



# **WHITE PAPER**

## **USDA FOODS IN THE NATIONAL SCHOOL LUNCH PROGRAM**

**FOOD AND NUTRITION SERVICE  
USDA**

Updated March 2009

# USDA Foods In The National School Lunch Program

## Introduction

The National School Lunch Program provides cash and USDA foods to assist States in providing nutritious lunches to school children free or at a low cost. From its inception in 1946, the school lunch program has been making nutritious school meals available to school children for more than 60 years. Today, over 31 million school children receive a nutritious school lunch each school day in over 101,000 participating public and private nonprofit schools and institutions.

The authorizing statute, the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et al) clearly envisioned a dual mission for the school lunch program:

*“It is hereby declared to be the policy of Congress, as a measure of national security, to safeguard the health and well-being of the Nation’s children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs.”*

The National School Lunch Act’s dual mission for the school lunch program is to –

- strengthen the Nation’s nutrition safety net by providing nutritious meals to school children; and,
- support American agricultural markets by donating USDA foods for use in school lunches.

## Cash and USDA Foods for School Lunch

To assist States in providing low cost or free meals, USDA provides States with cash assistance for each school lunch served to school children. States are generally reimbursed on the basis of the number of lunches served to children at participating schools at reimbursement rates that vary according to family need.

In addition, the Department of Agriculture provides States with USDA Foods for use in preparing school lunches. The subsidy for these products is based on a “rate per meal” concept similar to that used for cash assistance. Calculation of the subsidy and the availability of “bonus” products are described in more detail under “Allocation of USDA Foods To States.”

Every dollar’s worth of donated USDA food used in a school menu frees up money that a school would otherwise have to spend on commercial food purchases. As school districts face ever tightening budgets, USDA foods have become a valuable resource to keep local food service budgets in the black. Especially important in this regard is the federal government’s large volume purchasing power, allowing the procurement of food at a lower unit cost than if a school were purchasing it on its own.

On an average day, USDA foods make up about 15 to 20 percent of the product served on the school lunch line. The remaining 80 to 85 percent is purchased from commercial markets using the cash assistance provided by USDA, funds provided by State and local governments, children’s payments for reduced price and paid lunches, proceeds from vending machines, catering activities, and other funds earned by or provided to the school food service.

### **Three USDA Agencies’ Role in Procuring and Distributing USDA Foods**

The Food and Nutrition Service, the Agricultural Marketing Service, and the Farm Service Agency work together to purchase and provide USDA foods in the quantity and varieties needed to meet the needs of schools and other cooperators in providing federally-supported meals.

The Food and Nutrition Service is responsible for the general oversight, regulation, and administration of domestic USDA food programs. It acts as the primary liaison between USDA and the administering State agencies. The Food and Nutrition Service calculates and tracks State entitlements, takes orders from States, monitors the flow of USDA food, and provides policy guidance on program issues.

The Farm Service Agency and the Agricultural Marketing Service act as the Food and Nutrition Service’s purchasing and delivery arm for USDA foods. These two agencies work together, in consultation with the Food and Nutrition Service, to develop product specifications, issue and accept bids from manufacturers, purchase product, and deliver it to State designated locations.

### **Types of USDA Foods Made Available to Schools**

USDA foods procured by the Farm Service Agency and the Agricultural Marketing Service fall into two categories, perishable and nonperishable. Traditionally, perishable foods are referred to as “Group A” products and nonperishable foods are referred to as “Group B” products.

**Group A Products:** The Agricultural Marketing Service purchases **perishable** products such as red meat, fish, poultry, egg products, fruits, and vegetables. The majority of these are purchased under USDA’s authority to support agricultural markets. Under this authority, USDA makes planned purchases that support the market while providing its customers, such as schools, the products they need.

**Group B Products:** The Farm Service Agency obtains basic **nonperishable** products such as cereals, grains, peanut products, dairy products, and oils. These are purchased commercially by the Farm Service Agency or obtained by the Commodity Credit Corporation under USDA’s price support authority. Purchases that are made under USDA’s price support authority are limited to products that support farm income and prices, help maintain balanced supplies of agricultural commodities, and aid in their orderly distribution.

The table below identifies Group A and B products:

<b>USDA’s Group A and Group B Products</b>	
<b>Group A</b> – Perishable products purchased by the Agricultural Marketing Service	<ul style="list-style-type: none"> <li>• Red meat</li> <li>• Fish</li> <li>• Poultry</li> <li>• Egg products</li> <li>• Fruits</li> <li>• Vegetables</li> </ul>
<b>Group B</b> – Nonperishable products purchased by the Farm Service Agency	<ul style="list-style-type: none"> <li>• Grain products</li> <li>• Peanut products</li> <li>• Dairy products</li> <li>• Oils</li> </ul>

## **Federal Funding Sources**

The authorities for the purchase of USDA foods for the school lunch program are found in:

- Section 6 of the Richard B. Russell National School Lunch Act, as amended;
- Section 32 of the Act of August 24, 1935, as amended; and,
- Section 416 of the Agricultural Act of 1949, as amended.

The combined authority in these three Acts permits USDA to make “entitlement” and “bonus” products available to participating schools and institutions. The USDA foods entitlement is the dollar value of product that States are entitled to each year under Section 6 of the Richard B. Russell National School Lunch Act. Bonus products are made available in addition to the planned entitlement purchases requested by the Food and Nutrition Service.

### **Section 6 Funds (entitlement purchases)**

Section 6 of the Richard B. Russell National School Lunch Act established a guaranteed level of assistance for USDA foods at 11 cents per meal to be adjusted annually for inflation which is called the State's USDA foods entitlement. The law mandates use of a formula that multiplies the number of lunches served during the previous year by a per meal rate, which is adjusted annually for inflation. The per meal rate is based on the Bureau of Labor Statistic's "Producer Price Index for Foods Used in Schools and Institutions." This Index averages the price of specific foods (grains, dairy products, meats, fish, fruits, vegetables, and oils) over a three-month period. The per meal rate for USDA foods is announced each July through a Notice published by the Food and Nutrition Service in the Federal Register. The per meal rate generally trends upward, but can sometimes be reduced.

Section 6 funds are made available to the Food and Nutrition Service for the purchase of products (to address nutritional concerns and the nutritional standards established by USDA) for school meals. Since Section 6 funds are not required to be spent on direct intervention in agricultural markets, USDA has great flexibility in the type of products it can buy with these funds. Purchases are made to provide nutritious foods and accommodate school preferences.

Some Group A entitlement products and all Group B entitlement products are purchased using Section 6 funds. In Fiscal Year 2009, \$183 million worth of Group A products and \$327 million worth of Group B products were purchased by USDA for child nutrition programs using Section 6 funds.

### **Section 32 Funds (entitlement and bonus purchases)**

Section 32 of the Act of August 24, 1935 authorizes the equivalent of 30 percent of annual customs receipts to support the farm sector through a variety of activities. This percentage of customs receipts amounted to over \$7 billion in Fiscal Year 2007. The Secretary of Agriculture is required to use a portion of Section 32 funds to purchase surplus supplies of perishable foods. See Attachment A for more information regarding the use of Section 32 funding.

Section 32 funds for purchases of USDA foods are set aside into two basic accounts—one for entitlement purchases—and the other for bonus purchases. USDA refers to the account for entitlement purchases as the Section 32R (Regular) fund. The account for bonus purchases is referred to as the Section 32C (Contingency) fund.

- 32R Funds (entitlement purchases): In planning the required purchases, USDA consults with various groups inside and outside of USDA, and devises, in early spring, a tentative purchase plan for the next school year. The plan is based on prior year purchases, likely school needs, expectations of available funds, and any anticipated surplus or other market conditions in the coming year, among other considerations. Section 32R (Regular) funds are used to purchase a portion of the Group A entitlement products, consistent with the purchase plan. In recent years, over \$500 million has been set aside in the purchase plan for Section 32R purchases for child nutrition programs. The 2008 Farm Bill requires that not less than \$50 million of this amount be used each year to purchase fresh fruits and vegetables for distribution to schools and service institutions. USDA is currently utilizing the Department of Defense as the procurement agent for these purchases.
- 32C Funds (bonus purchases): In order to relieve rapidly developing market surpluses, funds must be available to purchase product on short notice. The Agricultural Marketing Service uses Section 32C (Contingency) funds to purchase Group A bonus products for this purpose. These purchases are made, often at the request of industry groups, after USDA has conducted a careful analysis of the need to provide market assistance to a specific product. Each purchase with Section 32C funds must be approved by the Secretary of Agriculture.

Some products purchased with Section 32C funds are given to schools and some are used in other USDA domestic nutrition programs. In recent years, Section 32C purchases for child nutrition programs have varied anywhere between \$11 million to \$65 million depending on the need to remove surplus product from the marketplace.

#### **Section 416 Funds (bonus purchases)**

The Commodity Credit Corporation is a semi-autonomous federal corporation within USDA. It was established during the Depression for the purpose of influencing agricultural production, prices, supplies, and distribution in support of America's farmers. Section 416 of the Agricultural Act of 1949, as amended, grants the Commodity Credit Corporation authority to donate USDA foods that are acquired under its price support activities.

All Group B bonus donations are made using Commodity Credit Corporation funds. In recent years, such purchases for child nutrition programs have varied anywhere between \$0 to \$1 million annually depending on the need to support prices in the marketplace.

### Sites Receiving Cash/Commodity Letters of Credit

In 1981, Congress mandated that the Department of Agriculture conduct a demonstration project to look at alternatives to the USDA foods program. The alternatives piloted were cash, and Commodity Letters of Credit (CLOC). Sites receiving cash were given money rather than food. CLOC sites also received money; however the funds had to be used to make purchases in support of specific agricultural markets. Only a small number of sites were involved in the project. In 1994 Congress made these sites permanent. In recent years, between \$8 and \$15 million has been provided annually in the form of cash and CLOC.

### Cash Payments to Kansas

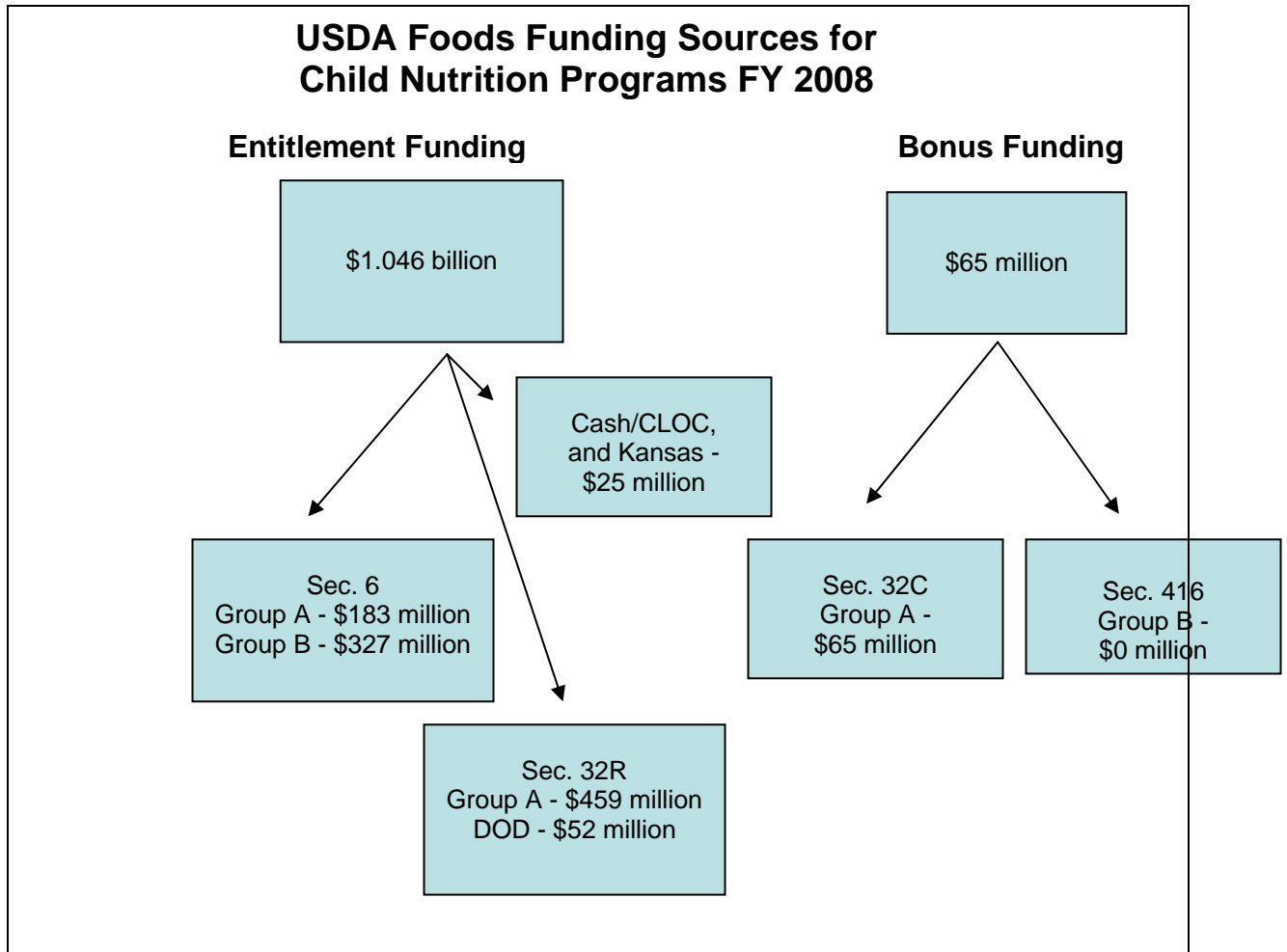
In 1975 the National School Lunch Act and the Child Nutrition Act were amended to make Kansas permanently eligible to receive cash payments in lieu of USDA foods. This is a unique situation only applicable to the State of Kansas. In recent years, Kansas has received between \$8 and \$10 million in cash payments annually.

A summary of all funding sources for USDA foods is shown in the table below:

## USDA Food Support for Child Nutrition Programs

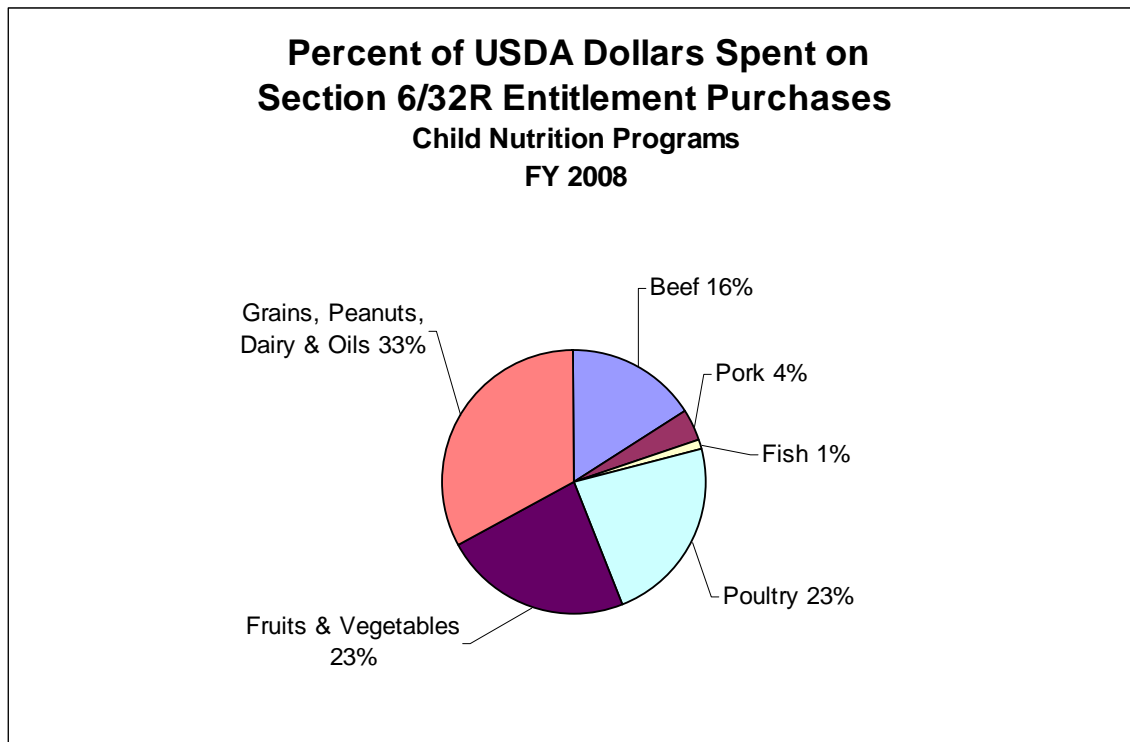
Funding Sources for USDA Foods			
Entitlement Products		Bonus Products	
<b>Group A</b> Agricultural Marketing Service	<b>Group B</b> Farm Service Agency	<b>Group A</b> Agricultural Marketing Service	<b>Group B</b> Farm Service Agency
<b>funding sources:</b> <b>Sections 32R and 6</b>	<b>funding source:</b> <b>Section 6</b>	<b>funding source:</b> <b>Section 32C</b>	<b>funding source:</b> <b>Commodity Credit Corporation</b> (through Section 416)

A summary of USDA's Fiscal Year 2008 entitlement and bonus allocations of USDA foods for child nutrition programs by funding source is shown below:



## Allocation of USDA Foods to States

Each State receives a dollar value of product based on the meals served in the previous year. This dollar value is referred to as the State's "entitlement." Each State orders product against its entitlement until the dollar balance is depleted.



## Allocation of Bonus Products

Each State's entitlement for USDA foods is supplemented by donations of "bonus" product purchased by USDA. Bonus products are in addition to those received as part of the State's entitlement, and are offered to States throughout the year on a fair-share basis. Bonus purchases are made through USDA's price support and surplus removal programs in order to help stabilize and support U.S. agricultural markets. Because of the nature of agricultural markets, the type and quantity of bonus products purchased each year cannot be predicted in advance.

## **Procedures for Obtaining USDA Foods**

### **Determining Offerings**

Each year the Food and Nutrition Service works, in consultation with the Agricultural Marketing Service, to develop a plan outlining how Section 32R (Regular) and Section 6 funds should be allocated among the general categories of Group A entitlement foods (i.e., poultry, livestock, fruits, and vegetables). This is called the “purchase plan.” The plan is periodically updated during the year as market conditions change. The Food and Nutrition Service and the Farm Service Agency work to identify Group B entitlement offerings purchased with Section 6. These offerings are typically driven by past State Group B orders and demand rather than by a purchase plan that allocates specific products.

### **Buy American**

All USDA foods must be of domestic origin.

### **USDA Specifications and Invitations**

The Agricultural Marketing Service and the Farm Service Agency develop standards for each product in consultation with the Food and Nutrition Service. These standards are referred to as product specifications. These specifications address product attributes such as nutrient content, flavor, color, texture, size, weight, labeling, and inspection requirements.

There is a common misperception that USDA foods are below-standard product. In fact, the foods are generally equal to or better than their commercial counterparts. For instance, the specification for ground beef requires it to be lower in fat and to go through more testing than its commercial counterpart in order to help fulfill USDA food safety and nutrition goals.

### **Purchasing and Delivering Product**

The Agricultural Marketing Service and the Farm Service Agency purchase USDA foods by inviting vendors and producers to participate in a formally advertised competitive bid system. The two agencies issue “invitations for bid” that outline the specification requirements for each product, and the date bids must be submitted. Specifications and invitations for bid may also require the bidder to deliver product to a specific location during a designated timeframe. Once bids are received, they are analyzed and contracts are awarded.

## **State Procedures for Ordering and Delivering USDA Foods**

The Food and Nutrition Service provides States with an annual list of offerings available, and information about the specific dollar value of each product. Many States also allow local school districts access to available offerings, and some local school districts actually select the individual USDA foods that are made available through their State. States order products from the list of offerings until the dollar value in their entitlement balance is depleted. In addition, bonus products are offered to States throughout the year on a

fair-share basis. These bonus products are in addition to those received as part of the State's entitlement.

As States place orders with the Food and Nutrition Service, they also identify where they want product delivered. Some deliveries go to warehouses under contract with the State, or in a few instances, owned by the State. The State in turn, periodically distributes the product stored in warehouses to school districts. In a growing number of cases, States ask that product be delivered directly to school districts, commercial distributors, or to manufacturers for further processing.

Deliveries are primarily made directly by the vendor or producer of the product being purchased, although in some cases they are made through commercial transportation companies under contract with the Farm Service Agency's Kansas City Commodity Office. Once product is delivered to the location designated by the State, it becomes the responsibility of the State.

State Distributing Agencies deliver the USDA foods to school districts which pass them on to individual schools for use in meals. In School Year 2008, USDA purchased 1.1 billion pounds of product worth about \$1.1 billion for the child nutrition programs (the National School Lunch Program, the School Breakfast Program, the Summer Food Service Program, and the Child and Adult Care Food Program).

## **Quality of USDA Foods**

Building on past improvements, USDA is undergoing an aggressive effort to improve the nutritional profile of its offerings. USDA continually explores better ways to support the *Dietary Guidelines for Americans* and the *MyPyramid* food guidance system. Many improvements have been made over the years and continue to be made:

- Over the past two decades, the levels of fat, sodium, and sugar have been reduced in selected products.
- Since the 1980's, canned fruits must be packed in light syrup, water, or natural juices. Years ago, fruits packed in heavy syrup were removed as an offering. Unsweetened applesauce has been available to schools since School Year 2008.
- Since 1992, USDA has offered beef patties with a fat level as low as 10 percent. Other lower-fat meat offerings include 97 percent fat-free ham, 95 percent fat-free turkey ham, and turkey taco filling. USDA is currently evaluating a 95 percent lean beef patty for use in schools.
- To manufacture a leaner finished poultry product, processors are substituting lean meat for skin and fat in processed poultry products.
- USDA offers meatless spaghetti sauce, several varieties of low-fat/reduced fat/lite cheeses, and cheeses made from skim milk and other lower fat items.

- Butter has been eliminated as an offering to schools since 1997.
- Shortening was eliminated as an offering effective School Year 2008.
- Chicken fajita strips sodium level has been reduced by 30 percent.
- *Trans*-fats have been eliminated from frozen potato products effective School Year 2008, and USDA is working aggressively to remove them from other offerings.
- USDA offers whole grain products such as whole wheat flour, brown rice, rolled oats, and whole grain dry kernel corn for further processing. Whole grain spaghetti, rotini, and parboiled brown rice were added to USDA's expanding array of whole grain offerings in School Year 2008. USDA is also pursuing the purchase of whole grain macaroni.
- Most USDA canned vegetables meet the Food and Drug Administration's "healthy" standard for sodium, which is less than or equal to 480 mg per serving. In School Year 2009, low sodium canned dry bean and canned tomato products were offered. USDA intends to reduce the sodium content in all canned vegetable offerings starting in School Year 2010. Schools continue to have the option to order salt-free frozen vegetables.
- USDA continues to work steadily to purchase further processed products that are lower in sodium than its current offerings.

In the 1980's, the choices of USDA foods were limited. There were fewer frozen and refrigerated items—most items were either canned or dry. USDA and State stakeholders, recipient agencies, and industry developed a customer driven, value-added commodity system designed to provide recipients more of what they want, when they want it.

Today, USDA offers more frozen and refrigerated products, more size options, and more varieties (e.g., chicken is offered diced, cut-up, breaded, as fajita strips, as raw bulk for further processing, etc.). USDA encourages States to order more bulk items for processing into value added products to stretch the dollars spent on USDA foods and meet individual school needs. For example, USDA purchases whole bulk poultry to supply a State's or school's order to a processor. Schools can order finished products of choice, with a credit applied for the value of the USDA foods purchased. See Attachment B for a list of USDA Foods Available for the National School Lunch Program in School Year 2008.

In 1981, USDA offered 47 products to schools including 11 frozen or refrigerated meat products (chicken, turkey, beef, or pork), 8 types of fruits, 17 types of vegetables, 9 types of grain products, and 2 cheeses. Today, USDA offers over 180 products, including over

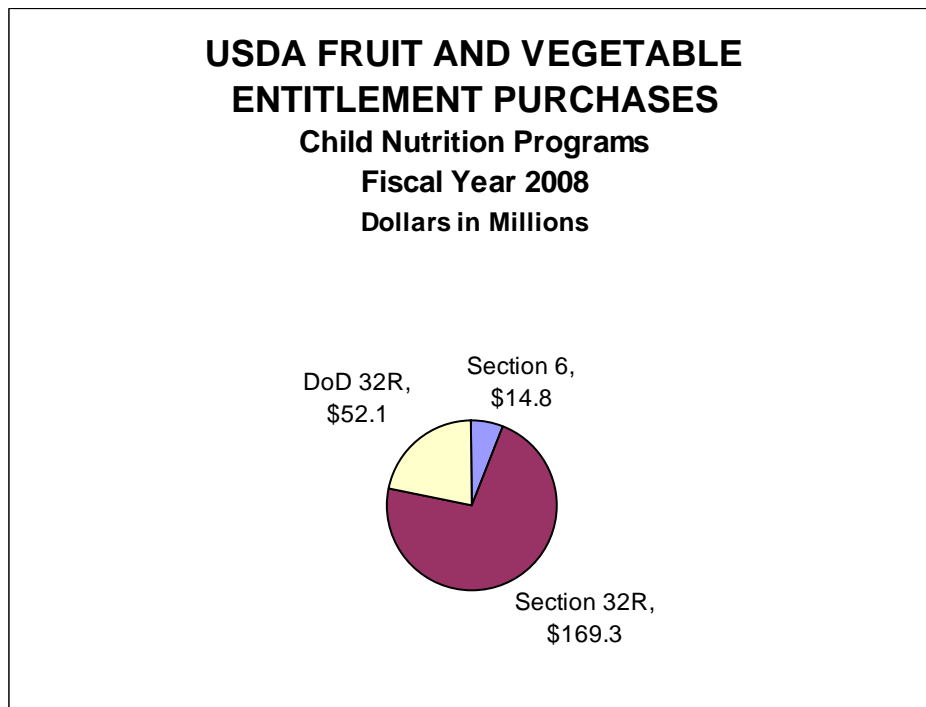
30 frozen/refrigerated meat products, over 30 fruit products, over 40 types of vegetable products, over 40 grain products, and over 15 cheese products.

Schools are ordering more bulk products that can be processed into “kid friendly” items. Popular choices include ground beef, chicken products, peaches, pears, corn, and cheese. Decisions about what products schools order are not based just on the item’s popularity but on its overall usefulness in meeting nutritional standards.

USDA promotes fruits and vegetables as an important part of a nutritious diet. In Fiscal Year 1995, USDA purchased approximately \$135 million worth of fruits and vegetables for child nutrition programs. In Fiscal Year 2008, over \$236 million worth of fruits and vegetables were purchased for these programs.

In addition, USDA has pioneered a partnership with the Department of Defense’s (DoD) Supply Center in Philadelphia to purchase over 60 types of fresh fruits and vegetables for schools. These purchases increased from \$4 million in Fiscal Year 1993 to over \$52 million in Fiscal Year 2008.

The chart below outlines Fiscal Year 2008 entitlement purchases of fruits and vegetables for child nutrition programs by funding source.



## Special Features

**Department of Defense (DoD) Fresh Fruit and Vegetable Purchases:** In 1994, USDA pioneered a pilot project, in partnership with DoD, to purchase and deliver \$3.2 million in high quality fresh produce to schools in eight States. The pilot was very successful and

quickly expanded. In 1999, the program provided \$25 million dollars to 32 States. The 2008 Farm Bill requires that at least \$50 million of this amount be used each year to purchase fresh fruits and vegetables for distribution to schools and service institutions. USDA is currently utilizing DoD as the procurement agent for these purchases.

DoD is changing its business model and restructuring its operations. USDA is closely monitoring the transition and will continue to expect a high level of customer satisfaction. Today DoD serves schools in 47 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. Schools and some State agencies order produce directly from DoD up to the dollar amount of their fair share of the money set aside for the program. DoD, in turn, bills USDA for the product it delivers.

**Processing USDA Foods:** Many schools and States choose to further process USDA foods into products that are more versatile in school meals, better meet their specific preferences, and can be more conveniently prepared and served (e.g., USDA whole chickens may be processed into pre-cooked, pre-portioned, breaded chicken patties and nuggets). In order to encourage further processing, USDA has established National Processing Agreements with over 100 manufacturers to provide further processed products in 48 States. These Agreements relieve States and schools of much of the administrative burden associated with managing processing contracts. Manufacturers are also relieved of the burden of establishing contracts and bonds with individual State and local entities. In all processing agreements involving USDA foods, the manufacturer must ensure that schools do not ultimately have to pay for the value of the USDA foods in the processed end products that manufacturers provide to them. This is achieved through various types of value-pass-through systems. Common value-pass-through systems include manufacturer discounts and rebates to schools, and distributor discounts to schools.

**Disaster Feeding:** When a disaster occurs, disaster feeding organizations such as the Red Cross and Salvation Army may ask a State to make USDA foods available to feed victims. This is particularly true when the infrastructure of the normal retail food distribution chain is inoperable (due to a lack of electricity, etc.) and, as a result, the Disaster Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) cannot operate. USDA foods are used for both congregate feeding and, in limited circumstances, distribution to households for home preparation and consumption. **USDA does not maintain specific warehouse stocks of product for disaster feeding.** When a disaster occurs, products are usually taken from already existing inventories of USDA foods stored in State and local warehouses for the child nutrition programs and other domestic feeding programs.

The Food and Nutrition Service donates USDA foods in two types of disasters: Presidentially declared disasters/emergencies, and situations of distress.

- Presidentially Declared Disasters/Emergencies: The Robert T. Stafford Disaster Relief and Emergency Assistance Act authorizes the Secretary of Agriculture to make USDA foods available to help victims in Presidentially declared disasters and

Presidentially declared emergencies. Section 32C (Contingency) funds are usually used to pay for these products. USDA is authorized to spend as much Section 32C money as necessary to adequately feed victims. Funds for Presidential declared disasters and emergencies can also be authorized under Section 4(a) of the Agricultural Act of 1973. This money, however, is limited to the level of annual appropriation, typically \$500,000.

- Situations of Distress: “Situations of distress” are natural catastrophes or other events that have not been declared a disaster by the President, but which, in the judgment of the State or the Food and Nutrition Service, warrant the use of USDA foods. These are usually more localized events. Examples include smaller scale floods, landslides, snowstorms, ice storms, fires, natural and man made explosions, and strikes. Funding for commodities purchased in situations of distress is limited to the funds appropriated under the authority of Section 4(a) of the Agricultural Act of 1973.

## **Conclusion**

USDA foods are an essential component of the National School Lunch Program and other domestic food assistance programs and also serve as a significant outlet for stabilizing and supporting agricultural markets. USDA is continually responding to the dynamic needs of the National School Lunch Program by making more fresh fruits and vegetables available to schools, substantially improving the quality and nutritional profile of products provided, and better accommodating schools’ needs through such innovations as promoting the processing of USDA foods into more usable end products for the school lunch line. As the world economy becomes more competitive, USDA foods will continue to be an important resource for schools, and an effective tool for supporting U.S. agriculture.

## A USDA Foods Glossary of Terms

**Bonus Products** – Bonus products are made available to the Food and Nutrition Service in addition to the planned entitlement purchases requested. They are purchased in order to support agricultural markets. Funding sources are Section 32C of the Richard B. Russell National School Lunch Act of August 24, 1935, as amended, and Section 416 of the Agricultural Act of 1949, as amended.

**Commodity Credit Corporation** – The Commodity Credit Corporation is a semi-autonomous federal corporation within USDA. It was established during the Depression for the purpose of influencing agricultural production, prices, supplies, and distribution in support of America’s farmers. Section 416 of the Agricultural Act of 1949, as amended, grants the Commodity Credit Corporation authority to donate USDA foods that are acquired under its price support activities.

**USDA Foods Entitlement** – The dollar value of USDA foods that States are entitled to each year under the Richard B. Russell National School Lunch Act. Entitlements are calculated annually by multiplying the number of lunches served during the previous year by the USDA foods per meal rate. The per meal rate is based on the Bureau of Statistics’ annual “Producer Price Index for Foods Used in Schools and Institutions.”

**Market Support Authority** – See definitions below:

**Price Support** – Price support is the acquisition of agricultural products by the Commodity Credit Corporation and their disposition by USDA’s Farm Service Agency in order to support farm income and prices, help maintain balanced supplies of agricultural products, and aid in their orderly distribution. The basic authorities for the acquisition and disposition of these products are the Agricultural Act of 1949, the Commodity Credit Corporation Charter Act, and the Farm Security and Rural Investment Act of 2002.

**Surplus Removal** – Surplus removal is the purchase of agricultural products by USDA’s Agricultural Marketing Service in order to reduce levels of surplus, and relieve downward pressures on prices. The basic authority for these purchases is Section 32 of the Act of August 24, 1935.

**The American Commodity Distribution Association (ACDA)** – ACDA is the primary organization representing USDA’s partners at the State, local, and industry level involved with USDA foods. Membership includes organizations associated with the child nutrition programs, The Emergency Food Assistance Program, and the Commodity Supplemental Food Program. ACDA co-sponsors a national meeting each year with USDA that brings together most of the partners and stakeholders participating in the programs that offer USDA foods.

**The School Nutrition Association (SNA)** – This national nonprofit professional organization represents more than 55,000 school food service professionals. In recent years, the Food and Nutrition Service has sponsored a USDA foods track at the annual national conference and a session on USDA foods at the SNA Legislative Action Conference.

## **Attachment A** **Use of Section 32 Funds**

*(Based on a May 29, 2008 Congressional  
Research Service Report to Congress)*

Section 32 of the Act of August 24, 1935 authorizes the equivalent of 30 percent of annual customs receipts to support the farm sector through a variety of activities. This portion of customs receipts amounted to \$7.03 billion in Fiscal Year 2007. When unobligated Fiscal Year 2006 carryover money is added to this amount, and adjustments are made to account for money that was committed earlier but not spent, the total amount of money available for Fiscal Year 2007 is \$7.3 billion.

Of this amount:

- 78 percent (over \$5.7 billion) was transferred to USDA's child nutrition cash account, where it was supplemented by a separate direct appropriation under the annual USDA appropriation.
- About 8 percent represented unobligated funds, most of which was carried over into the subsequent Fiscal Year.
- About 6 percent was used by USDA for planned purchases to fulfill the entitlement provision for USDA foods in the National School Lunch Act.
- Almost 3 percent was used to purchase additional product to fulfill another National School Lunch Act requirement that at least 12 percent of assistance be provided in the form of USDA foods.
- About 1.4 percent was used by USDA for direct payments mainly to compensate Florida crop producers for hurricane and disease losses, and some for livestock payments.
- About 1.1 percent was transferred to the Commerce Department for fisheries activities.
- Almost one percent was used for the removal of surplus product from the marketplace.
- About 1.5 percent was used for a variety of purposes including: administrative expenses associated with overseeing federal market orders, administrative expenses associated with making food purchases (including set-up costs for a new Web-Based Supply Chain Management computer system), administrative expenses associated with the removal of defective USDA foods, and money taken back as a result of a rescission mandated by Congress for budgetary savings.

Unlike Section 6 funds, the majority of Section 32 funds used by the Department of Agriculture for USDA food purchases originate from funds that are required to be spent on direct intervention in agricultural markets. These funds are used by USDA to purchase surplus supplies of perishable agricultural products by diverting them from normal channels of trade and commerce.

**Attachment A**  
**Use of Section 32 Funds**  
(Continued)

Some Section 32 funds are not required to be spent on market intervention. These are Section 32 funds made available to fulfill the requirement in Section 6(e) of the Richard B. Russell National School Lunch Act. This Section of the Act mandates that, in each school year, not less than 12 percent of all federal support in the National School Lunch Program is provided in the form of USDA foods. Although other funding is available, when the total USDA food support for the National School Lunch Program does not meet this 12 percent “floor” in any given year, USDA uses Section 32 funds to purchase additional product in the amount of the shortfall. Since the Section 32 funds used to cover this shortfall are not required to be spent on direct market support, USDA has flexibility in the type of products it can buy using them.