



Agricultural Marketing Service
U.S. DEPARTMENT OF AGRICULTURE



COMMODITY PROCUREMENT PROGRAM



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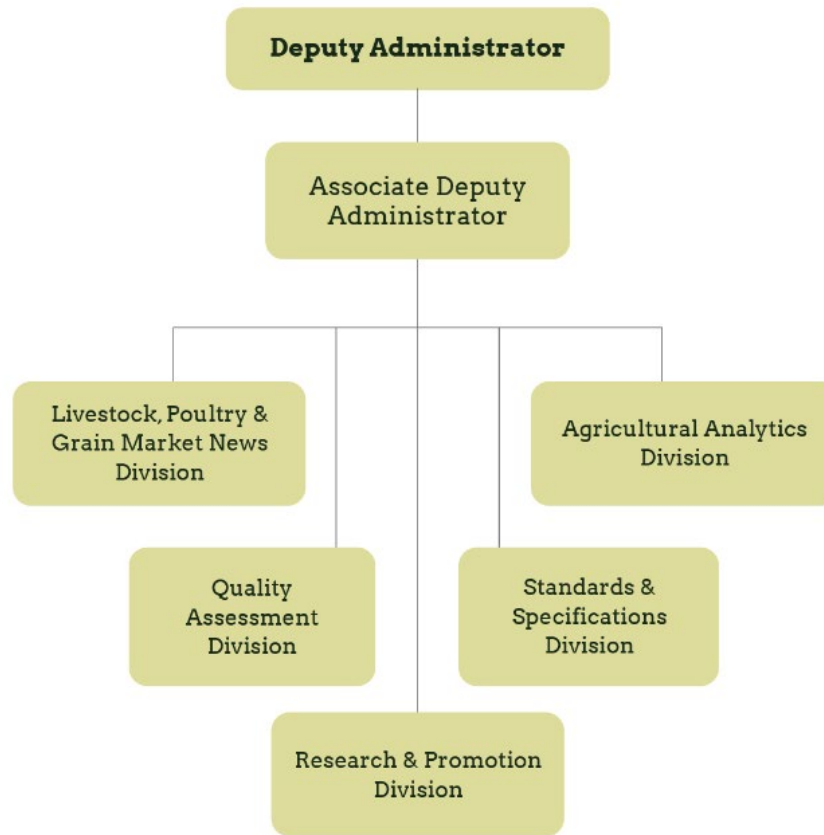


LP Open Forum/General Session



AMS Livestock & Poultry Program

May 15, 2020





Who's on the Poultry Team?



Samantha Rhoderick
National Poultry
Supervisor



Chad Brillhart
Assistant to the
National Poultry
Supervisor



Terry Lutz
Marketing
Specialist
(Specifications)



Anjeanette Johnson
Marketing Specialist
(Specifications)



Dr. Jacqueline Mason
International
Marketing
Specialist



Laura Grisel
Marketing Specialist
(Specifications)
Detailer



Who's on the Egg Team?



Jeff Hendricks
National Supervisor



Dr. Jacqueline Mason
International Marketing
Specialist



Jed Warnock
Assistant National
Supervisor



Anjeanette Johnson
Marketing Specialist
(Specifications)



Jeff Shomaker
Compliance Officer

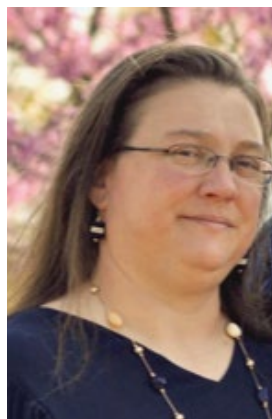


Laura Grisel
Marketing Specialist
(Specifications)

Who's on the Food Safety and Technology Team?



Darin Doerscher
Branch Chief



Angelia Gale
Marketing
Specialist



Steve Whisenant
Marketing
Specialist



Will Stone
Marketing
Specialist



Dr. Sherry Wise
Senior Economist



Shalynn Sumrow
Economist Detailee



L&P = Program Support

- **Write Purchase Program Specifications**
- **Grading, Certification, and Auditing of Commodities**
- **Advice on Waiver Approvals/Denials**
- **Review Section 32 Requests**
- **Collect volume data for additional purchases**
- **Work closely with AMS vendors**





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LP Section 32 Requests

Section 32, Act of August 24, 1935 (P.L. 74-320 as amended; 7 U.S.C. 612c)

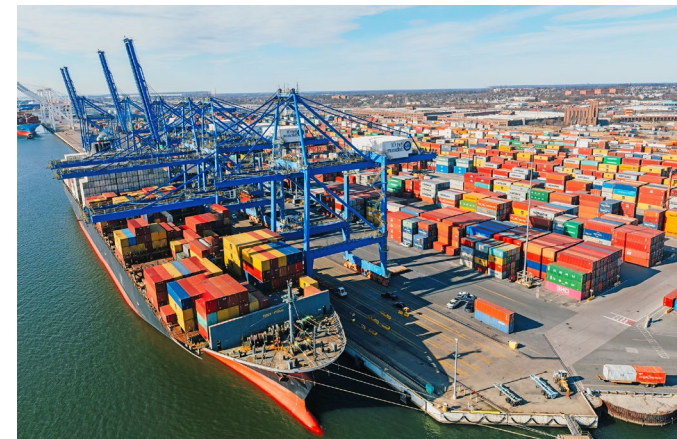
- **Authorizes 30% of annual U.S. customs receipts.**
- **Section 32 funds, are to be used for**
 - (1) encouraging the export of farm products through producer payments or other means;
 - (2) encouraging the domestic consumption of farm products by diverting surpluses from normal channels or increasing their use by low-income groups; and
 - (3) reestablishing **farmers'** purchasing power.
- **The Secretary of Agriculture has discretion in deciding how to achieve these objectives.**





Section 32 Process

- **Industry (usually an association) submits a request to the Secretary of Agriculture**
 - Request should include an explanation of the problem industry is experiencing.
 - Usually a purchase volume or purchase value included. Time frame also helpful.
- **Request is acknowledged by AMS and sent to economist to analyze.**
- **Economist uses available data, industry and other expertise to evaluate industry conditions.**



Section 32 Process, cont'd

- **Economist prepares an analysis which describes industry conditions and makes a recommendation.**
- **Economic analysis is reviewed within the Program and then by the Office of Chief Economist.**
- **Economist makes necessary revisions and report is sent for management review.**





Economic Analysis

- **Each request is distinct and varies according to the industry, conditions faced by industry, and the data available to evaluate the industry.**
- **Industry data is used where available and relevant as well as independent sources (industry news, academic experts, government data).**



Economic Analysis, cont'd

- **Economic analysis focuses on supply and demand conditions.**
- **Data include—**
 - **Production**
 - **Inventories**
 - **Prices**
 - **Trade**
 - **Demand conditions**
 - **Historical patterns very important**





LIVESTOCK & POULTRY PROGRAM - COMMODITY PURCHASES

Rest Filters

Filters

Vendor

- Type to search in list
- (All) 94 values
 - ALABAMA CATFISH, LLC
 - America's Catch,
 - AMERICAN BEEF
 - American Custom
 - AMERICAN CUSTOM
 - AMERICAS CATCH INC

Purchase Activity

- Type to search in list
- COVID Relief
 - Disaster Assistance
 - Emergency Feeding
 - Entitlement
 - Food Box
 - Section 32
 - Trade Mitigation

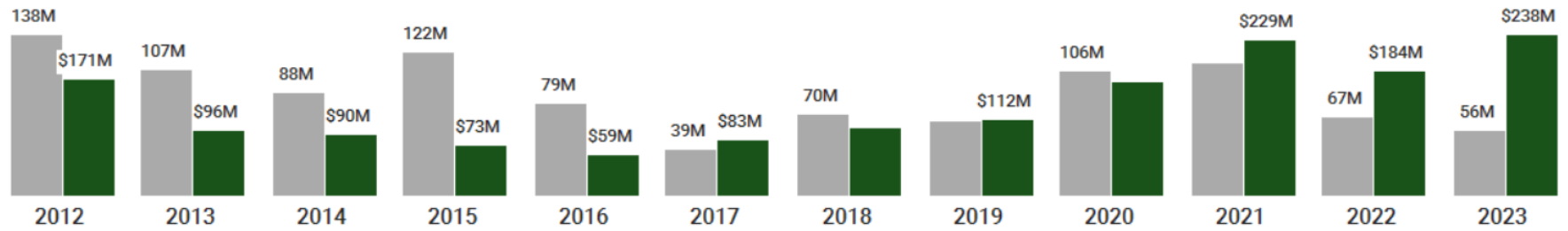
Recipient Program

- Type to search in list
- (All) 6 values
 - CACFP
 - CSFP
 - FDPIR
 - NSIP
 - NSLP
 - TEFAP

Topline

1,048M LBS	\$1,604M USD	\$1.53 Unit Price	94 Vendors	84 Material Numbers	1 Purchase Activity	6 Recipient Program
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Volume and Dollars by Fiscal Year



Individual Commodity Contributions

Material Number	Material Description	Purchase Activity	Recipient Program	LBS	USD	Unit Price
100046	EGGS WHOLE FRZ CTN-6/5 LB	Section 32	NSIP	4M	\$2M	0.68
100087	LAMB LEG ROAST CTN-38-40 LB	Section 32	TEFAP	324k	\$1M	4.14
100089	CHICKEN WHOLE CTN-38-40 LB	Section 32	TEFAP	144k	\$585k	4.07
100105	CHICKEN LEG QTR CTN-40 LB	Section 32	TEFAP	2M	\$1M	0.63

Dashboard view of Section 32 historical purchases.



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Animal Handling & Welfare State Requirements



Background

- **National Meat Assoc. v. Harris (2012)**
- **CA Proposition 2 (2015)**
- **CA Proposition 12 (2021)**
- **National Pork Prod. v. Ross (2023)**



State AHW Laws

- **Approximately 44 state laws***
 - Thirty-three laws specify how animals must be handled/raised in a particular state
 - Eleven laws prohibit *the sale* of certain products in a particular state

*https://www.humanesociety.org/sites/default/files/docs/HSUS_state-farm-animal-protection-laws.pdf





AMS Procurement

- **AMS commodities appear exempt from Prop 12 but not from Prop 2**
- **Exemptions from other state laws examined case-by-case**
- **Feedback from AMS vendors will inform purchasing policy**





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Domestic Origin



Domestic Origin Requirement

- **Commodities procured by AMS for Federal nutrition assistance programs must be of “domestic origin.”**
- **AMS states that commodities purchased for these programs are “100% domestically produced and processed”**
- **Animals must be born, raised, slaughtered, and processed in the U.S. ...**





... **except for**

- **Beef and pork**
- **Animals may be born and raised in another country so long as they are slaughtered and processed in the U.S.**





Revised Requirement

- **Beef and pork commodities must be derived from animals born, raised, slaughtered, and processed in the U.S.**
- **Specifically, animals knowingly imported from another country may not be used**
- **Phase-in period**
- **Harmonizes policy across commodities and protects integrity of the USDA Foods brand**





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Economic Outlook



Economic Conditions

- **Inflation**

- Overall CPI Up 3.2%
- Food CPI Up 4.9%
- Energy CPI Down 12.5%
- Housing CPI Up 7.7

- **Employment**

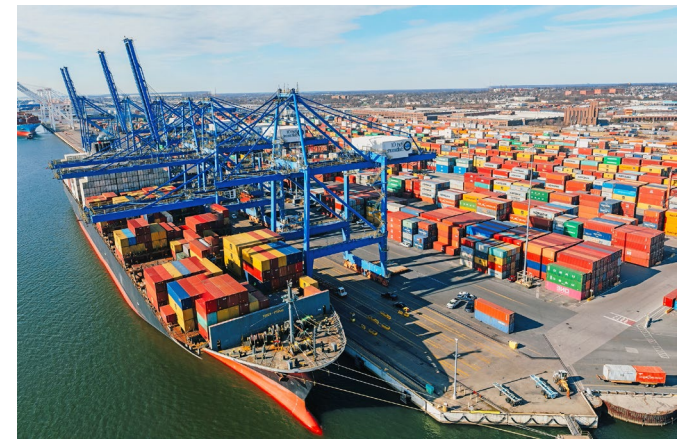
- Unemployment 3.5%
- Cost of employment Up 1.5% (real)





Feed Costs

- **Corn**
- **Soybeans**
- **Global situation**



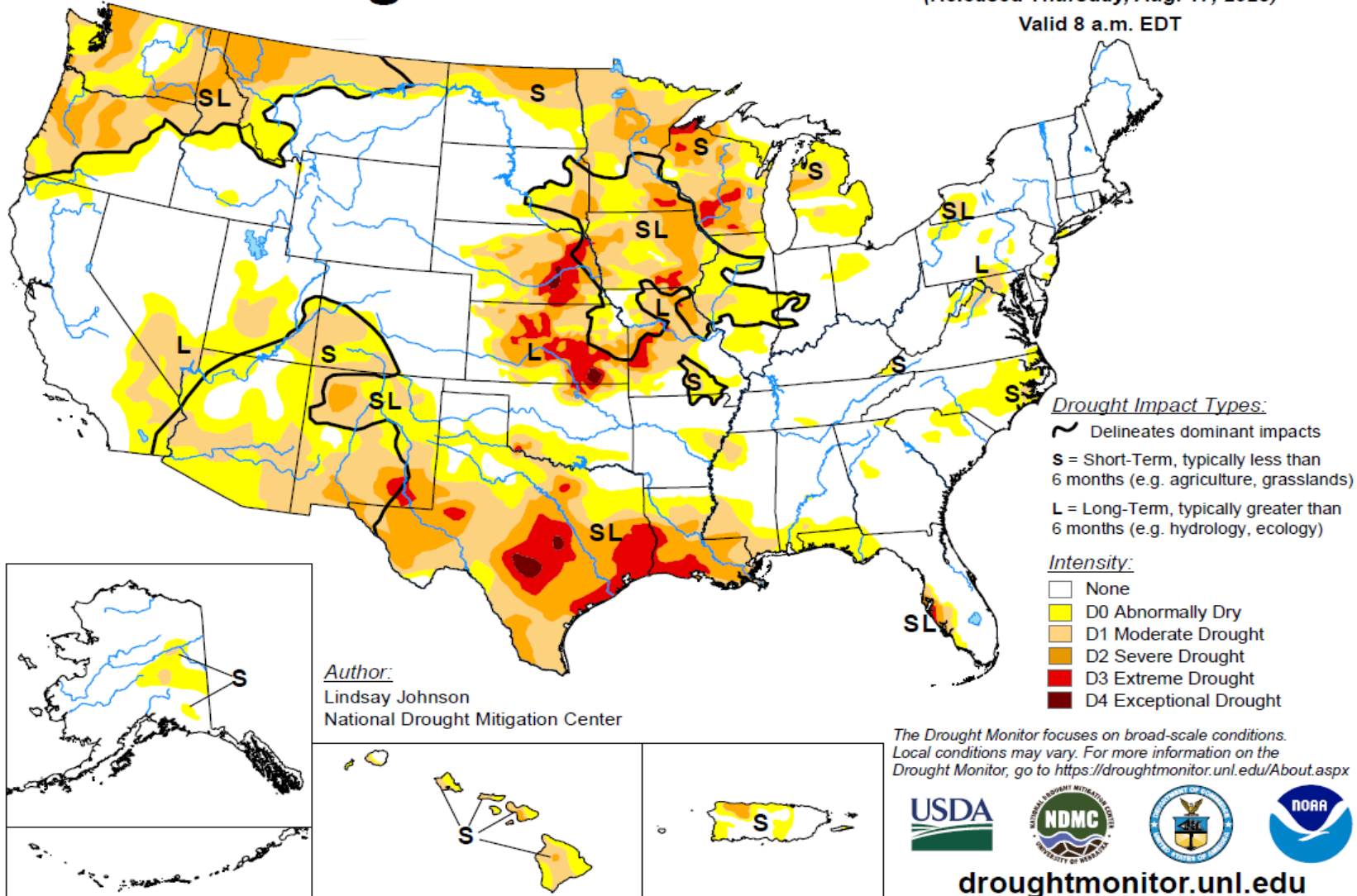


U.S. Drought Monitor

August 15, 2023

(Released Thursday, Aug. 17, 2023)

Valid 8 a.m. EDT





Cattle / Beef

• Supply

- Cattle herd down 3% (July NASS report)
- Calf herd down 2%; Some evidence of female replacement.
- Beef production down 4% in 2023; Down 9% in 2024
- Beef imports up 4% in 2023; Up 1% in 2024

• Demand

- Per capita disappearance down 4% in 2023; Down 9% in 2024
- Beef exports down 9% in 2023; Down 8% in 2024

• Price Trend

- Fed cattle up 21% in 2023; Up 5% in 2024
- USDA forecast of beef CPI up 3% in 2023; Up 6% in 2024



Hogs/Pork

- **Supply**

- Herd appears to be shrinking—Since May sow and boar slaughter up from 2022, and 5-year average
- Pork production down 1% in 2023; Steady to down slightly in 2024
- Pork imports down 20% in 2023; Up 8% in 2024

- **Demand**

- Per capita disappearance down 3% in 2023; Steady to up slightly in 2024
- Pork exports up 9% in 2023: Up 1% in 2024

- **Price Trend**

- B&G down 19% in 2023; Up 12% in 2024
- USDA forecast of Pork CPI down 3% in 2023; Down 1% in 2024



Sheep / Lamb

- **Supply**

- Lamb production steady in 2023; Down 2% in 2024
- Lamb imports down 11% in 2023; Up 16% in 2024

- **Demand**

- Per capita disappearance down 8% in 2023; Up 8% in 2024

- **Price Trend**

- Slaughter lamb prices down 13% in 2023; Down 3% in 2024
- USDA forecast of lamb CPI up 4% in 2023; Up 2% in 2024



Chicken

- **Supply**

- Broiler production up 2% in both 2023 and 2024
- Broiler meat in cold storage up 12 from 2022, most of which is breast meat

- **Demand**

- Per capital disappearance up 2% in 2023; Up 1% in 2024
- Broiler exports up 1% in 2023; Up 3% in 2024

- **Price Trend**

- Wholesale broilers down 9% in 2023; Steady to up slightly in 2024
- Poultry CPI up 3% in both 2023 and 2024

Turkey

- **Supply**

- Strong production growth seen in recent months may mean recovery from HPAI
- Turkey production up 7% in 2023; Up 2% in 2024

- **Demand**

- Per capita turkey disappearance up 4% in 2023; Up 3% in 2024
- Turkey exports up 1% in 2023; Up 6% in 2024

- **Price Trend**

- Turkey wholesale prices up 6% in 2023; Steady to down slightly in 2024
- Poultry CPI up 3% in both 2023 and 2024



Eggs

- **Supply**

- Table egg production up 3% in 2023; Up 4% in 2024

- **Demand**

- Per capita disappearance up 1% in 2023; Up 4% in 2024

- **Price Trend**

- Wholesale New York Grade A egg prices down 36% in 2023; Down 21% in 2024
- Egg CPI up 2% in 2023; Down 11% in 2024



Aquatics

- **Supply**

- Record high pink Alaska salmon harvest expected; Sockeye catches are increasing
- Increased imports for shrimp
- Decreased imports for catfish in 2023, but high in 2022

- **Demand**

- CPI for food away from home up 7.1%; Full-service restaurants up 5.8%
- CPI for shelter up 7.7%; Medical commodities up 4.1%; Transportation services up 9%

- **Price Trend**

- Fish CPI up 1% in 2023; Up 3% in 2024



Rejected Loads, Destination Exams & Complaints

**Commodity Procurement
Food Nutrition Service
Standards and Specification Division**



Rejected Load – The Process

- **Recipient wants to reject – Requests approval from FNS**
- **FNS sends information to CP**
- **If technical advice is needed – CP reaches out to SSD**
- **SSD works with the vendor and provides recommendation back to CP for acceptance or rejection**
- **If questionable a destination examination may be requested**



Destination Exam

- **Vendors or Recipients may request a Destination Exam on a truck that is in jeopardy of being rejected**
- **A QAD grader or supervisor, if available, will travel out to the destination to assess product condition**
- **If found acceptable the recipient accepts and is billed**
- **If found unacceptable the recipient rejects and the vendor is billed**



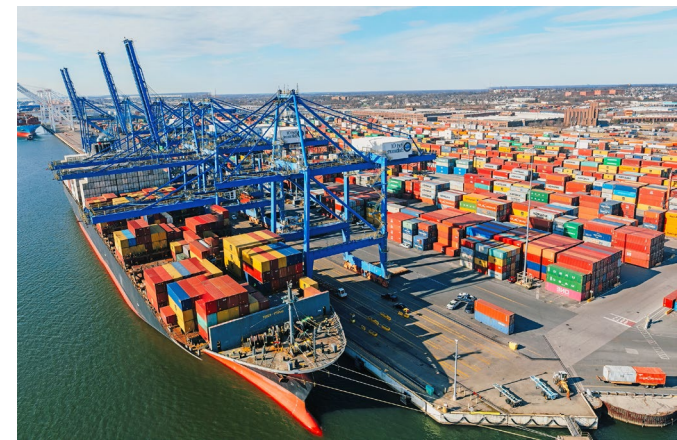
Destination Exam

- **Temperature of the product**
- **Condition of the cases**
- **Condition of the product**
- **Looking for evidence for what the rejection is based on**
- **Organoleptic condition**
- **Evidence of tampering**
- **Case count**



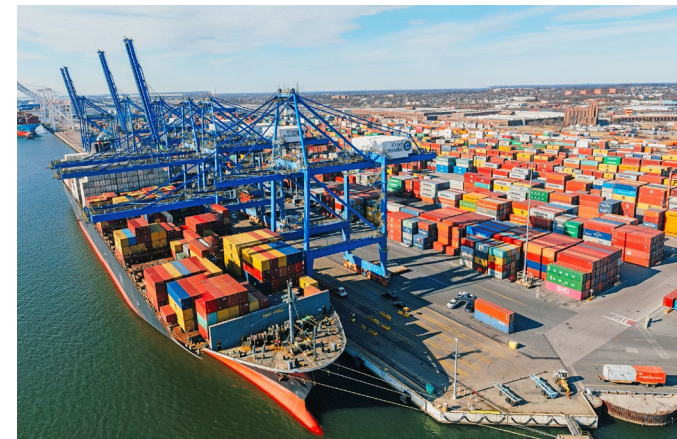
FNS 709-5

- **Shipment and Receipt of USDA Foods Instruction**
- **Guidance for recipients**
- **Currently under review**
- **Help with consistency of accepting product alleviate incorrect rejections**



Further Processors

- **Recipients of USDA Foods diverted to processors**
- **If processing and a foreign object is found – contact FNS that day and stop processing if able**
- **Examination will be requested immediately**





Complaints

- **FNS requests from recipients:**
 - **Vendor Name**
 - **Complaint Number**
 - **Sales Order Number**
 - **Sales Order Item Number**
 - **Purchase Order Number**
 - **Purchase Order Item Number**
 - **Quantity Affected**
 - **Date of Incident**
 - **Date Received**
 - **Purpose of Complaint**
 - **Recipient Request (i.e., Replacement, Vendor Response)**
 - **Current Status of Product Affected (i.e., Product Condition)**
 - **Other Pertinent Information (i.e., photos)**





Complaints

- **Recipients of USDA Foods are encouraged to submit complaints if issues are found**
- **FNS receives the complaints and provides information to CP**
- **CP reaches out to the vendor for resolution according to the FAR**
 - Reasonable amount of time after discovery
 - Received before any substantial change occurs in condition
 - A defect which clearly does not conform to the provisions of the contract





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Questions & Discussion