

Thank you Dr. (Morris). (In this discussion) for your opening remarks, it has been a good year despite challenges to the market. But thanks to the cooperation of participants like you, our purchasing programs continue above par.

So I also thank you members of the industry today. We (are introducing) an exciting feature for the commodity procurement program. During this conference we'll discuss in detail a few program changes for the upcoming purchase year.

To begin with we expect an increase in total purchases of meats and meat products during the 2009 to 2010 school year. While entitlement purchases will increase slightly, the bulk of the increase will comprise Section 32 surplus removal and purchases authorized by the stimulus recovery funding.

With these funds we'll purchase nutritious meat items to advance the USDA's mission of supplying high quality foods to the country.

Looking further into the future, over the next several the Federal Food and Nutrition Assistance Program will focus on better addressing childhood obesity and food security for all families in the United States for security means, having a regular and reliable source of wholesome foods in quantities that support a healthy lifestyle.

To this end USDA will purchase more fresh fruits and vegetables, lower sodium and fat in purchased food items, buy more locally grown foods and establish more food security programs for underserved constituencies.

Also beginning with the 2009, 2010 school year, we will transition from our purchase announcement to a master solicitation. This new system will comprise three parts. The AMS master solicitation itself, qualification requirements for perspective suppliers and a commodity supplement to the master solicitation.

The supplement will contain product specifications and any other commodity specific requirements. Please note that these new supplements are already available on our website.

So please review them and update your technical proposals or production plan accordingly. This way your firm will be fully ready to participate in our purchase program for the upcoming school without any hiccups to the process.

Having listed these challenges let me assure you that we are keeping abreast of the current conditions of our respective meat markets. For example, after having closely monitored the U.S. beef market and prices to produce it during recent months, AMS has purchased approximately 110 million pounds of domestic beef for about \$190.5 million since October 2008.

During the fiscal year prior AMS purchased approximately 146 million pounds for approximately \$232.7 million. Further, we are currently considering a Section 32 surplus remove request from the beef industry for \$100 million with a possibility for assisting our beef producers further pending availability of funds.

We also recognize that the U.S. pork market is in a period of economic recovery as various factors have adversely impacted the return on investment for U.S. pork producers.

Therefore since October 2008 AMS has purchased approximately 46 million pounds of domestic pork products for about \$70.2 million to distribute to our Federal Food and Nutrition Assistance Program, an increase from prior fiscal year purchases during which AMS purchased approximately 40.6 million pounds of pork products for approximately \$65.1 million.

Most recent buys include \$75 million worth of Section 32 surplus removal assistance and an additional \$28.9 million as part of the American Recovery and Reinvestment Act of 2009 better known as stimulus funds.

U.S. lamb producers have also experienced some hardships. During Secretary Vilsack's March 31 announcement in support of the Domestic Nutrition Program and U.S. ranches and farmers, he set aside \$2 million to provide much needed assistance to lamb producers.

This was in addition to the \$25 million for pork producers. AMS has worked very closely with the lamb industry to maximize the impact of these funds.

We intend to purchase five loads of lamb leg roasts for delivery in July, August and September 2009 and seven loads of lamb shoulder tops for delivery in November 2009, December 2009 and early January 2010. We will distribute these products toward the Household Food and Nutrition Program.

Finally USDA has provided similar market assistance to the fish market where Section 32 support was warranted. Most recently on September 30, 2008 USDA announced plans to purchase \$5 million worth of catfish products towards (unintelligible) nutrition and other domestic food assistance programs.

Since that announcement AMS has purchased approximately 1.5 million pounds of catfish products, (par-fried) catfish and raw filets for about \$5.6 million. In fiscal year 2008 AMS purchased approximately 760,000 pounds of (par-fried) catfish strips at a cost of approximately \$2.8 million.

There have been no changes in our tuna and salmon purchase programs. And we continue to purchase these items at a fairly consistent rate.

Since October 2008 AMS has purchased approximately 5.4 million pounds of tuna products for approximately \$10.5 million. In fiscal year 2008 AMS purchased approximately 9.5 million pounds of tuna products for about \$21.5 million.

As for salmon, AMS has purchased 708,000 pounds of salmon products at a cost of approximately \$1.2 million. And that's happened since October 2008. In fiscal year 2008 AMS purchased approximately 780,000 pounds of salmon products at a cost of \$1.2 million.

As follows then, here are some new items that we plan to purchase during the upcoming fiscal year. In addition to the current fish items, we plan to purchase frozen (pollock) fish blocks in which further processes would then manufacture into cooked fish items. We also plan to buy two pound packages of frozen (pollock) for our Household Food Assistance Program.

Regarding the fully integrated fresh boneless beef pilot program, there have been some concerns that AMS may be focusing away from small business initiatives. In fact AMS remains fully committed to encouraging and supporting small businesses through our purchases.

Instead the fully integrated boneless beef pilot program was developed so that AMS could meet the needs of our recipient agencies making raw materials available while alleviating cost burden. The impotence of this program is to provide recipient agencies with further processed in items on existing (tie) basis while saving them cost of freezing, thawing, packaging, et cetera.

The boneless beef pilot is available under full and open competition thus small businesses are eligible to participate. We encourage small businesses that harvest bone or grind beef to partner with to further processors and distributors to participate in this program.

Also, this program should not impact AMS' ability to meet its small business goals. We will continue to setup by buying ground and frozen beef patties for competition among small businesses provided that we can meet the needs of our recipients.

As Dr. (Morris) mentioned during his opening remarks, we are on the verge of switching to our new procurement system. This is a major undertaking for all of us involved in the procurement process but it is a necessary change.

Those of you who attended our conference last year received a sneak preview of the new system. Since last May, a lot of work has transpired. Currently the system is in the building phase and system integration testing is on the way.

To give you a feel for the new system, the WEBSCM contractors have developed what we call info tool to provide a brief overview of the portion of the system that the vendor will use to conduct business with USDA.

Those info tools are on the external livestock and feed contractor information site. Instruction on how to use the info tools are also under the shared document folder.

Contractors that have the Extranet site login account will be able to view those tools. If you have not signed up for access to the site, you can find a request form on our website or you can contact us at 202-720-2650 for more information.

As mentioned earlier, USDA expects to transition to the new software on January 1, 2010. We will contact our current contractors in the next couple of months regarding training opportunities and the authorization procedures.

We will update you on the implementation steps as we progress on our livestock and feed contractor information portal site. While the new system will majorly change how we conduct our procurement, it will be worth everyone's efforts.

Regarding regulation changes, the Department of Homeland Security is in the process of mandating e-verification in the agriculture

industry. The e-verification program, which is an Internet based system, will allow employers to electronically verify that newly hired employees are authorized to work in the United States.

E-verification is operated by the United States Citizenship and Immigration Service within the Department of Homeland Security in partnership with the Social Security Administration.

Congress authorized to create the e-verify by enacting the Legal Immigration Reform and Immigrant Responsibility Act of 1996. The regulation was scheduled to go into effect on January 15, 2009. However, the mandate was put on hold.

Federal contractors and subcontractors will be required to begin using the e-verify system starting June 30, 2009. The new rule implements Executive Order 12989, which directs Federal agencies to require that Federal contractors agree to electronically verify the employment eligibility of their employees.

The amended Executive Order reinforces the policy that the Federal Government does business with companies that have a legal workforce.

Finally, an important aspect of the commodity purchase program is payment to our contractors. Our goal has always been to fully and promptly pay program participants within the Federal guidelines.

Unfortunately you will no longer have the convenience of the check loading option. In several of our purchase programs we allow for contracts to submit complete invoice packages to our payment office as soon as the meat grading certification agent certifies at shipping point that the load meets all contractual requirements.

The Federal Acquisition Regulation requires that the contract must be fulfilled in its entirety. In other words, delivered in accordance with contract terms before payment can be made.

This last slide is just a reminder so that you will remember to complete your annual certification for the special contracting registration and the online representation and certification to qualify for Government contracts.

Thank you for your time today. Now at this point in the program (Martin O'Connor) will cover the product specifications and program requirements.

