# DPI Logo

# USDA Foods Program Frequently Asked Questions (FAQ)

# National School Lunch Program (NSLP)

# What is the USDA Foods Program?

The United States Department of Agriculture (USDA) purchases food to support the American agricultural market and to remove surplus. These food products are called USDA Foods. These USDA Foods in turn are offered to recipients of different government supported programs. For example, agencies that participate in the National School Lunch Program (NSLP) are offered USDA Foods.

# Who participates in and orders USDA Foods?

96 percent of Wisconsin School Food Authorities (SFAs) order USDA Foods. The USDA Foods Program is one of the benefits of participating in NSLP.

# What are some benefits of ordering USDA Foods?

* USDA Foods are a great cost savings. Every dollar’s worth of USDA Foods used in a school menu frees up money that would otherwise be spent on commercial food purchases.
* Saves staff time on purchasing food, because USDA does the procurement, contracting, and purchasing of USDA Foods for SFAs. USDA ensures the USDA Foods that are purchased meet the Buy American requirements.
* USDA chooses products that meet dietary guidelines, have nutritional value, and taste good.

# What is entitlement?

In being a participant in the National School Lunch Program (NSLP), an agency receives the benefit of receiving an entitlement dollar balance (“Program Year Entitlement”) that is spent towards the value of USDA Foods. It might help you to think of your entitlement like a gift card from USDA. The gift card can only be spent at the “USDA Foods Store”. When you submit an order, it decreases the balance on your USDA entitlement gift card.)

The entitlement calculation is:

The agency's prior year's total reimbursable NSLP meals served, multiplied by the federal assistance rate, which is determined by USDA, based on food index calculations.

# What is the entitlement dollar value of a USDA Food?

The *entitlement dollar value* of the USDA Food is the actual cost of the product as purchased by USDA from the market. Agencies do not directly pay the entitlement dollar value. However, this dollar value ***is subtracted*** from your entitlement dollar balance or “Program Year Entitlement” (unless the product is a bonus USDA Food).

# What kind of products are offered through the program?

Different products are offered through the USDA Foods program including fruits, vegetables, meats, cheese, beans, peanut products, rice, pasta products, flour and other grain products.

Bonus USDA Foods are those that are declared as surplus by USDA. Bonus USDA Foods are considered those over and above entitlement foods. Bonus USDA Foods are offered periodically, but only as they become available through agricultural surpluses. Therefore, the entitlement dollar value of these products ***is not*** subtracted from your entitlement dollar balance.

# What is the ‘price’ of a USDA Food?

**Administrative Fee**: is the amount charged to cover costs associated with administration of the USDA Foods Program. Each agency is responsible for covering the administrative costs associated with the ordering and receipt of each USDA Food. This fee is assessed for all USDA Foods requiring DPI monitoring and oversight, including bulk pounds/cases committed to a processor for further processing.

**Storage Fee**: USDA pays for the initial costs of each USDA Food including the cost to ship the product into the State of Wisconsin. Once product is received into the State of Wisconsin, there are additional storage costs that occur prior to delivery of the product to each agency. Each agency is responsible for covering the storage fee associated with the ordering and receipt of each USDA Food.

**Delivery Fee**: For agencies that select State delivery, the delivery fee is the amount charged to cover costs associated with the once per month delivery of USDA Foods to each agency.

**Processing Fee**: The processing fee covers the cost of “value added” products. USDA Foods in bulk form are sent to processors to make into more convenient, food safe, high quality items. The “processing fee” only applies to agencies that are participating in the State Processing Program, where bulk USDA Foods are further processed into finished end products determined through a state-wide bid process. The processed items are identified by a 'C' as the first letter of the material identification code. If you order the processed items, your agency will be responsible for these costs and your agency's invoice will also include the processing fee as part of the total amount due to the DPI. For schools that participate in the Direct Diversion Processing Program, the “processing fee” does not apply.

# How does each agency pay for the costs associated with the ordering and delivery of USDA Foods?

For monthly orders, costs will be calculated on a monthly basis. Any applicable costs, such as administrative fees, storage fees, processing fees, and delivery fees will automatically be offset, and taken from the monthly NSLP federal reimbursement claim. For example, based on Agency A’s September order, Agency A owes $200 in fees. Agency A’s NSLP federal reimbursement claim comes to a total of $1,000. Therefore, the DPI will reimburse Agency A $800 ($1,000-$200 for fees).

For direct diversion processing commitments (including the Cheese Processing Program), the costs will be calculated annually, in July or August, for the upcoming school year. Any applicable costs will be automatically offset and taken from the monthly NSLP federal reimbursement claim. The reimbursement voucher will reflect the total amount of reimbursement claim less the assessed fees.

# Are USDA Foods free?

USDA Foods are not free. Costs involved with USDA Foods need to be assessed like any other cost in running your foodservice program. To evaluate the financial benefit of ordering USDA Foods add the ***entitlement******dollar value per case***, the ***administrative fee, the storage fee, the delivery fee (if applicable)***, and the ***processing fee*** ***per case (if applicable)*** together. The sum is the total food cost per case of a particular product.

Compare this total cost to what you would pay for a similar product from the commercial market. Consider the dollar value portion received from your assistance dollars as a "rebate." How good of a deal are you getting by ordering the product as a USDA Food?

# What other factors should be considered when evaluating USDA Foods products?

* Consider the storage costs involved in receiving USDA Foods.
* Consider the labor costs involved in working with USDA Foods. For example, consider labor costs in conjunction with the “value added” products (processed products). Has labor been re-adjusted (decreased) to compensate for the time savings that will occur with these convenience food items?
* Is the USDA Food a preferred item by students? How does it influence your meal participation level?
* How frequently and in what amount do you use each product compared to other products used and other USDA Foods ordered?
* Consider the nutritional content of the USDA Foods. Based on the nutritional make-up of the product. How often can this product be offered, and still fit within the dietary specifications?

# How do I place an order for USDA Foods?

* First, your agency must have an approved contract with the DPI School Nutrition Team.
* Each participating agency must place an annual order online for the following school year. Please refer to the [*Online Instructions – School Lunch Program*](https://dpi.wi.gov/school-nutrition/usda/ordering-system) for instructions on placing your order.
* USDA Foods are available September through May.
* The USDA Foods section has an online system, called the [Wisconsin USDA Foods Ordering System](https://dpi.wi.gov/school-nutrition/usda/ordering-system). Every school should have a copy of theOnline Instructions - School Lunch Program for using the Wisconsin USDA Foods Ordering System, as well as the usernames and passwords assigned by the DPI. You may access a copy of the Online Instructions through the above hyperlink. If you need a copy of your school's usernames and passwords, please contact the DPI Fiscal Section.

***For new Food Service Directors that someone else placed their USDA Foods order*:**

# How can I find out what my expected USDA Foods orders are for the next school year?

* Login to WI USDA Ordering System, and click on the Survey tab for PY 2024.

# How much USDA Food products can I order for my SFA?

* How much donated USDA Foods you can order is based on how much entitlement (in dollars) your SFA is given by DPI.
* From time to time, DPI and USDA may offer bonus USDA Foods due to a surplus in the market or USDA’s purchasing. The entitlement dollar value of these products ***is not*** subtracted from your entitlement dollar balance.

# Is my entitlement all spent for next school year?

* You should check! Login to WI USDA Ordering System and click on the Entitlement tab for PY 2024.

*I still have entitlement to spend down this year.* Are there more ordering opportunities?

* DPI will email the primary contact at your SFA if there are any more ordering opportunities this year (with ordering instructions).
* Be sure DPI has the correct primary contact information for USDA Foods order opportunities and announcements. Login to WI USDA Ordering System, and click on the Application tab to see who the primary contact is for your SFA.

# When do I order USDA Foods for the next school year)?

* DPI’s USDA Foods Annual Order Survey will open in February and only stays open for 2 to three weeks. The primary contact will receive emails with ordering information in January.
* DPI strongly recommends you plan to spend all your entitlement during the Annual Order Survey.

# What should I order from the USDA Foods lists for my SFA?

* Look at your menus and look at the USDA Foods lists. What USDA Foods items can easily fit into your menus?
* Look at previous ordering history. Login to the WI USDA Foods Ordering System, and click on the Survey tab. Change the program year to review the ordering history.
* Evaluate how products have been received by students and make changes to other products as needed.
* For all your ordering options, and lists of products, go to our website: <https://dpi.wi.gov/school-nutrition/usda> and click on “Annual Order”. You can navigate to ordering options and product descriptions from there.

# I’m new, and the previous FSD ordered Direct Diversion (in bulk pounds), what do I need to do right away?

* Call your prime vendor! Ask for your product lists. Ask how to place orders each month. Make sure vendor explains how to enter orders for the discounted USDA Foods products instead of full price commercial. Ask how far in advance should you submit orders. Ask if there is an order and delivery drop minimum.
* Get access to K12 and/or ProcessorLink. This is how you track your USDA pounds for the year. You’ll see your beginning pounds balance. Plan to have balances at zero by end of school year. If you are having trouble using up your pounds, call your vendor or broker for those products sooner than later.
* Read your vendor contracts and procurement materials (the base contracts, not just the renewals).

# What are my primary tasks for USDA Foods this year?

These are tasks we recommend you do monthly:

* + After the 15th of the month: If you are expecting a **Direct Delivery** or **State Processed** product delivery next month, login to the WI USDA Foods Ordering System, and review/print your Order.
	+ Check your inventory onsite and inventory at commercial distributor. Confirm you have a plan to use these USDA Foods on your menus.
	+ If you order bulk pounds for further processing (**Cheese Processing** or **Direct Diversion** Programs), login to K12 and ProcessorLink and monitor your pounds usage. Confirm you are on track or have a plan to use pounds by end of year. Submit orders to your prime vendor. Confirm you are receiving credit for the value of USDA Foods per your prime vendor contract, as applicable.
	+ If you have an active **USDA DoD Fresh Produce** account in FFAVORS, monitor your balance. Submit orders. Confirm you are on track or have a plan to use balance by end of year.

# When do I start planning for the following school year?

* We recommend you start planning in November for the next school year.
	+ Review the USDA Foods and Price List for the next year that are posted in December.
	+ Think about your menu goals and how to adjust your USDA Foods order.
	+ If you have any procurement to do (for prime vendor, commercial distributor, or direct to processor), this is the time to start. You’ll need award decisions made by mid-February when the DPI USDA Foods Annual Order Survey opens.
	+ Review your contracts for renewal and finalize any changes by mid-February when the DPI USDA Foods Annual Order Survey opens.
	+ If you are planning for Direct Diversion, this is when DPI posts the list of eligible products and processors.
	+ If you want time to do student taste tests, this is the time.

# How do I stay current on tasks and training related to the USDA Foods program?

Attend USDA Foods Networking and Training Events. These events cover program and policy updates, timeline reminders, and a short training session. For a listing of future dates, training topics, and live event links, visit the [https://dpi.wi.gov/school-nutrition/usda/usda-foods-training#:~:text=Networking and Training Events](https://dpi.wi.gov/school-nutrition/usda/usda-foods-training#:~:text=Networking%20and%20Training%20Events)

# What if we do not use all of our program entitlement by the end of the school year?

Schools are not obligated to use all of their entitlement dollars within a given year. However, the entitlement balance left is not rolled over to use in the next school year. You will lose the dollar balance left.

We advise schools to order products in quantities that best serve their program. Your school may not order particular products for good reasons, i.e. low student preference, labor involvement, and storage issues. Direct and indirect costs incurred for ordering particular USDA Foods may be more than the food value received for them. It may not be worth it to spend all of your entitlement dollars.

# Our agency contracts with a vendor to provide meal services. Our handling charges are deducted from our NSLP reimbursement claims, and not paid directly by the vendor, how should we handle this?

It is up to your agency to negotiate in the contract how this issue will be handled. However, since vendors typically handle all other direct food costs and use these costs to establish a per meal price, we recommend that the vendor reimburse your agency for all handling charges deducted from NSLP federal reimbursement claims.

# Our agency contracts with a Food Service Management Company (FSMC) to provide meal services. Our handling charges are deducted from our NSLP reimbursement claims, and not paid directly by the FSMC, how should we handle this?

It is up to your agency to negotiate in the contract how this issue will be handled. However, since Food Service Management Companies typically handle all other direct food costs and use these costs to establish a per meal price, we recommend that the FSMC reimburse your agency for all handling charges deducted from NSLP federal reimbursement claims.

# Why are most USDA Foods packaged with commercial labeling?

USDA allows contracted processors to utilize commercial labels. Commercial labeling of USDA Foods reduces the USDA purchase price, because the processor does not have to run special labels for the USDA Foods. It also improves processor responsiveness to product concerns and improves quality reputation of USDA Foods because of label recognition.

# Commercially labeled USDA Foods pose a concern with inventory tracking. How can I track commercially labeled USDA Foods in inventory?

Upon receiving products from a USDA Foods delivery, a commercial distributor, or a grocery store, they should be marked or identified as delivered from that particular distributor and with the receipt date. This will aid in practicing "First In-First Out" rotation, quickly identifying product for hold or recall situations, and tracking inventory for management, planning, and reporting purposes.

Upon receiving a delivery, we advise that the date of delivery be stamped, marked, or labeled on each case. In order to identify USDA Foods that have commercial labels or to differentiate products received from various commercial distributors, place a marking, such as an "X", on the cases and on the inner bags/cans once the exterior case is removed. Keep records and inform your staff of your coding system of products to maintain integrity of your inventory management.

# If I have a quality concern about a product, what should I do?

Since USDA foods typically have commercial labeling, you must first establish that the product of concern is a USDA Food either by the above-mentioned method or by contacting your distributor to eliminate the possibility that it was a commercially purchased product. Once you have established that it is a USDA Food, complete the [USDA Foods Complaint Form, PI-6005 (Revision 7/13)](http://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/pod6005.pdf) and submit a copy to the DPI office.

The DPI will work with the processor or USDA to resolve the complaint as quickly as possible.

**Nondiscrimination Statement for USDA Child Nutrition Programs (Updated May 2022)**

In accordance with federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, this institution is prohibited from discriminating on the basis of race, color, national origin, sex (including gender identity and sexual orientation), disability, age, or reprisal or retaliation for prior civil rights activity.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language), should contact the responsible state or local agency that administers the program or USDA’s TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339.

To file a program discrimination complaint, a Complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form which can be obtained online at: <https://www.usda.gov/sites/default/files/documents/USDA-OASCR%20P-Complaint-Form-0508-0002-508-11-28-17Fax2Mail.pdf>, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant’s name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

1. **mail:**
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or
2. **fax:**
(833) 256-1665 or (202) 690-7442; or
3. **email:**
[program.intake@usda.gov](http://mailto:program.intake@usda.gov/)

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