

## USDA FOODS GLOSSARY OF TERMS

**AGREEMENT – USDA FOODS, PROCESSING:** A legal document entered into between a processor and a distributing agency or eligible recipient agency that provides for the further processing of USDA Foods. Processing agreements are not viable until the distributing agency approves them prior to the commencement of processing. A processing agreement is also referred to as a processing contract.

**AGRICULTURE 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 USDA Foods.

**ALLOCATION:** The method of notifying FNS Regional Offices and distributing agencies of the amounts of USDA Foods purchased for eligible recipient agencies and the shipping periods for these USDA Foods.

**BACKHAUL:** The pick-up of USDA Foods from the DPI or recipient agency for processing and return. There may be an additional charge per pound to pick up the USDA Foods. In the state of Wisconsin, backhauling of USDA Foods is not allowed.

**BROWN BOX USDA FOODS:** Product that is received in the same form in which it was ordered from USDA. For example, frozen corn, canned peaches, diced chicken and turkey ham are processed at the USDA level and they are ordered and shipped from USDA in this form. These are all "brown-box" USDA Foods.

**BY PRODUCTS:** Products other than the specified end products produced during processing. If by-products are sold or used by the processor, their value must be credited to the distributing agency or the recipient agency. Credit arrangements for by-products between the distributing agency or the recipient agency and the processor must be established prior to any processing, documented as part of the agreement, and made available to the grader.

**CHILD NUTRITION (CN) LABELING PROGRAM:** A voluntary program administered by AMS 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.

**CHILD NUTRITION PROGRAMS:** Refers collectively to the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program for Children, and the Child and Adult Care Food Program.

**COMMINGLE:** To store, combine, or blend commercial food and substitutable USDA Foods together into a single inventory at a processor's plant.

**COMMINUTED MEAT:** An edible product resulting from the mechanical separation and removal of most of the bone from attached skeletal muscle of livestock or poultry carcasses. Comminuted meat can also be called mechanically de-boned meat (MDM).

**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.

**CONSIGNEE:** The DPI, recipient agency, commercial warehouse, etc., that physically accepts delivery of the foods by railroad car, truck, or tractor trailer shipment. A receipt is signed to verify the acceptance of a food shipment, the quantity, and the condition in which it was received.

**CONTRACT VALUE OF USDA FOOD:** The price assigned by USDA to a food that reflects USDA's current acquisition price, transportation and, if applicable, processing costs related to the food.

**DAMAGED FOODS:** Foods found to be infested, deteriorated, or contaminated as the result of improper storage or latent defects for which the vendor, processor, recipient agency, DPI, etc., is responsible.

**DEPARTMENT OF PUBLIC INSTRUCTION (DPI):** In Wisconsin, the agency of State government which enters into an agreement with FNS for the distribution of USDA Foods to eligible recipient agencies.

**DETENTION CHARGE:** A penalty charge assessed by motor carriers or piggyback companies for detaining equipment beyond a specified free time. Mechanical detention occurs when rail cars are detained beyond a specified free time.

**DIRECT DIVERSION:** Bulk USDA Foods that are ordered by DPI, on behalf of recipient agencies, to be shipped directly from a USDA vendor to a processor. These bulk USDA Foods are further processed into end products according to each recipient agency's request. The recipient agencies are responsible for negotiating the delivery schedule with the processor and the distributor of their choice.

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

**DISTRIBUTING AGENCY:** The agency, usually an agency of State government, which enters into an agreement with FNS for the distribution of USDA Foods to eligible recipient agencies.

**DISTRIBUTION CHARGES:** DPI charges to recipient agencies for costs related to intra-State storage and distribution of USDA Foods.

**DISTRIBUTOR:** A commercial food purveyor who purchases, receives and/or stores commercial food products. Distributors in turn, sell, deliver, and bill the recipient agency or the DPI 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 DPI.

**DoD:** Department of Defense.

**END PRODUCT:** A finished product containing any amount of USDA Foods that have been commercially processed.

**ENTITLEMENT:** A dollar value of USDA Foods assistance, or cash-in-lieu of USDA Foods, which is required by law to be provided to the Child Nutrition Programs.

**ENTITLEMENT FOODS:** Values of USDA Foods that are “charged” against the DPI’s or recipient agency’s level of USDA Foods assistance.

**FAIR SHARE:** A proportional quantity of available USDA Foods. Distributing agencies are offered a fair share of the total amount of a given food item that is calculated based on a DPI’s percentage of the national entitlement. Distributing agencies use a similar basis for allocating USDA Foods to eligible recipient agencies.

**FSA: FARM SERVICE AGENCY:** The USDA agency responsible for acquiring products such as grain, dairy, peanut, and oil products under price-support activity.

**FEE-FOR-SERVICE:** The price charged by pound or by case representing a processor’s costs of ingredients (other than USDA Foods), labor, packaging, overhead, and other costs incurred in the conversion of the USDA Foods into the specified end product. Fee-for-service is an alternative to using a value pass-through system. It primarily applies to meat and poultry products or other non-substitutable USDA Foods.

**FISCAL YEAR:** The Fiscal Year is always October 1 thru September 30.

**FOOD AND NUTRITION SERVICE (FNS):** The USDA agency responsible for administering domestic food assistance programs.

**FOOD DISTRIBUTION DIVISION (FDD):** The FNS division of USDA responsible for administering the donation of USDA Foods to domestic food assistance programs.

**FOOD SAFETY INSPECTION SERVICE (FSIS):** The USDA agency whose primary mission is to inspect the wholesomeness of meat and poultry products.

**FOOD SERVICE MANAGEMENT COMPANY:** A commercial enterprise or a nonprofit organization that is, or may be, contracted with by a recipient agency to manage any aspect of its food service in accordance with federal regulations.

**FREE-ON-BOARD (FOB) DESTINATION:** A method of pricing in which a processor includes the transportation charges to a specific destination for a product. The processor is responsible for arranging and paying for transportation under this method of pricing. See definition of Free on Board Plant.

**Free-On-Board (FOB) Origin:** Title transfers at the point of origin. USDA is responsible for arranging and paying for transportation under this method.

**Free-On-Board (FOB) Plant:** A method of pricing in which a processor excludes the transportation charges on a product. Transportation charges are paid by the recipient agency. See definition of Free on Board Destination.

**FULL SUBSTITUTION:** A processor can substitute commercial food for USDA Foods (except beef, pork, and poultry on a limited approval basis) without restriction, so long as the substitute food is of the same generic identity, equal or better quality, and of domestic origin.

**GROSS PRICE:** Under processing, the price paid by the contracting agency before the value of USDA Foods used in the production of the end product is deducted.

**GUARANTEED MINIMUM YIELD/RETURN (GMY/GMR):** The minimum amount of finished end product that is to be returned to the distributing agency (or recipient agency) based on the amount of raw USDA Food used to process finished end products. GMR/GMY is used primarily with products containing non-substitutable foods. The return/yield is specified on the end product data schedule.

**GUARANTEED RETURN:** A red meat reprocessing option that specifies an exact number of finished cases that will be returned to the distributing agency (or recipient agency) from the processor.

**INDIRECT DISCOUNT:** A value pass-through system under which the processor sells end products to a distributor at the commercial/gross price of the end product. The distributor then sells the end product to a 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 USDA Foods contained in the end product.

**INVENTORY:** The accounting of USDA Foods for which the DPI, 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. See the definition of Perpetual Inventory.

**LIMITED SUBSTITUTION:** The substitution of commercial product for USDA Foods with some restrictions. This is applicable to poultry products. Processors must have a substitution plan approved by both FNS and AMS. Only bulk pack chicken, chicken parts and bulk pack turkey delivered by USDA vendors to processors are eligible for substitution. No backhauled poultry may be substituted.

**MONTHLY PERFORMANCE REPORTS:** Reports submitted monthly by the processor to the DPI detailing sales of finished end products to recipient agencies, receipts of USDA Foods, and information on the USDA Foods 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.

**NATIONAL PROCESSING AGREEMENT (NPA):** A master agreement between commercial multi-State food processors and FNS, whereby FNS enters into the agreements, approves the end product data schedules, and maintains the surety bond for inventory protection.

**NET CASE PRICE:** The price of a processed end product paid by the recipient agency after the value of USDA Foods contained in the end product has been deducted from the gross price.

**NON-SUBSTITUTABLE FOOD:** A USDA Foods that cannot be substituted with a commercially purchased product under the terms of a processing agreement.

**ORDER SURVEY:** An FNS Regional Office contact with the DPI to determine the acceptability of a product, the amount of the product desired, and the preferred shipping dates for the product.

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

**PROCESSOR:** Any commercial facility which processes or repackages USDA Foods. However, commercial enterprises, which handle, prepare and/or serve products or meals containing USDA Foods on-site solely for the individual recipient agency under contract are exempt under this definition. Recipient agencies that provide meals to other eligible outlets are exempt from being defined as processors if they provide accountability for the USDA Foods and assurance that the value of the USDA Foods is passed on to the recipient agency's 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.

**PY 209:** The poultry production's grading certificate that shows how many pounds were put into production and what finished products were produced.

**PY 210:** The poultry grading certificate that shows the incoming weight of the USDA purchased load.

**QUALITY CONTROL PLAN:** A processing company's plan that assures that the products produced meet minimum specifications for quality, pack size, and content.

**REBATE:** A value pass-through method where the recipient agency pays the commercial price for processed items and then submits a request for rebate of the value of the USDA Foods used.

**RECIPIENT AGENCY (RA):** Any of the following organizations within a State eligible to receive USDA 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.

**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 USDA Foods contained in the end products purchased.

**REFUND SYSTEM:** A value pass-through system through which a recipient agency purchases a processor's end products and receives from the processor, by means of a refund application, a payment equivalent to the contract value of the USDA Foods contained in the end products. *See the definition of Refund Application, and Indirect Refund Sale.*

**REGULATIONS: SECTION 32:** Section 32 of Public Law 74-320, as amended, authorizes USDA to purchase non-basic perishable foods available under surplus-removal operations, for the purpose of encouraging the domestic consumption of such foods by diverting them from the normal channels of trade or commerce.

**REGULATIONS: SECTION 416:** Section 416 of the Agricultural Act of 1949, as amended, authorizes USDA to donate basic nonperishable foods acquired through Federal price-support operations for use by needy persons, for use in nonprofit school lunch programs and nonprofit summer camps for children, and for use in charitable institutions to the extent that needy persons are served.

**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.

**SALES ORDER NUMBER (SO):** A unique number assigned to each shipment of food. Each delivery order specifies the State, quantity, shipping period, planned usage, and destination of a shipment. Multiple SOs may be included on a food requisition.

**SHIPPING PERIOD:** A specified time frame for USDA's vendors to ship the USDA Foods. The length of the shipping period varies with the type of USDA Food being shipped and the mode of transportation.

**SPECIFICATION:** A detailed description of the product which vendors must meet when selling foods to USDA. Distributing agencies or recipient agencies may also use end product specifications in issuing bids for processed end products that utilize USDA Foods.

**STANDARD YIELD (SY):** A concept that fixes the number of finished cases that a recipient will receive from a fixed truckload of raw USDA Foods. Any standard yield will be higher than a processor could normally achieve in regular processing. This requires the processor to add some commercial product to the USDA Foods product.

**STATE PARTICIPATION AGREEMENT (SPA):** A component of the National Processing Agreement where distributing agencies specify state-specific requirements such as state contract information, methods of value-pass-through, distribution, testing, labeling, monthly reporting, or any other state-specific requirements.

**STATE-PROCESSED USDA FOODS:** Bulk USDA Foods that are ordered by the DPI and shipped directly from a USDA vendor to a processor. Bulk USDA Foods are further processed into end products, which have been determined through a state-wide bid process. The finished end products are shipped from the processor to the state-contracted warehouse and are offered to recipient agencies along with the “brown-box” USDA Foods.

**CORE STATE-PROCESSED USDA FOODS:** For school year 2019-2020, the DPI is offering 14 core State-processed USDA Foods. These 14 products were selected by the Wisconsin Task Force on USDA Foods, based on recipient agencies top demand and usage.

**SUBSTITUTABLE FOOD:** A USDA Foods that may be replaced by a commercially purchased food of domestic origin, of the same generic identity, and of equal or better quality to the food provided by USDA.

**SUMMARY END PRODUCT DATA SCHEDULE (SEPDS):** A compilation of information that was provided through the submission of data by Processors to USDA under a National Processing Agreement. This schedule provides relevant information to RAs regarding case weight, serving sizes, approximate servings per case, and the USDA Food(s) needed to produce a case of finished product.

**TRUCK LOT:** A quantity of food equal to a truck shipment. Generally, a trucklot is equal to approximately 40,000 pounds of USDA Foods and contains between 700 to 1,400 cases of food, depending upon the food item.

**USDA FOODS, SECTION 32:** Fruits, vegetables, meat, poultry, and fish products purchased by AMS with Section 32 funds. These foods may also be purchased with funds appropriated to FNS. Section 32 foods are purchased when American farmers produce more food than the normal commercial market needs, i.e., surplus removal. See definition of Section 32.

**USDA FOODS, SECTION 416:** Grains, dairy, peanut, and oil products that are purchased by FSA with Section 416 funds. These foods may also be purchased with funds appropriated to FNS or they may be donated by FSA. When prices are low and food supplies are abundant, FSA acquires these excess USDA Foods under price-support legislation to assist American farmers. See definition of Section 416.

**USDA FOODS, BONUS:** A food item not charged against entitlement or against a program's appropriated funds. Bonus foods are to be used by the recipient agency on a "use without waste" basis. These foods are acquired through the price-support operations of the Commodity Credit Corporation or surplus-removal operations of AMS. In all instances, the foods are clearly "donated" to FNS, i.e., no cost is incurred by FNS.

**USDA FOODS:** Predominantly bulk foods donated or made available for donation to eligible recipient agencies by USDA.

**VALUE PASS-THROUGH SYSTEM:** A system used to ensure that the full value of the USDA Foods contained in the end product is passed on to the eligible purchasing recipient agency.

**VEGETABLE PROTEIN PRODUCT VVP AND 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 and when it meets the other requirements of 7 CFR.