



# ***Kansas City Commodity Office Domestic Procurement Division***

2008 Annual American  
Commodity Distribution  
Association Meeting



## ***KCCO-Domestic Procurement Division***

***The USDA tri-agency arrangement***





## ***KCCO-Domestic Procurement Division***

### ***The USDA tri-agency arrangement***

<b><i>FNS</i></b>	<u>Administers</u> domestic food distribution programs
<b><i>AMS</i></b>	<u>Purchases Group A</u> commodities: Perishables— Meat, fish, poultry, eggs, fruits and vegetables
<b><i>FSA</i></b>	<u>Purchases Group B</u> commodities: Grain products, dairy, miscellaneous All food distribution contract facilitation (Group A & B) Multifood warehouse contracts



# Domestic Procurement Division (DPD)

## As part of FSA:

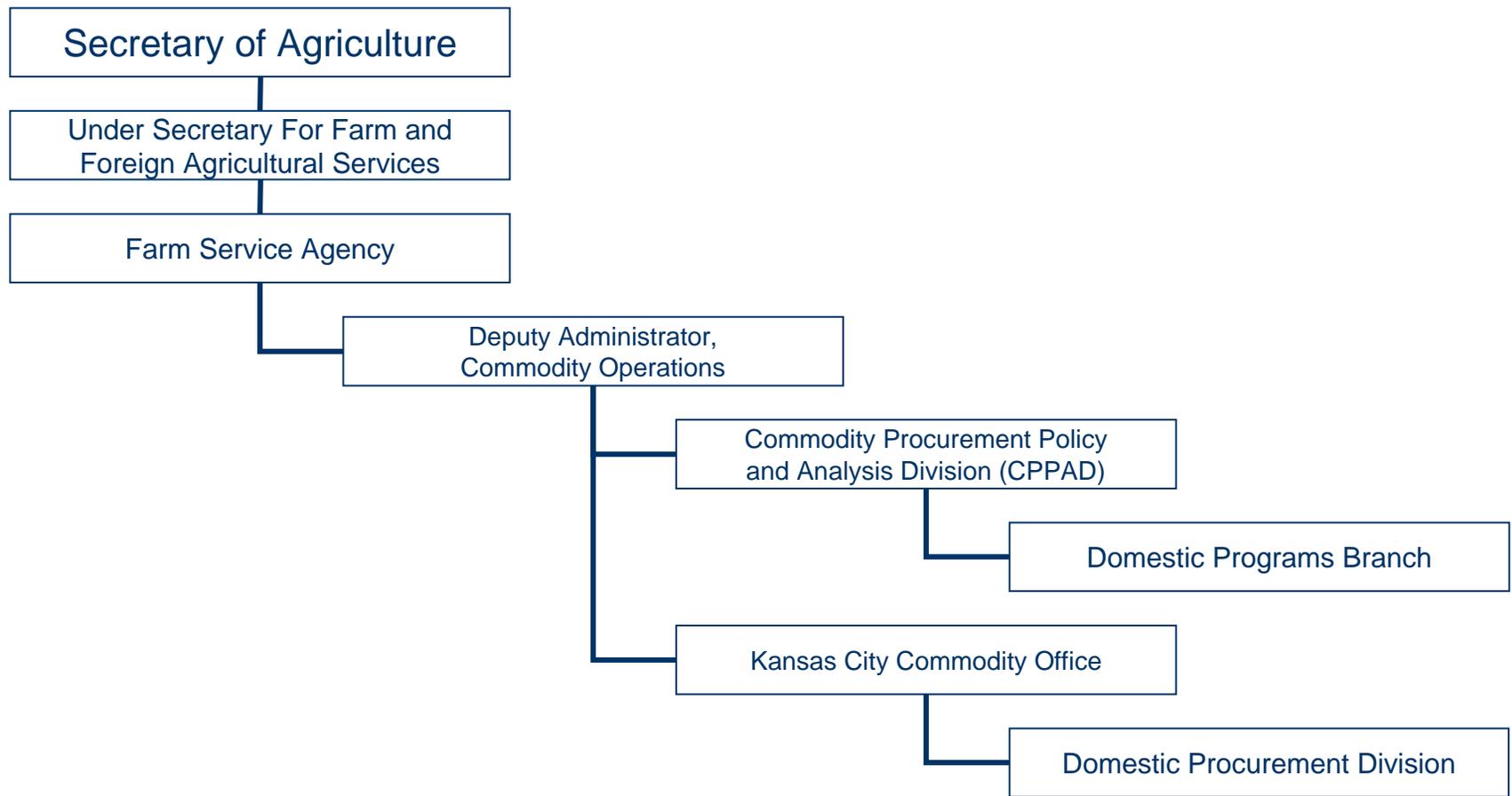
- "...dedicated to achieving an economically and environmentally sound future for American Agriculture. "

## As part of Commodity Operations:

- "Purchase and deliver processed commodities under various domestic distribution programs..."
- "Purchase from vendors or processors Dairy Price Support program commodities, such as butter, cheese, and nonfat dry milk."



# Structure





# Domestic Procurement Division (DPD)

**Domestic Procurement Division**  
**Patty Jennings, Chief**  
**816-926-6304**

**Dairy & Multi-Food Branch**  
William Lang, Chief  
816-926-6050

**Processed Commodities Branch**  
Todd Shuck, Chief  
816-823-1114



# Domestic Procurement Division

Specific Commodity Contacts:

[http://www.fsa.usda.gov/Internet/FSA\\_File/commodity\\_listing.pdf](http://www.fsa.usda.gov/Internet/FSA_File/commodity_listing.pdf)

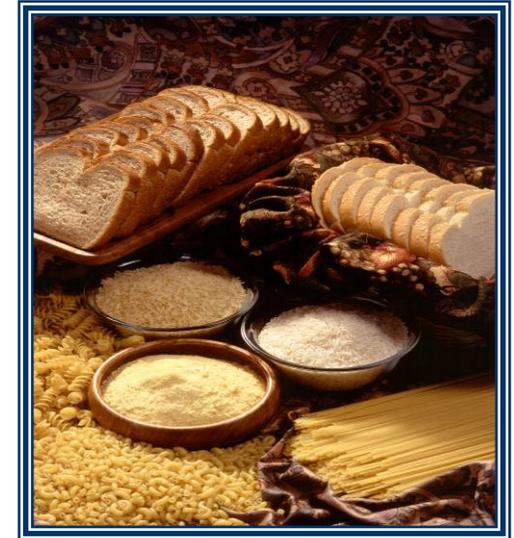


## Group B Invitations to Bid

- [http://www.fsa.usda.gov/FSA/webapp?are  
a=home&subject=coop&topic=pas](http://www.fsa.usda.gov/FSA/webapp?are<br/>a=home&subject=coop&topic=pas)



# Processed Commodities Branch (PCB)



Todd Shuck, Branch Chief





# Processed Commodities Branch (PCB)

## Functions of the Processed Commodities Branch are to:

- Purchase processed grain & miscellaneous products for FNS programs (Group B)
- Administer grain & miscellaneous products contracts (Group B)
- Facilitate contract administration, maintain contract files and issue notices to deliver for certain AMS (Group A) commodities:
  - Livestock
  - Fish
  - Poultry
  - Fruit & Vegetables
  - Corn Syrup



# Processed Commodities Branch (PCB)

## Contract Facilitation (Groups A & B)

- Monitor contractor performance
  - Late delivery reporting
- Process contract modifications
  - Destination changes
  - Split loads, quantity changes
- Process contract cancellations/terminations



# Processed Commodities Branch & AMS

## PCB-Facilitated Group A Products:

- Livestock and Seed (LS)
  - Beef, Bison, Lamb, Pork and Fish products
- Poultry
  - Chicken, Turkey and Egg Products
- Fruits and Vegetables (FV)
  - Apples, Apricots, Cantaloupe, Cherries, Grapefruit, Lemons, Peaches, Plums, Pears,
  - Applesauce, Apple slices, Fruit cocktail, Mixed fruit
  - Almonds, Walnut pieces, Trail mix
  - Blackberry, Blueberry, Cranberry and Raspberry Products; Strawberries
  - Dates/Figs/Prunes/Plums, Raisins/Currants
  - Apple, Grape, Pineapple, Orange, and Grapefruit Juices
  - Green Beans, Peas, Beans Lentils, Carrots, Mixed Vegetables, Potatoes, Asparagus, Corn, Onions, Spinach, Pumpkin, Tomato Products
  - Soup Mix, Corn Syrup



# Processed Commodities Branch (PCB)

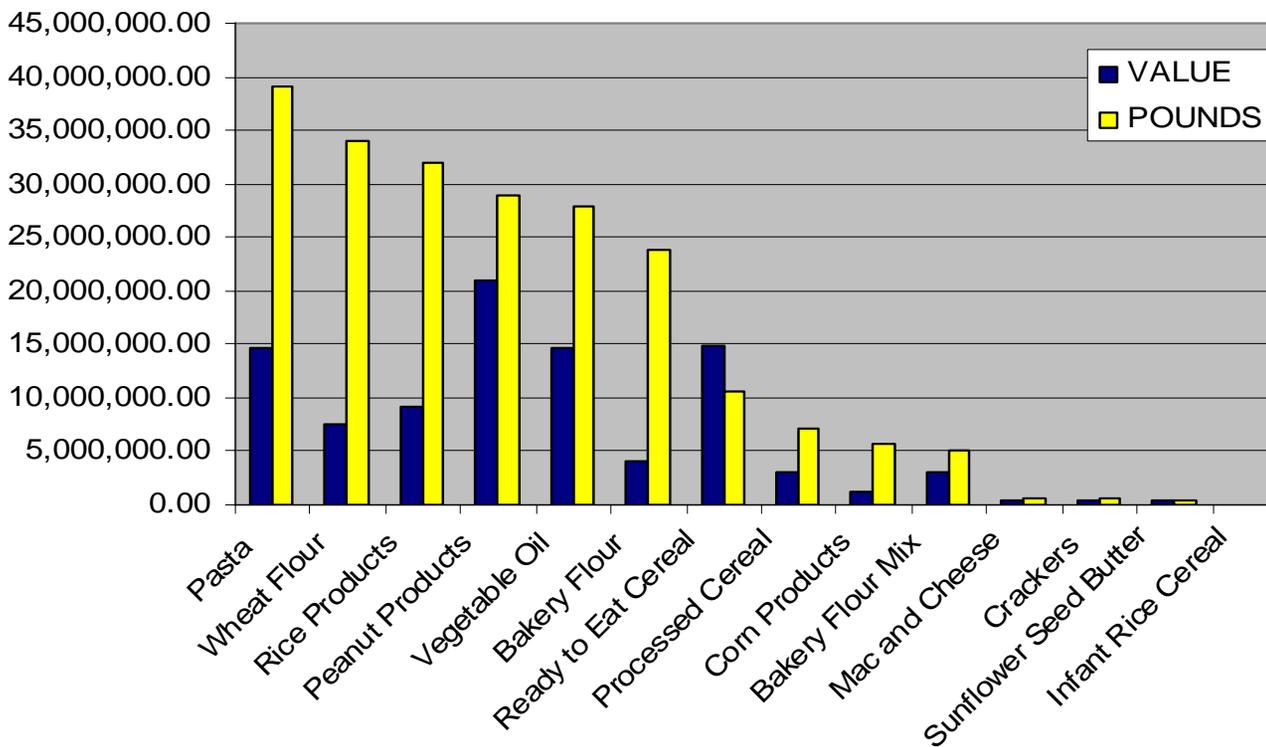
## Group B Products:

- Bakery Flour/Mix (BF), Wheat Flour (WF)
- Crackers (CR)
- Pasta Products (PA), Macaroni and Cheese (MC)
- Corn Products (CP)
- Processed Cereals (PC)
- Fortified R-T-E Cereals (FC)
- Instant Rice Baby Cereal (RC)
- Peanut Products (PP)
- Sunflower Seed Butter (SSB)
- Rice Products (RP)
- Vegetable Oil Products (VP)



# 2007 Purchase Volume

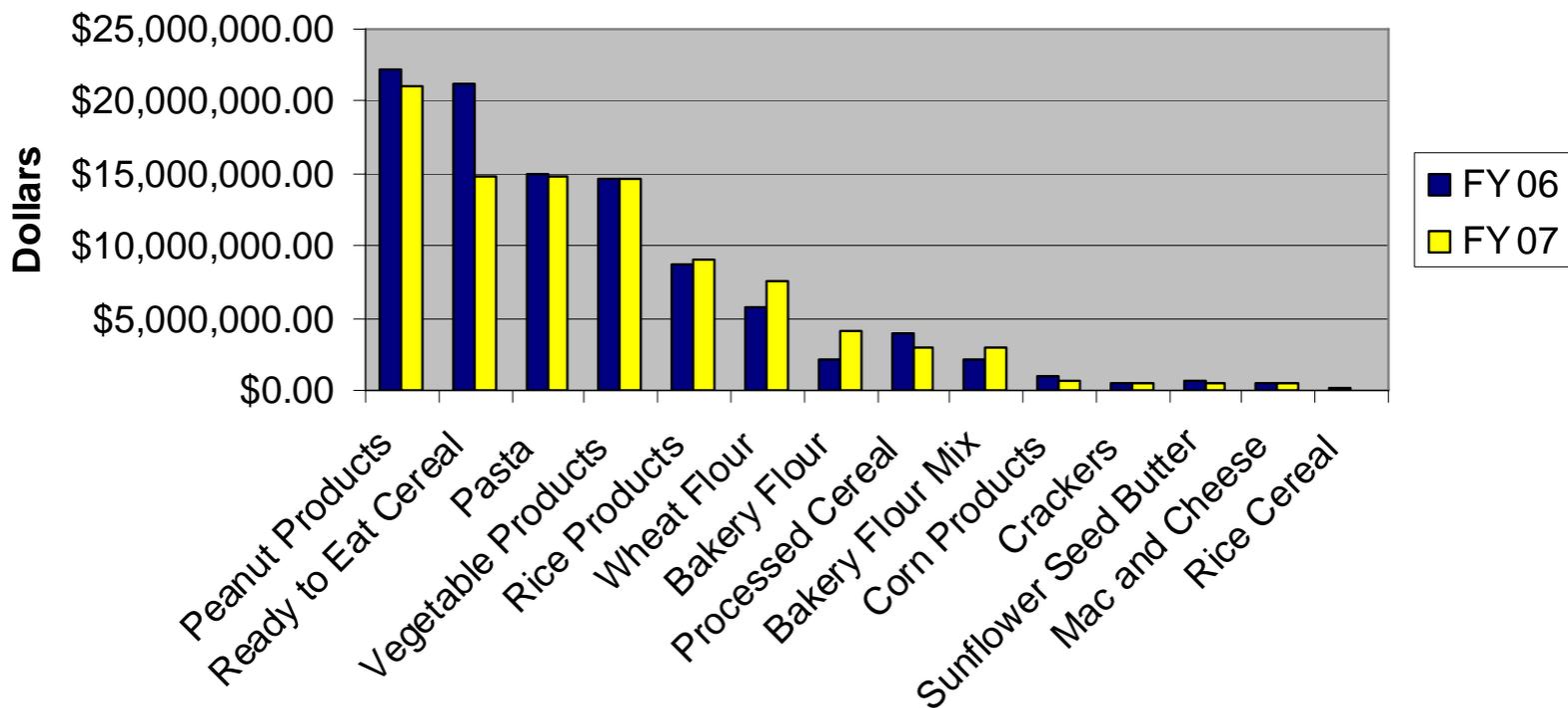
Processed Commodities and Lbs Purchased





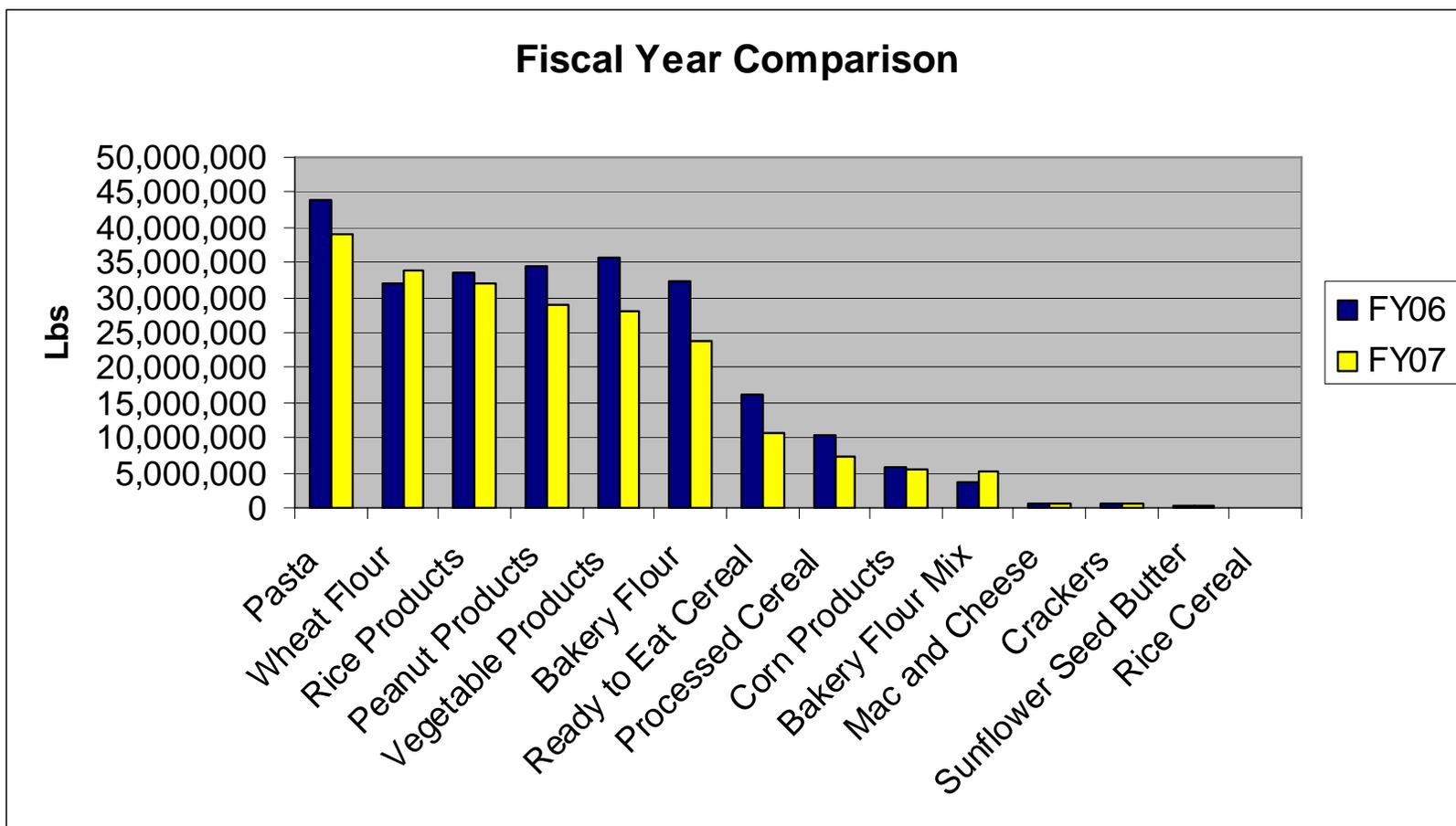
# 2006 & 2007 Fiscal Year Comparison

## Fiscal Year Comparison





# 2006 & 2007 Fiscal Year Comparison





# Increase in Prices

	FY07	FY08	Increase
Pasta	0.3778	0.5607	48.41%
Wheat Flour	0.2178	0.3228	48.21%
Peanut Products	0.7298	1.0204	39.82%
Mac and Cheese	0.7172	0.9878	37.73%
Bakery Flour Mix	0.5887	0.8084	37.32%
Processed Cereal	0.4183	0.538	28.62%
Vegetable Oil	0.5213	0.6675	28.05%
Bakery Flour	0.3481	0.4039	16.03%
Crackers	0.9293	1.0589	13.95%
Ready to Eat Cereal	1.3939	1.5515	11.31%
Rice Products	0.2838	0.3151	11.03%
Corn Products	0.234	0.2515	7.48%
Sunflower Seed Butter	1.417	1.4225	0.39%

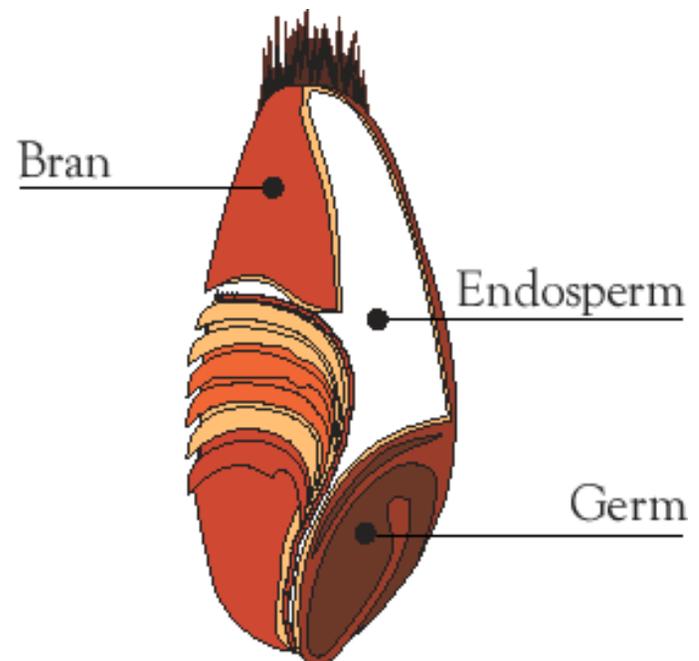


# Processed Commodities Branch (PCB)

## 2005 Dietary Guidelines for Americans

- “Increased intakes of...whole grains...are likely to have important benefits for most Americans.”
- Foods made of the entire (whole) grain seed are an important source of fiber and other nutrients

### Whole Grains

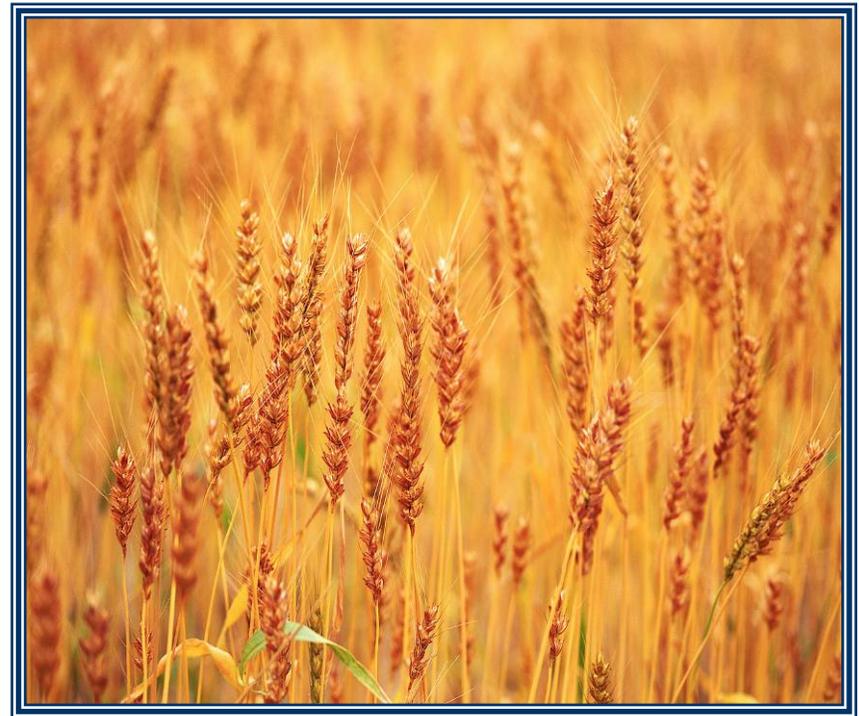




# Processed Commodities Branch (PCB)

## Whole grain sources

- **Single foods**
  - Popcorn
  - Oatmeal
  - Brown rice, wild rice
  - Bulgur
- **Ingredients**
  - Whole wheat, whole oats, whole-grain corn, whole-grain barley, millet, sorghum (e.g. in Multi-grain breads)





# Whole Grain Pasta Update

- July 2007
  - Issuance of first solicitation to procure whole grain pasta
  - 1.5 million pounds of spaghetti and rotini were purchased
- First and Primary ingredient must be whole grain
- Currently spaghetti, rotini and macaroni can be ordered via ECOS
  - Bulk and consumer sizes available
  - Currently no set procurement schedule
    - Expectation to procure in the future
- FNS survey regarding 1<sup>st</sup> shipments of whole grain pasta were positive



# Brown Rice, Parboiled

- Natural bran layer that surrounds the rice kernel remains intact
  - Light brown color caused by the bran layer
  - Rich in minerals and vitamins
  - Has a chewy, nutty flavor
- Cooking time for USDA/FSA U.S. No. 1 Brown rice, parboiled shall be within the range of 10 to 28 minutes.



## Brown Rice, Parboiled

- In February 2008, USDA purchased 5 truckloads of U.S. No. 1 Brown rice, parboiled as a test purchase for Schools
  - 210,000 lbs. total
  - Packaged in 24/2-pound bags
- Commercially available in 2-pound, 25-pound and 50-pound packages

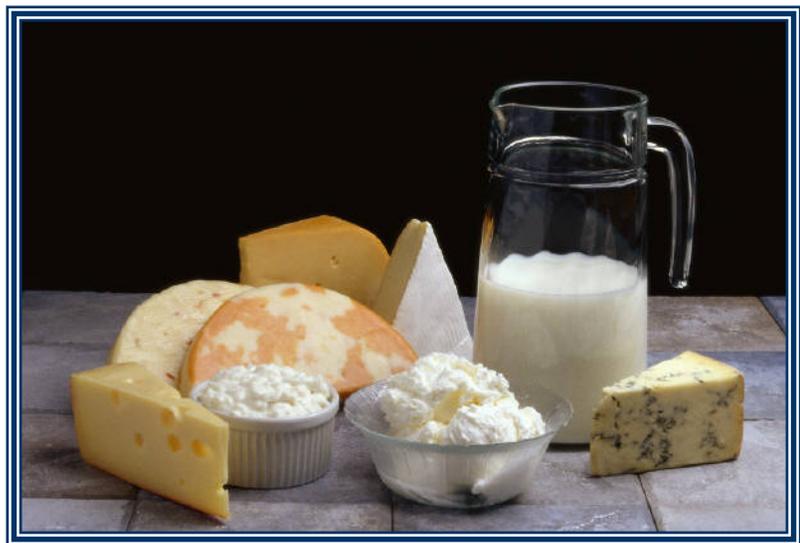


# Processed Commodities Outlook

- Corn acres are expected to be down
  - Higher input costs (seed, fertilizer, water) than wheat and soybeans
- All wheat classes look to have increased acreage
  - Hard Red Winter, Hard Red Spring, Durum, Soft Red Winter, Soft White
- Soybeans look to have increased acres compliments of the reduced corn acres
- Exports look to remain firm as long as the U.S. Dollar remains weak
- Look for higher processed commodity & grocery prices as a reflection of higher raw commodity prices



# Dairy and Multi-Food Branch (DMB)



William L. Lang, Branch Chief



## Dairy and Multi-Food Branch (DMB)

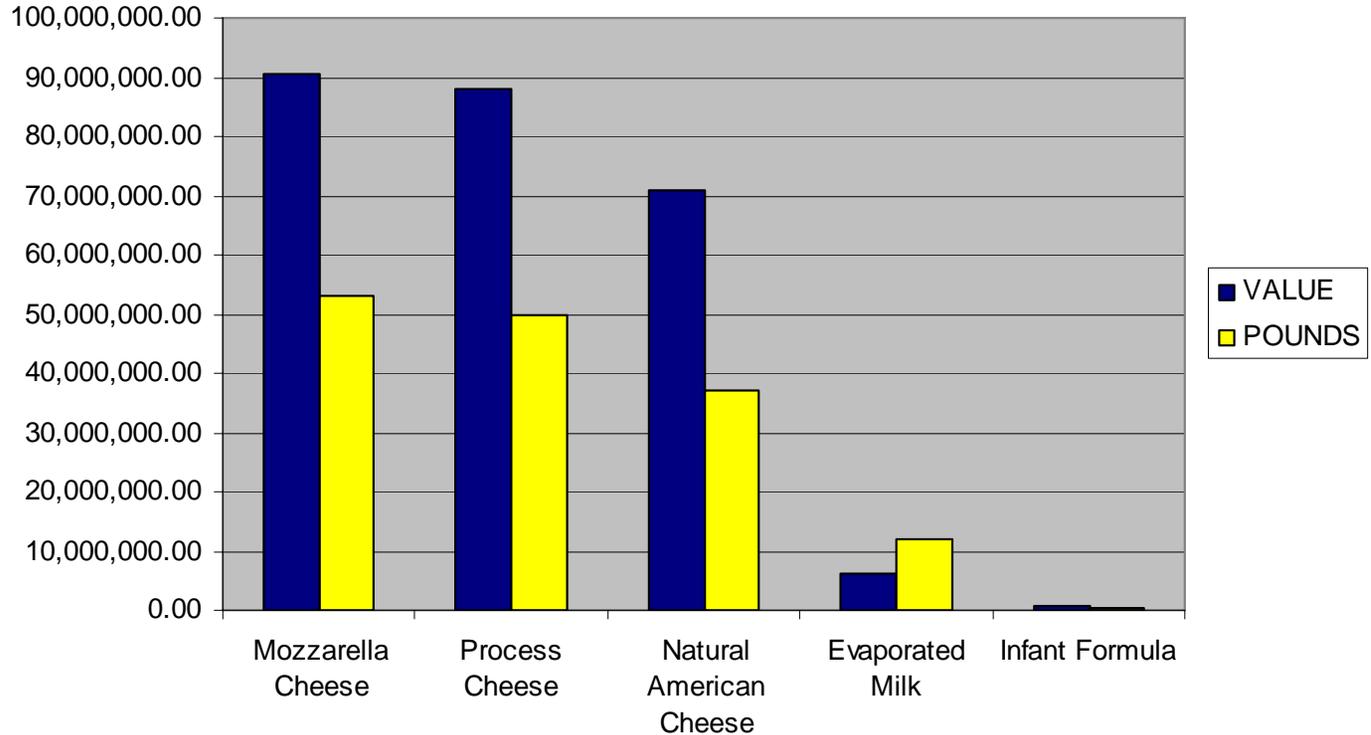
### Principal functions of DMB are to:

- Purchase dairy and dairy-related products in the competitive market to fulfill requirements of USDA domestic feeding programs;
- Purchase dairy products at announced prices to remove surplus milk products from the market as required by the Agricultural Act of 1949, as amended (**Milk Price Support Program**).
- Procure and administer contracts relating to the storage and distribution of multi-food commodities for the Food Distribution Program on Indian Reservations (FDPIR) and the Commodity Supplemental Food Program (CSFP).



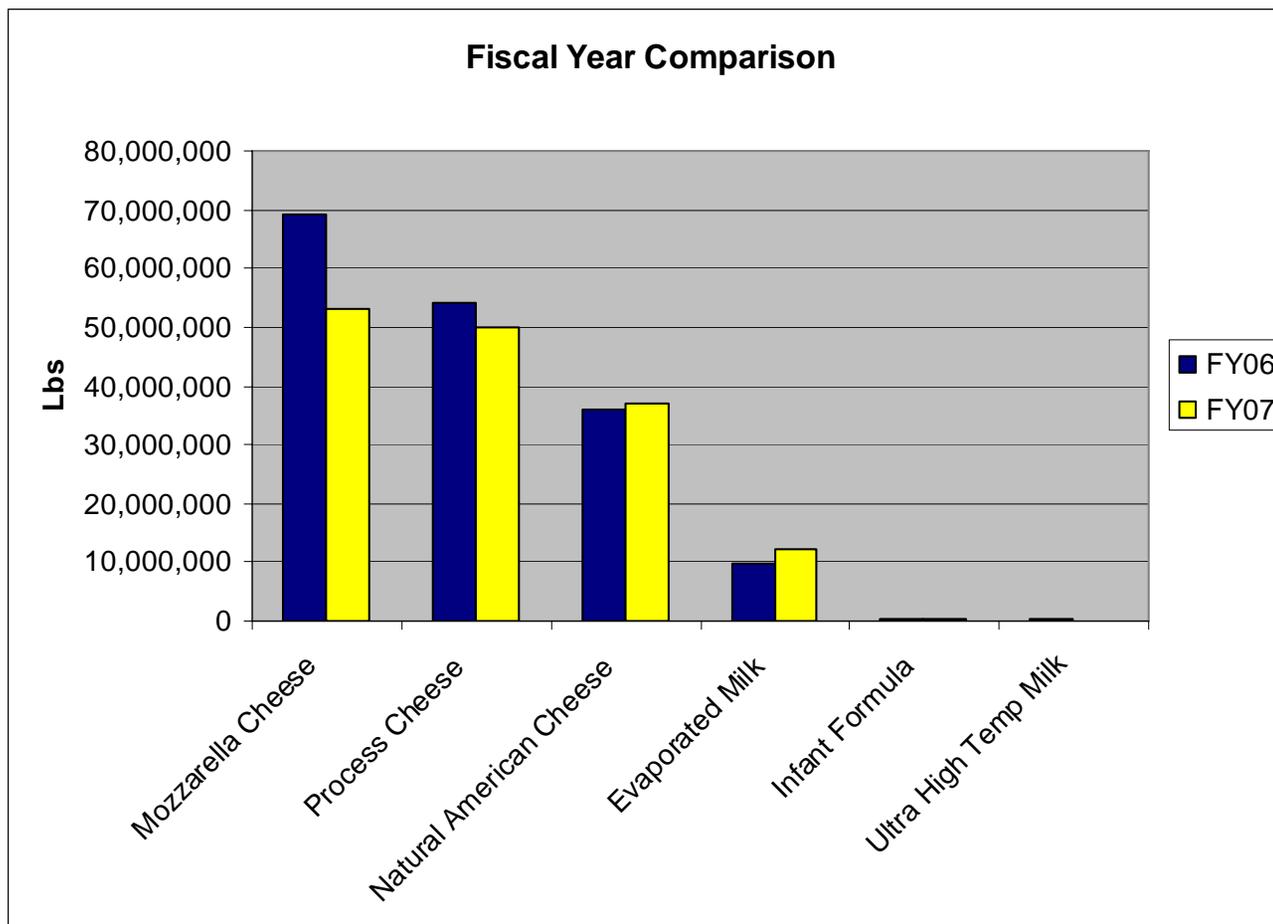
# 2007 Purchase Volume

Dairy Value and Lbs Purchased



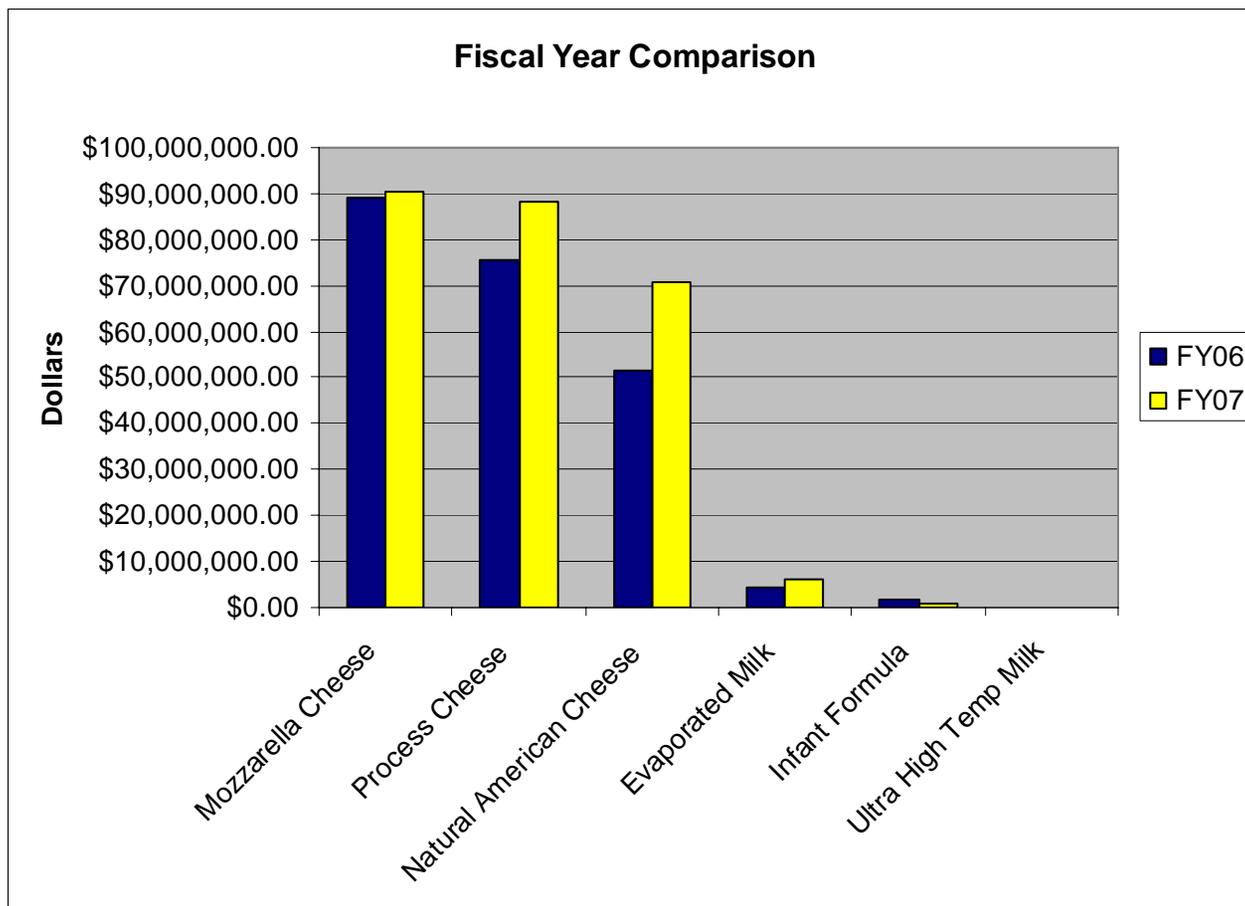


## 2006 & 2007 Fiscal Year Comparison (lbs)





## 2006 & 2007 Fiscal Year Comparison (\$)





# Increase in Prices

	FY07	FY08	Increase
Mozzarella Cheese	1.7005	2.1155	24.40%
Process Cheese	1.7651	2.0911	18.47%
Evaporated Milk	0.5027	0.587	16.77%
Bulk Cheddar	1.9107	2.1457	12.30%



# Changes in Cheese

- Shortfall of mozzarella prompted a review of current cheese procurement strategy
  - Market Conditions
    - Dairy market volatility
      - High Non-fat Dry Milk Prices
    - High Fuel Prices
    - Very Strong Commercial Demand



# Procurement Innovations

- Goal to Increase Vendor Participation
  - Vendor Outreach
    - Pursued many industry leads
    - Access company websites
    - Used industry conference contacts
    - Educating manufacturers about the benefits of Government contracting
- Industry Market Research
  - Feedback
    - **Change to a calendar year procurement cycle**
    - Modify pricing formulas to minimize supplier's market risk



# Altering Procurement Schedule

- Cheese vendors commit capacity to commercial customers in the fall of each year
  - With March ordering, we were just being offered vendors' remaining plant capacities
  - USDA is the 4<sup>th</sup> largest domestic cheese buyer
- Move to calendar year vs. school year
  - States will be asked to input orders accordingly
  - Better market position
  - More vendor participation



# Dairy Market Outlook

- Potential milk production growth of 2% during 2008
  - 2008 block and barrel cheese prices anticipated to decrease
- Possible cheese capacity increases due to indications of plant expansions / new facilities
- However, must watch increasing overseas demand for US dairy products

Sources: USDA Dairy Market News and Cheese Reporter



# National Multi-Food Warehouse Contract - Structure

- Currently 3 Contracts
  - Awarded December 2006
  - Deliveries began March 2007
- Firm-Fixed Price Task Order Contract
- 12 month Base Period plus four 1-year Option Periods, if exercised
- Estimated Total Value: \$52 million



# National Multi-Food Warehouse Contract

- Provides regularly scheduled “Grocery Store” delivery of commodities to:
  - Food Distribution Program on Indian Reservations (FDPIR)
    - Approx. 90,000 participants / month
  - Commodity Supplemental Food Program (CSFP)
    - Approx. 475,000 participants / month
- Occasional deliveries are made for:
  - the Emergency Food Assistance Program (TEFAP)
  - assistance for federally-declared disasters



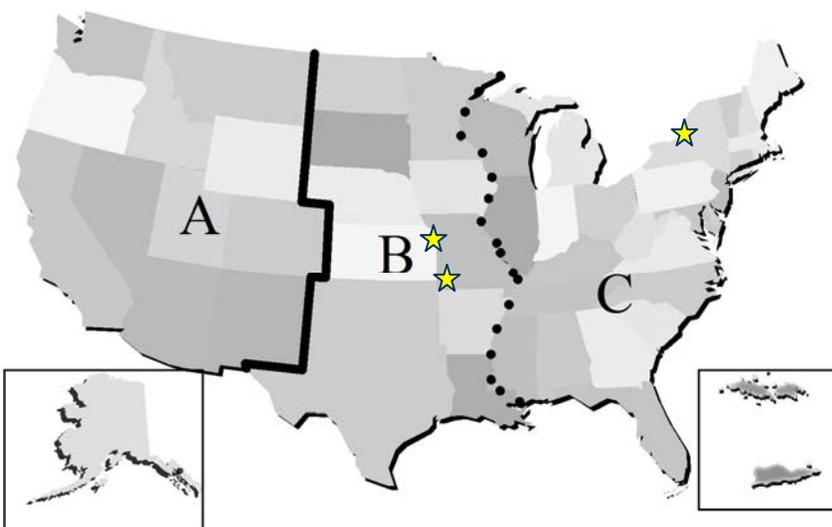
# National Multi-Food Warehouse Contract - Structure

- Contractors:
  - Receive and store commodities purchased by USDA
  - Negotiate year-long delivery schedules
  - Receive orders from ECOS placed by recipient agencies
  - Pick and pack orders
  - Deliver ordered goods
  - Provide invoices & reports based on monthly activity



# National Multi-Food Warehouse Contract

## - 3 Multi-Food Warehouses, Serving FDPIR / CSFP



- **Zone A – Kansas City, MO**
  - Western Region (Including Alaska)
  - Mountain Plains Region
  - Southwest Region
- **Zone B – Carthage, MO**
  - Mountain Plains Region
  - Southwest Region
  - Midwest, Southeast, Mid-Atlantic & Northeast Regions (FDPIR Only)
- **Zone C – Syracuse, NY**
  - Midwest Region
  - Northeast Region
  - Mid-Atlantic Region (Including Virgin Islands)
  - Southeast Region



# National Multi-Food Warehouse Contract

## - 3 Multi-Food Warehouses, Serving FDPIR / CSFP

### •Zone A –

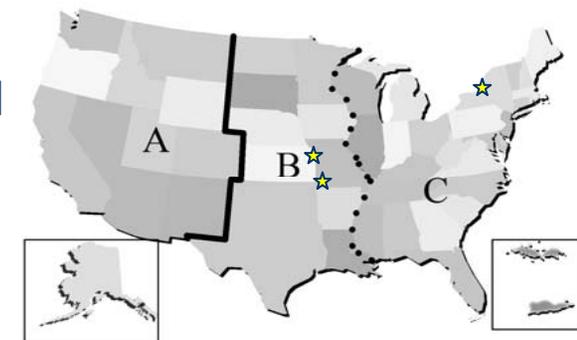
- Approx. 38 million pounds of food delivered annually
- 82 recipient agency sites
- Approx. 100 shipments per month

### •Zone B –

- Approx. 57 million pounds of food delivered annually
- 102 recipient agency sites
- Approx. 150 shipments per month

### •Zone C –

- Approx. 29 million pounds of food delivered annually
- 62 recipient agency sites
- Approx. 50 shipments per month



•Approximate total of Food delivered annually: 124 million pounds



# Contact Information

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# *Questions?*