



Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses

August 25, 2016

Frequently Asked Questions about the recently announced [USDA cheese purchase](#)

Why is USDA buying \$20 million worth of cheese?

USDA's purchase of surplus food commodities such as cheese supports American agriculture by providing an outlet for surplus products and encouraging consumption of domestically-produced foods. The wholesome, high-quality products purchased by USDA—collectively called [USDA Foods](#)—are delivered to schools, food banks and households in communities across the country, and are a vital component of our nation's food safety net.

U.S. cheese inventories are at their highest levels since the mid-1980s, and the price dairy farmers receive for their milk has dropped. In May 2016, the all-milk price was the lowest it has been since 2009 at \$14.50 per hundredweight and was only slightly higher in June 2016 at \$14.80 per hundredweight. This resulted in a Margin Protection Program payout of \$11 million as the margin dropped to \$5.76. While USDA projects dairy prices to increase throughout the rest of the year, many factors including low world market prices, increased milk supplies and inventories, and slower demand are affecting dairy prices.

How much cheese is USDA buying?

USDA will use \$20 million of Section 32 funds to purchase surplus cheese. This is the first time that Section 32 funds have been used to purchase cheese. USDA anticipates that about 11 million pounds of cheese will be bought through this purchase.

Section 32 of the Agriculture Act of 1935 authorizes the Secretary of Agriculture for surplus removal under Section 32 of the Agriculture Act of 1935, which enables the Secretary of Agriculture to purchase surplus food to be delivered to schools, food banks and households in communities across the country through its USDA Foods nutrition programs. Prior to the 2014 Farm Bill, dairy commodities were not eligible for purchase with Section 32 funds because milk was a Commodity Credit Corporation price support commodity.

How does the USDA Foods buying program work?

The [Agricultural Marketing Service \(AMS\)](#) purchases a variety of 100% domestically produced and processed commodity food products, including dairy products, fruit, vegetables, meat, poultry and seafood. AMS issues solicitations and makes purchases for over 200 different USDA Foods on an ongoing basis.

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AMS works with USDA’s [Food and Nutrition Service \(FNS\)](#), which manages the food and nutrition assistance programs, including the National School Lunch Program and The Emergency Food Assistance Program, to coordinate the orders, purchases and deliveries to qualified food assistance program recipients, such as food banks and schools.

What kind of cheese will be bought?

For this purchase, USDA plans to buy cheddar cheese as noted in its [Notice to Trade](#) posted on August 24, 2016. A solicitation with more details will be posted soon.

What is the timeline for this cheese purchase?

After the solicitation has been issued and bids have been received from authorized suppliers, USDA will award one set of contracts in late September 2016 and deliveries are expected to occur from November 2016 through March 2017.

Where is this cheese going?

Surplus food purchases made through the USDA Foods program are delivered to food assistance programs at schools, food banks and households in communities across the country.

When was that last time that USDA purchased cheese?

This is the first time that Section 32 funds have been used to purchase surplus cheese; however, AMS purchases cheese and other dairy products for the USDA Foods program throughout the year based on needs identified by the Food and Nutrition Service.

USDA estimates that it buys about \$275 million worth of various kinds of cheese annually for food assistance programs.