



Food Distribution National Policy Memorandum

United States
Department of
Agriculture

DATE: NOV 20 2012

POLICY NO.: FD-049: Processing (Revised)

Food and
Nutrition
Service

SUBJECT: Substitution and Valuation of USDA Cheese

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In November 2005, the Food and Nutrition Service (FNS) issued Policy Memorandum FD-049 to assist school food authorities (SFAs) in providing healthier options and a wider variety of cheese products for students. The policy memorandum permits processors to substitute cheese donated by the Department of Agriculture (i.e., USDA cheese) with other varieties of cheese produced for the commercial market. The policy memorandum also allows processors to commingle USDA cheese varieties eligible for substitution into a single book inventory for each State agency, and establishes a single value for all such varieties, based on the 33-month average price for cheese from the Chicago Mercantile Exchange.

In this revised Policy Memorandum FD-049, FNS will continue to provide the substitution option for certain varieties of USDA cheese, with some clarification. However, FNS will now assign separate values for USDA cheese varieties each school year, in an effort to align the USDA-established value with the actual purchase price for the cheese. The assigned values will be published by FNS for each school year. Because each variety of cheese will have a different pass-through-value, processors may no longer inventory them together for reporting purposes.

Processors may substitute the USDA cheese varieties listed in the table below with any other varieties of cheese of domestic origin. Processors must specify one primary cheese material number or code for each end item they produce. Processors may not substitute other varieties of USDA cheese.

<u>Material Number</u>	<u>Material Description</u>
100005/110253 (B071)	CHEESE CHED WHT BLOCK-40 LB
100007/110254 (B072)	CHEESE CHED YEL BLOCK-40 LB
100010/110242 (B049)	CHEESE NATURAL AMER FBD BARREL-500 LB
100042/110244 (B077)	CHEESEMOZ LM PART SKIM UNFRZ PROCESSOR PK
110139/110243	CHEESE MOZ LITE UNFRZ PROCESSOR PK

Processors may not, under any circumstances, substitute cheese that is "cheese food," "cheese spread," "artificial," "alternate," "analog," "imitation," "replacement," "substitute," or the like for USDA cheese. Additionally, processors may not substitute for any backhauled cheese or commingle backhauled cheese and other cheese.

Except for the "specialty" cheeses indicated in the bullets below, processors may substitute any variety of cheese, full fat, reduced fat, low-fat, or fat-free, that is of domestic origin on a pound-for-pound basis for bulk USDA cheese and draw down against an SFA's USDA cheese inventory. For example, a processor may substitute one pound of commercial Reduced Fat Pepper Jack cheese for one pound of USDA 100010/110242 Natural American Barrel.

"Specialty" cheeses indicated below may be substituted for the USDA cheese varieties in the above table in accordance with the designated substitution rates.

- Gruyere, Parmesan, Romano, and Skim cheeses may be substituted for USDA cheese at the rate of 0.75 pounds of the substitute cheese for each pound of USDA cheese.
- Asiago, Blue, Gorgonzola, and Roquefort cheeses may be substituted for USDA cheese at the rate of 1.25 pounds of the substitute cheese for each pound of USDA cheese.
- Brie and Camembert cheese may be substituted for USDA cheese at the rate of 1.50 pounds of the substitute cheese for each pound of USDA cheese.
- Feta and Ricotta cheese may be substituted for USDA cheese at the rate of 1.75 pounds of the substitute cheese for each pound of USDA cheese.

Processors should use end product data schedule 4 (EPDS 4) for end product formulations utilizing cheese substitution. Multi-State processors must submit EPDS to FNS for approval prior to any substitution under this policy. All substitute cheeses are subject to the 100% Yield requirement. Value-pass-through must occur at the price for cheese published by FNS for the specific school year.

Please contact Sherry Thackeray at (703) 305-2652 or Michelle Bukowczyk at (703) 605-0499 with questions on substitution of USDA cheese, EPDS, or other aspects of this policy memorandum.



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