



United States
Department of
Agriculture

JUL 6 2004

Food and
Nutrition
Service

SUBJECT: Additional Guidance for Shelf-Stable Milk

3101 Park
Center Drive

TO: State Distributing Agencies

Alexandria, VA
22302-1500

In April 2003 we approved a processing program designed to increase milk consumption, while accelerating removal of surplus nonfat dry milk from inventory, and reducing costs for recipients. Since that time, we have received many questions and heard of several instances where recipients want to stop purchasing fluid milk from the local dairy and purchase only the shelf-stable product to save money. This is a real issue in the upcoming school year where schools may face significantly increased fluid milk prices.

Perhaps the original program parameters were not clearly stated, but this practice is strictly prohibited. Recipients must continue to purchase and offer their historical quantities of fluid milk from the local dairy in a variety of fat contents.

Processors of the shelf-stable product have been instructed to closely monitor sales and investigate if a recipient suddenly and dramatically increases purchases. If there is an indication that the recipient is replacing fluid milk purchases with the shelf-stable product, the processor will immediately cease shipments of the shelf-stable milk to the recipient and report the situation to the State distributing agency and to the Food Distribution Division (FDD) headquarters office.

When used in accordance with the established guidance, we believe the shelf-stable milk can enhance meal service and encourage children to consume a variety of milk products. The shelf-stable milk is to provide a milk option for recipients when milk requiring refrigeration may not be the best choice for service. Acceptable uses for the shelf-stable milk include:

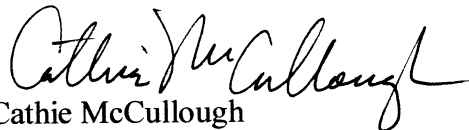
- Summer food service,
- Satellite meal service,
- Field trips,
- Breakfast in the classroom and other "brown bag or grab 'n go" type food service,
- Before/after extended vacation times or other school calendar breaks and unexpected closures (example: snow days or hurricanes),
- Expanding flavor choices to include flavors not available from the local dairy or regular milk provider, and
- Special promotional or theme days

Bid prices for this product will be extremely challenging this year with the unpredictable fluctuations in milk prices. We have recommended that processors use escalation clauses to help keep the price of the shelf-stable product at or above milk prices in the local market, excluding distribution. We have excluded distribution costs because of the wide variety of methods used to deliver processed commodity products to recipients, and USDA has no control over how distribution costs are calculated.

Questions concerning whether these products are creditable in reimbursable meal should be directed to the State distributing agency. States define fluid milk and often have specific requirement for interstate milk shippers, such as licensing and permits.

Every processor with approved end product data schedules for this product is required to submit sales data to the FDD headquarters office. We are closely monitoring this program and appreciate the time and resources dedicated to help it succeed. States and recipients that would like to share experiences with the shelf-stable milk, or that can provide program impact data, are encouraged to contact my staff at the e-mail addresses listed below.

Concerns, questions, and comments should be referred to David Brothers at (703) 305-2668, David.Brothers@fns.usda.gov, or Sherry Thackeray at (703) 305-2652, Sherry.Thackeray@fns.usda.gov.



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