



December 17, 2002

EOD-119

Farm Service Agency

Kansas City
Commodity Office
P.O. Box 419205
Kansas City,
Missouri
64141-6205

Notice to the Trade

Small Business Set-aside for Peas, Beans, and Lentils

The Kansas City Commodity Office (KCCO) currently applies a ten-percent small business set-aside to purchases of peas, beans, and lentils (PBLs) acquired for foreign food assistance programs. The purpose of this notice is to announce that, beginning with Invitation 013, KCCO will increase the small business set-aside to 60 percent for the purchase of all PBLs used in export programs.

SBA and USDA's Office of Small and Disadvantaged Business Utilization have recently provided this office with guidance regarding the nonmanufacturer rule and its applicability to vendors of any raw agricultural products. It is SBA's position that raw agricultural products are not manufactured and, therefore, the nonmanufacturer rule does not apply. Consequently, if the nonmanufacturer rule does not apply, small business firms are free to obtain the agricultural products they offer from any domestic firm, large or small. Because of the guidance provided by SBA, small business firms awarded quantities under the small business set-aside portion of export PBL invitations will no longer be required to obtain the agricultural products they offer from only small domestic firms.

Based on recent market research conducted by KCCO with the PBL industry, it appears that there would be sufficient small business competition to meet 100 percent of KCCO's export food aid PBL requirements. This is particularly true, if the commodity sources these small business concerns are allowed to use are either large or small domestic firms. However, KCCO does not have sufficient information to be reasonably sure that, given a 100 percent set-aside, all contracts awarded would be at fair and reasonable prices. Market research indicates that there is sufficient competition from all sources at a 60 percent set-aside level so that awards will be at fair and reasonable prices. Therefore, beginning with Invitation 013, to be issued December 19, 2002, KCCO will implement a 60 percent small business set-aside. KCCO may adjust the set-aside based on continual monitoring of program requirements, availability, and prices.

Questions concerning this Notice should be directed to Tim Reaman, Export Operations Division, at 816-926-6045 or tlreaman@kcc.usda.gov.

/s/ George W. Aldaya

George W. Aldaya
Director