



Food Distribution National Policy Memorandum

United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

DATE: June 23, 2006
POLICY NO.: FD-061: State Processing
SUBJECT: Inbound Cheese to Further Processors

Truck weights of the cheese delivered to further processors usually vary from the stated weight of the truck found in the commodity file. This causes both the processor and State distributing agency to continually reallocate pounds over/under to the recipient agencies that have accounts with the processor. The more trucks a State sends to a particular processor, the more the inventory must be adjusted, leading to an increased administrative burden for both the processor and the State.

Beginning July 1, 2006, all multi-State processors receiving direct diversions of commodity cheese must apply the following procedures when accounting for commodity cheese. The procedure is intended to standardize the loads for convenience and eliminate this administrative burden.

When States provide the processor with their allocations by recipient agency, the allocation should be based on the commodity file truckload. For example, in the commodity file for Mozzarella (B077) the net truck value is 40,320 pounds and the net commodity file value for cheddar barrels (B049) is 40,000 pounds. These values will be used to allocate quantities for the recipient agencies at the processor.

The processor shall establish a holding account for all overs/unders for the "State" of USDA. When a truck arrives that weighs more than the allocated pounds, the processor shall fund the State account with the appropriate allocated pounds and then transfers the overage into the USDA account. When a truck arrives that is less than the allocated pounds, the processor shall fund the State with the allocated pounds by transferring additional pounds from the USDA account.

Processors must report the actual pounds received. The FNS 57 Over, Short and Damaged report and the ECOS receipt screen must show the actual pounds received. The State's DO in ECOS however will always reflect and drawdown an exact truckload. The processor will report the USDA account balances as part of the National Processing Agreement. Any additions to or withdrawals from the USDA account should be documented by the DO that affected the transaction.

Prior to beginning the next school year, the pounds in the USDA account will be allocated to the States that did business with that processor for the year on a prorated basis and the USDA account balance will be adjusted back to zero. This allows the processor to make a one time adjustment to allocated balances at the beginning of the school year and then begin the same process described above over again.

At the time of reallocation, the processor must contact each State to confirm what the State wants done with their prorated portion of cheese in the USDA account. States have the following options for their portion of the cheese in the USDA account:

- accept the cheese and provide the processor with a reallocation of pounds by recipient agency;
- accept the cheese, but transfer the pounds to another State or another processor;
- accept the cheese by taking possession;
- decline their share of cheese;
- or terminate the State participation agreement and have the processor pay for the remaining inventory to close out the account.

Should a negative balance remain in the USDA account, the processor will carry that negative balance forward. If the negative balance reaches a truckload quantity, USDA will make the processor whole. See attached.



Cathie McCullough
Director
Food Distribution Division

Attachment

Attachment
Inbound Cheese to Further Processors

A DO for cheddar barrel (B049), weighing 40,000 in the commodity files, arrives at a processor and weighs in at 40,200 pounds. The processor will fund the State's account on the Monthly Performance Report (MPR) for that DO at 40,000 pounds and transfer the additional 200 pounds in the USDA account. The processor will complete the FNS 57 Over, Short, and Damaged report and the ECOS receipt screen with the 40,200 actually received.

The same would be true for a truck that arrives weighing 39,800 pounds. The processor will report on the FNS 57 and ECOS receipt the actual shorted pounds for that DO and fund the DO deficit on the MPR by transferring 200 pounds from the USDA account.

At the end of the school year, the USDA account contains 10,000 pounds of cheese. The processor received 100 trucks from four States. State A sent 40 trucks and the other three States sent 20 trucks to the processor. During the reallocation of pounds, State A would receive 4000 pounds and the other three States would receive 2000 pounds each.