USDA Food Distribution National Policy Memorandum

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

DATE: OCT 11 2012

POLICY NO.: FD-125: National School Lunch Program (NSLP)

SUBJECT: Offering School Food Authorities the Required Value and Variety of USDA Foods, and Efficient and Cost-Effective Distribution

The purpose of this policy memorandum is to provide direction and guidance to State distributing agencies (SDAs) in order to ensure compliance with legislative and regulatory requirements, and to make certain that all school food authorities (SFAs) receive their planned assistance level and maximize their use of USDA Foods to meet the nutrition standards in the National School Lunch Program (NSLP). In accordance with Section 6(c) of the Richard B. Russell National School Lunch Act and 7 CFR 250.58(b), the SDA must offer to each SFA participating in NSLP, at a minimum, the "commodity offer value" of USDA Foods. The commodity offer value is equal to the national per-meal value of USDA Food assistance (as published in the Federal Register in July of each school year) multiplied by the number of reimbursable lunches served by the SFA in the previous school year.

In meeting this requirement, the SDA must offer to SFAs, to the extent practical, the full variety of USDA Foods that the Department of Agriculture (USDA) makes available in NSLP. In accordance with 7 CFR 250.14(a), the SDA must use the most efficient and cost-effective distribution system for providing USDA Foods to SFAs.

Request-Driven Ordering of USDA Foods

The SDA must use a request-driven ordering system that permits SFAs to receive, to the extent practical, those USDA Foods that may be used to best advantage in their school food service. Such a request-driven ordering system must include the following elements:

Solicitation of SFA input. In accordance with 7 CFR 250.58(a), the SDA must ensure that **all** SFAs have the opportunity to provide input at least annually in determining the USDA Foods from the full list that are made available to them for ordering. However, it is highly recommended that the SDA seek input from SFAs periodically throughout the school year. States should not rely exclusively on historical ordering trends, or input from an advisory committee, to determine school preferences.

Although not every food on the USDA Foods Available List must be made available for ordering, the SDA must ensure that, based on input received from SFAs, the types and forms of USDA Foods preferred by SFAs are made available.

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Submitting orders throughout the school year. The SDA must permit SFAs to submit orders periodically throughout the school year, as USDA Foods become available, to the extent that entitlements allow.

In accordance with Section 6(e) of the Richard B. Russell National School Lunch Act, at least 12 percent of the total cash reimbursements and USDA Food assistance provided in NSLP in a school year must be provided as USDA Foods. In order to comply with this legislative provision, in some years USDA must make additional food purchases in the latter portion of the school year and increase State entitlement levels established in accordance with Section 6(c) of the Richard B. Russell National School Lunch Act.

Limiting ordering to once a year (e.g., prior to the beginning of the school year or early in the school year) would make those USDA Foods that are purchased and delivered later in the school year unavailable to SFAs, and may prevent SFAs from receiving the full commodity offer value or planned assistance level of USDA Foods.

Availability of bulk USDA Foods for processing. In offering the full variety of USDA Foods to SFAs, to the extent practical, the SDA should include bulk USDA Foods among those made available for ordering, and permit such foods to be delivered to a processor for processing into end products, in accordance with the requirements in 7 CFR 250.30. The SDA should enter into agreements with processors, and approve summary end product data schedules, as applicable, that will permit SFAs to receive desired end products. In relation to such agreements, the SDA must inform SFAs of processing options available to them at least annually, consistent with 7 CFR 250.24(g). The SDA should also facilitate SFA procurement of end products in the easiest manner possible, subject to Federal procurement requirements, including procurement through commercial distributors, and should permit all available options in value pass-through for USDA Foods. Further guidance in procurement of end products through commercial distributors and value pass-through is provided in Policy Memoranda FD-007 and FD-119.

Efficient and Cost-Effective Distribution of USDA Foods

In order to ensure that USDA Foods are distributed to SFAs in the most efficient and cost-effective manner, the SDA must take the following actions:

Direct shipments. The SDA must arrange for direct shipments of USDA Foods to SFAs to the extent practical, as direct shipments are generally more efficient and cost-effective for SFAs.

Split shipments. In arranging for direct shipments, the SDA must provide for split shipments between SFAs if individual SFA orders do not constitute a full truckload. As indicated in 7 CFR 250.58(a), the SDA may not prohibit the use of split shipments in determining the cost-effectiveness of distribution of USDA Foods. Split shipments

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should be coordinated with another SDA, as feasible, if they cannot be arranged between two or more SFAs within the State. As many as three delivery stops can be made on each split shipment. As a general guideline, the minimum split drop-off is ¼ truck.

Collective receipt and storage. SFAs often perform activities collectively (such as in a school co-op or consortium), in the interest of efficiency and economy. Such activities may include ordering, receipting for shipments, and storage of USDA Foods. The SDA should, to the extent feasible, facilitate the performance of activities relating to USDA Foods by two or more SFAs in a collective manner. This may be especially helpful to small SFAs, including charter schools or residential child care institutions, which may have limited storage capacity, or may lack kitchens for meal preparation. Further information on SFA performance of USDA Foods activities as a collective unit may be found in Policy Memorandum FD-067.

USDA Foods and the Nutrition Standards in NSLP

In accordance with the final rule published in the Federal Register on January 26, 2012 (77 FR 4088), "Nutrition Standards in the National School Lunch and School Breakfast Programs", SFAs must make more fruits, vegetables, and whole grains available, and meet other revised nutrition standards, in the school meals. USDA Foods play an important role in helping SFAs to meet the nutritional standards for school lunches and to moderate the cost of providing such meals. USDA Foods available for use in NSLP include a wide variety of fruits, vegetables, and whole-grain, low-fat, and low-sodium foods. In order to ensure that SFAs can use USDA Foods most effectively, SDAs must, in accordance with the guidance provided in this policy memorandum, be sure to:

- Offer the commodity offer value to SFAs;
- Use a request-driven ordering system that provides for SFA input (frequent input is highly recommended) and periodic submission of orders throughout the school year; and
- Ensure that USDA Foods are provided to SFAs in the most efficient and cost-effective manner, utilizing, to the extent practical, direct shipments (including split shipments) to SFAs or processors.

The Food and Nutrition Service (FNS) is committed to providing SDAs with technical assistance, as necessary, in implementing this policy guidance, and in ensuring compliance with program legislation and regulations. SDAs should work with FNS Regional Offices (FNSROs) if such assistance is needed, and FNSROs will involve FNS Headquarters (FNSHQ) as appropriate.

Technical assistance requests, including requests for assistance in the placement of orders and arranging for shipments of USDA Foods in the Web-Based Supply Chain

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Management System, should be directed to the appropriate FNSHQ Program Specialist assigned to manage specific food groups. We also encourage input from SDAs and SFAs in achieving our common goal of utilizing USDA Foods to best advantage in NSLP, and in other child nutrition programs. Further input may be provided to Peggy Cantfil at Peggy.Cantfil@fns.usda.gov.

Laura Castro
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