

Fruit and Vegetable Commodity Purchase Programs

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November 17, 2005

The number one goal for commodity purchases is to assist domestic agriculture by purchasing surplus fruits and vegetables to remove them from market channels. These products are distributed to recipients in various nutrition programs administered by USDA. Therefore, our secondary goals involve meeting these recipient needs, providing safe product, and providing quality product and timely deliveries. Then, based on small business requirements, another goal of our purchases is to continually encourage small business participation.

There are nine Federal Nutrition Programs that receive the fruits and vegetables we purchase.

The National School Lunch Program is by far the largest program to receive commodity products, and The Emergency Food Assistance Program, which includes food banks and soup kitchens, is the next largest. Eighty-five percent of the products purchased are delivered to these two programs.

Out of the total pounds purchased for all programs, purchases of fruits and vegetables account for 45% of the total.

There are two types of commodity purchases made: Annual and Bonus Purchases.

Annual purchases are legislatively mandated purchases, and can be in the form of an "entitlement" based on the number of meals served in the recipient agency, or in the form of a "meal package", which is based on the number of persons within a household. Since these purchases are made to fulfill a need identified by administrators of those programs, the purchases are based largely on the recipient agency demand. Surplus removal is still a secondary goal of these purchases. These purchases are consistent: they occur each and every year, and fluctuations in amounts purchased are usually slight.

Over the past five years the annual purchases of grape juice have been between 8 million and 12 million pounds per year. (FY is the fiscal year of purchase, which is October 1 through September 30)

Bonus purchases are requested by industry, and are based on surplus situations in the marketplace. Recipient agency demand is secondary, since these purchases are made specifically to assist industry. These purchases vary from year to year, based on industry need.

The process for requesting and getting approval for a bonus purchase is extremely important. First, Industry needs to make the request, and not individual processors or

companies that have excess inventory. The request needs to include rationale with supporting economic analysis, quantities and types requested, and requested timeframes for contract award and delivery of product that would be most beneficial. USDA takes the information provided by industry, completes other analysis using official Government data, and creates a docket that is sent to the Secretary of Agriculture for approval.

However, bonus dockets have to be approved at all levels of USDA prior to being sent to the Secretary. These approvals include AMS officials, legal counsel, USDA's Chief Economist, and USDA's budget office. In total, there are fourteen signatures required before the docket is sent to the Secretary. This can take between two and four months to go through the process, depending on the supporting government data available.

There have been two bonus purchases of grape juice in the past ten years. In fiscal year 1995 we purchased 4.8 million pounds valued at \$1.7 million, and in fiscal year 2000 we purchased 14.1 million pounds valued at \$6.7 million. On October 7, 2005, the Secretary announced a purchase of up to 22.8 million pounds of grape juice to assist the market.

To summarize, USDA's Agricultural Marketing Service purchases are made in order to support domestic agriculture. Annual purchases meet legislated nutrition program needs while helping to meet the goal of supporting domestic agriculture. Bonus purchases are the mechanism to assist domestic agriculture in times of adverse market conditions.

More information can be found at www.commodityfoods.usda.gov.

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Dave Tuckwiller

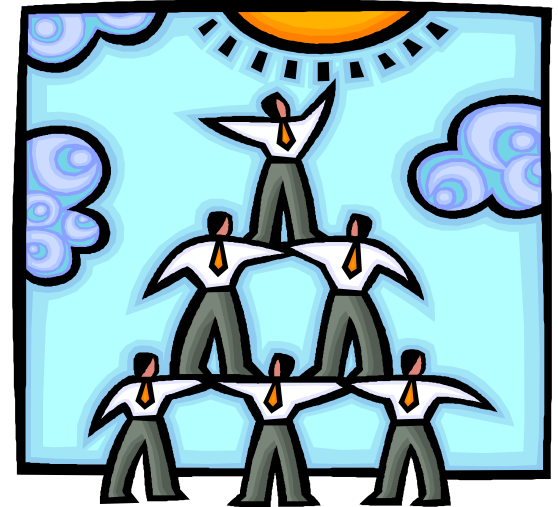
Chief, CPB

November 17, 2005

Goals for Commodity Purchases

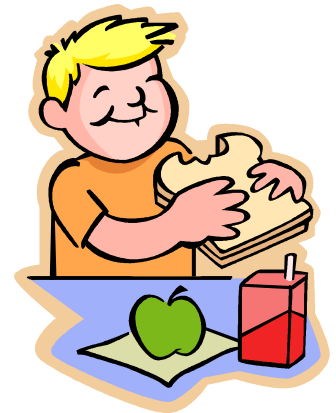
□ Assist Domestic Agriculture

- Meet Recipient Agency Needs
- Provide Safe Product
- Provide Quality Product and Timely Deliveries
- Encourage Small Business Participation

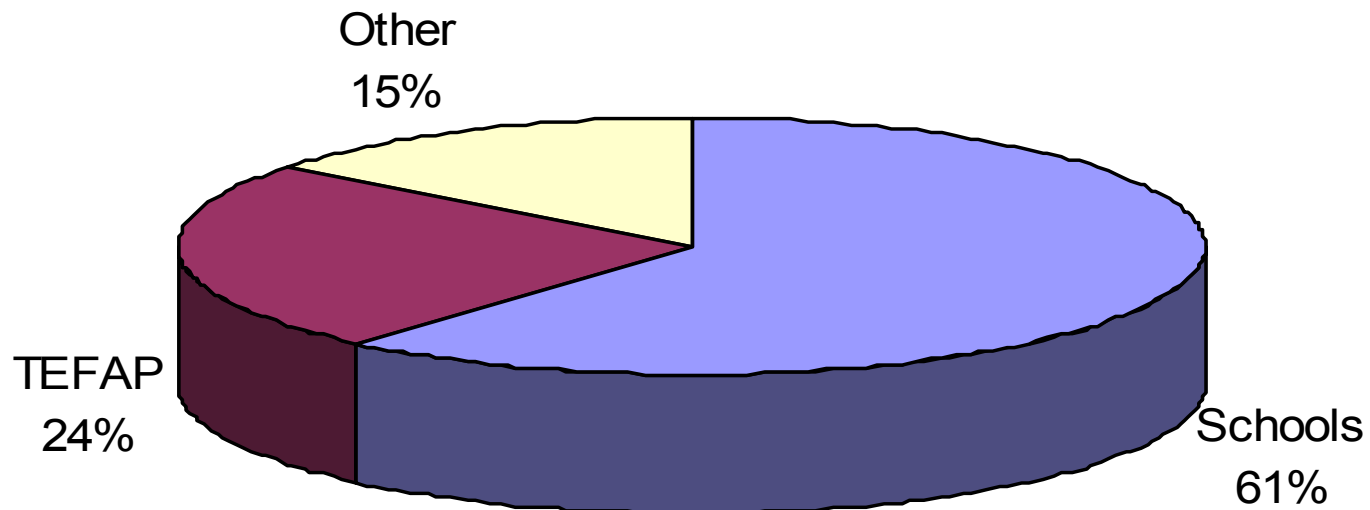


Federal Nutrition Programs

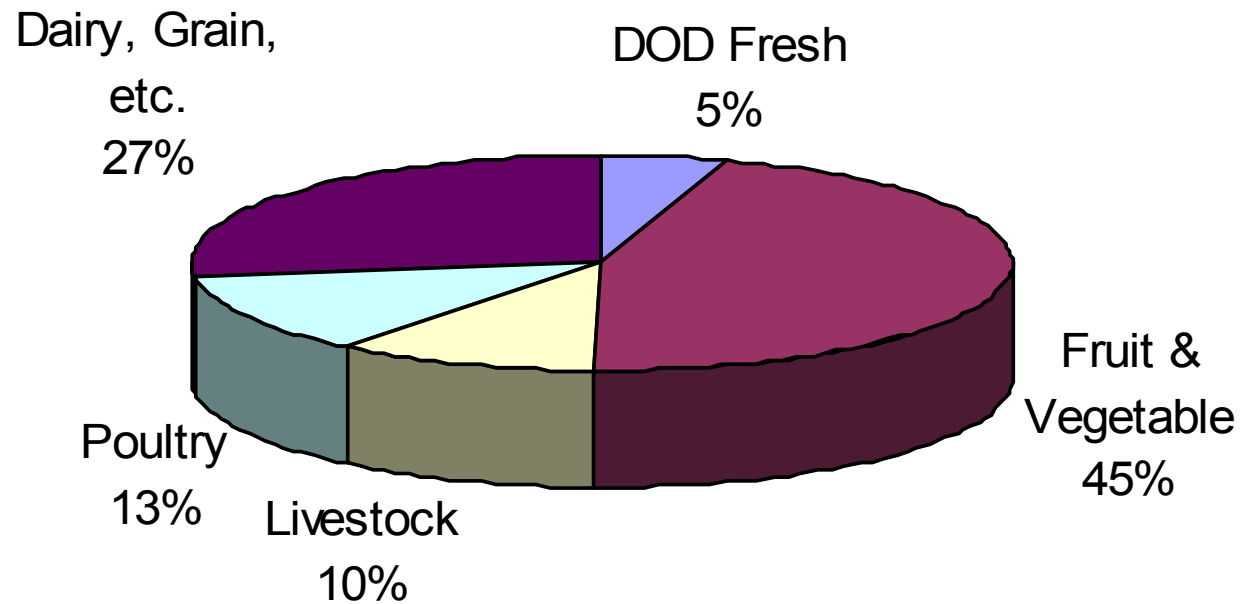
- ❑ National School Lunch Program
- ❑ The Emergency Food Assistance Program
- ❑ Commodity Supplemental Food Program
- ❑ Food Distribution Program on Indian Reservations
- ❑ Child and Adult Care Food Program
- ❑ Summer Food Service Program
- ❑ Nutrition Services Incentive Program
- ❑ Charitable Institutions/Summer Camps
- ❑ Disaster Food Assistance



FY 2005 Pounds Purchased



FY 2005 Pounds Purchased





Types of Commodity Purchases

□ Annual Purchases

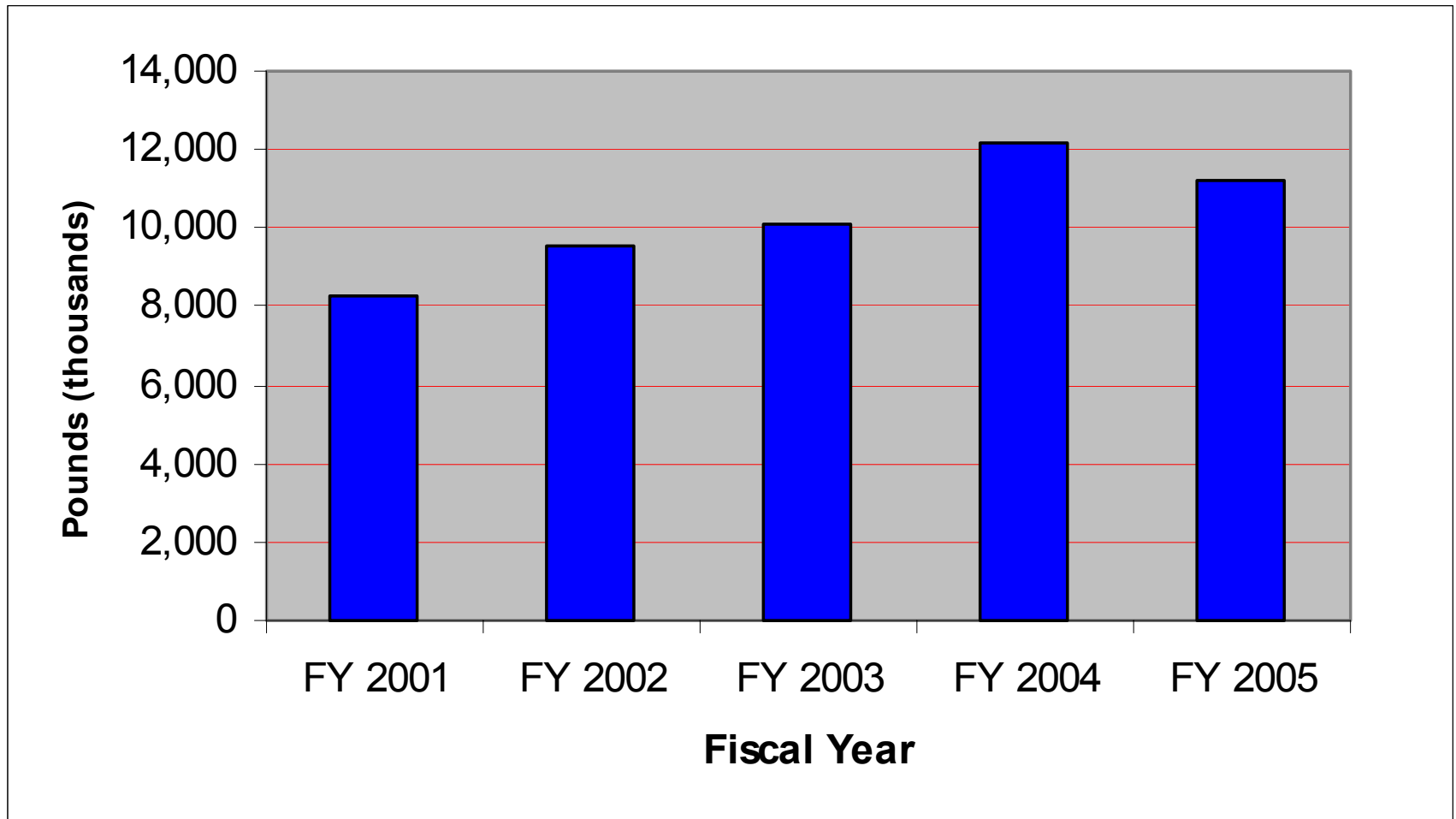
□ Bonus Purchases

Annual Purchases

- ❑ Entitlement/Meal Package/Legislated
- ❑ Recipient Agency Demand
- ❑ Surplus Removal
- ❑ Consistent



Grape Juice Annual Purchases



Bonus Purchases

- Industry Requested
- Emergency Surplus Removal
- Recipient Agency Demand
- Varies year to year





Bonus Process

- Industry requests a bonus purchase
 - Rationale with supporting analysis
 - Quantities and types requested
 - Timeframes

- USDA prepares economic analysis
 - Industry provided data
 - Government data



Bonus Process

- Bonus docket prepared for clearance
 - AMS officials
 - Legal counsel
 - Chief Economist
 - Budget office

- Secretary approves or disapproves



Grape Juice Bonus Purchases

- FY 1995 – 4.8 m pounds valued at \$1.7 m
- FY 2000 – 14.1 m pounds valued at \$6.7 m
- FY 2006 – Approval for up to 22.8 m pounds



Summary

- USDA's Agricultural Marketing Service Commodity Procurement's main goal is to assist domestic agriculture
- Annual purchases meet legislated nutrition program commodity needs while supporting domestic agriculture
- Bonus purchases assist domestic agriculture during times of adverse market conditions, and provide those products to the needy



For more information on the commodity
programs:

www.commodityfoods.usda.gov