

Commodity Foods and the Nutritional Quality of the National School Lunch Program: Historical Role, Current Operations, and Future Potential

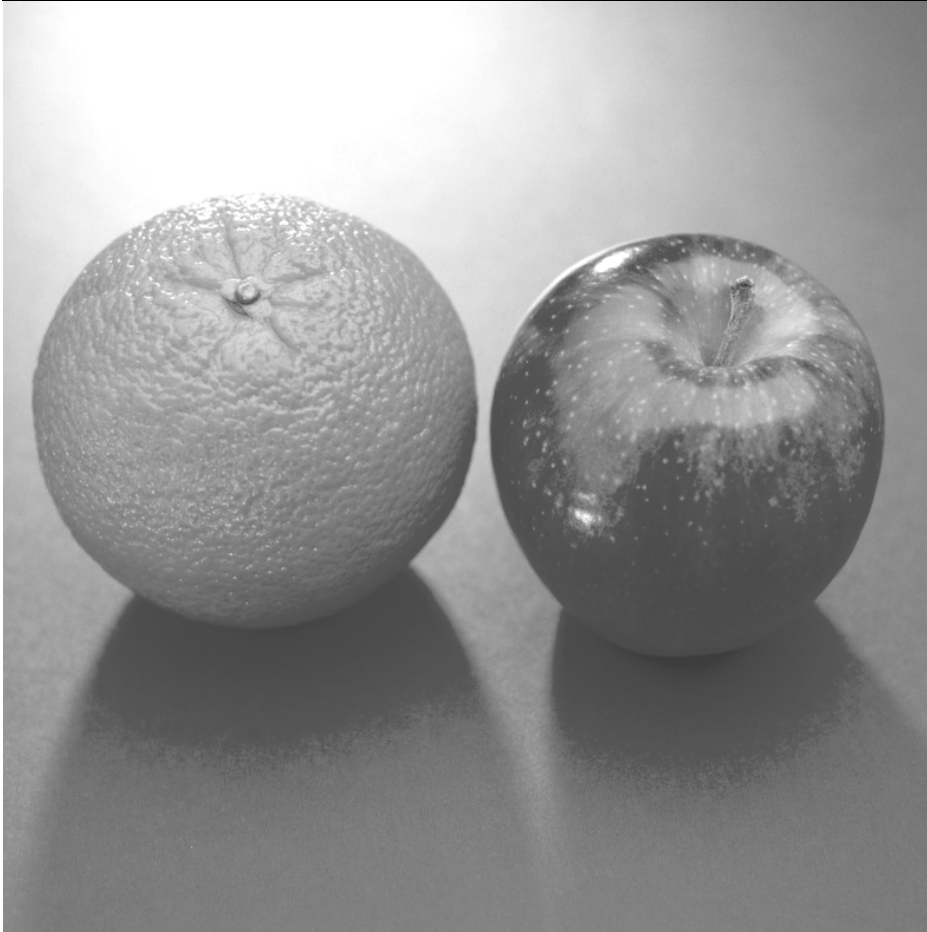


Table of Contents

Acknowledgements	4
Executive Summary	5
Introduction.....	14
Chapter 1: An Introduction to the History and Structure of Agricultural Commodities in the National School Lunch Program	16
Chapter 2: The Basics: Key Players, Funding Sources, and Terminology	22
Chapter 3: Purchasing, Processing, and Distributing Commodities for the National School Lunch Program: Where Are the Nutrition Critical Control Points (NCCP)?	24
Chapter 4: The Role of Commodity Foods in the Other Child Nutrition Programs	35
Chapter 5: Fresh Fruits and Vegetables in the School Lunch Commodity Program	39
Chapter 6: A System in Transition: Years of Change in School Lunch Commodities	41
Chapter 7: Using Commodities to Strengthen the Nutritional Quality of the National School Lunch Program: Key Issues and Recommendations for Change	44
References	52

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Executive Summary

What is the School Lunch Commodity Program?

The U.S. Department of Agriculture purchases agricultural commodities (unprocessed or partially processed foods) and, based on their selections and the numbers of meals they serve, provides these foods to schools participating in the National School Lunch Program. Thus, the school lunch commodity program acts as a supplement to the per meal cash reimbursements these schools receive.

Purpose of the Report

Because of growing national concerns about the poor nutritional quality of children's diets and increasing rates of childhood obesity, the public's interest in the positive role child nutrition programs can play in helping to solve these problems has increased. This also has led to greater interest in the foods provided through the school lunch commodity program. Yet, the commodity program is a kind of "black box," one of the least understood nutrition programs among the public, anti-hunger advocates, public health professionals, and children's health advocates.

The purpose of this report is to:

1. Examine the school lunch commodity program and how it operates;
2. Sort myths about the program from facts;
3. Call attention to the school lunch commodity system's "Nutrition Critical Control Points" (a term developed by FRAC to describe the points at which key nutrition-related decisions are made in the system - intentionally or unintentionally - at the federal, state and local levels);
4. Highlight barriers to improvement in the nutrition profiles of the commodity-derived foods that are offered to children in the school nutrition programs; and
5. Make recommendations about how to move the decisions made at Nutrition Critical Control Points in a positive direction.

Importance of Commodity Foods to the National School Lunch Program

The contribution of commodities to the resources available for providing school lunches, while relatively small compared to the cash reimbursement provided, is significant. In school year 2007, the list of agricultural commodities offered to school districts by the U.S. Department of Agriculture consisted of more than 200 products. The monetary value of agricultural commodities made available to school districts makes up a minimum of 12 percent of the total federal funding that the National School Lunch Program provides to pay for the cost of preparing and serving lunches to students. According to estimates, when only expenditures on food (as opposed to personnel and other costs) are included in the calculation, the value of commodities makes up about one-fifth of federal resources spent on food for school lunch.

Commodities also are valuable to schools in other ways. Often, USDA-provided commodities are less expensive to schools than their counterpart products purchased on the open market by school districts because USDA can take advantage of national bulk purchases and is watching the marketplace all year for good buys. In addition, commodities may be relatively safer from a food safety perspective than their marketplace counterparts because of more stringent specifications

and inspection procedures. Moreover, commodities are a “safe” funding source for local school lunch programs, since they are supported by politically powerful agricultural interests. Finally, the financial contribution of commodities to the economic feasibility of offering school lunches is especially crucial in today’s world of rising food costs, rising labor costs, decreasing local and state financial support for “non-essential” education-related school district costs, and increasingly limited federal resources.

Origins and Current Status of School Lunch Commodities and the National School Lunch Program

During the Great Depression, rural farmers were producing food crops that they could not sell because much of the nation’s population did not have sufficient money to buy the food they needed. Many children were suffering from severe undernutrition. A logical solution to the combination of bankrupt farmers and undernourished children was to provide these unsold products to schools so that they could produce lunches for children. Congress passed a law in 1935 creating a separate fund for the Secretary of Agriculture to use, in part, to provide surplus foods for school lunch programs. Through the distribution of these foods, the incomes of farmers went up, and thousands of school children received at least one decent meal a day.

At the end of World War II, the Surgeon General of the Armed Forces spoke passionately to Congress about the poor physical condition of many of the young men who had reported for duty during the war and recommended the creation of what became the National School Lunch Program - providing a combination of cash and commodities to schools. Since then, the program has been recognized as serving a dual purpose - to provide nutritious meals to children and to support the nation’s agricultural producers. Today, more than 100,000 schools offer the National School Lunch Program to nearly 30 million children each day, at a cost of \$8 billion in cash reimbursements and about \$1 billion in commodities. Of the 30 million children eating school lunches each day, 17.4 million are low-income and receive free or reduced-price meals.

A number of developments over the last 20 years have made it financially challenging for many school lunch programs to operate in the black. In the early 1980s, Congress reduced the funding for school lunch reimbursements (and has never restored the reduction), and eliminated the food service equipment assistance program, which had helped low-income schools to purchase, repair and replace school kitchen equipment. Moreover, in the past, expenses associated with producing and serving meals were shared with the school district, but now school boards with very tight education budgets are demanding that the federal reimbursement and family payments for lunch together pay for all costs of the program.

Nutrition Standards and the National School Lunch Program

One of the major strengths of the National School Lunch Program is the requirement that the content of the meals meet national nutrition standards based on nutrition research. This ensures that foods essential to children’s health are served and that important nutrient needs of children are met. Currently, regulations require that school lunches provide at least one-third of the Recommended Dietary Allowances for key nutrients, and they do. In addition, schools are supposed to provide lunches with no more than 30 percent of calories from fat and less than 10 percent of calories from saturated fat, and they must reduce sodium levels in lunches and

increase their fiber content. According to the most recent USDA report on the content of school meals, schools have not made significant progress in reducing the fat content of lunches, and much room for nutritional improvement remains. Like any other foods that are part of a school meal, school lunch commodities, whether as individual commodities (such as canned peaches) or as parts of manufactured end products that are served (such as cheese in pizza), should contribute toward meeting the standards.

How the School Lunch Commodity Program Works

Within USDA there are four agencies that have some level of responsibility for the commodity program. The primary agency is the Food Distribution Division (FDD) of the Food and Nutrition Service (FNS), an agency within USDA that governs the federal nutrition programs. FNS determines the total monetary value of commodities that each school district can receive (called “commodity entitlement dollars”), consolidates all the commodity orders (which generally are based on what schools have asked for through their state agencies), and directs USDA’s Agricultural Marketing Service (AMS) and the Farm Service Agency (FSA) to buy the requested foods. AMS is responsible for buying red meats (primarily beef and pork), poultry and eggs, fish, fruits, vegetables, and tree nuts, and FSA buys peanut products, grains, oils, and dairy products, including cheese and dry milk. The Food Safety and Inspection Service (FSIS) ensures food safety through standards and specifications on the handling of commodities.

The state agencies responsible for commodities are known as Distributing Agencies (DAs), and they give out commodities to local school districts, which are called Recipient Agencies (RAs). These RAs ultimately serve the food to students as part of meals.

FNS determines the schools’ share of commodity funds, and then discusses with AMS and FSA which commodities these purchasing agencies plan to buy in the coming year, based on historical demand and market and yield projections. Next, FNS informs the state DAs of the projected amounts and kinds of available items, and the states are supposed to survey their school districts about what they would like, in what quantities, and on what delivery schedule. This information is aggregated in the form of a procurement request to AMS and FSA from the FDD at FNS. USDA (through AMS and FSA) purchases commodities from both growers and packers, which are known in the commodity world as vendors.

Finally, a key part of the USDA commodity program is processing. Commodity processing is a large and complex program whereby commodity foods purchased by USDA for RAs are converted from raw input into an end product more usable at the school level - by freezing or cooking and/or through the addition of other ingredients. Processing occurs at two levels - to a limited extent at the federal level under USDA’s auspices, and to a much larger extent at the national, state and local levels by food processing companies. School districts decide where to send any of the products for additional processing, e.g., tomato sauce, whole grain flour, and light mozzarella cheese to make a pizza. Companies sign agreements to be allowed to process commodities and they write detailed specifications for their products so that school districts know what they are ordering.

Commodity foods are categorized as “entitlement” commodities or “bonus” commodities. Entitlement commodities are called this because RAs are entitled to a certain value each year based on the total number of school lunches (not breakfasts) they serve times a commodity reimbursement rate. USDA buys bonus commodities when there is a severe surplus for a particular commodity. Much of the bonus commodities they buy is distributed through The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). However, schools also are an outlet for these foods. State distributing agencies ask schools whether they need them, and schools can order as much of these bonus commodities as they can use.

Nutrition Critical Control Points (NCCPs): A Way to Pinpoint Critical Decision Points in the School Lunch Commodity Program

In order to purchase, distribute and process commodities for use in the National School Lunch Program, key decisions must be made at the national, state and local levels by federal officials and state agencies; producers, processors and distributors; and school districts and school food service managers. These decisions can have a significant impact – intended or unintended – on the nutrition profiles of the commodity foods and commodity-derived foods served to National School Lunch Program participants. For the purposes of this report, we have created a new term for these points in the process – Nutrition Critical Control Points (NCCPs).

Pinpointing and understanding these NCCPs is a useful way to think about and discuss which changes in decisions about school lunch commodities can result in more healthful meals for schoolchildren. The ways in which the commodity system works varies considerably from state to state. Applying the concept of NCCPs to the commodity system at the federal level, in a particular state, or in a school district can be useful in diagnosing problem points and suggesting ways to change decision-making in order to improve the nutrition profiles of food products.

The first and most obvious example of a federal NCCP is when USDA makes decisions about what it plans to buy (i.e. which commodities) from growers and packers at the national level. In order to do this, the agency must make some preliminary decisions about the types, amounts, proportions, and specifications (descriptions) of the foods to be purchased. USDA also develops plans to buy some processed foods at the federal level. Decisions about which foods they decide to buy in processed form, and the specifications for the contents of these products, also are critical NCCPs.

State Distributing Agencies (DAs) make decisions about which products from the list of items offered by USDA to bring into the state. States base this determination, to a greater or lesser extent, on school district orders and/or their perceived preferences. States may offer all the choices or only some of them. They may depend on individual school districts to order, or cooperatives made up of school districts, or even a commodity advisory committee made up of several local school food service managers. In some states, the DA also enters into agreements for further processing on behalf of the districts in the state. In most states, the DA uses multi-state national processing agreements, which include specific end products, as a vehicle to invite companies into a state to solicit orders from school district school food service personnel, and may also develop contracts with state-specific companies. All of these state-level decision points are NCCPs.

Local districts order commodities against their entitlement dollars and make decisions about further processing and desired end products. According to federal law and regulations, school districts are under no obligation to choose particular foods or amounts of foods in their commodity orders. Their decisions about which commodities to order and how much; which commodities to have processed; which companies to do business with, and which and how much of their products to order; and the nutritional content and specifications of the end products they want as a result of further processing, all are NCCPs.

Last, but not least, the companies that create and/or distribute food products for the local school lunch market also make crucial decisions about the kinds and contents of foods they offer, based on their sense of market demand, feasibility, potential profits, and costs. These decisions also are NCCPs.

The Role of Commodity Foods in the Other Child Nutrition Programs

Commodity foods play the same dual role - providing a stable market for food producers and providing additional resources to meet the nutritional needs of children – in the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP). (Regular commodities, and bonus commodities when available, both are obtainable by SFSP and CACFP.) Commodity foods currently are not available in the School Breakfast Program. However, regulations do allow the use of the commodities that are allocated on the basis of lunches served to be used in other aspects of schools' nutrition programs – including in the School Breakfast, Summer Nutrition and Afterschool Snack and Meals Programs, and in a la carte foods offered for sale by schools.

In addition, other commodity programs – The Emergency Food Assistance Program (TEFAP), the Food Distribution Program for Indian Reservations (FDPIR), and, to a lesser extent, the Commodity Supplemental Food Program (CSFP) – include children among their household recipients. These programs also play the dual role of agriculture support and of helping to meet the nutritional needs of low-income people. However, none of these programs receive a volume of commodities or monetary value comparable to the commodities provided to the Lunch Program.

Beyond School Lunch: Nutrition Critical Control Points in the Other Commodity Programs

Clearly, there are potential Nutrition Critical Control Points (NCCPs) in all of the commodity programs. In the case of CACFP and SFSP, the NCCPs are quite similar to the ones at the national, state and school district levels in the National School Lunch Program. That means that positive changes in the National will also have a direct impact on the nutrition profiles of foods offered in these programs. Positive changes in school lunch also will indirectly affect other nutrition programs provided by the school. As for TEFAP, FDPIR and CSFP, changes at the federal level in National School Lunch Program commodities may have some influence on the quality and kinds of foods available in these programs. However, individuals desiring to take full advantage of the NCCPs in these three programs will need to do a separate review of commodity choices and specifications in the programs, keeping in mind the desirability of achieving diets that match the Dietary Guidelines, and, at the same time, taking into consideration practical household storage issues, and cultural and generational preferences.

Fresh Fruits and Vegetables in the School Lunch Commodity Program

A common complaint that is voiced about the traditional school lunch commodity program is that it does not offer fresh fruits and vegetables. It actually does, but the amounts and types available are relatively small. Canned and frozen fruits and vegetables are more often available as commodities. There are actually four sources for obtaining fresh fruits and vegetables in the National School Lunch Program: through direct purchase with the school lunch cash reimbursements and children's payments (i.e. what children pay for reduced-price and "paid" meals); the selection of the fresh fruits and vegetables offered in the regular school lunch commodity program; taking advantage of bonus commodity fruits and vegetables when they are available; and participation in the DOD-Fresh Program (Department of Defense Fresh Fruit and Vegetable Program).

The reason that the regular school lunch commodity program does not offer a wider variety of fresh fruit and vegetables is that its ordering, purchasing, storage and transportation methods generally lend themselves to shelf-stable products, and not fragile perishables. However, the Department of Defense (DOD), because of base closings, had a nationwide system to purchase and distribute a wide variety of high quality fresh produce to military installations, federal prisons and veterans' hospitals that was not being fully used. In the mid-1990s, USDA and DOD worked together to develop a program in which the DOD distribution system was used to supply fresh fruit and vegetables directly to school districts along with deliveries to military sites. DOD was not able to bring this service to all school districts because of limitations in federal funding, but school food service managers able to participate generally have been very happy with the program, the distribution and delivery system, and the wide selection, quality, and cost of the produce received. By 2002, the program was so popular that the Farm Bill in that year included \$50 million in funding over five years for its continuation and future growth, and the 2008 Farm Bill continued this funding level through 2012.

This program has proved the enormous demand for and popularity of fresh produce in the National School Lunch Program and the attainability of a well-operated perishable procurement and distribution system tied to the school lunch commodity system. Major issues facing this program are: whether the recent development of "new" DOD-Fresh commercial distributors can live up to the high quality standards DOD-Fresh has set; the sustainability of DOD-Fresh for schools and whether there is a more sustainable procurement and distribution system that could become an integral part of USDA's regular school lunch commodity program; the need for more funding so that all schools in all states have the potential to participate and order as much produce as they want; the possibility of intentionally including local growers in the system; and the development of means to ensure that smaller school systems can gain access to this source of fresh produce.

Modernization of the School Lunch Commodity Program

Over the last two decades, USDA has made significant and successful changes in the school lunch commodity program in response to complaints from school lunch managers and state child nutrition agencies.

By the mid-1990's, criticisms were mounting about the way the whole system worked – ordering, processing, delivery, etc. – and the roles and control by agencies at different levels of the

system. USDA's Commodity Improvement Council, which was put together in 1994 and whose members included the Under Secretaries for the Food and Nutrition Service (FNS), the Agricultural Marketing Service (AMS), the Food Safety and Inspection Service (FSIS) and the Farm Service Agency (FSA), requested in 1998 that a major project be started under the auspices of USDA to find solutions to problems in the commodity program. USDA worked with private contractors in the areas of reengineering, strategic planning, change management and business transformation to modernize the program systems, and these contractors worked with local, state regional and federal school food service and government stakeholders to develop and begin to implement a plan to modernize and improve the commodity system, called BPR (the Business Process Reengineering project, or Food Distribution 2000).

In 2006, almost all of the resulting desired changes in the school lunch commodity program were embodied in proposed regulations. Two major goals of this revised system are: more efficient, simpler, and more predictable management of ordering, processing and distribution systems, and a focus on full involvement of, and meeting the real needs of, local school food service operations in state and federal decision-making.

Currently, the school lunch commodity program is in transition to a system that will be driven much more by the choices of local school districts than by unilateral state agency determinations. This forces state agencies to approach their leadership roles more creatively - fully informing school districts of their choices and potential consequences, and taking school district selections into account to the greatest extent possible. Moreover, these changes place much more responsibility on the school districts themselves to make it their business to understand their full range of choices, to learn more about each of the choices available, and to take into consideration the fiscal, nutritional and health consequences of those choices. The food industry, both processors and distributors, also plays a powerful role, and has an opportunity and a responsibility to attend to children's nutritional and health needs in the business decisions it makes.

The concerns raised in this decade about the school lunch commodity program are intertwined with health experts' and the public's alarm about increasing childhood obesity, its potential negative health consequences, and children's overall poor nutrition habits. Attitudes about commodities both reflect and affect experiences and beliefs about the National School Lunch Program. As a result, USDA is making major changes in the foods that it purchases and makes available at the federal level. For example, in school year 2007-2008, the agency has added the following items to the commodity list: quick-cook brown rice; whole grain spaghetti, rotini, and macaroni; dry kernel corn for further processing; frozen potato products without trans fats; applesauce without added sugar; and canned vegetables with lower sodium levels.

Using Nutrition Critical Control Points to Strengthen the School Lunch Commodity Program: Recommendations for Change at the National, State and Local Levels

Stakeholders interested in improving the nutritional quality of school meals should take full advantage of potential Nutrition Critical Control Points (NCCP) in the school lunch commodity system at the federal, state and local levels. There are areas in the school lunch commodity system where critical decisions are made or strategies implemented that can affect, positively or negatively, the nutrition profile of foods served to students in the National School Lunch Program.

Federal Level NCCPs

- USDA's current efforts at the national level to improve the school lunch commodities they purchase should be lauded and made more visible. USDA should do more to promote these changes to states and local school districts, and continue to expand its efforts to improve the nutrition profile of the commodities purchased. As part of this effort, USDA should continue its systematic review of all federal-level product specifications, and revise them when appropriate with the Dietary Guidelines for Americans in mind.
- USDA should support legislation to increase significantly the proportion and amount of fruits and vegetables purchased by the federal government for use in the school lunch commodity program. In addition, it should support increased funding for the fresh produce available to school districts through DOD-Fresh, or through a new or revised USDA vehicle for the distribution of perishable produce that is associated with the current school lunch commodity program. All school districts should have the opportunity to participate in this program.
- USDA should support legislation creating a national funding mechanism to leverage resources for the purchase and repair of equipment, as well as for access to adequate storage facilities, so that more schools can use commodities in their original form to develop their own products
- USDA should support legislation to increase reimbursements for school meals so that schools can afford the increased cost of labor required to prepare foods using commodities that are closer to their original form.

State Level NCCPs

- State agencies should allow each school district, or school district coop, to choose from all the commodity choices that USDA offers.
- State agencies should take advantage of their leadership role in child nutrition by assisting school districts in making wise nutrition choices among the commodity-based food products offered by processors doing business in the state.
- States should work together with school districts and processors to develop plans for the development, introduction, promotion and transition to new and more healthful commodity-based food products.

Federal/State NCCPs

- State agencies and/or USDA should develop voluntary "Gold Standard" model specifications for certain products made with commodities for the use of local school districts in food product analysis and ordering, and for the use of food processors in food product development for the National School Lunch Program.

- USDA and state agencies should work together to find effective ways to promote the use of underutilized, nutritionally desirable commodities, and more healthful versions of commodities, by school districts and food processors.
- USDA and state agencies should work together to provide all school districts with the training, or other means, to understand and/or write food product specifications and to be able to influence them more effectively.
- USDA and state agencies should work together to develop new ideas for smaller-scale commodity transportation systems that will allow smaller school districts to receive the more healthful commodity foods they desire.

District Level NCCPs

- More small and medium-size districts should consider banding together to pool their resources in order to: increase the chances of being able to receive the commodities they desire; improve their buying power; gain access to expertise in food product specification writing and/or review; and, most important in the context of this report, maximize their ability to influence manufacturers to develop new products according to school district nutrition needs.
- Large school districts should take full advantage of their greater buying power in order to improve the nutritional profiles of the products they order.

The Role of Stakeholders in Making Change Happen

The recommendations in this report need to be a part of any efforts to improve the overall quality of school meals. Those who are working to influence USDA's upcoming proposed school lunch and breakfast regulations on nutrition standards for school meals; or working at the state level on state legislation, supplemental funding, or state agency directives related to improved nutrition in school meals; or working with concerned school food service personnel and community members to improve the healthiness of school meals at the local level, also should be looking at the potential uses of commodity foods for quality improvements. In addition, coalitions of stakeholders, such as federal officials and state agency leaders; local school food service directors; food producers, processors and distributors; and nutrition and children's advocates, should work together to develop effective national, state and local transition plans, including changes in the school lunch commodity system, that will lead to the purchase, production, ready availability, promotion, and acceptance of the kinds of healthful school lunch foods all of us would like our children to be eating and enjoying at school every day.

Introduction

In school year 2007 - 2008 the list of agricultural commodities offered to school districts by the U.S. Department of Agriculture consisted of more than 200 frozen, fresh, canned and dried products: beef, pork, turkey, tuna, chicken, egg products, fruits and vegetables (including apples, oranges, pears, and garbanzo, pinto, and red kidney beans, potatoes, sweet potatoes, tomato sauce and tomatoes), juices, nuts, cheeses (including reduced-fat), oats, cornmeal, flour (including whole wheat), rice (including brown rice), pasta, and vegetable oils.

The monetary value of agricultural commodities made available to school districts makes up a minimum of 12 percent of the total federal funding (per meal cash reimbursements for each meal served plus a certain value of commodities per meal) that the National School Lunch Program provides to pay for the cost of providing lunches to students. When only expenditures on food are included in the calculation (schools also have to use the cash reimbursement to cover labor costs and the cost of heat, electricity, custodial services, and equipment purchase and repair), the value of commodities makes up about one-fifth of federal resources spent on food for school lunch. (Also, some students pay part of the cost of the meal, and some states provide supplemental reimbursements.) Therefore, the contribution of commodities to the resources available for providing school lunches, while relatively small compared to cash, is significant.

Commodities are also valuable to schools in other ways - often, USDA-provided commodities are less expensive to schools than their counterpart products purchased on the open market by school districts because USDA can take advantage of national bulk purchases and is watching the marketplace all year for good buys. In addition, commodities may be relatively safer from a food safety perspective than their marketplace counterparts because of more stringent specifications and inspection procedures. Moreover, commodities are a "safe" funding source for local school lunch programs, since they are supported by powerful agricultural interests. The recognition that the National School Lunch Program provides a direct market for agricultural commodities makes farmers into program supporters.

The financial contribution of commodities to the economic feasibility of offering school lunches is especially crucial in today's world of rising food costs, rising labor costs, decreasing local and state financial support for "non-essential" education-related school district costs, and increasingly limited federal resources.

At the same time, there is a growing concern about nutrition-related health issues and obesity and its consequences among children. With many children depending on school meals for a significant proportion of the foods they eat each day, there has been an increased focus on the nutritional quality and healthfulness of school meals. USDA is currently in the process of revising the nutrition standards for School Lunch and Breakfast in order to meet the 2005 Dietary Guidelines for Americans and the Dietary Reference Intakes (which are a revised and more comprehensive version of the past Recommended Dietary Allowances). The Congress, private industry, nonprofit organizations and the Institute of Medicine all have weighed in on how to manage the nutritional quality of foods and beverages sold and offered in schools outside of the

school nutrition programs. Foundations are providing significant resources to programs that they hope will have positive effects on the nutrition and healthfulness of foods offered to children in public institutions. School food service managers worry about whether they will have sufficient funds to meet the growing demand for different and healthier offerings in school nutrition programs.

The increased attention on the critical role of publicly-funded nutrition programs has led to a greater focus on the operations of the school lunch commodity program. Yet, the commodity program is a kind of “black box,” one of the least understood nutrition programs among the public, anti-hunger advocates, public health professionals, and children’s health advocates. A great deal of confusion exists about how it works, in part because of its complexity, and also because of the diverse ways in which it functions across the country. In addition, the provision and use of commodities are so intertwined with how the National School Lunch Program operates overall, that it is difficult, and sometimes misleading, to separate commodity use from the rest of the program. Thus, the criticisms of school lunch commodities and recommendations for change, as they relate to school meal quality, are in some ways related to criticisms of and a recipe for change for the National School Lunch Program as a whole. School lunch commodities can, and do, make important nutritional contributions to the school nutrition programs. But a great untapped potential exists to make the commodity system contribute more positively to the healthfulness of school meals and the healthiness of schoolchildren.

The purpose of this report is to:

1. Examine the school lunch commodity program and how it operates;
2. Sort myths about the program from facts;
3. Call attention to some “Nutrition Critical Control Points” (a term developed by FRAC to describe the points at which key nutrition-related decisions are made in the school lunch commodity system - intentionally or unintentionally - at the federal, state and local levels) and the potential consequences of these decisions;
4. Highlight barriers to improvement and change in the nutrition profiles of the commodity-derived foods that are offered to children in the school nutrition programs; and
5. Make recommendations about how to move the decisions made at Nutrition Critical Control Points in a more positive direction.

Chapter 1:

An Introduction to the History and Structure of Agricultural Commodities in the National School Lunch Program

Origins of School Lunch Commodities and the National School Lunch Program

Agricultural commodities (unprocessed or partially processed foods) represent the earliest origins of the National School Lunch Program that now provides almost \$8 billion in cash and about \$1 billion in commodities each year to the more than 100,000 schools nationwide that serve federally-supported meals to 30 million children on an average school day.

During the Great Depression, rural farmers were producing food crops that they could not sell because much of the nation's population did not have sufficient money to buy the food they needed. Many people were close to starvation and children were suffering the diseases of undernutrition. A logical solution to the combination of bankrupt farmers and undernourished children was to provide these unsold products to schools so that they could produce lunches for children. Congress passed a law in 1935 creating a separate fund for the Secretary of Agriculture to use, in part, to provide surplus foods to school lunch programs. Through the distribution of these foods, the incomes of farmers went up, and, by 1937, 340,000 schoolchildren were receiving at least one decent meal a day.

At the end of World War II, the Surgeon General of the Armed Forces spoke passionately to Congress about the poor physical condition of many of the young men who had reported for duty during the war. They were rejected from service because their health had been severely compromised by the poor nutrition that resulted from the Depression. The Surgeon General recommended that there should be a national school lunch program available in the United States to ensure that children could receive a nutritious meal every day at school. In 1946, Congress passed and President Truman signed into law the National School Lunch Act, providing a combination of cash (for the first time) and commodities to schools for the purpose of operating a National School Lunch Program.

The Declaration of Purpose in the Preamble to the 1946 National School Lunch Act has remained the same for over 60 years: "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 the nonprofit school lunch programs." These words reflect the on-going core roles of the National School Lunch Program. Since the origins of a federally-supported school lunch program during the Depression, the program has been recognized as serving a dual purpose - to provide nutritious meals to children and to support the nation's agricultural producers. As discussed in this paper, this dual purpose has had an effect on the types and amounts of commodities available to schools, and has contributed to the long-term political support for and financial viability of the Lunch Program.

How the National School Lunch Program Operates

The Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA) administers the National School Lunch Program at the federal level. USDA provides the funds and the commodities, and FNS is responsible for the interpretation of the statutory requirements of the National School Lunch Act and the Child Nutrition Act and the enforcement of the laws and regulations that govern the operations of all the child nutrition programs. The Food and Nutrition Service also has seven Regional Offices (Northeast, Mid-Atlantic, Southeast, Midwest, Mountain Plains, Southwest, and Western) that bring the federal presence closer to the state level operations. (Other agencies within USDA play major roles in the functioning of the commodity programs. Their involvement is described in Chapter 2.)

Each state designates which agency will administer the program at the state level - usually the state education agency. The state agency typically includes a special division that deals with child nutrition programs, including the lunch and breakfast program, the Child and Adult Care Food Program, and the Summer Food Service Program. At the local level, the school district usually administers the program. The district's school board signs a contract with the state agency agreeing to abide by the program rules and regulations, in exchange for federal reimbursements. The reimbursements flow through the state agency to the district, based on the number and income levels of children served in the school district's school lunch programs.

Currently, more than 100,000 schools offer the National School Lunch Program to nearly 30 million children each day. Of these children, 17.4 million are low-income and receive free or reduced-price meals. The children served have traditionally been in grades K through 12, but in recent years more preschoolers are attending early learning classrooms in public schools and receiving school meals. The National School Lunch Program, like the School Breakfast, Child and Adult Care Food, and Summer Food Service Programs, is an entitlement program, meaning that any public or nonprofit school that wishes to participate can, and all children in those schools offering school lunches are eligible to receive the meals.

Generally, students pay - or don't pay - for meals according to their families' incomes. Children whose families have annual incomes at or below 130 percent of the federal poverty line (up to \$26,845 for a family of four in School Year 2007-2008) can receive free meals; those whose incomes are between 130 and 185 percent of poverty (up to \$38,203 for a family of four in School Year 2007-2008) can receive reduced-price meals (paying no more than 40 cents for lunch); and those with family incomes greater than 185 percent of poverty pay more—a price set at the school district level. (The price charged for this "paid" meal varies greatly across the country. According to the most recent data from the School Nutrition Association, the average price is \$1.80. However, in some California schools, children must pay more than four dollars a meal to cover the costs of the program.) In the 2007-2008 school year, schools received from the federal government \$2.47 for each free lunch served, \$2.07 for reduced price lunches, and 23 cents for paid meals.

Current Economic Issues in the National School Lunch Program

Federal funding levels for the National School Lunch Program have been criticized for being too low, and some states have found themselves trying to fill the gap. Particularly in areas where

living costs, especially housing, are high and where labor and/or food costs are high, the eligibility cut-offs and reimbursement levels for the program have been criticized as inadequate and not reflective of the realities of today's world and the increased expectations for the nutrition that school meals should provide. In order to respond to this situation, a number of states have passed legislation to supplement the federal reimbursement with state funds. In addition, in order to attract more children to the nutrition programs they need, some school districts have made school lunch and/or breakfast "universal" programs (i.e. offering meals at no charge to all students) or have eliminated the reduced price category, meaning that all children eligible for free and reduced price meals receive free meals. These changes help students and their families to afford school meals, but do not necessarily assist districts in solving any school meal-related financial problems except to the extent that they reduce administrative costs, increase participation, and allow greater economies of scale. A few state legislatures have provided funds to make up for shortfalls in funding that can result from these alterations.

A number of developments over the last 20 years also have contributed to the financial disequilibrium of local school lunch programs. They include: a cutback in funding for school lunch reimbursements that occurred in 1981 and has never been restored; and elimination of the food service equipment assistance program that same year (which helped low-income schools to purchase, repair and replace equipment that was essential for preparing meals).

As resources for many schools have decreased or not kept up with need and as the demands on public education have increased at the same time, schools also have increasingly demanded total fiscal self-sufficiency from school meals programs. In the past, expenses associated with producing and serving meals, such as custodial services, or electricity and heat in the cafeteria, often were paid for by the school district, as were fringe benefits (and often the salaries) of the food service staff. Now the federal reimbursement and other revenues from food sales typically must pay for all costs of the program and keep the school food service budget in the black.

Another change in school meals that has transpired over the last two decades has resulted from the desire by school officials and school food services to seek revenue from other sources, in many cases to support the costs of operating the National School Lunch Program. That change is the virtually ubiquitous presence of foods and beverages for sale outside of the school meals programs. These often are referred to as "competitive" foods. Food and beverage items in vending machines, "a la carte lines" in the cafeteria, and student stores compete directly and indirectly with school meals, often offering very popular but less healthy items. This financial context of school meals helps explain tensions and opportunities in the role of school lunch commodities.

Nutrition Standards and the National School Lunch Program

One of the major strengths of the National School Lunch Program is the School Lunch Act's requirement that the content of the meals meet national nutrition standards based on nutritional research. This has ensured that foods essential to children's health are served and that important nutrient needs of children are met. Because there are nutrition standards governing what is served in the National School Lunch Program, it is not surprising that participants consume more milk and vegetables at lunch and fewer sweets and snack foods than do non-participants. Also, participants consume more grain products at lunch than do non-participants. This requirement

also has protected the National School Lunch Program from even worse funding cutbacks than those that occurred in 1981, since any additional reduction of funding would not allow the achievement of nutrition standards based on scientific research.

Finally, because nutrition requirements for meals must be based on scientific research, as the scientific consensus changes about what children should consume to be healthy, school meals must change as well. In fact, USDA is in the process of revising the regulations that govern the nutrition standards for school lunch and breakfast programs in order to bring them into compliance with the Dietary Reference Intakes (DRIs) of the Institute of Medicine (a major revision of the previous Recommended Dietary Allowances) and the 2005 Dietary Guidelines for Americans.

Currently, regulations require that the National School Lunch Program provide at least one-third of the Recommended Dietary Allowances for key nutrients, and they do. In addition, schools must provide lunches with no more than 30 percent of calories from fat and less than 10 percent of calories from saturated fat, and they must reduce sodium levels in lunches and increase their fiber content. School lunches must meet these standards over a week's time (i.e. no one meal or food has to meet these standards, but foods and meals over time must meet them). The lunches served to children can be developed by a school or school district based on: special computer programs that develop lunch menus while ensuring that nutritional standards are met; a food-based meal pattern, i.e. a certain amount of milk, fruits and vegetables, etc.; or any other method that ensures that all nutrition standards and meal pattern rules are met. This flexibility allows creative responses to student and community preferences—vegetarian options are possible, cuisines from across the globe fit in, and popular meal delivery options, e.g., salad bars, soup bars, taco bars, and “grab-and-go” bag meals, are all possible.

According to the most recent USDA report on the content of school meals in school year 2004-2005 (released in December 2007), reduction in the total fat content in lunches shows little progress, and much room for improvement remains. On average, schools served lunches with 34 percent of calories from fat, and less than one-third of schools served lunches that met USDA's standard of no more than 30 percent of calories from fat. In addition, less than one-third of schools met the USDA standard for saturated fat (less than 10 percent of calories), and, on average, schools served lunches with an average of 11 percent of calories from saturated fat. However, schools did make significant progress in saturated fat reduction—the percentage of lunches meeting the USDA standard in the area of saturated fat doubled from 1998-1999 to 2004-2005.

Like any other food that is part of a school meal, school lunch commodities, whether as individual commodities, or as parts of manufactured end products that are served, are not required to meet these nutrition standards individually, but they have the potential to contribute, or act as a barrier, to the meeting of standards over a week's time. Thus, the contents of commodities, or of food products made with commodities, can have a crucial impact on how easy it will be for a school district to meet these important nutrition standards.

Local Influences on the National School Lunch Program

Finally, it is important to understand that, although the National School Lunch Program is a national program, with specific regulations on eligibility, reimbursement and nutrition standards,

each school lunch program is responsive as well to the characteristics of the school district itself. The program significantly reflects the leadership of the school district and its response to the children and families it serves, and can be profoundly influenced by interaction with and involvement by those families and the community at large.

Local control is a major issue in the National School Lunch Program, just as it is in educational content. Districts are small, medium and large; they are in rural communities far from a major warehouse or commercial center, and in large urban areas; some have weak competitive food policies (rules that govern which, if any, foods and beverages can be sold or offered in competition with school breakfasts and lunches) and others have stringent ones; some have the equipment, staff, and commitment necessary to prepare meals from scratch, but many others depend largely on manufactured items. Food and labor costs vary, as do the skills, vision, and expertise of the food service directors. Some school boards, principals, and school business officers give the healthfulness of school meals a high priority, while others are completely focused on the financial bottom line. The size and attractiveness of the facilities for serving meals vary widely from school to school, as do the times allowed to eat meals and the times when meals are served. The ethnicities and incomes of households in the districts vary, as do the availability and popularity of different kinds of foods in the rest of students' lives. In addition, the external pressures of an unhealthy food environment that surrounds children in the larger community can vary and to some extent determine the level of demand for those same less nutritious foods and beverages at school. In some schools, students and parents have a large say in what is served; in other schools students are not involved at all. And, in some schools school food service staff works hard to promote new and healthy foods, while in others the school food service director is too afraid to serve anything but the tried-and-true for fear of losing customers and ending up in the red. All of these factors can influence the ways in which commodities are used in the Lunch Program.

The Purpose and Role of Commodities in the National School Lunch Program

The original purpose of purchasing commodities and providing them to schools to offer school lunches was twofold—to help failing farmers by offering them a market and to provide foodstuffs to many schools so that they could feed hungry children. With the changing times after World War II, and the advent of the National School Lunch Act in 1946, which added national scope, cash grants, and nutrition standards to the provision of commodities, the purpose and role of the commodities in the National School Lunch Program changed somewhat. The dependable and consistent purchase of commodities by the federal government for the National School Lunch Program was seen as helping to stabilize the market for particular foods, ensuring that surpluses would be purchased and a reasonable price for the product maintained. As for schools across the nation, they came to depend on the value of commodities plus the cash reimbursement as their steady available resources for preparing and serving school lunches that meet nutrition standards; they needed the value of both for school meals to remain financially viable. In addition, many in the school lunch community now see each dollar of school lunch commodities as having added value over cash because schools often can receive a greater volume of commodity foods as a result of bulk purchasing and national bidding.

Over the last two decades, however, some school food service officials have questioned the value of commodities to the National School Lunch Program. They have argued that making all of their purchases with cash would give them more freedom and choice, would allow them to purchase more foods locally, would lead to a less complicated purchasing system, and would be of potential assistance to rural school districts with transportation and storage challenges. Over this period, there have been calls for schools to have an option to receive cash in lieu of commodities, or so-called “commodity letters of credit” (CLOC) which would provide “letters” to school districts allowing them to use their commodity dollars to make their own choices. These challenges have led USDA to make significant program improvements over time. (See Chapter 6.)

Many other stakeholders see attempts to convert commodity dollars into cash as a strategy that is likely to lead to fewer available resources for school lunches, due to the potential weakening of political support for the National School Lunch Program that might result among influential agricultural interests. Moreover, the common wisdom is that cash support is politically easier for budget-cutters to reduce than commodity support. National School Lunch Program proponents are particularly sensitive to this possibility because of the 1981 cutbacks in the reimbursement levels for the National School Lunch and School Breakfast Programs. Congress has never restored these cuts, and some members of Congress were almost successful in 1994 and 1995 in cutting program funding further and making adverse structural changes in the child nutrition programs. The current tight federal budget situation in the U.S., and the widely shared belief that school lunch reimbursements need to be increased in order to maintain the economic feasibility of the program and to meet the growing demand for a broader variety of healthy foods, also contribute to arguments against cashing out commodities.

Chapter 2:

The Basics: Key Players, Funding Sources and Terminology

Who's Who?

The school lunch commodity program is a large and complex system with many different parties involved. The commodity program directly serves two “clients”- school districts that provide meals to children, and agricultural producers. At times, these two customers have different needs, and balancing these needs can be a challenging task.

As discussed in the previous chapter, federal school nutrition programs are administered at the federal level by USDA, at the state level by different departments in different states, and at the local level by school districts. With very few exceptions, USDA does not have a direct relationship with local school districts, but with states that administer the programs.

Within USDA there are four agencies that have some level of responsibility for the commodity program. The primary agency is the Food Distribution Division (FDD) of the Food and Nutrition Service (FNS), an agency within USDA that governs the federal nutrition programs. FNS determines the total monetary value of commodities that each school district can receive (called “commodity entitlement dollars”), consolidates all the commodity orders (which generally are based on what schools have asked for through their state agencies), and directs the Agricultural Marketing Service (AMS) and the Farm Service Agency (FSA) to buy the requested foods.

AMS is responsible for buying a certain group of commodities (known as Group A commodities) for distribution to the commodity programs. Group A commodities include red meats (primarily beef and pork), poultry and eggs, fish, fruits, vegetables, and tree nuts.

FSA buys what are known as Group B commodities, which include peanut products, grains, oils, and dairy products, including cheese and dry milk.

The Food Safety and Inspection Service (FSIS) is involved with the commodity program in ensuring food safety through standards and specifications on the handling of commodities. FSIS also is responsible for general oversight of the “food holds and recalls system” that intervenes when a product is identified as posing a potential health or safety threat.

In general a state’s education agency is the administering agency for school meals. However, this is not universally true, and sometimes various elements of the school meals programs are administered by different agencies within a state government. For the commodity program, whichever state agency has the responsibility for commodities is known as the Distributing Agency (DA).

Finally, State DAs give out commodities to local school districts and these are known in the commodity world as Recipient Agencies (RA). These RAs ultimately serve the food to students as part of meals.

FNS determines the Planned Assistance Level (PAL) for schools - their share of commodity funds - using the total number of school lunches served during the second preceding year times the annually determined commodity reimbursement rate. FNS then discusses with AMS and FSA which

commodities these purchasing agencies plan to buy in the coming year, based on historical demand and market and yield projections. Next, FNS informs the state distributing agencies of the projected amounts and kinds of available items, and the states are supposed to survey their school districts about what they would like, in what quantities, and on what delivery schedule. This information is aggregated in the form of a procurement request to AMS and FSA from the FDD at FNS.

USDA (i.e. AMS and FSA) purchases commodities from both growers and packers, which are known in the commodity world as vendors. (Chapter 3 discusses the various ways USDA buys food – bulk, commercial pack, and foods that are processed further.)

Finally, it is important to understand that, for almost 30 years, a key part of the USDA commodity program has been processing. Commodity processing is a large and complex program whereby commodity foods purchased by USDA for RAs are converted from a raw input into an end product more usable at the school level – by freezing or cooking and/or through the addition of other ingredients. Processing occurs at two levels – at the federal level under USDA’s auspices, and at the national, state and local level by food processing companies.

Funding Sources for USDA Commodity Purchases

In addition to being categorized as Group A and Group B, commodities also are broken down as “entitlement” and “bonus” commodities.

Entitlement commodities are purchased with “Section 32” and “Section 6” funds. Entitlement commodities are called this because Recipient Agencies are entitled to a certain value each year based on the numbers of all school lunches (not breakfasts) they serve times a commodity reimbursement rate. The rate was established in the school lunch reauthorization act in 1981 at 11 cents per lunch and is adjusted each year based on an index of the cost of food. As Chapter 1 explained, federal commitment for school lunch began as a commodity program, and for many years, the predominant form of support was food, not money. However, over the years, the share of the total federal commitment that was in the form of food diminished. In 1994, Congress amended the School Lunch Act to ensure that not less than 12 percent (the share at that time) of all federal support for school lunch was in the form of commodities. This provision requires USDA to supplement the commodity entitlement if it falls short of 12 percent.

Bonus commodities are purchased with “Section 416” and “Section 32” funds, and have included such foods as honey, cranberries, beef, chicken, non-fat dry milk, cheese, canned sweet potatoes, dehydrated potatoes, canned pineapples, and dried beans. Much of the bonus commodities is distributed through The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP) to food banks, food pantries and other community outlets. (See Chapter 4 for more information on these programs.) However, schools are a logical outlet for many of the items as well. State distributing agencies ask schools whether they need them, and schools can order as much of these bonus commodities as they can use. State distributing agencies strive to allocate these “bonus” foods equitably to school districts that express interest. The benefit to schools is that bonus commodities are not charged against a district’s entitlement account. This means that the monetary value of the commodities to which they are entitled does not decrease when they receive bonus commodities.

Chapter 3: Purchasing, Processing and Distributing Commodities for the National School Lunch Program: Where are the Nutrition Critical Control Points (NCCPs)?

NCCPs: A Way to Pinpoint Critical Decision Points and Foster Change

In order to purchase, distribute and process commodities for use in the National School Lunch Program, key decisions must be made at the national, state and local levels by: federal officials and state agencies; producers, processors and distributors; and school districts and school food service managers. These decisions, which are made throughout the year, have a significant impact on the nutrition profiles of the commodity foods and commodity-derived foods served to National School Lunch Program participants, whether that impact is intended or unintended. For the purposes of this report, we have created a term for these points in the process - Nutrition Critical Control Points (NCCPs).

Pinpointing and understanding these NCCPs is a useful way to think about which changes in decisions about school lunch commodities can result in more healthful meals for schoolchildren. The way that the commodity system works varies considerably from state to state. Applying the concept of NCCPs to the commodity system in a particular state can be useful in diagnosing problem points and suggesting ways to change decision-making in order to improve the nutrition profiles of food products. This chapter explains the basics of purchasing, processing and distribution, while pointing out some key NCCPs.

Federal Level NCCPs

The first and most obvious NCCP is when USDA makes decisions about what it plans to buy (in terms of commodities) from growers and packers at the national level. In order to do this, the agency must make some preliminary decisions about the types, amounts, proportions, and specifications (descriptions) of the foods to be purchased. These initial determinations set the stage for all future decisions. USDA also develops plans to buy some processed foods at the federal level. Decisions about which foods the Department will buy in processed form, and the specifications for the contents of these products, also are critical NCCPs.

State and Local NCCPs

As discussed earlier, the commodity program is hierarchical, with the next step in the process being decisions made by state Distributing Agencies (DAs) about which products to bring into the state from the list of items offered by USDA. States base this determination, to a greater or lesser extent, on school district orders and/or their perceived preferences. States may offer all the choices or only some of them. They may depend on individual school districts to order, or cooperatives made up of school districts, or even a commodity advisory committee made up of several local school food service managers. In some states, the DA also enters into agreements for further processing on behalf of the districts in the state. All of these state-level decision points are NCCPs. In most states, the DA uses multi-state national processing agreements as a vehicle to invite companies into a state to solicit orders for further processing of commodities from school district school food service personnel, and may also develop contracts with state-specific companies. Which national agreements or state contracts are accepted by the state, and how

state contracts are written, also have the potential to be NCCPs that state agencies can use to improve what is available to their school districts.

Local districts order commodities against their entitlement dollars and make decisions about further processing and desired end products. According to federal law and regulations, school districts are under no obligation to choose particular foods or amounts of foods in their commodity orders. Their decisions about: which commodities to order and how much; which commodities to have processed; which companies to do business with, and which and how much of their products to order; and the nutritional content and specifications of the end products they want as a result of further processing, are all NCCPs.

Last, but not least, the companies that create and/or distribute food products for the local school lunch market also make decisions about the kinds and contents of foods they offer, based on their sense of market demand, feasibility, potential profits, and costs. These decisions, too, are NCCPs.

The USDA Commodity Challenge: Serving Two Customers

As stated earlier in this paper, USDA serves two sets of customers. On the one hand, USDA is a purchaser of domestic food products. This function serves to support domestic agriculture in several ways. By entering the market at specific times, USDA can even out the demand curve by removing products from the market when demand is low. This in turn levels and supports pricing. Entitlement commodity purchases do this, but so do “bonus” purchases, made when there is an unexpected surplus, or a particular commodity’s price drops precipitously.

The other customers for the USDA commodity program are the local school districts, or “RAs.” First and foremost, these customers desire a program that provides food items when, where and how they want and need them. For some RAs, some products are less desirable or usable.

This is one of the big challenges for the commodity program in the context of improved nutrition. In serving agricultural producers, USDA buys commodities to support the market and keep prices from sinking too low. In serving school districts, USDA has the goal of meeting nutritional, financial, and marketing needs of recipient agencies. Conflicts among these goals have led to pressures that have resulted in changes in the commodity program over time (see Chapter 6).

The Long Road from Field to Plate

Looking at two different categories of commodities – beef (because it is such a popular “center of the plate” item, and hence a popular commodity item among school districts) and fruits and vegetables (because of increasing interest among school districts in these commodity foods) - is instructive regarding the decisions made at each NCCP that determine the final form in which commodities are provided.

Beef

It is a fair estimate that about 90 percent of all beef served in schools is USDA commodity beef. This commodity is offered to school districts with several ordering options: 85% lean bulk coarse ground or boneless bulk for reprocessing by industry, 85% lean 40-pound box of fine grind, and 85% lean raw or cooked beef patties. USDA also offers a 90% lean raw patty and 95-98% lean

beef trimmings (i.e. for shredded beef products). The majority of the beef ordered by schools is ground. About 55 percent of the beef distributed to schools is further processed by food companies before it reaches children's lunch plates. Shortly after the start of the new federal fiscal year in October, AMS calculates approximately how much beef it plans to buy for the next school year, based on historical demand and current production.

In January, FNS sends out a survey to the states asking for a projection of the quantity of beef products (from the list of potential items mentioned previously) they plan to order. Most states, though not all, forward the survey to school districts which estimate both the quantity they think they will need and when they would like to take delivery during the year. This is aggregated at the state DA's office. (USDA ships in whole and half truckloads of 40,000 pounds, so states will round up or down in their orders to accommodate the delivery system.) The local school districts' decisions about: whether to order beef; what form to order; how much to order; and how and whether the beef will be further processed all are NCCPs at the local school district level. However, state agencies also have opportunities to influence and better inform these decisions, based on nutrition issues - another potential NCCP. This is an NCCP that has not been taken advantage of by states.

The states forward their specific product orders to FNS. FNS then develops an enormous database and submits its plan for the year to AMS, which will make the actual purchases. The plan will identify which products need to be ordered when and shipped where. The 45 percent of ground beef products that are not further processed (e.g., 40 pound boxes of fine ground beef that a school itself may cook into chili or spaghetti, frozen beef patties or beef patties with vegetable protein added, etc.) are combined into numbers of truckloads that approximate the requested receiving dates by state. The beef that is designated for processing is combined into numbers of truckloads based on the processor(s) that the state or RA has requested.

From this ordering plan, AMS publishes an announcement late in the spring of its intention to request bids for delivery to certain locations on certain dates. Internally, AMS sets a target price for the products it intends to buy. Then, on schedule, AMS requests bids. Producers or packers submit bids that meet the specifications, quantities, delivery dates and locations requested. If the bid price does not exceed the estimated price, AMS awards the bids to the lowest responsible bidder. If market forces send the prices up too high, USDA does not award the bid, and processors and RAs who are expecting the product may be unable to receive it at that time.

Once the award is made, the producer puts together the shipment and then takes samples for fat and microbial testing. USDA specifications require this and have zero tolerance for certain pathogens. USDA does not accept a truck until the pathogen report comes back. If the samples fail the tests, the truck is rejected. (This requirement does add cost to the commodity because the price reflects the risk for loss of the shipment.)

Once accepted, trucks are sent to their destinations. A product destined for schools goes to a state warehouse or a state contracted commercial distributor, or direct to a large district's warehouse. Processors accept truckloads of bulk beef on behalf of the Recipient Agencies which have requested further processed goods from them.

The district side of the equation: In January (the middle of the school year), most RAs are thinking about this week's production and next week's ordering. However, January is when they have to turn from thinking about current meals to filling out a survey from their state DA asking them to project what they will need the following year. While most districts use what is called a cycle menu, asking them to have next year's cycle planned, with the number of servings they will use for every day for every food item, is quite a challenge and one that is not always met. (This cycle menu, and whether and how it has been developed, is an NCCP for the local school district.)

Instead, the district may look at historical usage. If so, it takes its Planned Assistance Level (PAL), i.e. the amount of commodity entitlement funding it is projected to receive, and looks at the list of items USDA anticipates it will buy along with the estimated price of those commodities. While USDA does not charge RAs for the value of commodities per se, the RAs' commodity entitlement is like a bank account against which they can draw. The charge is called the Fair Market Value (FMV) of the commodity. So, if ground beef is \$1.40 per pound in 40 pound boxes, a case of ground beef "costs" the district \$56 from their entitlement account. The RA estimates how much of each item it can use, multiplies by the FMV, and juggles its total wish list of foods against its entitlement commodities account balance. (This process involving historical usage as the starting point for ordering also is an NCCP - one that could be positive or negative depending on the nature of past orders. However, if a school district wishes to improve the nutrition profile of its commodity purchases and final products, it needs to re-evaluate its historical usage before making its orders and change some previous decisions about commodity ordering and/or processing.)

While the RAs (in addition to deciding which commodity foods they want to order) are usually required to identify processors and commit commodities to be "diverted" (i.e. to be sent to a manufacturer to be "processed" into a more complex food product), they may have incomplete information about which products different processors may have available under their commodity processing agreements, or the cost of further processing. In addition, they may not have the skills or savvy to read product specifications and nutrition information and understand the implications for nutrition. This is likely to affect how they have the commodities processed. Thus, the decisions made at important NCCPs, if uninformed, can be less than optimum from a nutritional standpoint.

Furthermore, the district can not be sure if what it "ordered" will actually be bought, or delivered on time, because so much depends on the vagaries of the marketplace, including availability and price at any particular time of the year. To compensate for this, districts sometimes "frontload" their procurement of commodities so that they will know early on what they actually have. This can have undesirable consequences. There is a cost to the school district to store the commodities until used, and storage can negatively impact product quality over time. However, changes at USDA coming out of the Business Process Reengineering Project (BPR), known as Food Distribution 2000 (see Chapter 6), have eliminated most of this problem by allowing processors to substitute equal quality commercial product in anticipation of receiving the commodity. The inventory can then be on paper, not in storage.

Other potential complications naturally arise from market-based ordering. While USDA works very hard to meet the order requests from schools, the market dictates a lot of what happens. So, if prices are high early in the buying cycle and drop later, schools could end up with an overabundance of product arriving near the end of the school year. (Bonus commodities, on the other hand, are by definition not planned for, and RAs must make decisions on the spot about whether and how much of the product they want to use.)

In addition, regardless of whether the beef is going to a district or a processor, the buy, testing, and delivery must be timed so that the RA receives the product in sufficient time for it to be available when it appears on the menu. For commodities going to the districts, USDA may ship to the states three to four times a year. Whether the state maintains its own warehouse system or contracts with a commercial distributor, the commodity is stored for further shipment. In the case of beef, USDA starts buying for a school year in late spring so that the district may receive its first shipment in July or August before school starts. But since an RA may get only three shipments a year, it must be able to store the products received until they appear on the menu.

Moreover, if the beef is going to a further processor, it must be delivered far enough in advance that it can be processed into the end products the RA wants, shipped to the delivery location of choice, and received by the district in time to serve. For processors this is even more complex, as they need to coordinate the USDA commodity shipment with their commercial processing. Federal law prohibits the use of food products from outside the United States in the school meal programs. Many national processors purchase a significant amount of beef from non-domestic sources. Therefore, since all processing for schools must be with foods of U.S. origin, processors often must process food products for schools separately from their other production runs. Once processed, the commodity items are sent out through the processors' normal distribution system except where the processed good is ordered by the state, or the DA acts as the distributor for the RAs within the state.

Finally, under recent changes to the commodity processing system, USDA-procured commodities, including beef, can be commingled with items produced for the commercial market as long as the commercial product is of equal or greater standard. This means that a school can receive the same product, commodity or commercial, for all its needs during the school year.

Fruits and Vegetables

The basic steps and issues in purchasing, processing and distributing commodity fruits and vegetables, and many of the NCCPs, are the same as they are with beef and other meat products, so this section will focus on issues unique to fruits and vegetables.

The challenge of fruits and vegetables in the commodity program is that they are highly perishable, and the amount that will be available is unknown until harvest time. AMS follows a schedule similar to what it uses for meat in terms of projecting what might be bought for the next school year, but predicting production yields in a perishable market is a daunting task. For example, weather can cut production drastically late in the season. So, while USDA attempts to plan its fruit and vegetable buys and contracts in advance directly with industry, it has less control than with beef, which has an 18-24 month growing cycle, and where growers can hold

back product from the market by continuing to feed the animals until ready to sell. (The types, amounts and proportion of fruits and vegetables ordered, and the specifications used for the purchase of processed fruits and vegetables, are key NCCPs at the federal level.)

USDA buys mostly canned or frozen fruit. Again, based on historical models, AMS can project what they think they will buy. This plan can be adjusted after the surveys from the states come back, but it is driven even more by the market than meat. (The amounts and types of fruits and vegetables ordered by school districts; any additional ingredients added to canned or frozen products; and the kinds, amounts and specifications of processed products that school districts order that incorporate commodity fruits and vegetables, are based on cycle menus or historical usage, and are important NCCPs.)

School districts' interest in buying more fresh fruits and vegetables has increased significantly in recent years. However, fresh produce is a great challenge for USDA. First, most "specialty crops," as most fruits and vegetables are called, are grown out of the school cycle, i.e. during the summer months. For example, even if USDA wanted to buy and ship fresh peaches or cherries, schools are often not in session when the fruit is in season.

Second, the timing of the buy and subsequent distribution mitigates heavily against fresh fruits and vegetables. For example, if USDA wants to buy peaches and commits to the buy in late July, the grower will have to pick the crop and ship it to a central receiving location, the fruit will then have to be shipped to state or regional warehouses, and finally it will have to be shipped to districts. And, because such a purchase would happen over the summer, getting a prompt response to a survey of districts to determine who would want how much would be difficult.

Thus, the few items that USDA does buy fresh tend to be more shelf-stable items. For the 2007-2008 school year, USDA offered apples, oranges, two kinds of pears, and Russet, white and sweet potatoes. In addition to canned, dried and frozen bulk fruits and vegetables, USDA had three items in individual portion (IP) units – raisins, and frozen peach and strawberry cups.

A very popular source of fresh produce for school lunches has emerged from an unlikely place - the Department of Defense. Called DOD-Fresh, this purchasing and distribution program, which works closely with USDA, provides a wide variety of high quality fresh fruits and vegetables to a number of school districts across the country. The amount of federal resources devoted to DOD-Fresh is an NCCP, because it determines whether school districts can participate, and school districts' decision to participate in the program, and to what extent, also is an NCCP. (See Chapter 5 for more details on this program and a broader discussion of how to increase fresh fruit and vegetable purchases as commodity purchases.)

Finally, there are a number of processors who can take commodity fruits and vegetables and convert them into more usable end products in a way similar to the meat processors. Frozen fruit bars, pot pies, and fruit pies are an obvious use of commodities. But the most significant use is probably the "diversion" of tomatoes, both bulk and 55 gallon drums of tomato paste. For example, these might go to a pizza manufacturer. The specifications for these processed products are an NCCP, and to a large extent this NCCP is controlled by the manufacturer.

Federal Specifications: A Key NCCP

USDA has developed comprehensive, detailed specifications for all the foods it buys. A specification, which includes package size, grade, ingredients, fat levels if appropriate, packing material, such as fruit juice or light syrup for canned fruits, and much more, is an important NCCP. The specifications for cut-up chicken run 30 pages, and the canned fruit specifications are 38 pages long. As previously stated, USDA also buys further processed items, such as oven-baked breaded chicken, chicken fajita strips, frozen cooked diced chicken, and raw beef patties. The specifications for these products are equally detailed. Because further processed foods are likely to contain additional ingredients, “specs” for USDA-processed items also are an important NCCP and a point where procurement decisions can have a significant impact on the nutritional quality of a school meal.

Specifications at the School District Level: Another Key NCCP

The specifications that a Recipient Agency uses or reviews in purchasing further processed foods are no less important than USDA’s, and are in many ways the most important and influential NCCP. But, unlike USDA, local districts are much less likely to have the resources and expertise necessary to draft specifications in sufficient detail to procure items that have the nutritional qualities they may want. Furthermore, except in a very few very large districts, the purchasing power of an RA is not sufficient to direct a manufacturer to develop a product that meets a district-generated specification. So RAs are dependent to a great extent on evaluating the specifications of products offered by manufacturers on their own and selecting those that come closest to the products they think they want.

A large part of local school district decision-making also is determined by what the RAs believe their customers, the students, want and are willing to buy. The experience of RAs tells them that students on a school campus at any age or grade level are really not as captive an audience for the school meals programs as many might think. Even children with limited resources may make a decision not to eat in the cafeteria if they do not like the food, or to choose other foods and beverages from vending machines or student stores.

These days school food service directors often feel themselves forced to operate their programs more as a business than strictly as a nutrition service for students. However, unlike other food businesses, school food service directors have much less control over key cost and revenue functions. By and large, the amount of money available for each meal served is dictated by federal reimbursement rates, and wage rates are set by the school district. One of the few areas on which a food service director can have impact is the number of meals served. One of the ways to do this is to place a primary focus on offering meals that are highly acceptable to the students. The specifications for these meal choices may not be nutritionally optimal. Serving healthful and nutritious meals that are appealing and attractive to children can be a challenging task in the current national nutrition environment. Deciding to focus more creative efforts and thought on how to better meet this challenge could become a major NCCP for local school districts, manufacturers, state agencies, and USDA.

One of the ways that schools, particularly in small and medium-sized districts, have improved their buying power and their ability to influence manufacturers in new product development is through commodity cooperatives, or “co-ops.” As a growing phenomenon, co-ops have the potential to improve the quality of processed foods that use commodities and therefore the decision to develop one is an important NCCP. However, co-ops rely on members of the group for providing technical support on decisions related to commodity orders, since they typically do not have independent staff. This means that the same limitations that exist for individual districts can exist for co-ops when it comes to writing product specifications. Moreover, in general co-ops have been focused on cost-cutting issues. They have not taken advantage of their potential power to influence NCCPs in ways that will improve the nutrition profile of commodity-related food products.

Distribution

Distribution may be the NCCP at which the biggest barriers to improvements in the commodity program stand. USDA is acting as the purchaser for more than 15,000 RAs in all the states and territories, except Kansas, which receives all of its entitlement in the form of cash. Neither USDA nor the vendors from which it buys are capable of delivering directly to all 15,000 locations. The request for bids might have multiple awards on it, but each award identifies a single delivery location known as FOB (freight on board). Once awarded, the vendor ships to that location. From there, the commodity must then be shipped to the next stop on the way until it reaches the RA.

USDA primarily ships commodities to three types of locations - state warehouses, commercial distributors and further processors. A few districts in the nation, such as those in very large cities, have such large entitlements that they can receive whole truckloads or drop-offs directly from the USDA vendor, but those are rare exceptions. (An occasional bonus commodity might be shipped to a central USDA storage facility and held until ordered by the states.)

States must decide which distribution model they are going to use. In a limited number of states, the state maintains warehousing and distribution facilities. In general, these states receive the commodities they ordered as the USDA vendor ships them. Then, perhaps monthly or four times a year, a state truck or state-contracted trucking company delivers RA orders to a single district warehouse or drop point. School districts may, if necessary, pick up from a state warehouse as well.

The alternative model is for the state to contract with a commercial storage and delivery company. In this case, the company receives the USDA commodities, stores them, and makes deliveries to school districts. The state may pay a base charge for this service, but school districts may contract for additional services such as school site deliveries. If the commercial distributor also provides service to the district for non-commodity food, this option provides more flexibility to the district.

Food distribution is a service that costs additional money. While commodities themselves have no direct charge, coming instead out of the RA’s entitlement account, many states charge a handling fee to offset some or all of the cost of storage and distribution. In the underlying meal programs, there is a State Administrative Expense (SAE) formula by which the federal government calculates and reimburses states for operating expenses, but there is no comparable specific

federal funding for states to administer the commodity program. Most states do use some SAE funds for this purpose, taking away from other potential uses. Some states use their National School Lunch Program federally required state matching funds to underwrite the cost of the commodity program.

One of the big challenges for the commodity program is that the cost of distribution in rural areas may be prohibitive. In Texas several years ago, the DA had difficulty for a period of time in finding a commercial distributor to handle the commodities. In addition, the DA in Wyoming, which had a state warehouse and distribution system, argued at one point that the state could no longer afford to maintain its storage and distribution system, and requested to be “cashed out” of the commodity program. These examples illustrate the difficulty of solving distribution problems in some rural areas.

One of the goals of USDA’s Food Distribution 2000 effort (see Chapter 6) is to make the commodity program align more closely with non-commodity procurement for schools. The assumption is that there is already some kind of distribution system in place whereby schools receive the 80 percent of the food purchases that are not commodity, and that system also can assist with commodity distribution.

Processing

The federal government has established a comprehensive set of rules governing commodity processing. As discussed earlier, many local school food service professionals lack the formal skills and resources to maximize procurement and fully monitor the processors that supply them, so USDA and the state DAs act on behalf of the RAs in the oversight of contracts and processing. One of the key elements of federal and state oversight is to ensure that schools get the full value of the commodities that are being processed. Much of this is very technical in nature, dealing with yields, value, and additional ingredients, but the relevant point is how the value of the commodity is passed on to the RA. A general understanding of this system helps complete the picture of the operations of the school lunch commodity program.

USDA has three basic forms of value pass-through (VPT). The first is a rebate system whereby a district sends commodities to a processor, receives finished products, and then submits a rebate request for the net value of the commodities used. On the one hand, in theory this ensures that the district has received the products. On the other hand, the rebate system is cumbersome and labor intensive. Collecting all of the invoices for each commodity item used, preparing and submitting the rebate request, and cutting a rebate check for thousands of customers is costly. And if the value of the commodity is small, the cost of handling the claim may be greater than the value of the product. This creates an accounting problem – USDA requires 100 percent accountability – and a processor could end up with an imbalance for unclaimed rebates. And, because the processor has use of the USDA commodity until the rebate is issued, this system favors processors over recipients.

The second form of VPT is Fee-for-Service. In this method, the processor calculates what it costs to make an end product after the cost of the commodity ingredient is taken into account. The price charged to the RA is only the cost of processing and distribution. If a local commercial distributor is involved, it bills its delivery charges separately. In this case, no one is particularly

advantaged in the relationship, as no one is charged for the commodity. Again, tracking and accountability have their costs, since 100 percent of the commodity must be accounted for.

The most recent approach to VPT is called Net Off Invoice (NOI). NOI has been facilitated by the expanded allowance of commercial products in the commodity program. By using "equal or better" specifications for school products, processors can substitute commercially purchased ingredients for the commodity product, and use the USDA commodity in their commercial production. This makes for a more seamless stream of products for schools. In NOI, schools determine what items they are going to order from which processor. They buy that product from their distributor. The processor sells the product to the distributor at the commercial price, but communicates the quantity of commodity ingredients to which the RA is entitled. The distributor bills the RA for the net of the value of the commodity ingredients. When the distributor proves that it has delivered products to an RA which has entitlement "inventory," they are reimbursed for the value of the commodity. Schools benefit as they only pay the net price for the goods. Processors benefit because they have use of the commodity until the distributor claims the rebate. Distributors like the program because it increases the volume of what they deliver to the school district and, using today's technologies, they are not out-of-pocket for the value for very long.

The processor makes the initial decision about which VPT to use in its proposal to offer commodities in a state. The second decision maker is the state in allowing one type of VPT or another or multiple forms of VPT to be used in the state. RAs have little input into this step of the commodity program other than to express their VPT preferences to the state DAs. In fact, NOI began as an approach pioneered in California where a number of directors had input into its development.

One of the most recent changes in the commodity program, and one that has had a significant impact, is the National Processing Agreement. Until recently, any processor (local, regional or national) had to submit its processing plan, including a price and yield sheet, called an End Product Data Schedule, to each state in which it wanted to do business. State DAs would have to review every one of these, potentially thousands of documents each year. The Food Distribution 2000 proposal recommended that USDA take over this function. For many reasons related to federal and state laws, it took a number of years for this proposal to be implemented. But the transition to a single national approval of processing agreements is under way. The new Summary End Product Data Schedule (SEPDS) replaces individual state schedules. States still choose which processors and products to allow to be sold within a state, and processors may choose the states or regions in which they will offer their products, but the labor intensive approval process can be eliminated at the state level except for local (one-state) processors. The ease and efficiency of the processing system used has an important impact on the total resources available to school districts to operate their lunch programs, so this decision, too, is an NCCP.

The fact that states can choose which processors (and products to be sold) to allow within a state is another potential NCCP. If States decided to, they have the opportunity to evaluate processed products as to their contribution to school districts' ability to meet the Dietary Guidelines. States could make nutritional evaluations of product specifications available to the RAs; they could encourage processors to change the specifications of products; they could encourage new product development; and/or they could require that a certain percentage of

healthful products (based on a state standard) be offered for the processor to be able to do business in the state. Also, states could require that food products must meet certain standards to be allowed to be sold in the state. They could also work with RAs to assist them in making wise decisions among available products, or in asking for the development of certain products or for changes in the specifications of some products. The state agency also could develop model specifications for certain common products in order to assist schools in evaluating the choices they make. In addition, because of the wariness that both school districts and processors feel about losing money as a result of changes to products that children may not like, states could work together with RAs and processors to develop plans for the development, promotion, and phased-in introduction of new products.

Chapter 4:

The Role of Commodity Foods in the Other Child Nutrition Programs

Commodity foods play the same dual role of providing a stable market for food producers and providing additional resources to meet the nutritional needs of children in two other child nutrition programs in addition to the National School Lunch Program—the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP). (Regular commodities, and bonus commodities, when available, are both obtainable by SFSP and CACFP.) Commodity foods currently are not available in the School Breakfast Program. However, regulations do allow the use of the commodities that are allocated on the basis of lunches served to be used in other aspects of schools' nutrition programs - including in the School Breakfast, Summer Nutrition, and After School Snack and Meals Programs, and in foods sold a la carte by schools.

In addition, The Emergency Food Assistance Program (TEFAP), the Food Distribution Program for Indian Reservations (FDPIR), and, to a lesser extent, the Commodity Supplemental Food Program (CSFP) include children among their household recipients. These programs also play the dual role of agriculture support and of helping to meet the nutritional needs of low-income people. However, none of the other programs receives the volume or monetary value comparable to the commodities provided to the Lunch Program.

Commodity Foods in Summer Nutrition Programs

The Summer Food Service Program (SFSP) provides cash reimbursements, like the National School Lunch Program, for the purchase of meals and snacks served to children in summer programs. Sponsors (which take on the responsibility of ensuring that the program is operated at summer sites according to the law and regulations) can include schools, local governments, National Youth Sports Programs, and private nonprofit organizations (e.g., Boys and Girls Clubs, YMCAs and churches). The program can operate at sites where at least half of the children in the area are eligible for free and reduced price meals, or where at least half of the children participating in the program are eligible for free and reduced price school meals. Nationally, average daily participation in the program in July 2006 was close to 1.6 million children.

Alternatively, children can receive meals and snacks in summer programs through the “Seamless” Summer Food Option – an extension of the National School Lunch Program. This school-sponsored nutrition program can feed children in summer programs at any qualifying sites, but receives the school lunch cash reimbursement, which is lower than SFSP rates. (The advantage to the school that operates this nutrition program is that it does not have to apply for and operate two different nutrition programs.) These sites served more than 1.2 million children in July 2006.

In the Summer Food Service Program, sponsors can receive up to 1.5 cents worth of commodities for each meal prepared on-site. The foods available to the SFSP are the same foods available to the National School Lunch Program in the state. In fiscal year 2006, the value of commodities ordered for SFSP was \$800,000 and the amount was 2.2 million pounds.

In the summer programs in which the meals and snacks are paid for through the Seamless Summer Food Option, the value of the commodity entitlement per meal is the same as for school

lunch, 18.75 cents in 2008, significantly higher than the 1.5 cent commodity value per meal in SFSP, because it is being offered as part of the National School Lunch Program. In addition, the commodity entitlement in School Lunch is available to schools whether they prepare meals on-site or not.

Commodity Foods in the Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) provides reimbursements for meals and snacks to: child care centers, Head Start programs, and family child care homes; school-based programs providing enrichment activities for low-income children and teenagers after school; children age 18 and younger living in homeless shelters; and older people who attend nonresidential day care centers. The majority of CACFP participants are preschool-aged children, although afterschool program participation has been growing rapidly. Child care centers and family child care homes serve meals and snacks to close to 3 million children every day.

Sites participating in CACFP can receive the same commodity food entitlement amount for each lunch and supper they serve as schools receive for lunches in the National School Lunch Program. CACFP sites also can order any of the commodity foods available to school lunch programs in their state. Sites also have the unusual option of receiving the value of the commodities in cash instead of as commodities (called “cash in lieu of commodities”). Less than 20 percent of sites request commodities; over 80 percent choose cash. Programs participating in CACFP received \$1.8 million in commodities and cash in school year 2006.

Commodity-Only Programs for Households that May Include Children

The Emergency Food Assistance Program (TEFAP) has a different, but somewhat related, history from the commodity programs that are part of the child nutrition programs. It was started in 1981—at a time when cuts were being made in food stamps and child nutrition programs—with its original name, Temporary Emergency Food Assistance Program - to reduce federal food inventories and the cost of storing them by getting the food to hungry people. In the early 1980s, the combination of a recession and reductions in federal support for public assistance programs led to a publicly visible increase in hunger and food insecurity in the U.S., and an increased demand for emergency food by households with children. In some ways similar to what occurred during the Depression, federal officials were embarrassed to have large food inventories in storage at the same time that low-income families lacked sufficient resources for the food they needed. When the surplus commodities were used up, the federal government began to appropriate funds for the direct purchase of TEFAP commodities. In addition, as with the child nutrition programs, when “bonus” commodities are available, they also are offered to TEFAP providers. (The 1990 change in the name, dropping the word “temporary,” was in part the result of a recognition that food emergencies were no longer temporary, but a way of life for many households.) In 2007, \$140 million was available for the purchase of the commodity foods and \$49.5 million was appropriated for the cost of operating the program at the state and local level. In fiscal year 2006, TEFAP received an additional \$67 million worth of “bonus” commodities. However, in 2007, bonus commodities were not as available as in previous years.

TEFAP commodities are distributed through the state commodity agencies to local public and nonprofit organizations, usually food banks, food pantries, emergency feeding sites (i.e. “soup

kitchens”), homeless shelters, and community action agencies. (These groups also depend on non-federal government sources of food and money for food, such as the public, local and national businesses, and local and state government funding.) Households or individuals have to meet State-developed eligibility criteria to be able to receive TEFAP food for home consumption. However, no one has to prove eligibility to receive a prepared meal that includes TEFAP food.

In 2007, close to 80 products were offered in TEFAP, significantly less variety than is available to the child nutrition programs. As in the child nutrition programs, the foods that are available in TEFAP depend on market conditions. Most of the products are packaged for household consumption – canned, bottled, boxed, bagged, dried, and frozen – and include canned vegetables and fruits, low sodium soups, juices, beef, chicken, turkey, pork, tuna, dried and canned beans, egg mix, peanut butter, pasta, vegetable oil, oats, grits, rice, peanuts, bakery mix, and ready-to-eat cereals. Which TEFAP foods a household or individual receives – either for home consumption or as a prepared meal in a congregate setting – depends on decisions made by the local agency operating the program (and sometimes the individual or household receiving the foods).

The Food Distribution Program on Indian Reservations (FDPIR) is really a substitute program for the Food Stamp Program for low-income households living on or near an Indian reservation. It was developed to meet the needs of American Indians who did not have access to food stamp offices and food stores where food stamps could be used. In fact, a household cannot use both the Food Stamp Program and FDPIR in the same month. The program usually is operated by Indian Tribal agencies (98) and sometimes by state distributing agencies (5). USDA purchases the commodities and sends them to the tribal organizations and states, which in turn distribute them as federally-determined food packages based on the number of people in the household, with some individual choices and substitutions offered within categories of foods. If households wish to participate in FDPIR, they must apply and meet income guidelines that are similar to those for the Food Stamp Program. In fiscal year 2006, 89,920 people participated in the program, representing 257 tribes. The total cost of the program that year was close to \$80 million, one-third for administrative costs and the rest for food purchases. The funds for the program are appropriated, but FDPIR also can provide bonus commodities when they are available.

About 80 food products are available through FDPIR, and they vary somewhat from the TEFAP foods. Like TEFAP, they include canned and dried beans, canned fruits and vegetables, low salt soup, canned juices, canned and frozen meats, tuna, vegetable oil, egg mix, bakery mix, pasta, peanut butter and peanuts, rice and oats, and ready-to-eat cereals. In addition, FDPIR foods include: dried fruit, reduced fat or regular cheese, macaroni and cheese, evaporated milk and nonfat dry milk, cornmeal and farina, unsalted crackers, and white and whole wheat flour. Fresh fruits and vegetables also are available through DOD-Fresh, and bison, buffalo, and/or bison stew have been purchased when Congress appropriates funding for that purpose.

The Commodity Supplemental Food Program (CSFP) largely serves older people. Unlike all the other commodity programs, CSFP is only available in certain states – 32 states, the District of Columbia, and two Indian reservations. It is available to people 60 years of age or older with incomes at or below 130 percent of the poverty line, and, to a considerably lesser extent,

pregnant, breast-feeding and postpartum women, infants and children up to their sixth birthday whose household incomes are at or below 185 percent of the poverty. In this commodity program, USDA purchases the food, provides it to state agencies and Indian Tribal Organizations (with money for administrative costs), and the state agencies pass the food on to public and nonprofit private local agencies for distribution to individuals and households. When women, infants and children participate in CSFP, it acts as an alternative to WIC.

About 60 products are available to CSFP participants, including canned fruits and vegetables, juices, meats, salmon and tuna, egg mix, dried and canned beans, reduced fat cheese, evaporated milk, and nonfat dry milk, peanut butter, infant formula and cereal, pasta, grits, rice, oats, and farina, and ready-to-eat cereals. As with the other commodity programs, the availability of foods in CSFP depends on market conditions. In addition, bonus commodities may also be available in the Commodity Supplemental Food Program.

In fiscal year 2006, 462,000 people were served on average each month, including more than 422,000 older people, and more than 40,000 women, infants and children. In fiscal year 2007, Congress appropriated \$107 million for CSFP.

Beyond School Lunch: Nutrition Critical Control Points in the Other Commodity Programs

Clearly, there are potential Nutrition Critical Control Points (NCCPs) in all of the commodity programs. In the case of CACFP and SFSP, the NCCPs are quite similar to the ones at the national, state and school district levels in the National School Lunch Program. That means that many of the strategies suggested for the Lunch Program in Chapter 7, if followed, will also have a direct impact on the nutrition profiles of foods offered in the other three programs. As for TEFAP, FDPIR and CSFP, changes at the federal level in National School Lunch Program commodities may have some influence on the quality and kinds of foods available in these programs. However, if the **NCCPs** in these three programs are to be taken full advantage of, it will require a separate review of commodity choices and specifications in the programs, keeping in mind the desirability of achieving diets that match the Dietary Guidelines, and, at the same time, taking into consideration practical household storage issues, and cultural and generational preferences.

Chapter 5:

Fresh Fruits and Vegetables in the School Lunch Commodity Program

A common complaint that is voiced about the traditional school lunch commodity program is that it does not offer fresh fruits and vegetables. It actually does, but the amounts and types available are relatively small. (See Chapter 3.) Canned and frozen fruits and vegetables are more available as commodities, and from a nutritional and taste perspective (depending on preparation methods), these can match up to fresh. However, children and adults often prefer fresh fruits and vegetables. Since most children and adults in the U.S. do not consume enough fruits and vegetables, fresh produce seems to be an important product to offer in a program like School Lunch, which is attempting to meet the nutritional and health needs of schoolchildren and influence their future food habits in positive ways. School lunches with fresh fruits and vegetables can help to foster the habit of eating fruits and vegetables as a regular part of meals.

There are actually four ways to obtain fresh fruits and vegetables in the National School Lunch Program: through direct purchase with the school lunch cash reimbursements and children's payments; the selection of the fresh fruits and vegetables offered in the regular school lunch commodity program; taking advantage of bonus commodity fruits and vegetables when they are available; and participation in the DOD-Fresh Program (Department of Defense Fresh Fruit and Vegetable Program).

Origins and Operations of DOD-Fresh

The reason that the regular school lunch commodity program does not offer a variety of fresh fruits and vegetables is that its ordering, purchasing, storage and transportation methods generally lend themselves to shelf-stable products, and not fragile perishables. However, the demand from school districts and others for fresh produce in the National School Lunch Program grew by leaps and bounds in the early 1990s as concerns about the healthfulness of school lunches increased. At the same time, the Department of Defense had a nationwide system to purchase and distribute a wide variety of high quality fresh produce to military installations, Federal prisons and veterans' hospitals that, because of base closings, was not being fully used. In the mid-1990s, USDA and the Department of Defense worked together to develop a program in which the DOD distribution system was used to supply fresh fruits and vegetables directly to school districts along with deliveries to military sites.

By 2002, the program was so popular that the Farm Bill in that year included \$50 million over five years in funding for its continuation and future growth, and the 2008 Farm Bill continued this funding level. In school year 2007, schools in 46 states and the District of Columbia used their commodity entitlement funds to buy fresh produce through this program. School lunch programs also can buy fresh fruits and vegetables through this program with their school lunch cash reimbursements - in school year 2005, that included schools in 18 states and the District of Columbia (plus Puerto Rico, the Virgin Islands, and Guam) spending more than \$20 million. (In addition, the Food Distribution Program on Indian Reservations (FDPIR) buys fresh produce for its participants through this program - almost \$4 million worth in school year 2005.)

In this program, states or schools can place orders for the fruits and vegetables that are available. There are close to 900 products offered, including lettuce, salad mix, mushrooms, broccoli, sprouts, watermelon, apples, oranges, lemons, honeydew, nectarines, kiwi fruit, strawberries, pineapples, pears, celery, kale, cantaloupe, grapes, collard greens, cucumbers, carrots, avocado, tomatoes, peaches, spinach, and radishes. School food service managers generally have been very happy with this program, the distribution and delivery system, and the wide selection, quality, and competitive cost of the produce received.

DOD brought many advantages to the limited number of districts that were able to tap into the program. Produce is a difficult procurement requiring a great deal of knowledge. Untrained buyers can find it difficult to differentiate among items that look similar but could be vastly different in quality and price. DOD has this expertise, and their buying power has ensured good pricing.

The DOD-Fresh program also has had some challenges. Because of the very limited funds available, participating districts were only able to meet some of their needs, returning to their previous produce vendors for the rest. Because a district was reducing its commercial procurement, it might not command the best prices from those vendors anymore. Finally, DOD only makes a limited number of deliveries, so larger districts receive one shipment at a central location and then have to store and transport smaller quantities to school sites. Smaller districts may have to have an agreement for one to act as a central delivery point for several districts that would then have to pick up their allotments and distribute them to their schools.

However, schools that participate in the DOD-Fresh program overwhelmingly like it. Colorado even negotiated an agreement with DOD whereby school districts could buy all of their fresh produce through the program, paying for it by transferring reimbursement revenues directly to DOD.

In 2006, the Program began changing its procurement, storage, and delivery systems, in order to place them in the hands of commercial distributors. However, DOD and USDA continue to oversee program operations.

Future of DOD-Fresh

This program has proved the enormous demand for and popularity of fresh produce in the National School Lunch Program and the achievability of a well-operated perishable procurement and distribution system tied to the school lunch commodity system. Major issues facing this program are: whether the “new” commercial distributors can live up to the high quality standards DOD Fresh has set; the sustainability of DOD Fresh for schools and whether there is a more sustainable procurement and distribution system that could become an integral part of USDA’s regular school lunch commodity program; the need for more funding so that all schools in all states have the potential to participate and order as much produce as they want; the possibility of intentionally including some local growers in the system; and how to ensure that smaller school systems can gain access to this source of fresh produce.

Chapter 6:

A System in Transition: Years of Change in School Lunch Commodities

From time to time over the past forty years, commodities in the National School Lunch Program have been cast in a negative light by journalists and school food service managers alike. Some commentators on the school lunch commodity program even have accused the USDA of using the National School Lunch Program as a “dumping ground” for unhealthy commodity foods that are in surplus. School food service personnel have complained over the years about numerous logistical problems they have faced in using the commodity program.

In a 1972 issue of the *School Foodservice Journal*, the official journal of the American School Food Service Association (now the School Nutrition Association), the editor prefaced an article by the Assistant Secretary of USDA’s Agricultural Marketing Service (Richard Lyng, who later became the Secretary of Agriculture) about the commodity program with the words: “There is perhaps no more controversial an issue in some school foodservice circles than that of the almost 40-year-old USDA commodity program.” In that article, Lyng raised major issues that have haunted the school lunch commodity program. He discussed in detail the issue of greatest concern at that time: “Variations in shipping-point locations, regional and State request and allocations, and the relative efficiencies of within-State distribution systems – not to mention such unknowns as shipping delays, strikes, and defaulted contracts – make it virtually impossible for us at USDA to predict how much and what kind of food any school or school district might get from a given purchase, or how soon.” As a result, Lyng wrote, “Some school foodservice managers believe that because of the uncertainties frequently encountered with donated foods, the equivalent money might better be spent locally for the same kinds of foods. Others maintain that the problems inherent in the system are outweighed by the price advantage that USDA can achieve....”

In addition, he discussed schools’ complaints about the usability of all the commodity foods they received: “They either lacked baking facilities or found it too expensive to convert donated items into products school children savor. Many, for example, just had no way of converting 50-pound bags of flour into bread, pies and cookies.” He reported that states were beginning to develop contracts with food processors to make some commodities into final products before they reached the schools’ warehouses. He also wrote about the persistent perceptions that USDA commodity foods were “worthless surpluses” and that “these surpluses are all that many school children get for lunch,” countering these perceptions with facts about the types of commodity foods that were available at the time and the relatively small proportion of school food that came from commodities, as well as USDA’s development and monitoring of specifications for these foods, including evaluations of their taste and appearance.

In the years since that article was published, USDA, working together with school food service leaders, has made enormous changes in the commodity system in response to public and institutional criticism and complaints, with the invaluable assistance of emerging computer technology. As discussed earlier in this report, a user-friendly online system of ordering and delivery for schools, states, and USDA is in place, which makes the commodity program much more efficient, effective and predictable. In addition, as explained in previous chapters, USDA, the food industry, state agencies and local school systems are taking full advantage of sophisticated processing strategies for using commodities in the production of menu items for the National School Lunch Program. Finally, in response to complaints from school food service staff about the nutrition profiles of some commodities purchased by USDA, major changes have been made in specifications for federal ordering and processing - including ordering fruit canned in juice, water or

light syrup; canned vegetables with reduced or no added salt; ground beef with fat levels at or below 15 percent of calories; the option of reduced fat cheese; and whole grains. Many of these changes have occurred as a result of concerns raised about the school lunch commodity program. The solutions that USDA has developed and implemented over the years have demonstrated the resilience of the system and the commitment of politically powerful forces to make it work. These successful changes demonstrate the on-going potential for even more improvements in the future.

In the early to mid-1980s, mounting criticism from school food service managers led to attempts by some members of Congress to “cash out” the commodity program for schools - that is, to end the school lunch commodity program as it operated at the time and give schools the additional cash as reimbursement instead (“cash-in-lieu”). An additional legislative proposal was to give schools “Commodity Letters of Credit” or CLOC, which would allow them to purchase certain amounts of specified products themselves from sources that they chose. This proposed national change was defeated, but some local cash-in-lieu and CLOC “pilot projects” were funded and implemented. Three major factors prevented the cash-out of the program at that time - the commitment of the agriculture community and certain segments of the school nutrition community to the continuation of the program; the development, by the American School Food Service Association (ASFSA), now the School Nutrition Association, of a “Blue Ribbon Commodity Study Committee” that reported on the key problems with the program to USDA; and the improvements made in the program by USDA in response to the ASFSA report.

The Blue Ribbon Commodity Study Committee’s report was based on surveys of association members at every level of program management, with national representation. The report focused almost exclusively on complaints about the operation of the program on the federal level. Some of the major complaints included: unacceptable quality and specifications for many of the commodity foods provided; recipient agencies did not have the specifications that USDA used to order the products; unacceptable and inconsistent package sizes; some commodity foods did not contribute toward meeting the meal pattern requirements or were not consistent with dietary recommendations (i.e. reducing fat, sugar and salt); uncertainty of delivery schedules, failure to deliver within established delivery periods, and “bunching” of commodity deliveries; and lack of public information regarding the program. Although the report focused primarily on problems at the federal level, it also included a few state and local level issues, including: inadequacy and inequity in in-state commodity distribution, and lack of information and understanding of the commodity system and how to take full advantage of it at the local level (which was seen as a state agency problem and responsibility). Although USDA did not solve all the problems raised by ASFSA at that time, enough problems were solved to the satisfaction of school food service managers to save the school lunch commodity program from a cash-out.

By the mid-1990s, dissatisfaction with the commodity school lunch program had risen to a fever pitch once again - this time with the major focus on the way the whole system worked (e.g. ordering, processing, delivery) and the roles and control by agencies at different levels of the system. In part, the state and local complaints about the system were driven by changes in school lunch itself – including the expectation by local school boards that school lunch would operate “like a business,” at least breaking even financially. Moreover, processed food items had become the majority of school lunch selections, in part in response to labor costs that could not be covered by the combination of federal school lunch reimbursements and student payments. USDA’s Commodity Improvement Council, which was put together in 1994, and whose members included the Under Secretaries for the Food and Nutrition Service (FNS), the Agricultural Marketing Service (AMS), the Food Safety and

Inspection Service (FSIS) and the Farm Service Agency (FSA), requested in 1998 that a major project be started under the auspices of USDA to find solutions to problems in the commodity program.

USDA worked with private contractors in the areas of reengineering, strategic planning, change management and business transformation to modernize the program systems, and these contractors worked with local, state, regional and federal school food service and government stakeholders to develop and begin to implement a plan to modernize and improve the commodity system, called BPR (the Business Process Reengineering project, or Food Distribution 2000). In 2006, almost all of the implementing regulations had been proposed for the resulting desired changes in the school lunch commodity program. Two major goals of this revised system are: more efficient, simpler, and more predictable management of ordering, processing and distribution systems, and a focus on full involvement of, and meeting the real needs of, local school food service operations in state and federal decision-making.

Currently, the school lunch commodity program is in transition to a system that will be driven much more by the choices of local school districts than by unilateral state agency determinations. This forces state agencies to approach their leadership roles more creatively - fully informing school districts of their choices and potential consequences, and taking school district selections into account to the greatest extent possible. Moreover, these changes place much more responsibility on the school districts themselves to make it their business to understand their full range of choices, to learn more about each of the choices available, and to take into consideration the fiscal, nutritional and health consequences of those choices. The food industry, both processors and distributors, also play an increasingly powerful role, and have an opportunity and a responsibility to attend to children's nutritional and health needs in the business decisions they make.

At the beginning of the 21st century, the loudest complaints about the school lunch commodity program come from the public, journalists, and public officials. To some extent, these concerns arise because of misconceptions about the program and how it operates. But mostly, the concerns arise from the public's legitimate alarm about increasing childhood obesity, its potential negative health consequences, and children's overall poor nutrition habits. Attitudes about commodities are inextricably intertwined with experiences and beliefs about the National School Lunch Program. As a result, USDA is making major changes in the foods that it is purchasing and making available at the federal level. For example, in school year 2007-2008, the agency added the following items to the commodity list: quick-cook brown rice; whole grain spaghetti, rotini, and macaroni; dry kernel corn for further processing; frozen potato products without trans fats; applesauce without added sugar; and canned vegetables with lower sodium levels.

The next chapter of this report makes recommendations, based on potential Nutrition Critical Control Points at each level in the system, for ways in which the positive nutritional potential of the school lunch commodity program can be maximized to support healthy school lunch programs and contribute to healthy children. There still is much more that can be done to fulfill the nutritional and health promise of the National School Lunch Program.

Chapter 7:

Using Commodities to Strengthen the Nutritional Quality of the National School Lunch Program: Key Issues and Recommendations for Change

Key Issues in the School Lunch Commodity Program

Some of the key themes and concerns about the school lunch commodity program that recur in this report include:

- The program has a dual purpose: meeting the nutrition and health needs of children and the economic needs of farmers. This dual purpose has its historical origins in the Depression and has been evident ever since.
- The program has strong support from agriculture interests and powerful backing from members of Congress from farm states or districts.
- The program makes the National School Lunch Program more economically feasible to operate because of the significant amount of additional resources (in the form of food) that the program provides.
- The school lunch commodity system is very complex and diverse in its operations. Programs in different states vary considerably from each other, at the state and local levels.
- Over the last two decades, USDA has made significant and successful changes in the school lunch commodity program, in response to complaints from school lunch managers and state child nutrition agencies.
- Although the National School Lunch Program is the major user of commodities in the United States, there are a number of other commodity-using programs that support the nutritional needs of low-income and vulnerable households and individuals. Any changes in the school lunch commodity program are likely to have a large effect on the other commodity programs as well.
- Over recent years, the school lunch commodity system, like the National School Lunch Program itself, has shifted (mainly at the state/local level) from a system that delivers bulk, less processed foods for further preparation in the school kitchen, to one that manufactures the foods purchased at the national level into food products for use as menu items in lunch programs.
- In the area of nutrition in the school lunch commodity program, Congress has played little or no intentional role. USDA has made significant changes in offerings and specifications for foods in the school lunch commodity program, but there is still much to be done at the national, state, and local levels to ensure that commodity foods contribute optimally to compliance with the Dietary Guidelines. The greatest potential for change in

the nutrition profile of foods made from commodities lies at the state agency level, at the local school district level, and with the school food processors and distributors.

- Many local school districts lack the expertise to develop and/or evaluate specifications for food products made from commodities. Smaller or more rural school districts are likely to be at a relative disadvantage in the use of commodities, not only because of the expertise problem, but because they may be too small to carry much weight in ordering or receiving foods that are out of the mainstream in their states.
- The DOD-Fresh program is very popular with school lunch managers because it provides a variety of fresh fruits and vegetables that appeal to children; fits into the public health emphasis on increasing children's consumption of these foods; and provides high quality produce. However, the DOD-Fresh model, with its focus on fresh produce, is a very different system from the traditional school lunch commodity program, which is set up for the most part to deal with a wide variety of shelf-stable products.

Thus, some of the major strengths of the school lunch commodity program lie in the value-added it provides to school districts operating lunch programs; the strong political support for the program and its funding; the fact that the program starts out with wholesome, less processed foods; and the relative responsiveness of the program to concerns and needs raised by school lunch managers. The weaknesses of the program are its complexity; its natural tendency to favor the needs of larger school districts over smaller ones; insufficient incentive built into the overall system for the promotion of good nutrition; its current limited ability to incorporate the provision of fresh and/or local produce; and the difficulty of moving away from the mainstream marketplace to provide children with new or more healthful products.

Using Nutrition Critical Control Points to Strengthen the School Lunch Commodity Program: Recommendations for Change at the National, State and Local Levels

As described previously in this report, historically, the federal government has purchased consistent proportions (over time) of mainly non-perishable items in the agricultural marketplace to maintain price stability, and the markets count on the historic levels of purchases for each kind of food. The federal government offers these foods for order to the school districts via the state agencies, close to a year before they may actually be delivered or used, based on estimated quantities that the government thinks will be available. Most of the products are offered in original or lightly processed form - canned, frozen, and dried, made into patties, etc. The states make the lists available to their school districts for order, and the districts make decisions about what they want, how much, and when, for the coming year.

There is one other decision districts make – where to send any of the products for additional processing, e.g., tomato sauce, whole grain flour, and light mozzarella cheese to make a pizza. That is where the processors come in. Companies sign agreements to be allowed to process commodities and they write detailed specifications for their products so that school districts know what they are ordering. In addition, schools also can add some of their cash for these products - to provide for ingredients that are not available through the commodity program. The state compiles the wish lists of the districts and transmits them back to the federal government to

guide their orders. Then distributors get the foods where they need to go - directly to the districts or to food companies for further processing.

At each step of the way, which commodities are ordered and how they are processed determines whether, and to what extent, these commodities contribute to or improve the nutritional quality of the programs. The following recommendations, if implemented – through new policies, changes in administration, or regulatory and/or statutory revisions or additions – have the potential to increase the positive nutritional impact of commodities in the National School Lunch Program.

Recommendations

Stakeholders interested in improving the nutritional quality of school meals should take full advantage of potential Nutrition Critical Control Points (NCCP) in the school lunch commodity system at the federal, state and local levels. As mentioned earlier in the report, NCCP is a term FRAC developed to pinpoint those areas in the school lunch commodity system where critical decisions made or strategies implemented can affect, positively or negatively, the nutrition profile of foods served to students in the National School Lunch Program.

Federal Level NCCPs

1. USDA's current efforts at the national level to improve the school lunch commodities it purchases should be lauded and made more visible. USDA should do more to promote these changes to states and local school districts, and continue to expand its efforts to improve the nutrition profile of the commodities purchased. As part of this effort, USDA should continue its systematic review of all federal-level product specifications, and revise them when appropriate with the Dietary Guidelines for Americans in mind. USDA has made many recent changes that improve the nutrition profiles of school lunch commodity foods. These product changes and additions, such as lower-fat cheeses, low sodium vegetables, and more whole grain products, can make it easier for schools to comply with the school lunch regulations and the Dietary Guidelines for Americans. Over the years, USDA has developed comprehensive, detailed specifications for all the school lunch commodities it buys and/or has processed. Specifications include package size, grade, ingredients, fat levels (when appropriate), packing material, such as fruit juice or light syrup for canned fruits, and much more. These specifications, although often as long as 30 pages, typically focus on concerns about the quality, uniformity and safety of the product (which are critical issues), but not on its nutrition profile. This situation is changing at the Department, and the change should be encouraged and continued, especially since schools must fit these foods into their menus in a way that will achieve compliance with the federal school lunch nutrition requirements.
2. USDA should support legislation to increase significantly the proportion and amount of fruits and vegetables purchased by the federal government for use in the school lunch commodity program. In addition, it should support increased funding for the fresh produce available to school districts through DOD-Fresh, or through a new or revised USDA vehicle for the distribution of perishable produce that is associated with the current school lunch commodity program. All school districts should have the opportunity to participate in this program.

Currently, the proportions of purchases and use of federal commodities lean most toward

meats and poultry, and much less toward fruits and vegetables. The proportion of funds available for the purchase of fruits and vegetables for the National School Lunch Program, in all forms, should be increased.

In addition, DOD-Fresh has been a very popular program because it has increased the amount of fresh fruits and vegetables available for the National School Lunch Program, and because the quality of the produce has been consistently high. Unfortunately, the funds available for this program are not sufficient to meet all of the need. DOD Fresh should be expanded and/or another program, associated with the school lunch commodity program, should be developed to meet the growing demand for fresh fruits and vegetables in the National School Lunch Program.

3. USDA should support legislation creating a national funding mechanism to leverage resources for the purchase and repair of equipment, as well as for access to adequate storage facilities, so that more schools can use commodities in their original form to develop their own products.

Nationwide, over the last 20 years, schools have moved away from self-preparation of meals. Many schools depend in large part on the food industry to prepare food products for them. One of the reasons this has come about is the lack of facilities to prepare food. School districts have been less willing or able to pay for equipment repair or replacement, and in the early 1980s, the nation's Food Service Equipment Assistance Program, which was targeted to low-income schools, was eliminated by Congress. Schools with preparation facilities and adequate equipment and storage capabilities would be more able to create some of their own food items for use in their school lunch programs, including the use of commodities in less processed forms. This would give schools more control over the nutrition profile of the foods they serve.

4. USDA should support legislation to increase reimbursements for school meals so that schools can afford the increased cost of labor required to prepare foods using commodities that are closer to their original form.

Another reason for the deep dependence of school districts on food products that are manufactured off-site is that preparation of foods on-site requires school food service staff to be paid and trained to do the preparation. Reimbursement levels for school meals were cut in 1981, and, although they are increased each year using an inflation factor, the original funding cut has never been restored. In addition, the costs of operating these programs are no longer shared with the school district to the same extent that they were ten or 20 years ago. As a result, many schools cannot afford the cost of the labor involved in food preparation. If reimbursements were higher, more on-site preparation could occur, allowing schools to use more commodities closer to their original form. This would increase their control over the ultimate nutrition profile of the foods they serve to students.

State Level NCCPs

1. State agencies should allow each school district, or school district co-op, to choose from all the commodity choices that USDA offers.

State-level operations vary considerably from state to state. However, every state is responsible for compiling commodity and processing orders from all its school districts. This development of the food purchase order is certainly a major NCCP. USDA is working toward getting all states to offer the complete list of available items to their school districts rather than making peremptory choices of which foods to offer before the districts see them. The provision of limited lists by the states has the potential of reducing the orders of some healthy items that are lacking in children's diets.

2. State agencies should take advantage of their leadership role in child nutrition by assisting school districts in making wise nutrition choices among the products offered by food processors doing business in the state.

The states determine which food processors can do business in the state and which products can be sold, another NCCP. Nutrition issues currently play little or no role in the latter decisions, however. States could take advantage of this NCCP in a number of ways, including: (1) developing model specifications for certain common products to assist schools in evaluating the choices they make; (2) working with school districts to make wise choices among available products; (3) evaluating products offered as to whether they make a contribution to schools' ability to meet federal school lunch regulations and the Dietary Guidelines and making those evaluations of the specifications available to the school districts; (4) encouraging processors to change the specifications of some products and develop new products; and/or (5) requiring that a certain percentage of more "healthful" products be offered in order for the processor to be able to do business in the state.

3. States should work together with school districts and processors to develop plans for the development, introduction, promotion and transition to new and more healthful products.

Both school districts and processors often are wary about losing money as a result of product additions or changes that children may not like. The work of such an action-oriented collaboration could be another important NCCP because it has the potential to handle these concerns in a way that allows creative changes to occur.

Federal/State NCCPs

1. State agencies and/or USDA should develop voluntary "Gold Standard" model specifications for certain products made with commodities.

As explained in the previous recommendations about NCCPs at the state and local school district levels, school districts with limited resources and expertise may have difficulty choosing or finding the more healthful food items they seek to order. Model voluntary specifications for common products and targeted guidance on making ordering decisions may be of assistance to many districts. These specifications could be developed by states or the federal government, or a combination of both, with advisory input from

processors. Model standards might also be an incentive for the development of new and better products.

2. USDA and state agencies should work together to find effective ways to promote the use of underutilized, nutritionally desirable commodities, and more healthful versions of commodities, by school districts and food processors.

Physicians, nutritionists, and medical and nutrition researchers are telling the public to eat more whole grains, more low fat and nonfat dairy products, and more fruits and vegetables. They also are suggesting that we eat a more plant-based diet, with the traditional “center of the plate” foods (i.e. beef, pork, and poultry) being provided in smaller portions when they are served. The proportions of the kinds of foods that are available through the school lunch commodity program and the amounts of these foods that are ordered do not reflect a strong movement toward this sort of change. Because of their lower costs relative to the high cost of animal protein on the open market, commodity program-provided meats make up the vast majority of meats served to children in the National School Lunch Program. Processed entrees using commodities more often than not contain beef, chicken and/or cheese.

On the other hand, a myriad of types of beans, oats, whole grain flour, and brown rice are not making it into the typical order or the processing of commodity-enhanced food products. Low fat cheese is beginning to be recognized and accepted by school districts as an item to order or have processed into a food product. There are some commodity-based products that have become notoriously associated, fairly or not, with the kinds of school lunches that more health-conscious parents, educators, and school food service personnel hate - e.g., chicken nuggets, processed potato products high in fat and sodium, and deep-fried dessert pies. Yet, looking at the current list of commodities that can be ordered, or even imagining other foods that could be added to that list, one can see the great potential for foods with much better nutrition profiles. A number of these products are now available, and many more could be in the future. These foods should be encouraged and promoted to school districts and manufacturers.

3. USDA and state agencies should work together to provide all school districts with the training, or other means, to understand and write food product specifications and/or to influence them more effectively.

Because of lack of expertise or resources, school districts often lack the ability to write or influence food product specifications. In many cases, training could help in writing specifications or in evaluating them.

School districts also could be more influential in changing the specifications of food products that are available for them to order if voluntary, widely accepted model standards for common products existed, and/or if school districts banded together into cooperative commodity buying groups that could assist individual districts in obtaining

food products with the specifications they really want. USDA and the states, working together, could help to make all of this possible.

4. The USDA and state agencies should work together to develop new ideas for smaller scale commodity transportation systems that will allow smaller school districts to receive the more healthful commodity foods they desire.

Small school districts are hampered by their lack of expertise and resources to apply to specification writing and evaluation of specifications, and their limited buying power, which limits not only their influence on what processors make but also on what distributors are willing to bring to them. Distribution and rural transportation issues can be key barriers to small districts' ability to buy particular products when their orders are too small to cause a distributor to bring around a truck. A pervasive need appears to be a smaller scale distribution system that works for, and matches the needs of, smaller school districts, especially those in rural areas. The school lunch commodity commercial distribution system focuses on efficiency and the "bottom line" to such an extent that smaller districts, and those that would like to order foods and food products that are out of the mainstream, are at a disadvantage.

District Level NCCPs

1. Large school districts should take full advantage of their increased buying power in order to improve the nutritional profiles of the products they order.

Some larger school districts (and commodity buying cooperatives) are not taking full advantage of their buying power to ensure the availability and ordering of the healthful, appealing commodity end products many districts seek. Yet, the sheer size of these districts should make important changes quite possible, and any leadership large districts provide in this area is likely to improve the choices available to all other school districts.

2. More small and medium-size districts should seriously consider banding together to pool their resources in order to: increase the chances of being able to receive the commodities they desire; improve their buying power; gain access to expertise in food product specification writing and/or review; and maximize their ability to influence manufacturers to develop new products according to school district nutrition needs.

In most states, local school districts order commodities and make decisions about further processing and which food products they want from food processors. All of these decisions are NCCPs. The specifications that a school district uses in purchasing further processed foods are no less important than USDA's and are in many ways the more important and influential NCCP. Yet school districts are limited by the extent of their abilities to evaluate specifications or write their own, and their expertise or resources often are not sufficient to do this. Furthermore, except in a few very large districts, the purchasing power of a district is not sufficient to direct a manufacturer to develop a product (i.e. a more nutritious product) that meets a district-generated specification. School district cooperatives have the potential to improve the nutritional quality of

manufactured foods that use commodities, but the enormous potential offered by this NCCP of cooperative buying remains untapped.

The Role of Advocates and Other Stakeholders in Making Change Happen

The changes described above are very much a part of any efforts to improve the overall quality of school meals. For example, those who are working to influence USDA's nutrition standards for school meals should also be interested in, and supportive of, implementing the recommendations to improve the nutrition profile of school lunch commodities and the products that incorporate them. Those working at the state level on state legislation, supplemental funding, or state agency directives related to improved nutrition in school meals also should push their state agencies and state cooperatives, and/or work jointly with them, to take full advantage of all the state-level Nutrition Critical Control Points available to improve the quality of the food products on children's school lunch trays. Healthy eating advocates, anti-hunger advocates, children's groups and others who are working with concerned school food service personnel and community members to improve the healthiness of school meals at the local level also should join forces in discovering and analyzing the specific problems local school districts face in the selection and ordering of the most nutritious, healthful commodity-related foods possible, and seek solutions to these problems. Finally, coalitions of stakeholders, such as federal officials and state agency leaders; local school food service directors; food producers, processors and distributors; and advocates, should work together to develop effective national, state and local transition plans, including changes in the school lunch commodity system, that will lead to the production, ready availability, promotion, and acceptance of the kinds of healthful school lunch foods all of us would like our children to be eating and enjoying at school every day.

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