popular commodities include ground beef, chicken products, peaches, pears, corn, and cheese. Decisions about what commodities schools order are not based just on the item's popularity but on its overall usefulness in meeting nutritional standards.

USDA promotes fruits and vegetables as an important part of a nutritious diet. In Fiscal Year 1995, USDA purchased approximately \$135 million worth of fruits and vegetables

for child nutrition programs. In Fiscal Year 2006, USDA purchased \$238 million worth of fruits and vegetables for these programs.

In addition, USDA has pioneered a partnership with the Department of Defense's (DOD) Supply Center in Philadelphia to purchase over 60 types of fresh fruits and vegetables for schools. These purchases increased from \$4 million in Fiscal Year 1993 to \$50 million per year since Fiscal Year 2003.

The chart below outlines School Year 2006 entitlement purchases of fruits and vegetables for child nutrition programs by funding source.



Special Features

Department of Defense (DOD) Fresh Fruit and Vegetable Purchases: In 1994, USDA pioneered a pilot project, in partnership with DOD, to purchase and deliver \$3.2 million in high quality fresh produce to schools in eight States. The pilot was very successful and quickly expanded. In 1999, the program provided \$25 million dollars to 32 States. The 2002 Farm Bill sets aside \$50 million in Section 32 funds each Fiscal Year through 2007 for this purpose and instructs the Secretary of Agriculture to utilize DOD as the procurement agent for these purchases.

DOD purchases are very popular in many areas, and USDA has been asked by those recipients for whom these purchases have worked well to increase the amounts allocated to it. In addition, DOD is changing its business model and restructuring its operations. USDA is closely monitoring the transition and will continue to expect a high level of

customer satisfaction. Today DOD serves schools in 47 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. Schools and some State agencies order produce directly from DOD up to the dollar amount of their fair share of \$50 million set aside for the program. DOD, in turn, bills USDA for the product it delivers.

Commodity Processing: Many schools and States choose to further process USDA commodities into products that are more versatile in school meals, better meet their specific preferences, and can be more conveniently prepared and served (e.g., USDA whole chickens may be processed into pre-cooked, pre-portioned, breaded chicken patties and nuggets). In order to encourage further processing, USDA has established National Processing Agreements with over 100 manufacturers to provide further processed products in 48 States. These Agreements relieve States and schools of much of the administrative burden associated with managing processing contracts. Manufacturers are also relieved of the burden of establishing contracts and bonds with individual State and local entities. In all processing agreements involving USDA commodities, the manufacturer must ensure that the value of the commodities in the product is passed on to the school. This is achieved through various types of value-pass-through systems. Common value-pass-through systems include manufacturer discounts and rebates to schools, and distributor discounts to schools.

Disaster Feeding: When a disaster occurs, emergency feeding organizations such as the Red Cross and Salvation Army may ask a State to make USDA commodities available to feed victims. This is particularly true when the infrastructure of the normal retail food distribution chain is inoperable (due to a lack of electricity, etc.) and, as a result, the Disaster Food Stamp Program cannot operate. USDA commodities are used for both congregate feeding and, in limited circumstances, distribution to households for home consumption. **USDA does not maintain specific warehouse stocks of commodities for disaster feeding.** When a disaster occurs, commodities are usually taken from existing inventories of USDA commodities that are already stored in State and local warehouses for the child nutrition programs and other domestic feeding programs.

The Food and Nutrition Service donates commodities in two types of disasters: Presidentially declared disasters/emergencies, and situations of distress.

- Presidentially Declared Disasters/Emergencies: The Robert T. Stafford Disaster Relief and Emergency Assistance Act authorizes the Secretary of Agriculture to make commodities available to help victims in Presidentially declared disasters and Presidentially declared emergencies. Section 32C (Contingency) funds are usually used to pay for these commodities. USDA is authorized to spend as much Section 32C money as necessary to adequately feed disaster victims. Money for Presidentially declared disasters and emergencies can also be taken from funds authorized under Section 4(a) of the Agricultural Act of 1973. This money, however, is typically limited to a \$500,000 annual appropriation, which can be carried over for one year.

- Situations of Distress: “Situations of distress” are natural catastrophes or other events that have not been declared a disaster by the President, but which, in the judgment of the State or the Food and Nutrition Service, warrant the use of commodities. These are usually more localized events. Examples include smaller scale floods, landslides, snowstorms, ice storms, fires, natural and man made explosions, and strikes. Funding for commodities purchased in situations of distress is limited to the funds appropriated under the authority of Section 4(a) of the Agricultural Act of 1973.

Conclusion

USDA commodities are an essential component of the National School Lunch Program and other domestic food assistance programs and also serve as a significant outlet for stabilizing and supporting agricultural markets. USDA is continually responding to the dynamic needs of the National School Lunch Program by making more fresh fruits and vegetables available to schools, substantially improving the quality and nutritional profile of products provided, and better accommodating schools’ needs through such innovations as promoting the processing of commodities into more usable end products for the school lunch line. As the world economy becomes more competitive, USDA commodities will continue to be an important resource for schools, and an effective tool for supporting U.S. agriculture.

Glossary of Commodity Program Terms

Bonus Commodity – Bonus commodities are made available to the Food and Nutrition Service in addition to the planned entitlement purchases requested. They are purchased in order to support agricultural markets. Funding sources for these commodities are Section 32C of the Richard B. Russell National School Lunch Act of August 24, 1935, as amended, and Section 416 of the Agricultural Act of 1949, as amended.

Commodity Credit Corporation – The Commodity Credit Corporation is a semi-autonomous Federal corporation within USDA. It was established during the Depression for the purpose of influencing agricultural production, prices, supplies, and distribution in support of America’s farmers. Section 416 of the Agricultural Act of 1949, as amended, grants the Commodity Credit Corporation authority to donate commodities that are acquired under its price support activities to nutrition assistance programs.

Commodity Entitlement – Commodity entitlement is the dollar value of commodities that States are entitled to each year under the Richard B. Russell National School Lunch Act. Entitlements are calculated annually by multiplying the number of lunches served during the previous year by the commodity per-meal rate. The per-meal rate is based on the Bureau of Statistics’ annual “Producer Price Index for Foods Used in Schools and Institutions.”

Market Support Authority – See definitions below:

Price Support – Price support is the acquisition of agricultural commodities by the Commodity Credit Corporation and their disposition by USDA’s Farm Service Agency in order to support farm income and prices, help maintain balanced supplies of agricultural commodities, and aid in their orderly distribution. The basic authorities for the acquisition and disposition of these commodities are the Agricultural Act of 1949, the Commodity Credit Corporation Charter Act, and the Farm Security and Rural Investment Act of 2002.

Surplus Removal – Surplus removal is the purchase of agricultural commodities by USDA’s Agricultural Marketing Service in order to reduce levels of surplus, and relieve downward pressures on prices. The basic authority for these purchases is Section 32 of the Act of August 24, 1935.

The American Commodity Distribution Association (ACDA) – ACDA is the primary organization representing USDA’s commodity program partners at the State, local, and industry level. Membership includes organizations associated with the child nutrition programs, the Emergency Food Assistance Program, and the Commodity Supplemental Food Program. ACDA co-sponsors a national meeting each year with USDA that brings together most of the partners and stakeholders participating in USDA’s commodity distribution programs.

The School Nutrition Association (SNA) – Formerly known as the American School Food Service Association, this national nonprofit professional organization represents more than 55,000 school food service professionals. In recent years, the Food and Nutrition Service has sponsored a commodity track at the annual national conference, and a commodity session at the SNA Legislative Action Conference.

Attachment A

Uses of Section 32 Funds for Farm and Food Support

Section 32 of the Act of August 24, 1935 authorizes the equivalent of 30 percent of annual customs receipts to support the farm sector through a variety of activities. This portion of customs receipts amounted to \$6.48 billion in Fiscal Year 2006.

Of this amount:

- Seventy-eight percent (over \$5 billion) was transferred to USDA's child nutrition cash account, where it was supplemented by a separate direct appropriation under the annual USDA appropriation.
- Eleven percent was used by USDA for direct payments to compensate livestock producers and crop producers for hurricanes, disease losses, and drought relief.
- Nine percent was used by USDA to purchase Group A commodities diverted mainly to school lunch and other domestic food programs.
- One percent was transferred to the Commerce Department for fisheries activities.
- About half of one percent was used by USDA's Agricultural Marketing Service for administrative expenses associated with overseeing Federal market orders and administrative expenses associated with making food purchases (including set-up costs for a new Web-based supply chain management computer system).
- About half of one percent was a rescission mandated by Congress for budgetary savings.

Unlike Section 6 funds, the majority of Section 32 funds used by USDA for commodity purchases originate from funds that are required to be spent on direct intervention in agricultural markets. These funds are used by USDA to purchase surplus supplies of perishable agricultural commodities by diverting them from the normal channels of trade and commerce.

Some Section 32 funds are not required to be spent on market intervention. These are the Section 32 funds made available to fulfill the requirement in Section 6(e) of the Richard B. Russell National School Lunch Act. This Section of the Act mandates that, in each school year, not less than 12 percent of all Federal support in the National School Lunch Program is provided in the form of commodities. Although other funding is available, when the total commodity support for the National School Lunch Program does not meet this "floor" in any given year, USDA uses Section 32 funds to purchase additional commodities in the amount of the shortfall. Since the Section 32 funds used to cover this shortfall are not required to be spent on direct market support, USDA has greater flexibility in the type of products it can buy using them.

Attachment B

USDA Commodities Available for the National School Lunch Program in School Year 2008

(As of August 2007)

Note: Offerings may change during the year based on market availability and price.

COMMODITY	PACK SIZE	COMMODITY	PACK SIZE
USDA GROUP A COMMODITIES			
BEEF PRODUCTS		PORK PRODUCTS	
Beef, Ground, Frozen (A608)	40 lb. cartons	Ham, Cooked, Water-added, Frozen (A693)	4/10 lb Hams per carton
Beef, Patties, Frozen, 100% (A626)	40 lb. cartons	Ham, Cooked, Frozen, Thin Sliced (A726)	8/5 lb pkg/container
Beef, Patties, Frozen, VPP (A616)	40 lb. cartons	Ham, Cooked, Frozen, Cubed (A727)	8/5 lb pkg/container
Beef, Patties, Lean (A627)	40 lb. cartons	Pork Leg Roast (A672)	32-40 lb. cartons
Beef Patty, Cooked (A706)	40 lb cartons	Pork, Canned 24 Ounce (A722)	24/24 oz cans
Beef, Crumble (A717)	4/10 lb carton	Pork, Cooked Sloppy Joe Mix (A712)	4/10 lb carton
Beef, Irrad Patties (A578)	40 lb. cartons	Pork, Cooked, Crumbles (A720)	4/10 lb carton
Beef Irrad (A579)	40 lb. cartons	Pork, Cooked Patty Links (A719)	4/10 lb carton
Beef, Canned 24 Ounce (A721)	24/24 oz cans	Pork, Cooked Seas Patty 2.7 (A707)	40 lb cartons
		Pork, Cooked Seas Patty 1.2 (A708)	40 lb cartons
FISH PRODUCTS		FRUITS - Canned, Dry, Frozen	
Tuna, Canned, Chunk, Light, Water (A742)	6/66.5 oz cans	Apple Slices, Canned (A345)	6/#10 cans
Tuna, Pouch 43 (A745)	8/43 oz pouches	Apple Slices, Frozen (A346)	30 lb carton (for processing)
		Applesauce, Canned (A350)	6/#10 cans
		Apricots, Canned, Diced (A382)	6/#10 cans
		Apricots, Frozen (A358)	20 lb carton (for processing)
POULTRY/EGG PRODUCTS			
Chicken, Breaded, Frozen, 7 Piece (A526)	30 lb cartons	Blueberries, Dry, Cultivated 10 (A309)	10 lb carton
Chicken, Burgers, Frozen (A528)	30 lb cartons	Blueberries, Dry, Cultivated 25 (A310)	25 lb carton
Chicken, Canned, Boned (A507)	12/50 oz cans	Blueberries, Cultivated, Frozen (A367)	30 lb carton
Chicken, Cut-up, Frozen (A515)	40 lb cartons	Blueberries, Wild, Frozen (A366)	30 lb carton
Chicken, Diced, Frozen (A517)	40 lb cartons	Cherries Red 10 (A363)	6/#10 cans
Chicken, Fajita Strips (A563)	30 lb cartons	Cherries, Dry #2 (A292)	8/2# container
Eggs, Frozen, Whole 5# (A568)	6/5 lb cartons	Cherries, Dry #4 (A293)	4/4# container
Turkey Hams, Frozen (A548)	40 lb cartons	Cherries, Frozen (A365)	30 lb container
Turkey Roast, Frozen (A537)	32-48 lb cartons	Cherries, Individually Quick Frozen (A364)	40 lb container
Turkey, Deli Breast, Frozen (A549)	40 lb container	Cranberries, Dry (A291)	5# container

Attachment B
USDA Commodities Available for the National School Lunch Program in School
Year 2008 (Continued)
(As of August 2007)

Note: Offerings may change during the year based on market availability and price.

COMMODITY	PACK SIZE	COMMODITY	PACK SIZE
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USDA GROUP A COMMODITIES Cont'd

POULTRY/EGG PRODUCTS (Cont'd)

Turkey, Deli Breast, Smoked (A550)	40 lb container
Turkey, Taco Filling (A565)	30 lb cartons
Turkey, Whole, Frozen (A529)	30-60 lb cartons

POULTRY PRODUCTS FOR SOC PROGRAM

Chicken Nuggets, SOC (A519)	30 lb cartons
Chicken Patties, SOC (A561)	30 lb cartons

BULK MEAT/POULTRY PRODUCTS FOR PROCESSING

Beef, Bulk, Coarse (A594)	60 lb cartons
Beef, Boneless Fresh (A704)	combos
Chicken, Drumsticks, Chilled (A573)	bulk pack
Chicken, Thighs, Chilled (A531)	bulk pack
Chicken, Small & Large Bulk, Chilled (A521 / 522)	bulk pack
Chicken, Light Bulk Fowl Fresh (A510)	bulk pack
Chicken, Chilled, Legs (A518)	bulk pack
Eggs, Liquid, Whole, Bulk (A566)	bulk tankers
Pork, Boneless Picnic, Frozen (A632)	60 lb cartons
Turkey, Bulk, Chilled (A534)	bulk
Turkey, Bulk, Ground (A535)	bulk pack

FRUITS - Canned, Dry, Frozen (Cont'd)

Cranberries, Whole, Frozen (A306)	40 lb container (for processing)
Cranberry, Canned, Sauce (A288)	6/#10 cans
Fruit Mix, Canned (A470)	6/#10 cans
Raisins, 144 (A504)	1.33 oz box
Raisins, 30 (A500)	30 lb container (for processing)
Raisins 24 (A501)	24/ 15 oz pkg
Raspberries, Puree (A373)	6/5.75 container
Raspberries, Frozen, Drum (A390)	400 lb drum (for processing)
Raspberries, Frozen, Pail (A391)	28 lb pails
Peaches, Canned, Clingstone, Sliced (A408)	6/#10 cans
Peaches, Canned, Clingstone, Diced (A409)	6/#10 cans
Peaches, Cups, Freestone, Frozen (A416)	96/4 oz cups
Peaches, Frozen, Freestone (A424)	20 lb carton (for processing)
Pears, Canned, Halves (A431)	6/#10 cans
Pears, Canned, Sliced (A433)	6/#10 cans
Pears, Canned, Diced (A434)	6/#10 cans
Strawberries, Sliced (A380)	30 lb container (for processing)
Strawberries, Frozen (A375)	30 lb container (for processing)
Strawberries, Cups, Frozen (A417)	96/4.5 oz cups
Apricots, Cups, Frozen (A449)	4.4 oz cups

Attachment B

USDA Commodities Available for the National School Lunch Program in School Year 2008 (Continued)

(As of August 2007)

Note: Offerings may change during the year based on market availability and price.

COMMODITY	PACK SIZE	COMMODITY	PACK SIZE
USDA GROUP A COMMODITIES Cont'd			
FRESH FRUITS		VEGETABLES - Canned, Dry, Frozen (Cont'd)	
Apples, Fresh (various types) (A343)	37-40 lb cartons	Corn, Frozen (A130)	30 lb cartons
Oranges, Fresh (A357)	34-39 lb cartons	Peas, Canned (A140)	6/#10 cans
Pears Bosc, Fresh (A442)	45 lb cartons	Beans, Canned, Baby Lima (A082)	6/#10 cans
Pears D-Anjou, Fresh (A444)	45 lb cartons	Beans, Canned, Black Turtle (A908)	6/#10 cans
		Beans, Canned, Blackeye Pea (A084)	6/#10 cans
FRUIT JUICES		Beans, Canned, Garbanzo (A089)	6/#10 cans
Juice, Orange, Frozen, Concentrate (A301)	12/32 oz cans	Beans, Canned, Great Northern (A088)	6/#10 cans
Juice, Orange, Drums (A305)	55 gal drum (for processing)	Beans, Canned, Pink (A083)	6/#10 cans
Juice, Orange, Tankers (A303)	tankers (for processing)	Beans, Canned, Pinto (A079)	6/#10 cans
Juice, Orange, Singles (A299)	70/4 oz container	Beans, Canned, Red Kidney (A086)	6/#10 cans
FRUIT-NUT MIXES		Beans, Canned, Refried (A085)	6/#10 cans
Fruit-Nut Mix 24 (A260)	24/1 lb container	Peas, Frozen (A160)	30 lb cartons
Fruit-Nut Mix 5 (A261)	5/5 lb	Potatoes, Oven, Frozen (A210)	6/5 lb packs
		Potatoes, Rounds, Frozen (A204)	6/5 lb packs
		Potatoes, Wedges, Frozen (A174)	6/5 lb packs
FRESH NUTS		Salsa, Canned (A237)	6/#10 cans
Almonds, Natural (A264)	12/2 lb	Spaghetti Sauce (Meatless), Canned (A243)	6/#10 cans
Almonds, Roasted (A263)	12/2 lb	Sweet Potatoes, Canned, Syrup (A220)	6/#10 cans
Almonds, Natural (A256)	25 lb container	Sweet Potatoes, Canned, Mashed (A222)	6/#10 cans
Almonds, Roasted (A255)	25 lb container	Sweet Potatoes, Frozen, Mashed (A225)	6/5 lb packs
		Sweet Potatoes, Frozen, Random Cut (A224)	6/5 lb packs
VEGETABLES - Canned, Dry, Frozen		Tomato Paste, Canned (A252)	6/#10 cans
Beans, Canned, Small Red (A087)	6/#10 cans	Tomato Paste, Drum (A249)	55 gal drum (for processing)
Beans, Canned, Vegetarian (A091)	6/#10 cans	Tomato Sauce, Canned (A239)	6/#10 cans

Attachment B
USDA Commodities Available for the National School Lunch Program in School
Year 2008 (Continued)
(As of August 2007)

Note: Offerings may change during the year based on market availability and price.

COMMODITY	PACK SIZE	COMMODITY	PACK SIZE
USDA GROUP A COMMODITIES Cont'd			
VEGETABLES – Canned, Dry, Frozen (Cont'd)		FRESH VEGETABLES	
Beans, Dry, Great Northern (A925)	25 lb bags	Potatoes, Russet, Fresh (A214)	50 lb. cartons
Beans, Dry, Navy Pea (A924)	25 lb bags	Potatoes, White, Fresh (A215)	50 lb. bags
Beans, Dry, Pinto (A942)	25 lb bags	Potatoes, Bulk, for Dehy (A213)	bulk (for processing)
Beans, Dry, Small Red (A948)	25 lb bags	Potatoes, Bulk, for Frozen (A232)	bulk (for processing)
Beans, Canned, Green (A061)	6/#10 cans	Sweet Potatoes (A230)	40 lb. cartons
Beans, Frozen, Green (A070)	30 lb cartons		
Carrots (A099)	30 lb cartons		
Carrots, Canned (A100)	6/#10 cans		
Corn Cobs, Frozen (A129)	96 ears per case		
Corn, Canned, Liquid, Whole Kernel (A110)	6/#10 cans		
Tomatoes, Canned, Diced (A241)	6/#10 cans		
Tomato Totes (A245)	14 totes (for processing)		

USDA GROUP B PRODUCTS			
CHEDDAR CHEESE PRODUCTS		CEREALS	
Cheddar, Reduced Fat, Shredded, White (B027)	6/5 lb	Oats 3, Rolled (B445)	12/3 lb pkg
Cheddar, Reduced Fat, Shredded, Yellow (B028)	6/5 lb	Oats 25, Rolled (B444)	25 lb bags
Cheddar, Reduced Fat, Yellow (B034)	4/10 lb	Oats 50, Rolled (B450)	50 lb bags
Cheddar, Shredded, Yellow (B031)	6/5 lb		
Cheddar, Shredded, White (B032)	6/5 lb		
Cheddar, White, 10# (B087)	4/10 lb		
Cheddar, White, 40# Block (B071)	40 lb block (for processing)		
Cheddar, Yellow, 10# (B088)	4/10 lb		
Cheddar, Yellow, 40 # Block (B072)	40 lb block (for processing)		

Attachment B

USDA Commodities Available for the National School Lunch Program in School Year 2008 (Continued)

(As of August 2007)

Note: Offerings may change during the year based on market availability and price.

COMMODITY	PACK SIZE	COMMODITY	PACK SIZE
USDA GROUP B PRODUCTS Cont'd			
PROCESS CHEESE PRODUCTS		GRAINS/FLOUR PRODUCTS	
Cheese, Process, Sliced, Yellow (B065)	6/5 lb sliced yellow	Cornmeal, Degermed 10 (B141)	5/10 lb bags
Cheese, Process, Block (B030)	40 lb block (for processing)	Cornmeal, Degermed 40, Yellow (B142)	4/10 lb bags
		Cornmeal, Degermed 8/5, Yellow (B138)	8/5 lb bags
NATURAL AMERICAN CHEESE		Flour, All Purpose 40, Bleached (B183)	4/10 lb bags
Cheese, Nat Amer, Barrel 500 (B049)	500 lb barrel (for processing)	Flour, All Purpose 40, Unbleached (B188)	4/10 lb bags
		Flour, All Purpose 50, Bleached (B190)	50 lb bags
CHEESE BLEND PRODUCTS		Flour, All Purpose 50, Unbleached (B191)	50 lb bags
Cheese Blend, Amer/Skim Milk Y (B119)	6/5# sliced yellow	Flour, All Purpose, Bleached (B182)	8/5 lb bags
Cheese Blend, Amer/Skim Milk W (B133)	6/5# sliced white	Flour, Baking 50 (B240)	50 lb bags
Cheese, Pasturized Amer, Sliced Wh (B066)	6/5# sliced white	Flour, Bakers Hard Wheat 100, Bleached	100 lb bags
MOZZARELLA PRODUCTS		Flour, Bakers Hard Wheat 50, Bleached (B275)	50 lb bags
Mozzarella, Light, Shredded Frozen (B035)	30 lb box	Flour, Bakers Hard Wheat 50, Unbleached (B276)	50 lb bags
Mozzarella, Low Moisture Part Skim, Shredded, Frozen (B037)	30 lb box	Flour, Bakers Hard Wheat Bulk, Bleached (B285)	bulk
Mozzarella, Low Moisture Part Skim, Frozen (B042)	8/6 lb loaves	Flour, Bakers Hard Wheat Bulk, Unbleached (B286)	bulk
		Flour, Bakers Hard Wheat Hearth 100, Bleached (B300)	100 lb bags
Mozzarella, Low Moisture Part Skim, Unfrozen (B077)	processor pack	Flour, Bakers Hard Wheat Hearth Bulk, Bleached (B301)	bulk
PEANUT PRODUCTS		Flour, Whole Wheat 40 (B351)	4/10 lb bags
Peanut Butter, Smooth, Drum (B480)	500 lb drum (for processing)	Flour, Whole Wheat 50 (B360)	50 lb bags
Peanut Butter, Smooth 5 (B473)	6/5 lb (cans or jars)	Flour, Bakers Hard Wheat (B321)	bulk
Peanuts, Roasted Runner (B498)	6/#10 cans	Flour, Bakers Hard Wheat 50, Hearth Bulk, Unbleached (B303)	bulk
Peanuts, Roasted, Canned (B500)	6/#10 cans	Flour, Bakers Soft Wheat, Bleached (B323)	50 lb bags
		Flour, Bakery Mix (B367)	6/5 lb bags
		Flour, Bakery Mix, Low Fat (B368)	6/5 lb bags
		Flour, Bread 40, Bleached (B233)	4/10 bags
		Grits, Corn, White 40 (B382)	50 lb bags
		Grits, Fine, Yellow (B384)	8/5 lb bags

Attachment B
USDA Commodities Available for the National School Lunch Program in School
Year 2008 (Continued)
(As of August 2007)

Note: Offerings may change during the year based on market availability and price.

COMMODITY	PACK SIZE	COMMODITY	PACK SIZE
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USDA GROUP B PRODUCT Cont'd

RICE PRODUCTS

Rice, Brown 25 (B545)	25 lb bags
Rice, Medium 50 (B521)	50 lb bags
Rice, Medium 25 #1 (B522)	25 lb bags
Rice, Medium 25 #2 (B513)	25 lb bags
Rice, Milled, Long-Grain 25 (B505)	25 lb bags
Rice, Milled, Long-Grain 50 (B506)	50 lb bags
Rice, Parboiled 25 (B507)	25 lb bags
Rice, Parboiled 50 (B508)	50 lb bags
Rice, Brown, Long-Grain, Quick Cook 24/2 (B537)	24/2 lb bags
Rice, Brown, Long-Grain, Quick Cook 30/2 (B538)	30/2 lb bags

OIL PRODUCTS

Oil, Soybean, Low Saturated Fat (B664)	6/1 gal
Oil, Vegetable 48 (B665)	9/48 oz
Oil, Vegetable 48 (B666)	8/48 oz
Oil, Vegetable, Bottle (B670)	6/1 gal bottles
Oil, Vegetable, Bulk (B672)	bulk (for processing)

MISCELLANEOUS PRODUCTS

Sunflower Butter (B477)	6/5 lb
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PASTA PRODUCTS

Macaroni 20, Elbow (B430)	20 lb cartons
Macaroni, Whole Grain 20 (B426)	20 lb cartons
Rotini, Spiral (B435)	20 lb cartons
Rotini, Spiral, Whole Grain 20 (B428)	20 lb cartons
Spaghetti 20 (B840)	20 lb cartons
Spaghetti, Whole Grain 20 (B836)	20 lb cartons