



USDA Commodity Update

**Cathie McCullough,
Director**

**Food Distribution Division
FNS/USDA**



**ACDA ANC
Kansas City, MO
April 2008**



Today's Agenda

- ✓ Westland Recall
- ✓ Managing the money
- ✓ Web-Based Supply Chain Management
- ✓ Regulations Update
- ✓ Training Update
- ✓ Healthy Improvements



INSIGHT GALLERY



Hallmark/Westland Recall...

- ✓ January 30th – USDA placed all Hallmark/Westland beef products on hold
- ✓ February 17, 2008 - Company announced recall
- ✓ Over 50 million pounds of recalled product purchased for USDA's commodity nutrition programs within past 2 years
- ✓ Company provided about 20% of commodity beef we supplied to schools
- ✓ Also affected about 17 companies that further processed the beef into products for schools



Hallmark/Westland Recall...

- ✓ States and schools have accounted for product:
 - Any product on hand is being destroyed
 - Destruction forms and costs are being collected at the State level
- ✓ We will move quickly to get payments out to States upon receipt of requested documentation
- ✓ It has been a complex process—we appreciate all that you've done!
- ✓ Lesson learned – lapses in local level notification
- ✓ Fix – Build e-notification (self subscribing)





Managing the \$\$...

- **Entitlement Update: Current school year and next**
- **Bonus Update**
- **Budget process: Effects of C/R on orders and procurement**
- **Commodity prices: Effects on orders and procurement**

Current Entitlement SY 07/08

Meals x Per Meal Rate + 12%

- Commodity rate for SY 2008 -18.75 cents (up from 17 cents last SY)
- Additional \$\$ beyond entitlement & bonus are added to meet 12% rule
- The effective commodity assistance rate is 20.84 cents for SY 2008
- SY 08 final meals updated Dec. '08
- Met 99.5% for the 1st time ever

Next SY 08/09

- SY 09 projected rate 19.0 cents in ECOS
- 4th quarter funds are VERY short
- Expect to receive 35% of SY 09 July- Nov
- Past two SY received 50%

SY/FY 2008 Bonus Commodities

CN Programs

- ✓ Canned pears – slices and halves
- ✓ Canned and frozen apple slices
- ✓ Applesauce
- ✓ Canned apricots
- ✓ Attempting to purchase canned/frozen cherries



TEFAP

- ✓ Grapefruit juice
- ✓ Canned tomatoes
- ✓ Dried cherries

CSFP

- ✓ Canned tomatoes (limited amounts)



Budget Process & Continuing Resolutions



- No budget October 1, 2007
- 4 C/R's from Oct. 1 to Dec. 26 approp's
- No money, no contracts
- Funds are allotted incrementally based on the prior Fiscal Year
- Oct \$\$ funds Nov 16-Dec 31 deliveries
- Nov \$\$ funds Jan 1-31 deliveries
- Dec \$\$ funds Feb 1-29 deliveries...



Commodity Prices, Ordering & Procurement

- Commodities prices for several items were 10-20% higher – Cheese for example
- Funds allotted incrementally at prior FY amount
 - Rec'd less than prior years' apportionment levels
 - Funds control more stringent
 - Not enough \$\$ to fill orders



Commodity Prices

Ordering & Procurement



- The cost of orders exceeded funds available
- Some January orders moved to February & February orders moved to March
- Final 08 apportionments issued Feb 08
- Feb cheese awarded in January and February 08

WBSCM

Web Based Supply Chain Management

- Replaces outdated mainframe system USDA agencies use to talk to each other
- Internet based
- Target date for release is calendar year 2009



Web-Based Supply Chain Management

- How will things change under WEBSCM?
- What will happen to ECOS?
- What are you doing to help stakeholders tie into ECOS/WEBSCM?
- Hurdles? Good news/bad news

Update of 7 CFR Part 250

FNS Rules in clearance:

- FSMC, etc. Rule
- Processing Rule

Hopeful for publishing by Summer '08!



Drafting the third Proposed Rule, Distribution and Control of Donated Foods

- Requested preliminary input
- Hope to publish in the next year

Training Initiatives



- ✓ Web based processing training under development
- ✓ Presentations at CN, State, & industry mtgs.
- ✓ FD 101 and processing pre-con's at March 08 SNA LAC
- ✓ Upcoming FD 101 for State staff in May 2008
- ✓ Upcoming commodity/USDA track at SNA Philadelphia-July 08

We are addressing our image...

- Commodity Backgrounder
- "Did You Know..." fact sheet
- Press releases/press packages
- Commodity image website
- Recipe contest?
- Educational Presentations



And you can help! ...

- Create innovative ways to support all markets AND buy healthy foods



Questions we get asked



- Why do you spend most of your \$\$ on high fat, high calorie foods like meat and cheese?
- What are you doing to promote fruits and vegetables?
- Why don't you “regulate” further processed commodities?

Healthy Improvements

Products are continually reviewed to ensure each supports “*Dietary Guidelines...*”

- Eliminated trans fats in frozen potatoes
- Testing fat free potato
- Eliminated shortening
- Chicken skin substitution for meat
- 96-97% lean ham
- 95% lean turkey ham
- Testing a 95% lean beef patty
- 90% Lean Special Trim Beef



Healthy Improvements

Reducing sugar

- Unsweetened applesauce

Increasing whole grains

- Spaghetti
- Rotini
- Dry kernel corn for further processing



On the horizon...

- Low sodium vegetables
- Exploring fruits in natural juices



Commercial Labels

■ Commodities are all commercial label except for:

- Dried egg mix
- Canned beef & pork
- Most fruits and vegetables



■ Improves the perception of quality

■ Responds to customer preferences

New Commod Labels for F&Vs



- ✓ Commercial-like
- ✓ Photographs
- ✓ 4 Color

- ✓ Glossy Paper
- ✓ “America’s Finest” Branding



USDA COMMODITIES

HEALTHY CHOICES • AMERICAN GROWN

QUESTIONS?

