



**United States
Department of
Agriculture**

Food and
Nutrition
Service

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MEMO CODE: SP 39-2012

SUBJECT: Existing Inventory of USDA Foods and Commercial Products

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

State Distributing Agencies
All States

This memorandum is written in response to questions recently received regarding food products from both the Department of Agriculture (USDA) foods and commercial vendors that, due to their portion sizes, pose challenges in fitting into the new National School Lunch Program (NSLP) meal pattern.

Providing healthful meals while maintaining the meat/meat alternate (m/ma), grain and calorie maximums is an important tool to improve the diets of America's school children and help reduce obesity. Large serving sizes may contribute to excess calories, which potentially jeopardizes schools' ability to meet other nutrient specifications as required by the new NSLP lunch pattern effective July 1, 2012.

The meal pattern does not exclude specific food items. However, schools may have products currently in inventory or on order with large portion sizes that may not easily fit into the weekly m/ma, grain or calorie limits. Since preparing and offering these products while remaining within the new meal pattern requirements may be difficult, we would like to offer a few reminders and suggestions.

We recognize that both School Food Authorities (SFAs) and their food suppliers are working in good faith to ensure that products supporting the new meal patterns are available. We strongly encourage SFAs to make use of all food which has been purchased for school meal programs. SFAs and State Agencies must honor their procurement contracts and utilize inventories for items that companies have produced. SFAs should plan to menu these existing inventories as quickly as possible and begin planning for new procurements that were not re-bid for School Year (SY) 2012-2013.

Recognizing that product development, production and procurement timelines pose challenges for SFAs and their suppliers, we encourage State agencies to work with SFAs to utilize existing inventories and strengthen procurement practices in support of the new meal patterns, particularly early in the school year.

It is also important to note that in the upcoming year, in accordance with regulations, a quantity violation is not a disallowance on a first review. While SFAs will not be eligible to receive the 6 cent reimbursement, States should not assess fiscal action for menus that fall outside of the weekly required ranges because of the need to use up existing inventory. SFAs should apply for 6 cents certification as soon as they are able to provide compliant menus that meet all meal pattern requirements.

This memo seeks to address three distinct scenarios and potential remedies to utilize commercial products in SY 2012-13: using existing inventory in schools, modifying/cancelling orders submitted but not yet processed, and managing future orders not yet processed.

In addition to the strategies identified below for the school meals programs, SFAs should also consider other potential uses of the food (in other child nutrition programs or vended meals not subject to the meal pattern).

1. Physical inventory of product

There are several options for SFAs for utilizing existing inventory, either in storage or at schools, particularly large-portioned food items that do not easily fit with the weekly maximum requirements. SFAs may plan to offer larger items less frequently on the menu, such as no more than once per week since the grain and m/ma limits are on a weekly basis. The larger portion products would be balanced with smaller sized offerings over the course of the week to meet the weekly dietary specifications. SFAs may also find that certain items, such as larger hamburger patties, may need to be transferred to high schools where the weekly m/ma limits are higher. SFAs should also work with other school districts or their State agency to request transfers of food where some may have excess inventories that can be utilized by others. SFAs can also use these products for staff meals. Finally, the products may be adjusted in form and used as ingredients in other menu items (stewing bone-in chicken for soup for smaller individual m/ma servings).

2. Inventory at processor/orders submitted but not yet processed

For products that have been ordered and are at the processing facility, but not yet processed or delivered to the schools, State agencies and SFAs should explore with manufacturers if they can change existing product specifications for their end products. States are encouraged to work closely with SFAs and industry to expedite the approval

and availability of products that assist schools with preparing meals that meet the new requirements. Such products may be further processed or prepared in a way that reduces portion size (e.g. resizing of hamburger patties). SFAs will need to work closely with both their State agency and food processor to determine what flexibility exists within existing specifications and the procurement and /or contract parameters. Where necessary, States should approve additional end products to include in the Summary End Product Data Schedules to allow bulk inventory to be used with the new finished items.

3. Orders to be placed in the near future but not yet purchased

Where appropriate, States may adjust or cancel USDA Food orders for products that have not been purchased. States should request orders for other USDA Foods to spend their entitlement value and allow SFAs to effectively utilize their planned assistance levels. Please work with the appropriate Food Distribution Division Operations specialist to modify existing orders or place orders for other foods. We are currently in the process of reviewing existing USDA Foods specifications and will be working to revise them as needed.

For commercial products scheduled to be ordered in the coming months, SFAs should change existing product specifications as soon as possible. This also applies to future procurements through the remainder of SY 2012-13. As indicated in FNS memorandum SP 17-2012, dated February 23, 2012, SFAs that could not complete procurements prior to SY 2012-2013 and amended current contracts are required to ensure that new procurements are in place for SY 2013-2014.

SFAs should assess the cost of not effectively using existing inventories that pose challenges with the meal requirements. With this in mind, States are encouraged to assist SFAs with finding creative solutions for use of commercial products and USDA foods. It is especially important that SFAs have an opportunity to utilize the full value of USDA foods.

We recognize that States and SFAs have questions regarding specific contract and procurement situations, and we intend to provide additional guidance in this area soon. In addition, FNS will continue to monitor this issue during the implementation of the new meal pattern in SY 2012-13.

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CN State agencies should share this information with their SFAs immediately. Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate FNS Regional Office.

Original Signed

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