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United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

SUBJECT: Details for Phase-In of National Approval of End Product Data Schedules and National Master Processing Agreements

TO: Commodity Processors

On July 6, 2004, we released policy memorandum FD-030: National Approval of End Product Data Schedules (EPDS) announcing a two year phase-in plan. This document provides detailed guidance and timelines for processors submitting EPDS and the National Master Processing Agreement (NMPA) to the Food Distribution Division (FDD) headquarters office for approval.

The NMPA and national approval of EPDS is available for all **Multi-State Processors** according to the following schedule. A multi-State processor is 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.

We intend to phase-in NMPA and EPDS approval over the next two years, but realize some processors and end products will face specific challenges when determining which year to submit the NMPA and EPDS. Our goal is to make NMPA available to all multi-State processors that submit their EPDS to FDD for national approval.

EPDS Approval Schedule

School Year 2005-2006

FDD approval of all EPDS utilizing fruit, vegetable, cheese, nonfat dry milk, and eggs. AMS Poultry will approve all poultry product EPDS.

School Year 2006-2007

FDD approval of all other EPDS utilizing other "Group B" commodities (i.e. grain, peanut and oil). AMS Livestock will approve all red meat EPDS.

Processors should examine EPDS and historical inventories to determine the primary commodity (largest volume) received for processing into end products and submit NMPA and EPDS during that year. Here are a few examples:

- Pizza
Processors can often accept multiple commodities for processing, such as cheese, flour, oil, and tomato paste. If the processor determines that cheese is the primary commodity received for processing, then NMPA and EPDS should be submitted in for school year 2005-2006 approval, and may include flour and oil as optional donated foods for processing.

- Cheeseburgers
Processors can accept both commodity beef and cheese for conversion into an individually wrapped, pre-cooked cheese burger. In this case, beef will likely be the primary commodity received and should be submitted for approval school year 2006-2007.
- Nonfat Dry Milk (NDM)
FDD will continue to approve all EPDS for single-State and multi-State NDM processors of NDM even if NDM is not the primary commodity received for processing. All multi-State processors utilizing NDM may submit NMPA for schools year 2005-2006. However, processors need to consider the fact that USDA is not currently purchasing NDM under price support operations. There is always a chance that NDM will not be available for processing as a “bonus” commodity in school year 2005-2006.

Processors utilizing both commodity cheese and cheese made from NDM under Policy Memoranda FD-001 are encouraged to submit both commodities on one EPDS.

EPDS with multiple donated foods will be reviewed and approved in their entirety even if one or more donated foods listed on the EPDS is not scheduled for national approval of the EPDS until the following year. The pizza example used above is a good illustration. All of the commodities listed on the EPDS will be reviewed and approved, not just those foods scheduled for that particular school year. Tips for EPDS submission are attached.

The new American Commodity Distribution Association’s (ACDA) prototype EPDS form appropriate for the commodity ingredient and end product should be used. ACDA has updated the schedules and created Summary End Product Data Schedules to accommodate national or State approval of EPDS as appropriate. (See the ACDA web page at: <http://www.commodityfoods.org>)

After the new contract value is published November 16, complete the Summary End Product Data Schedule (SEPDS). The ACDA web page has detailed instructions. The majority of EPDS data will be summarized on SEPDS A. Only processing of meat and poultry under Guaranteed Minimum Return should be reported on SEPDS B.

While FDD will approve any EPDS submitted in the correct format, the SEPDS allows States the option to approve or disapprove specific end products and specific donated foods for processing in their particular State. FDD is not reviewing or approving EPDS for nutritional contribution or meal pattern requirements.

Confidentiality

We take processor concerns about confidentiality and proprietary information on the EPDS as well as product formulation discussions with FDD staff very seriously. EPDS and SEPDS are **not** subject to Freedom of Information Act (FOIA) requests. Once approved, FDD will maintain a file copy of the EPDS and the originals will be returned to the processor. EPDS are approved permanently unless the formulation changes, the processor discontinues the product, or a processor is advised to update an EPDS based on CPA Audit results.

Summary EPDS

Processors will no longer need to submit copies of nationally approved EPDS to State agencies. In place of the EPDS, processors will submit Summary End Product Data Schedules (SEPDS), which are a compilation or summary of all relevant information from the EPDS for recipient agencies to effectively order commodities for processing and State agencies to monitor and oversee the program.

ACDA has developed two SEPDS. “SEPDS A” is to be used for the majority of processors utilizing substitution which requires 100% Yield, Guaranteed Return Option for meat, or Standard Yield. “SEPDS B” is used for meat and poultry products produced under Guaranteed Minimum Return.

Formulation changes or new products added after the initial SEPDS approval should be submitted on a separate SEPDS.

If a processor does not yet have an electronic signature, then both a signed hard copy of the SEPDS and an electronic copy of the SEPDS must be submitted for approval. States may request electronic copies of the SEPDS to facilitate timely and efficient preparation of end product catalogues for recipient agencies.

USDA will return approved SEPDS to processors. Processors will have the option of customizing SEPDS for individual States if desired. For example, if a State requires CN labels, the processor can choose not to display the rows containing data on products that do not meet the requirements, or are not available for distribution in that State. FDD plans to post the “master SEPDS” in the State side of ECOS, so that States can verify information on the SEPDS if necessary.

Pricing

USDA concurs with the ACDA Processing Committee decision to remove all pricing information from the EPDS and not to include pricing information of the SEPDS. Processors are no longer required to provide pricing information or a case price not using donated foods (i.e. a maximum commercial case price) or fee-for-service pricing. The SEPDS includes the contract value of donated food and total value per case.

Providing pricing information has misled many recipients into believing that the State had sought competitive pricing in compliance with procurement regulations. In reality, the processing agreement and instructions state that the price represented the maximum amount a processor would charge. If requested by a State, a processor shall provide pricing information summaries and an explanation of what the pricing information represents.

No procurement or bidding of processed end products occurs at the federal level with the NMPA. No pricing information other than the value of donated food contained in a finished case which is used for rebates and discounts is to be contained on the SEPDS. State and recipient agencies continue to be responsible for competitive purchase of commodity processed products or processing services.

National Master Processing Agreements

USDA will enter into a NMPA with any processor that has nationally approved EPDS. The new National Master Processing Agreement and complementary State Participation Agreement (SPA) will be available on the FDD web page on November 1, 2004. The SPA is a two page document that conveys State specific information to processors with approved NMPA. FDD will post a list of all processors with approved NMPA and approved methods of value-pass-through on the FDD website.

USDA is attempting to accommodate State needs while providing standardization and ease for processors. States will be encouraged to download the prototype SPA and customize it to their individual requirements such as CN labeling, nutritional information, donated food ordering procedures, or limitations on value-pass-through. Once completed, the State should provide the SPA to processors with NMPA. Processors will complete their portion of the SPA and return the document along with the customized SEPDS to the State agency.

Once the State receives the SEPDS, the State will approve or disapprove specific processed end products available from the processor, sign the SEPDS, and return a copy to the processor. State may still require processors to submit proof of marketability or other documentation before ordering donated foods for the processor.

Processors are still required to send monthly performance reports to State agencies in the State's desired format. A national summary monthly performance report, inventory per State, must be submitted to FDD HQ, preferably in electronic format.

Inventory Protection

Surety bonds, escrow accounts, or letters-of-credit must be received by FDD no later than **May 31**. FDD will establish a policy to explain the bonding process and will instruct processors on the appropriate amount of inventory protection.

A list of approved bonding companies can be found in Treasury Department Circular 570 at <http://www.fms.treas.gov/c570/c570.html>. Please be sure that your bonding company is licensed in all 50 States and the District of Columbia.

Timeline and Flow for NMPA and EPDS

Mid-October:

EPDS and SEPDS templates and instructions will be available on ACDA's web page (<http://www.commodityfoods.org>).

NMPA Participant Roles and Responsibilities will be available on FDD's web page (<http://www.fns.usda.gov/fdd/programs/national/default.htm>).

Multi-state processors with products eligible for National approval of EPDS may begin submitting EPDS to USDA as soon as possible. USDA will review EPDS on a first-in first-out basis and will make every effort possible to provide timely turnaround.

November 1:

National Master Processing Agreement will be available on FDD's web page (<http://www.fns.usda.gov/fdd/programs/national/default.htm>). Multi-state processors with products eligible for national approval of EPDS may complete and submit the NMPA to USDA as soon as possible.

The State Participation Agreement will be available on ACDA's web page (<http://www.commodityfoods.org>). States are encouraged to download the SPA and to customize it to their needs and make available to processors requesting it or on line.

November 8:

USDA will also be providing written policies explaining 1) the bonding process and responsibilities in relation to NMPA and States and 2) USDA concurrence with the elimination of pricing on EPDS and SEPDS.

November 16:

USDA will publish the Nov. 15 price file and cheese prices. Processors with products eligible for National Approval of EPDS may complete the SEPDS with the contract value and commodity value per case and submit to USDA for approval. USDA will compare the SEPDS with the submitted EDPS and return to processor for distribution to State agencies.

December / Ongoing:

USDA plans to have a list of all processors with approved NMPA, method of value-pass-through and donated foods processed on the FDD website. USDA also plans to have all approved SEPDS available for State access on ECOS so that, if necessary, States may verify the accuracy of the SEPDS provided by processors. If the information is not available in ECOS, States may request the master file copy from USDA. These listings will be updated on a regular basis as additional processors are approved for the NMPA.

Spring 2005:

States may order commodities for direct shipment to processors if the processor has a signed NMPA and a SPA with the State. USDA will set the bond amount and request processors submit bond no later than **May 31**. Orders will be cancelled at the latest possible time if USDA does not receive the bond.

Addresses and Contact Information

Due to security concerns with mail sent to government agencies, we prefer that EPDS and SEPDS be submitted electronically in Microsoft Excel with a signature or as a PDF file. However, mailed and facsimile submissions are also acceptable.

- All poultry EPDS and SEPDS should be directed to:
Richard Lawson – Richard.Lawson@usda.gov
Phone: (202) 720-4411
Fax: (202) 690-3165
- All other EPDS, SEPDS, and the NMPA should be directed to:
NMPA@fns.usda.gov
Phone: (703) 305-2644
Fax: (703) 305-2420

Mailing address, including overnight mail, for FDD and AMS Poultry Division:

Sherry Thackeray
USDA – FNS – FDD
3101 Park Center Drive
Room 512
Alexandria, Virginia 22302

We appreciate your patience as we work to phase-in NMPA and EPDS approval. Implementing these changes will result in program efficiencies and paperwork reduction for everyone involved in the commodity processing program. Please do not hesitate to contact my staff if any questions should arise concerning. Questions or comments should be directed to David Brothers at (703)305-2668, David.Brothers@fns.usda.gov, or Sherry Thackeray (703)305-2652, Sherry.Thackeray@fns.usda.gov.



Cathie McCullough
Director
Food Distribution Division

Attachment

Attachment

EPDS Submission Tips

Based on our experience approving NDM EPDS and the NMPA demonstration program, we have recommendations that will make the approval process flow more smoothly:

- Processors new to the school programs should read the State Processing Program Handbook to gain an understanding of general program operations. It can be found on FDD's website at:
<http://www.fns.usda.gov/fdd/programs/state/state-handbk.pdf>.
- Please contact your internal information technology staff if you require assistance with the EPDS spreadsheet developed by ACDA in Microsoft Excel. FDD staff will not be available to discuss or answer questions concerning use of computer software.
- EPDS should be based on actual production, not theory.
- Read the instructions for completing EPDS.
- Calculate number of cases per batch correctly. Manufacturing losses must be taken into account when determining the number of finished cases per batch. Do not simply divide total batch by the net weight per case in column 2. Otherwise, the processor may not be putting enough food into production attain the net weight of donated food component shown in Column 4.
- List all ingredients used for a batch formulation and the weight of each ingredient. Listing ingredients other than the donated food as "Other" is no longer an acceptable practice. EPDS contain proprietary information and will not be circulated. The term "other" should only be used to describe those ingredients that are a minimal portion of the total batch, such as flavors or seasonings.
- Accurately state the percent yield for each end product. There are very few, if any, manufacturing processes that do not encounter some production loss. If EPDS are submitted showing no manufacturing loss, processors are required to provide documentation as evidence of such claim.
- If the end product has a CN label, the information on the EPDS should match the CN label. For example, the number of servings per case should be the same as shown on CN Label even though electronic workbooks may round to a different number.
- Use decimal place rounding consistently. ACDA EPDS instructions recommend two decimal places. NDM calculations often require additional

decimal places to eliminate rounding errors. The value of the donated food is always shown with four decimal places.

- Use the correct commodity file price for the value of donated food when completing the SEPDS. EPDS approval for SY 2005-2006 will begin before the commodity file is available on the FDD website on November 16th.
- While most spreadsheet programs are fairly accurate, they are only as good as the data used. Please double check the calculations with a calculator.
- Submit the completed subcontractor agreement and signed subcontractor EPDS with the approval package.