

American Commodity
Distribution Association
P.O. Box 841
Pensacola, FL 32591

April 10, 2020

The Honorable Sonny Perdue
Secretary of Agriculture
U.S. Department of Agriculture
Washington, DC 20250

Dear Mr. Secretary:

ACDA thanks you, Deputy Under Secretary Lipps, and the outstanding personnel at both the Food and Nutrition Service and the Agricultural Marketing Service for your dedication and action during these challenging and unprecedented times. We are all learning and trying to do our best, and we know that policies and procedures will continue to evolve in the weeks to come.

We would like to take this opportunity to bring to your attention some concerns voiced by ACDA members, with the goal of working with you to achieve positive and responsible resolution. We believe that many of these matters are within your discretion as Secretary, and may be addressed by [FD-066](#), *Continuation of the Department of Agriculture (USDA) Food Assistance During a Human Pandemic*. Should that not be the case, we ask that you identify for us what legislative authorities might need to be modified in order to allow for the resolutions we are seeking.

Commodity Entitlements:

We urge you to provide entitlement relief due to schools closed and the reduced amount of lunches being served in disaster mode, and due to the lower commodity rate in the summer programs compare to the National School Lunch Program rate. As you know, school food programs have been doing their very best to respond to continuing to provide meals to students while schools are closed due to the Coronavirus outbreak. The interruption in regular school meals will also likely impact the next school year. 7 CFR § 250.56(c) provides:

“(c) National per-meal value of donated foods. For each school year, the distributing agency receives, at a minimum, the national per-meal value of donated foods, as established by Section 6(c) of the Richard B. Russell National School Lunch Act (42 U.S.C. 1755(c)), multiplied by the number of reimbursable lunches served in the State in the previous school year.”

Providing fewer school meals now means school food authorities will have less federal support in USDA Foods in the next school year unless action is taken to safeguard at least the same level of support as has been provided for the current school year. Additionally, lunches served in the NSLP earned \$.3625 in commodity entitlement per meal. While these foods are intended to be used in the NSLP, USDA guidance allows them to be used in any child nutrition program. This is especially important during the school closures, which allows Recipient Agencies (RAs) to use up these inventories in the alternative summer food (SFSP) and seamless summer option (SSO). This will, however, negatively impact RAs in the future, as SFSP meals only earn 1.5 cents per meal. While SSO earns the full rate of \$.3625 for every lunch served, most states have fewer participants in this program because the SFSP reimbursement rate is \$.15 higher overall than SSO with entitlement included. This will lead to (1) less overall entitlement to the RA in the future, (2) likely increased food costs as they will have to commercially purchase more food, and (3) potentially harm American agriculture with the

reduction in USDA food purchases. Given that schools are busier than ever with disaster feeding the overall numbers for lunches is down approximately 50%, which will effect entitlement as well as rate If SY 20 meals are not adjusted to SY19 figures, it will not be until December or so when the USDA puts in actual SY20 meals, which will lower entitlement for SY21 as well as carryover the balance from SY20 lowering it further. Next January when states order SY22 USDA Foods we will be using those actual figures to order, as well as for SY23 seasonal fruits and vegetables.

Inventory Requirements:

We urge you to ease several 6-month inventory requirements that are not practical given current operating conditions.

First, we urge a common sense understanding regarding [FD-064](#) (revised), *Management of USDA Food Inventories at Processors* as it pertains to the 6-month inventory on hand requirement. With many schools closed for the remainder of SY20, the carryover of raw balances will be far greater than in previous years. School food authorities, state agencies and processors will be working closely together to manage these inventories. However, anticipated excess inventory is on the horizon. States are now placing orders for SY 20 based on school requests from “pre virus” times not knowing if schools will reopen for this year, continue through summer, or just start back normal in September, if then.

Second, we urge easing restrictions on 6-month inventory requirement in [FD-107](#), *Donated Food Storage, Distribution, and Product Dating, for TEFAP inventories*. A number of ACDA members anticipate challenges with distributing the large amount of entitlement we will be receiving. While there are growing needs for TEFAP assistance, the logistics of having sufficient personnel to distribute foods are difficult. The situation is compounded by the fact a number of TEFAP recipients may not be able to come to distribution sites because of stay-at-home orders and transportation difficulties.

Third, we urge easing restrictions on six-month inventory for direct delivery items, especially seasonal fruits and vegetables where states have little if any ability to adjust orders. Warehouses are already refusing orders. With little usage of the most popular direct delivered USDA Foods, orders for July through September are already contracted which will add to capacity issues.

Bonding:

Processors have inventory levels beyond their control resulting from reduced orders from state distributing agencies and school food authorities. [FD-134](#), *Minimum Inventory Protection Requirements for Processors Participating in the National Processing Program*, requires processors to maintain minimum inventory protection equal to 75 percent of the value of their highest monthly inventory. Inventory levels this year are artificially high through no fault of either distributing agencies or processors. Requiring bonding at this artificially high level will be an excessive cost on processors who have been good managers and providers. We urge you to revise bonding requirements to reflect this abnormal situation.

Operational Concerns:

We recommend that the Department adjusts time frames for adjusting/cancelling sales orders, and allows conversions, with approval from USDA, instead of eliminating them. We all want to manage inventory in an effective way and need flexibility to responsibly deal with uncertain conditions throughout the nation that have no certain date of resolution, especially for seasonal fruits and vegetables mentioned above. If states are not allowed to adjust orders when they have a better idea about school schedules, and the commercial world does not fully reopen, it is likely that there will be a lot of trucks refused delivery causing headaches for everyone.

Additionally, we urge the Agricultural Marketing Service to adjust its buying plan to reflect the increase in prices currently in the market especially for products currently in high demand. Just as authorities were found for trade mitigation purchases we ask that you maximize the use of Commodity Credit Corporation and Section 32 authorities to respond to these current conditions and ensure the continuous supply of traditionally purchased foods. Cancellations of purchase orders due to price considerations will be disruptive as programs resume normal operations, and for this

reason we urge greater pricing flexibility than might be normally allowed.

Other Matters:

Stakeholders have been facing additional costs and challenges in working to provide alternative meals to children. We are grateful for the several waivers provided by the Department and want to bring some other matters to your attention and ask for any guidance or assistance you might provide.

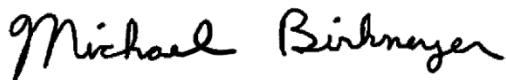
The high cost of personal protection equipment has added cost to meals and has been difficult to obtain with the focus on providing these materials to healthcare personnel. Given that food services are also considered essential activities, we hope that there may be some way to increase State Administrative Expense Funds to recognize these higher costs.

The supply chain, as you know, is facing multiple disruptions that would benefit from strong statements from the Department to offer reassurances and emphasize the need to continue to provide product. Distributors are bursting at the seams due to lack of school and commercial business. They are refusing new deliveries and shipping commercial products to schools. Distributors and schools are attempting to return product to Manufacturers. Manufacturers are reporting difficulties collecting on invoices due to school closures. We urge you to consider establishing a task force including representatives of state distributing agencies, school food authorities, household programs, and industry representatives that can work with the Department to develop innovative ways to move any excess supplies currently available.

End items containing USDA Foods and delivered to school's approved warehouses (under a fee for service method of passing the value of the USDA Foods to the school,) are not being picked up by the schools. Product originally forecasted is not being used.

Mr. Secretary, we again offer our thanks to you and your team. We stand ready to work with you to restore the vitality of both school meal and household programs.

Sincerely,



Mike Birkmeyer
President

Cc: Brandon Lipps
Pam Miller
Kristen Hyatt
Laura Castro
David Tuckwiller
Chris Purdy