



United States
Department of
Agriculture

JUL 6 2004

Food and
Nutrition
Service

SUBJECT: Schwan's Food Service, Inc., School Year 2004-2005, State Processing Agreement and End Product Data Schedules

3101 Park
Center Drive

TO: Regional Offices and State Distributing Agencies

Alexandria, VA
22302-1500

We recently announced our plan to phase in national approval of end product data schedules (EPDS) over the next 2 school years. Schwan's Food Service has agreed to participate on the processor portion of our streamlining taskforce and to demonstrate the new format for national approval of EPDS.

The primary reason for choosing Schwan's Food Service over other commodity processors was timing. Schwan's changed cheese suppliers for school year 2004-2005, and the EPDS utilizing nonfat dry milk (NDM) changed and needed to be approved. Schwan's has over 200 end products utilizing commodity NDM, so this is no small task for our processing staff.

We worked with Schwan's to streamline the number of EPDS submitted by showing both commodity Mozzarella Cheese and Mozzarella Cheese made from NDM on one EPDS. We also removed the pricing columns from the EPDS, since these columns cause processors to resubmit EPDS year after year. These small changes result in EPDS that are valid until there is a formulation change.

We have requested that Schwan's not submit these revised EPDS, including subcontractor EPDS, to State agencies for processing agreements. We have reviewed and approved the EPDS and will maintain a file copy in case questions arise. Instead, a Summary End Product Data Schedule (SEPDS) will be sent to States and will replace EPDS required by the processing agreement.

There are numerous advantages to utilizing the SEPDS.

- Reduced paper work
- Removes duplicative effort of numerous States verifying calculations on the same EPDS
- Reduced State approval time
- Maintains confidentiality of proprietary formulations

The SEPDS includes all information, including pricing, necessary to divert commodities for further processing and mimics several familiar columns from the EPDS. We strongly recommend reading the new instructions that will accompany the SEPDS prior to beginning approval.

Schwan's is still required to have an approved State or Master Processing Agreement for each State diverting commodities for processing. The agreement must include all applicable subcontractor agreements, but will not include EPDS from the subcontractor. Schwan's must also furnish each State the appropriate instrument for inventory protection (i.e. bond, letter of credit, or escrow account).

States are not required to approve Schwan's SEPDS in its entirety. There are check boxes in Columns B and C for each end product where the State must designate which end products are approved for processing. There are also check boxes in Column E for the State to designate which commodities will be available for processing.

Schwan's has an approved EPDS and a subcontractor agreement in place with a cheese manufacturer to produce Mozzarella Cheese from commodity B114 Nonfat Dry Milk. States and recipients have the choice of diverting commodity Mozzarella Cheese or NDM to Schwan's for processing. This is shown in Column E as B077 Mozzarella followed by "or B114 NDM." States may select either commodity (either NDM or Mozzarella) or both commodities for diversion.

After selecting end products and commodities available for diversion, please complete the effective date in Column J, sign and date the last page of the SEDPS, and return a copy to Schwan's. We ask that Schwan's agreement and SEDPS be effective July 1, 2004, even though the revised documents may not arrive in your State for review until some time after July 1. We apologize for the amount of time required to review and approve Schwan's EPDS and SEPDS, but we believe these changes will result in significant time savings for future approvals.

We appreciate your patience while we work to improve the State Processing Program. Please direct questions or comments 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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