Food Distribution
National Policy Memorandum

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

DATE: OCT 17 2011

POLICY NO.: FD-061: State Processing

SUBJECT: Inbound Cheese to Further Processors (Revised)

On July 1, 2006, the Food and Nutrition Service (FNS) implemented Policy Memorandum FD-061: Inbound Cheese to Further Processors, in order to alleviate the administrative burden on processors and State distributing agencies (SDA) in continually reallocating pounds to individual recipient agencies (RAs) based on the variation between the published target truck weight and the actual pounds delivered by the USDA vendor. Any pounds in excess of the target truck weight were placed in a USDA holding account to be used when trucks were delivered short weight. This process, which was called the "perfect load" concept for bulk cheese, ensured that State inventories were always credited at a fixed weight.

The implementation of USDA's new Web-based Supply Chain Management (WBSCM) ordering, procurement, and financial management system has changed the way USDA pays for purchases. Prior to WBSCM implementation, cheese suppliers could deliver trucks +/- 5% of the target weight stated in the specification and USDA would pay the vendor for the weight actually delivered. However, under the new WBSCM system, USDA does not have the ability to pay vendors for deliveries exceeding the purchase order target weight. Vendors can still deliver up to 5% short of the purchase order target pounds and meet the contracted specification, but they will not be paid for any pounds in excess of the purchase order target weight. Accordingly, all bulk weight cheese trucks are being delivered well short of the purchase order target weight. Processors must record the actual weight received for each State for all shipments received after July 1, 2011. SDAs must provide guidance to each processor on their policies and procedures for allocating actual pounds received to individual RAs. Processors that have not already reallocated the pounds in their USDA holding account shall not distribute any pounds until directed to do so by FNS.

FNS, in coordination with the Kansas City Commodity Office (KCCO), has developed a plan to permit a return to the "perfect load" concept for bulk cheese under WBSCM. However, it will take some time to fully implement this plan. Accordingly, the following procedures will apply with respect to the purchase and delivery of bulk cheese (please note that contracts for bulk cheese purchases are on a calendar year cycle):

- The remainder of calendar year 2011 cheese deliveries can be up to 5% short of the purchase order target weight.

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

- KCCO amended the calendar year 2012 cheese solicitation for existing bulk cheese material numbers to reduce the allowable pounds short to 2% of the purchase order target weight. All of the trucks will still be coming in short weight, but will be closer to the purchase order target weight.

- In calendar year 2013, we will have new material numbers for bulk cheese with a new purchase order truck weight that is 2% over the original (current year and calendar year 2012) truck weight. This will allow KCCO to pay for shipments that are +/- 2% of the processor target weight. At that time, the "perfect load" concept will be reinstated.

This policy memorandum revises the original FD-061. We understand the administrative burden that this places on all parties involved in further processing USDA Foods, and appreciate your cooperation while we work through this change. If you have any questions, please contact Sherry Thackeray at (703) 305-2652 or David Brothers at (703) 305-2668.

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