

ACDA: A non-profit professional trade association devoted to improvement of the U. S. Department of Agriculture (USDA) Commodity Food Distribution Program.

Website link: <http://www.commodityfoods.org/index.php>

Agreement- Donated Food, Processing: A legal document entered into between a processor and USDA FNS, a DA, or eligible RA that provides for the further processing of USDA donated foods. Processing agreements are not viable until the DA approves them prior to the commencement to processing.

Agricultural Marketing Service (AMS): The USDA agency responsible for purchasing surplus-removal items such as meat, poultry, fruits, and vegetables. AMS also provides end product certification that, at a minimum, certifies against non-diversion and non-substitution of donated food. AMS purchases Group A commodities.

Website link: <http://www.ams.usda.gov>

Authorized Signature: Signatures of company individuals responsible for all terms and conditions of the processing agreement. In a sole proprietorship, the owner must sign the agreement; in a partnership, a partner must sign the agreement; in a corporation, a duly authorized corporate officer must sign the agreement. If an employee other than these specified individuals signs the agreement, a power of attorney authorizing the employee's signature must accompany the agreement.

Backhaul: The pick up of a donated food from a State or recipient agency facility for processing and return. There may be an additional charge per pound to pick up the donated food.

Batching: This is a term used when the same kind of non-substitutable donated food is received by the processor from more than one State or locality, and those foods are combined during a production run. This term also describes the quantity of product processed in a cycle by the processor. Batching during production runs that involves direct delivery of product by USDA vendors is generally encouraged due to the benefits gained through increased efficiency during processing, reduced AMS grading costs, and potentially increased yields of finished product. Batching of product from several States may only be done with written concurrence of each State prior to reprocessing.

Bonus Commodity: A food item not charged against entitlement or against a program's appropriated funds. These foods are acquired through the price-support operations of the Commodity Credit Corporation or surplus-removal operations of AMS.

Bulk Pack Chicken and Turkey: Refers to chickens and turkeys that are specifically packed for further processing. Unless specifically required or agreed to by both the supplier and further processor receiving the product, this product will be delivered in a chilled (not frozen) form. Necks and giblets are not included with bulk pack product. Bulk pack turkeys may not be pre-basted.

Buy-Back Parts: Unused poultry parts not incorporated into end products. These remaining parts may be purchased by the processor, who would then credit the value to the DA or RA. Credit may not be given for primal parts such as breast and thighs or breast or thigh meat. Credit or buy-back arrangements between the DA or RA and the processor must be established prior to any processing, documented as part of the agreement, and made available to the grader.

By-Products: Products other than the specified end products produced during processing. If by-products are sold or used by the processor, their net value must be credited to the DA or RA. Processors who do not sell or use any resulting by-products are not required to credit the DA or RA for the value of the by-products. In these instances, a processor arranges for the destruction of the by-product and incurs any costs associated with its destruction. Credit arrangements for by-products between the DA or RA and the processor must be established prior to any processing, documented as part of the agreement, and made available to the grader.

Poultry specific by-products: Typical by-products which result from processing poultry can be chicken broth, inedible bone, fat, skin, and tails. *Note: By-products can also be buy-back parts; see definition above.*

Catch Weights/Random Weights: Catch weight refers to the marked weights on products that, by the nature of their manufactured characteristics, are not packed to a standard weight. On these products, the weight of each container must be individually recorded. Recipient agencies, when releasing raw products with random weights to processors for further processing, should assure that the processor credits the actual net weights received instead of providing figures based on average net weights.

Child Nutrition Labeling Program: A voluntary program administered by the Child Nutrition Division of FNS that evaluates formulations to determine the contribution a serving of a commercially prepared product makes toward the Child Nutrition Program meal pattern requirements. When approved, a label is placed on the end product that states that the product meets USDA specifications and can be credited as a component(s) of the reimbursable meal pattern requirement.

Commingle: To store, combine, or blend commercial food and substitutable donated food together into a single inventory at a processor's plant.

Comminuted Meat: An edible product resulting from the mechanical separation and removal of most skeletal muscle of livestock from the bone or poultry carcasses. Comminuted meat can also be called mechanically deboned meat (MDM).

Commodities: Foods donated or made available for donation to eligible recipient agencies by USDA.

Commodity File: A USDA computer generated print-out that lists the donated food items, pack sizes, the most recent prices per pound, unit gross and net weights, commodity codes, and other information. The November 15 Commodity File is used to determine the appropriate contract value for each donated food for the upcoming agreement year that begins on the following July 1st.

Condemned Meat: Meat or poultry that has been determined by FSIS to be unfit for human food due to adulteration, disease, contamination, or other conditions rendering it unusable for human consumption. Condemned meat or poultry can also refer to product that has fallen on the floor or was improperly handled during production.

Contract Value of Donated Food: The price assigned by USDA to a donated food that reflects USDA's current acquisition price, transportation and, if applicable, processing costs related to the food.

Contracting Agency: The USDA, distributing agency, subdistributing agency, or recipient agency that enters into an agreement with a commercial food processor for the conversion of raw donated food into finished end products.

Delivery Order Number (D/O): A unique number assigned to each shipment of food. Each D/O number is comprised of series of numbers and letters in the following order: an alpha numeric 4 digit commodity code, the 3 digit State Agency number, the order year indicated by a single letter and a sequential 3 digit number to uniquely identify loads. Each delivery order specifies the State, quantity, shipping period, planned usage, and destination of a shipment. Multiple D/Os may be included on a food requisition.

Direct Discount Sale: The selling of a finished end product by a commercial food processor, directly to the distributing agency or the recipient agency. Under this procedure, the processor directly invoices the distributing agency or recipient agency at the commercial price minus the value assigned to the commodities contained in the case as a net case price. The processor must maintain delivery and/or billing invoices to substantiate the quantity of end products delivered and the net price charged per case.

Direct Refund Sale: The selling of a finished end product by a commercial food processor, directly to the recipient agency. Under this value pass-through system, the processor invoices the recipient agency directly for the commercial/gross case price of the end product. The recipient agency must then submit a refund application to the processor. Various methods of submitting the rebate application are acceptable. These include but are not limited to Email requests, using a distributor's velocity report, or the internet.

Direct Shipment: Food ordered by a distributing agency to be shipped directly from the USDA vendor to the processor, rather than shipping it to a distributing agency's or recipient agency's storage facility. Since the normal shipping practice is to ship foods to the distributing agency, this is sometimes called a "diverted shipment," "direct diversion," or "direct delivery."

Distributing Agency (DA or SDA): The agency, usually an agency of State government, which enters into an agreement with FNS for the distribution of donated food to eligible recipient agencies.

Distributor: A commercial food purveyor who purchases, receives and/or stores commercial food products or end product made using commodities. Distributors in turn, may sell, deliver, bill, or any combination of the three, the recipient agency or the distributing agency for the goods and/or services provided.

Diversion: A food shipment that has not been received (still in transit) that is rerouted to another location or State Distributing Agency.

Donated Food: Food donated or available for donation by USDA to eligible recipient agencies. Donated food is also referred to as "commodities." Even though most commodities are purchased with "entitlement dollars", those dollars were provided by law to eligible recipients.

ECOS: Electronic Commodity Ordering System is a federal system for recipients to use their entitlement money to order commodities to be purchased by USDA. The system also allows for recipients to be notified when the commodities that were purchased arrive at the further processor.

End Product: A finished product containing any amount of donated food that has been commercially processed.

End Product Data Schedule: A standard form used to describe the finished end product being produced. Information detailed on this form includes formulation, quantity of donated food needed to produce a specific number of units of end product, packaging and yield information.

Fabrication Procedures: The manufacturing procedures used in making further processed poultry products. For example, when grinding or chopping, the fabrication procedures may include type of equipment used, size of grind, speed of chop, or other procedures that would affect the quality of the finished product.

Farm Service Agency (FSA): The USDA agency responsible for acquiring Group B products such as grain, dairy, peanut, and oil products under price-support activity.

Website link: <http://www.fsa.usda.gov>

Fee-For-Service: The price charged by pound or by case representing a processor's costs of ingredients (other than donated foods), labor, packaging, overhead, and other costs incurred in the conversion of the donated food into the specified end product. Fee-for-service is an alternative to using a standard value pass-through system. It has traditionally been used when processing meat and poultry products or other non-substitutable donated foods.

Food and Nutrition Service (FNS): The USDA agency responsible for administering domestic food assistance programs.

Website link: <http://www.fns.usda.gov>

Food Distribution Division (FDD): The FNS division responsible for administering the donation of commodities to domestic food assistance programs.

Website link: <http://www.fns.usda.gov/fdd/>

Food Safety Inspection Service (FSIS): The USDA agency whose primary mission is to inspect the wholesomeness of meat and poultry products.

Website link: <http://www.fsis.usda.gov/>

Formulation: The quantitative listing of all ingredients contained in an individual end product.

Full Substitution: See substitutable food

Grader: A person licensed as a representative of AMS to examine and certify the production of end products containing USDA donated food.

Gross Price: Under processing, the price paid by the contracting agency before the value of donated food used in the production of the end product is considered.

Guaranteed Minimum Return: The minimum weight or number of finished units of processed product that will be produced and returned using a fixed amount of donated food. This information is obtained from information on the end product data schedule.

Guaranteed Return: A concept in red meat processing where the processor guarantees a fixed number of cases will be produced using a fixed amount of meat. Calculations are based on the pounds needed to produce a case of finished product (Col. 8).

Grader: An AMS employee that monitors production in either a poultry or red meat processing facility that utilizes donated food.

Indirect Discount System: When the processor sells finished product containing commodities to a distributor at a gross price and the distributor sells that product to an eligible recipient agency at the commercial price minus the value assigned to the commodities contained in the case as a net price. Under this system, the distributor must then apply for a refund from the processor for the value of the donated food. This system is also referred to as the "hybrid" system.

Indirect Refund Sale: A value pass-through system under which the processor sells end products containing commodities to a distributor at the commercial/gross price of the end product. The distributor then sells the end product to an eligible recipient agency at the commercial/gross price, plus

delivery costs. The recipient agency then submits a refund application to the processor for the value of the donated food contained in the end product.

Inventory: The accounting of donated food for which a distributing agency, recipient agency, or processor is liable or responsible. In processing, the inventory can include food in physical inventory (on hand), in finished foods, or in book inventory. Processors who choose to deliver finished product before receiving donated food may encounter negative inventory. The processor does this at his own risk as USDA is not required to make the processor whole. See the definition of Perpetual Inventory.

Limited Substitution: A term describing a processor's ability to substitute commercial poultry for USDA purchased poultry with the concurrence of both AMS and FNS. A written plan must be submitted and be approved by both agencies to be able to process poultry product under limited substitution. The limitation pertains to only allowing substitution for bulk poultry and parts. Substitution of backhauled products is prohibited.

MGC-44 (fka/ LS-44), USDA Donated Meat Production Information Form: A red meat grading certificate issued by AMS grading that accompanies the monthly performance report. It indicates the total pounds of donated food put into production and the number of cases and/or pounds of end product produced from that starting weight.

Mechanically Separated Meat (Comminuted Meat): In poultry processing this term generally means the product that results from subjecting poultry frames to a mechanical deboning process where the raw product is finely ground and then by a mechanical separating process the meat is separated from the bone residue. The resulting product is generally used for manufacture of hot dog or bologna type products and, in lesser amounts, is sometimes added to other products such as cooked roll type products, nuggets, patties, etc. It should not be confused with another mechanical separation process being utilized by the poultry industry which yields product that has a somewhat coarser texture. This type of product is generally found to be more acceptable in ground chicken or turkey products or in other cooked products where a firmer texture in the finished product is desired. *Note: Product labeled as ground is generally recognized by the poultry industry and FSIS as being derived from whole bone-in parts with or without skin in natural proportion.*

Manufacturing Yield: The actual yield a processor achieves when converting raw commodities into a finished end product.

Monthly Performance Reports: Reports submitted monthly by the processor to the distributing agency detailing receipts of donated food, sales of finished end products to recipient agencies, and information on the donated food inventory.

Multi-State Food Processor: A processor who has entered into a processing agreement with agencies in more than one State, or a processor who has entered into a processing agreement with an agency that is in a State other than

where the processor's plant or business office is located. If finished product crosses a State line, the processor is considered a multi-state processor.

National Processing Agreement (NPA): A processing agreement between multi-state processors and USDA where USDA approves all EPDS and holds the surety instrument for inventory protection. Used in conjunction with State Participation Agreements signed between the individual State and the processor.

National Monthly Performance Report (NMPR): A report submitted to FNS under the National Processing Agreement that summarizes the individual State monthly performance reports for the purposes of national monitoring of the processor's inventory balances.

Net Case Price: The price of a processed end product paid by the recipient agency after the value of donated food contained in the end product has been deducted from the gross price.

"Net off Invoice" (NOI): A variation of the hybrid sales system that allows a distributor's velocity report to the processor to act as the rebate application. These reports may be transmitted electronically.

Non-substitutable Food: A USDA donated food that cannot be substituted with a commercially purchased product under the terms of a processing agreement.

One Hundred Percent Yield: A requirement that 100 percent of the substitutable donated food given to the processor actually be contained in the finished end product returned to the eligible recipient agency. Any manufacturing losses (the difference between 100% and the manufacturing yield) are to be made up by the processor with commercial foods of domestic origin and equal or better quality than the commodity that was provided. This requirement was established to encourage efficient processing.

Out-Of-Condition: Foods found to be infested, deteriorated, or contaminated as the result of improper storage or latent defects for which the vendor, processor, recipient agency, distributing agency, etc., is responsible.

Perpetual Inventory: A daily accounting record of the receipt and usage of donated food, which is updated with each transaction of receipt or usage. Perpetual inventory tracks on paper the amount of donated food that should be in physical inventory at any given time and is periodically reconciled with physical inventory.

Pre-Plater: A processor who takes commodities or finished end products made from commodities and repackages them as a component of an individual meal for use in school food service.

Primal Cuts/Primal Meat: The meat or product derived from the breast and thigh of chickens and turkeys. Products derived from the breast and thigh (intact meat portions) may not be purchased or credited by the processor under buy-back or credit procedures. **Note:** *Buy-back or credit can only be given for*

carcass parts such as drumsticks, wings, tails, skin, necks, comminuted meat and frames, and giblets (when present). Buy-back arrangements between the distributing agency and processor must be established in writing prior to any product processing.

Processor: Any commercial facility which processes or repackages donated foods. However, commercial enterprises, which handle, prepare and/or serve products or meals containing donated foods on-site solely for the individual recipient agency under contract are exempt under this definition. School food authorities that provide meals to other eligible outlets are exempt from being defined as processors if they provide accountability for the commodities they are given and return any profit from the venture to their own school food service account.

Production Records: Records kept by the processor that document the production of the finished end product. The records show the types and amounts of ingredients used to produce the end product and the amount of end product produced.

Production Run (Red Meat and Poultry): Term used to describe a specified manufacturing period. In most cases, a production run is based on each end product manufactured as stated on an individual MCG-44 for red meat (beef or pork) or an individual grading certificate for poultry. The exception to this practice is when production occurs over two or more days and two or more MCG-44s or grading certificates are generated.

Recipient Agency (RA): Any of the following organizations within a State eligible to receive USDA donated foods: schools (public and private), residential child care institutions, charitable institutions, nutrition programs for the elderly, summer camps, Summer Food Service Program participants, and soup kitchens.

Redonation: Commodity that has been shipped to one State Distributing Agency (SDA), then returned to the custody of USDA, and then given to another SDA.

Refund Application: An application (usually a pre-printed form) completed by a recipient agency or distributor and sent to the processor that certifies the purchase of end products. Receipt of the refund application obligates the processor to refund the contract value of the donated food contained in the end products purchased. This application may be sent electronically.

Refund System: A value pass-through system by which a recipient agency purchases a processor's end products at the commercial price and receives from the processor, by means of a refund application, a payment equivalent to the value of the donated foods contained in the end products. *See the definition of Refund Application, Direct Refund Sale, and Indirect Refund Sale.*

Rework: Wholesome, salvageable product generated during a production run that is not acceptable as the specified product stated on the end product data

schedule. Product such as broken patties or nuggets, or other defects such as missing breading, lumps, and ridges would be classified as rework product. Rework may NOT contribute to the yield achieved during a production run.

Sale: A sale represents the total number of units of a specific end product sold to a recipient agency. The documentation of a sale typically consists of a delivery ticket (showing the recipient agency signed for the particular product) and a billing invoice issued by the processor/distributor that delivered the product. Performance reports are compiled by summarizing the information contained in the sales documents for a specific reporting month. A processor may bill and report a sale each time a delivery takes place or he may choose to bill for product delivered over a specific period of time (i.e., on a monthly basis).

School Year: The school year begins each July 1 of the calendar year and ends June 30 of the following calendar year.

Standard Yield (SY): A concept that originated in poultry processing where the processor guarantees a fixed number of cases will be produced using a fixed amount of commodity. The standard yield is always fixed at a level that requires the processor to add some commercial product to achieve the required yield. Standard yield could be used for other commodities when a processor has significant manufacturing loss in the production of an end product.

State Participation Agreement: An agreement between an individual State and a multi-state processor which defines how the processor may do business in that particular State. Used in conjunction with a National Processing Agreement.

Summary End Product Data Schedule: A compilation of the information that was provided through the submission of individual EPDS's to USDA under a National Processing Agreement. This schedule provides relevant information to recipients regarding case weight, serving sizes, approximate servings per case, and the donated food needed to produce a case of finished product.

Subdistributing Agency: An agency performing one or more distribution functions for a distributing agency other than, or in addition to, functions normally performed by common carriers or warehouse operators. A subdistributing agency may also be a recipient agency.

Substitutable Food: A USDA donated food that may be replaced by a commercially purchased food of domestic origin and of equal or better quality to the donated food provided by USDA.

Surety Instrument: A bond or letter of credit that is provided to USDA or the State to provide protection against a loss of commodities by a processor.

Tare Weight: The weight of the donated food packaging (containers).

Transfer: A giving of commodity by an eligible recipient to another eligible recipient. Transfers between like recipients are approved by the State or States involved and transfers between unlike recipients must be approved by FNS.

Truck Lot: A quantity of food equal to a truck shipment. Generally, a trucklot is equal to approximately 40,000 pounds of donated food and contains between 700 to 1,400 cases of food, depending upon the food item. This quantity can be found in the commodity file.

Value Pass-Through System: A system used to ensure that the full value of the donated food contained in the end product is passed on to the eligible purchasing recipient agency. *See the definitions for Direct Sale, Refund, Indirect Sale, Fee For Service, and Discount System.*

Vegetable Protein Product (VPP or TVP): A product that can be used to satisfy all or part of the meat/meat alternate requirement of the Child Nutrition meal pattern requirements when combined with meat, poultry, or seafood. Vegetable protein products are safe and suitable edible products produced from vegetable (plant) sources, including, but not limited to soybeans, peanuts, wheat, and corn.

Web Based Supply Chain Management: WBSCM is the project that will implement a modern Web Based Supply Chain Management system using Systems, Application, and Products in Data Processing (SAP) commercial off-the-shelf (COTS) enterprise resource planning (ERP) technology. This system will replace ECOS. WBSCM is expected to streamline the procurement, delivery, and management of more than 200 commodities and 4.5 million tons of food through domestic and foreign feeding programs operated throughout the world.