



United States Department of Agriculture
Marketing and Regulatory Programs
Agricultural Marketing Service
Livestock and Seed Program
Meat Grading & Certification Branch

MGC Instruction 639
December 21, 2005
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Guaranteed Return Program for Process Control Certification Program Participants

PURPOSE

The purpose of this Instruction is to set forth policies and procedures for the certification of United States Department of Agriculture (USDA) donated red meats using the Guaranteed Return (GR) Program. The GR Program is a USDA, Agricultural Marketing Service (AMS) and Food and Nutrition Service (FNS) supported program available only to processors participating in the Process Control Certification Program (PCCP).

POLICIES

FNS regulations (CFR 7, Part 250, Section 30) require that all processing of donated meat products be performed under the AMS certification service in plants operating under Federal Inspection (or State equivalent). Additionally, Meat Grading and Certification (MGC) Branch policy is to ensure USDA donated product is properly handled, processed according to specification, and traceable from raw material supplier to school district.

SCOPE

The GR Program offers further processors an alternative to the Guaranteed Minimum Return (GMR) system. This program is intended to address recipient agency, state, and processor concerns regarding the unpredictability of raw product deliveries and provide instruction on the reporting, record keeping requirements, and accountability of commodities.

SUBMISSION OF PROPOSALS

Prospective processors are required to submit a technical proposal addressing each requirement and outline specific procedures used to ensure that these requirements are met while processing products under the GR program. Processors shall submit proposals to:

USDA Food and Nutrition Service
Attention: Dave Brothers, FDD
3101 Park Center Drive
Alexandria, Virginia 22302

Processors will make approved technical proposals available to the AMS agent(s).

AMENDMENTS TO PROGRAMS

Amendments to approved GR Programs shall be submitted to the designated FNS representative at the address provided above **prior to implementation**. The FNS representative shall issue a written letter to the further processor indicating amendment

approval or denial.

I. PROGRAM REQUIREMENTS – FURTHER PROCESSORS

Further processors shall address the GR Program requirements identified in this Instruction (Items A-D) and operate under an FNS approved substitution plan.

A. Process Control Certification Program and Traceability

1. Processors shall have operated a successful PCCP for a six month period and demonstrate to AMS their ability to keep up-to-date and traceability records prior to applying for GR Program approval.
2. Further processors shall ensure that the information contained on the National Monthly Performance Report (MPR) is traceable to production records on a per product basis.
3. This program is for Directly Diverted Product only. No backhaul product will be allowed. (See definitions in MGC Instruction 638.)

B. Reporting

Further processors shall complete monthly reports as follows:

STATE MONTHLY PERFORMANCE REPORT – Guaranteed Return (**Exhibit A**)

PART A - INVENTORY OF RAW COMMODITY

1. Beginning Inventory Raw Commodity: MTD (month to date) must be the same number of pounds of commodity as ending inventory for preceding month.
2. Add Quantity of Raw Commodity Received: For direct shipment, must be the same number of pounds as on Bill of Lading, Delivery Order (DO), Agricultural Products Certificate (LS 5-3), or other acceptable document.
3. Raw Commodity Adjusted In/Out: Transfers or return of material must be accompanied by proper documentation.
4. Less Pounds of Raw Condemned Commodity: Commodity reimbursed to the Recipient Agency (RA) must be accompanied by proper documentation.
5. Total Pounds of Raw Commodity Available: A-1 plus A-2, plus/minus A-3, minus A-4.
6. Less Pounds of Finished Commodity Delivered: Must be the same number of pounds as shown in the TOTAL line for B-3.
7. Ending Inventory of Raw Commodity: A-5 minus A-6.

8. YTD (year to date) column: Tracks year to date quantities. Add current MTD totals to previous month's report YTD figures, except for Beginning Inventory Raw Commodity.

PART B - MONTHLY USAGE

1. Name of End Product: Must be an end product approved by the state agency. List each end product on a separate line.
2. Product Code: Can be either the company's product code or the FNS Child Nutrition (CN) Label Number.
3. Pounds of Raw to Finished Commodity Delivered: For each end product, show the pounds of commodity delivered. This is calculated by multiplying B-4 by B-5. A total for all items will be entered on the TOTAL for B-3.
4. Pounds Raw Commodity to Produce One Case (Column 8 EPDS): The pounds of commodity that it takes to produce one case of the item as shown on the End Product Data Schedule (EPDS) (column 8).
5. Cases Delivered: A summary of end products by cases delivered during the month. Attach a list showing the number of cases of end product by item code delivered to recipient agencies.
6. Extra Cases Delivered: The total of additional cases delivered over the guaranteed amount. The pounds of commodity in these cases are NOT included or drawn down in A-6 or B-3.

NATIONAL MONTHLY PERFORMANCE REPORT – Guaranteed Return

Page 1, Part A-1 and Part A-2 (**Exhibit B**)

Individual reports shall be produced for each species type for each processor each month.

PART A-1: Inventory of Raw Commodity per State MPR.

1. Beginning Inventory, Raw Commodity: Must be the same number of pounds of commodity as the ending inventory for preceding month.
2. Add Pounds of Raw Commodity Received: For direct shipment, must be the same number of pounds as on the Bill of Lading, DO, LS 5-3 Agricultural Products Certificate, or other acceptable document. For backhaul, must be the amount picked up by the processor. Attach Summary Report of Receipts for ALL States.
3. Raw Commodity Adjusted In/Out: Transfers or return of material must be accompanied by proper documentation.
4. Less Pounds of Raw Condemned Commodity: Commodity reimbursed to the

RA must be accompanied by proper documentation.

5. Total Pounds of Raw Commodity Available: A-1 plus A-2, plus/minus A-3, minus A-4.
6. Less Pounds of Finished Commodity Processed: Must be documented by MGC-44 and Total on Page 1, Part A-2, Item 6.
7. Ending Inventory of Raw Commodity: A-5 minus A-6. Attach Summary Report of Ending Balances for ALL State MPR's.
8. YTD column: Tracks year to date quantities. Add current MTD totals to previous month's report YTD figures except for Beginning Inventory, Raw Commodity.

PART A-2: Inventory of Raw Commodity per MGC-44 USDA Donated Meat Product Production Information (MGC-44).

1. Beginning Inventory, Raw Commodity: Must be the same number of pounds of commodity as the ending inventory for preceding month.
2. Add Pounds of Raw Commodity Received: For direct shipment, must be the same as on the Bill of Lading, DO, LS 5-3 Agricultural Products Certificate, or other acceptable document. For backhaul, must be the amount picked up by the processor. Attach Summary Report of Receipts for ALL States.
3. Raw Commodity Adjusted In/Out: Transfers or return of material must be accompanied by proper documentation.
4. Less Pounds of Raw Condemned Commodity: Commodity reimbursed to the RA must be accompanied by proper documentation.
5. Total Pounds of Raw Commodity Available: A-1 plus A-2, plus/minus A-3, minus A-4.
6. Less Pounds of Finished Commodity Delivered. Must be documented by shipping records and Total on Page 2, Part B, Column 15.
7. Ending Inventory of Raw Commodity: A-5 minus A-6. Attach Summary Report of Physical Raw Inventory.
8. YTD column: Tracks year to date quantities. Add current MTD totals to previous month's report YTD figures except for Beginning Inventory, Raw Commodity.

NATIONAL MONTHLY PERFORMANCE REPORT – Guaranteed Return Page 2, Part B (**Exhibit C**)

1. Name of End Product.

2. Product Code Number or CN label number.
3. Beginning Inventory Finished Cases: Must be the same quantity of cases as the ending inventory from the preceding month.
4. Pounds of Commodity Processed: Number of pounds processed for each item during the report month as shown on the MGC-44.
5. YTD Pounds of Commodity Processed: Add current month's pounds processed to previous month's YTD pounds processed.
6. Cases GTD: Guaranteed (GTD) cases equal total pounds processed (column 4) divided by pounds to produce a case as shown on EPDS column 8.
7. YTD Cases GTD: Add current month's guaranteed cases (column 6) to prior month's YTD guaranteed cases.
8. Cases Produced: Total cases produced during the report month for each item as shown on the MGC-44.
9. YTD Cases Produced: Add current month's cases produced (column 8) to prior month's YTD cases produced.
10. YTD Over/Short Cases: The YTD GTD cases (column 7) minus YTD cases produced (column 9).
11. Cases Delivered to States (Draw Down column 8): The total number of cases delivered by item, taken from all State MPR's (column B-5).
12. YTD Cases Delivered to States: Add the current month's cases delivered (column 11) to the prior month's YTD cases delivered.
13. Extra Cases Delivered to States: List total additional cases delivered by item, taken from all State MPR's (column B-6).
14. YTD Extra O/Y Cases Delivered to States: Add current month's extra cases delivered (column 13) to prior month's YTD extra cases delivered.
15. Pounds Delivered to States: Total number of pounds delivered by item, taken from all State MPR's (column B-3).
16. YTD Pounds Delivered to States. Add current month's number of pounds delivered (column 15) to prior month's YTD number of pounds delivered.
17. Ending Inventory Finished Cases: Add column 3, plus column 8, minus column 11, minus column 13.

C. Production Records

Further processors shall:

1. Establish a GR Program for each item. The GR Program shall initially be based on the average yield from the previous year's production runs on a per product basis.
2. Provide the data used to establish the GR Program to the AMS representative for verification.
3. Submit, reconcile and sign the National MPR within one month after production month is complete.
4. Provide access to production data on a daily basis.

D. Storage/Shipment

Further processors shall:

1. Ship finished commodity on a First-In, First-Out (FIFO) basis for the quantity ordered by the eligible RA.
2. Offer extra cases that have accumulated in excess of orders placed, to RA's, on a first acceptance basis and billed at the fee-for-service. However, the pounds to produce a case will not be deducted from the school district or state inventory of raw material.
3. Report extra cases shipped in the designated column on the State MPR. These extra case(s) are, however, deducted on the National MPR to ensure physical reconciliation of inventory.
4. Pay the eligible RA the commodity value per case (based on column 8 of the EPDS and the USDA established commodity value per pound) for missed yields that cannot be made up by subsequent production, or by substitution of commercial meat that meets all requirements for the commodity product.

II. PROGRAM REQUIREMENTS – AMS AGENTS

A. GR Program Verification

AMS agents shall:

1. Monitor the processors' tracking of receipt of raw donated meat (part of existing PCCP). Upon receipt of the National MPR, AMS agents will verify that received inventory on Part A-1 of the National MPR is equal to the total of receipts on the State MPR and Part A-2 of the National MPR.
2. Track the quantity of raw commodity used in production on MGC-44, USDA Donated Product Production Information for each item.
3. Track the quantity of finished goods, by item number produced from the given quantity of raw donated meat on MGC-44 (part of existing PCCP). MGC-44's

are filed in the AMS agent's office for in-house tracking. The MGC-44 will show a total for each item produced for the day and the amount of raw product used in production (part of existing PCCP).

4. Compare the monthly cumulative MGC-44 of raw commodity used for production with the processors reported draw down of raw material on Part A-1, line 6, of the National MPR.
5. Compare the MGC-44 of finished goods produced with information reported on Page 2, Part B, column 4 and 8, of the National MPR (Exhibit C).
6. Compare the total draw down of finished goods by item number on Page 2, Part B, column 15, of the National MPR with the total draw down of finished goods on Page 1, Part A-2, line 6, of the National MPR.

B. Production Records

AMS agents shall:

1. Maintain production records (MGC- 44) of raw and finished cases by item for monthly totals.
2. Organize completed copies of the following in a secure file/folder:
 - a. Reconciled National MPR.
 - b. Completed MGC-44's Donated Meat Product Production Information.
3. Receive, reconcile and sign the National MPR within one month after production month is complete.

III. PROGRAM REQUIREMENTS – INDEPENDENT CPA MONTHLY REVIEW

A. Further processors shall:

1. Submit State and National MPR each month to an independent CPA auditor.
2. Provide results of audit verification to AMS for review as necessary.

B. CPA Auditor shall:

1. Verify that the sum of the State reports equals the totals on the National report.
2. Verify a statistical sample of the State MPR item production records with the appropriate State MPR.
3. Make audit results from the processor available for AMS review.

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Exhibit A	Exhibit B	Exhibit C

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EXHIBIT B

NATIONAL MONTHLY PERFORMANCE REPORT- GUARANTEED RETURN

Species Type (Beef or Pork) : _____
Processor: _____
Month/Year: _____

Part A-1 Inventory of Raw Commodity per MGC-44 This Month Year To Date (8)

1. Beginning Inventory, Raw Commodity	_____	_____
2. Add Pounds of Raw Commodity Received <u>State</u> <u>DO Number</u> <u>Pounds</u> (See Attached Listing)	_____	_____
3. Raw Commodity Adjusted In/Out (Explanation Attached)	_____	_____
4. Less Pounds of Raw Condemned Commodity	_____	_____
5. Total Pounds of Raw Commodity Available	_____	_____
6. Less Pounds of Finished Commodity Processed	_____	_____
7. Ending Inventory of Raw Commodity	_____	_____

Part A-2 Inventory of Raw Commodity per State MPR

1. Beginning Inventory, Raw Commodity	_____	_____
2. Add Pounds of Raw Commodity Received <u>State</u> <u>DO Number</u> <u>Pounds</u> (See Attached Listing)	_____	_____
3. Raw Commodity Adjusted In/Out (Explanation Attached)	_____	_____
4. Less Pounds of Raw Condemned Commodity	_____	_____
5. Total Pounds of Raw Commodity Available	_____	_____
6. Less Pounds of Finished Commodity Delivered	_____	_____
7. Ending Inventory of Raw Commodity	_____	_____

I have compiled and reviewed all the reports and I certify that the above balances are correct to the best of my knowledge.

Signature of Processor Representative

Date

