

USDA/FNS/Food Distribution

Project No. 9 (Completed)

Project No. 9: CA Credit System Demonstration Project
State Partner: California

Reference: A bulletin from the State on this pilot will be posted in the near future on the State of California's Food Distribution Bulletins Web site at: www.cde.ca.gov/nsd/fdp/MB/index.html.

Scope: The CCP program allows participating recipient agencies (RA) to order substitutable commodities to be processed by approved processors by using a "credit" system in lieu of a "commodity" inventory system. The purpose of the CCP program is to streamline the process by:

- 1) Converting the commodity inventory into a credit account,
- 2) Establishing a single discount price for each end product eliminating individual discount pricing,
- 3) Removing surplus substitutable commodities from the market, and
- 4) Providing 100 percent yield through processing.

Background:

Currently processors draw down on individual district inventories of each commodity ordered on their behalf. The draw down is based on the end product ordered and the amount of commodity in a given case of end product. Prices are charged based on the inventory of commodity an individual district has on the books for one or more commodities. For example, when a district has an inventory of four commodity ingredients one discounted price is charged; when they run out of one ingredient another is charged. The processors must track each inventory by district and ensure the correct discounted price is charged. The process is streamlined under the CCP program by converting the inventory to a credit account and establishing a single discount price for each end product.

Project Description:

- 1) Deliveries of approved donated commodities will be delivered to the participating processor.
- 2) The processor has the option to substitute the donated commodity in commercial production.
- 3) The processor will establish a value for the donated commodity based on the prior year's November 15th USDA commodity price list.
- 4) The processor will maintain a "checkbook" balance for each RA.
- 5) The processor will establish a single "credit discount" for each product listed on the processor End Product Data Schedule offered to the RA's.
- 6) The RA will purchase end products containing commodity ingredients.
- 7) The processor will distribute a monthly report to the RA and the State for reconciliation purposes.
- 8) The processor will allow credits to be transferred between participating RA's.
- 9) Credits cannot be transferred to another approved processor.

Status: The project will end June 2003.

Findings: The pilot was administratively burdensome and difficult to monitor for both the State and the processors. Please reference the management bulletin issued by the State of California on their website.

Contact party for further information:

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Last Updated: 04/21/2003