



## **GUARANTEED MINIMUM RETURN**

### **Purpose**

The purpose of this document is to set forth policies and procedures for the certification of United States Department of Agriculture (USDA) donated poultry products using the Guaranteed Minimum Return Program. The U.S. Department of Agriculture (USDA) purchases large quantities of poultry and poultry products as part of their price support and surplus-removal programs. These products are donated to recipient agencies through the Food Distribution Program of the Food and Nutrition Service (FNS). While some poultry items provided by USDA are ready-to-use, many are supplied in bulk, such as whole carcass turkeys, chickens, and various cut-up parts. In order to make efficient use of these poultry products, recipient agencies enter into processing agreements with processors to convert the donated poultry into convenient and usable end items.

### **Policy**

FNS regulations (CFR 7, Part 250, Section 30) require that all processing of donated poultry products be performed under the AMS certification service in plants operating under Federal Inspection (or State equivalent). Additionally, QAD policy is to ensure USDA donated product is properly handled, processed according to specification, and traceable from raw material supplier to school district.

Graders shall review these guidelines carefully and underline or highlight the items that must be observed during the conversion process. Reprocessing of donated poultry commodities shall not begin until the grader, Federal-State supervisor, and designated plant representative have reviewed the requirements outlined in this section.

At a minimum, graders are required to assure product accountability and prevent diversion or unauthorized substitution of product of lower quality or economic value. Livestock and Poultry Program's certification for accountability and non-substitution generally will be handled by continuous onsite coverage of the entire conversion process. There may be instances on some products or processes such as slicing, dicing, and/or cooking where spot-check coverage using inventory controls and/or yield data to project and verify the volume of end products can be utilized.

### **Procedures**

The processor is responsible for providing the USDA grader with the EPDS and contractual attachments. The contractual attachments will have information such as formulations, specific processing requirements, and any additional verification requested by the recipient. The signature of approval by the National Office and the signature of the processing representative are required on both the EPDS and the contractual attachments. When signatures are not present, the grader shall contact their immediate supervisor to confirm the validity of the EPDS. The grader shall receive a copy of the detailed formulation, which will state all individual ingredient components i.e. salt, soy, egg, etc. This formulation shall be kept on file along with the EPDS.



Product shall be examined and certified in accordance with Option 2 coverage. Coverage will be limited to applicable items listed in this section unless additional or expanded coverage is listed on the EPDS or attachments. Any additional verification must be fully explained in detail in order to be verified. Items listed and not fully explained will not be verified until questions concerning them have been resolved.

Frozen parts or meat may be used for reprocessing SY and GMR when (1) the parts or meat is derived from bulk commodities purchased by USDA, (2) labeled as to kind and class of poultry and accurately identified so time in storage can be determined, (3) packaged to protect against quality deterioration during storage, (4) frozen to 0 °F (-17.8 °C) within 72 hours, and (5) held in frozen (0 °F/-17.8 °C or below) storage no more than 180 days. Additionally, each processor must develop a written quality plan that documents the control procedures for the frozen parts or meat. The documented plan must be approved by the National Poultry Supervisor prior to use of frozen parts or meat in reprocessing donated commodities.

## Statement concerning 600 Series

### I. By-Products and Buy-Back Parts

The value of by-products sold or used by the processor must be credited to the recipient agency. Additionally, FNS permits the processor to credit or buy-back certain parts resulting from further processing. Credit or buy-back arrangements between the recipient agency and processor must be established prior to any further processing, documented as part of the processing contract, and made available to the grader. **Exhibit 8** has been provided to assist graders in the accountability process.

Graders will certify the weight of buy-back parts or edible by-products remaining after processing on the reprocessing production certificate. Credit for buy-back parts can only be given for carcass parts such as drumsticks, wings, tails, skin, necks, comminuted meat, and frames. It may not be given for primal cuts such as breast and thighs. When a recipient agency utilizes credit or buy-back procedures, graders will maintain control and accountability of the parts to be credited or bought back by listing each credited or buy-back item on the production certificate. Product remaining after a production run and not included as part of a credit or buy-back agreement will be recorded on the reprocessing production certificate as "Other" (**Exhibit 9**).

If processors are observed using the frames to produce an edible product for commercial purposes, graders shall report the weight of the frames or resultant MSM on the reprocessing production certificate. Frames that are not used for edible product will not be accounted for or reported on the production certificate. In instances where product is deboned at one location and shipped to another location for manufacturing of end products, the grader at the origin plant shall list the weight of the frames used for edible purposes on the certificate accompanying the shipment. The grader preparing the production certificate will then incorporate the weight of the frames on the production certificate.



## II. Batching

It is acceptable for a processor to combine lots of donated poultry from more than one purchase unit. Additionally, the same end products must be produced and processed using the same option coverage. Return of end products will be based on the recipient agency's prorated share of the raw product in the lot. Distribution of end products on this basis is the responsibility of the processor. Graders will issue one reprocessing production certificate covering the consolidated lot and, in the remarks section, list names and addresses of the states for whom the product is being processed.

## III. Handling Rework

Further processing poultry commodities quite often results in the generation of rework product. Products such as broken or misshapen patties, nuggets, franks, hams, or other defects such as crumbles, missing breading, and lumps and ridges are classified as rework and must be accounted for. Procedures for the handling of rework must be clearly established prior to reprocessing. Processors may use any of the options listed below to dispose of, account for, or reuse rework product:

- 1) Product may be blended into raw formulated batches in accordance with FSIS procedures provided that the finished product is in compliance with labeling requirements established by FSIS. Following production of each shipment, graders shall record the pounds of rework remaining on the reprocessing production certificate as "pounds of rework" (**Exhibit 9**). During processing, graders shall inventory pounds of rework remaining on each day's production worksheet.
- 2) Rework product may be packaged and returned to the recipient agency. Graders will inventory amount produced each day and will record totals on the reprocessing production certificate as "pounds of rework."
- 3) Rework product may be accumulated for use in subsequent production runs when weighed, inventoried, and stored under proper conditions. Graders will list amount of rework saved on each day's production worksheet. Product handled in this manner will be recorded on the reprocessing production certificate as "pounds of rework" and on subsequent production certificates as "Product Received for Reprocessing." A condition examination shall be performed on all rework prior to blending or use.
- 4) Rework product may be disposed of as normal processing loss provided the amount does not exceed 2 percent of the raw deboned weight. When this option is used, the grader will certify the weight of rework disposed of on the reprocessing production certificate. Rework exceeding 2 percent must be handled according to one of the other approved methods described in this section.
- 5) Processors may buy back the rework by crediting the recipient agency for the value of poultry contained in the rework. Graders will certify the weight of rework produced and bought back on the reprocessing production certificate.



- 6) Processors may replace rework product with commercial product provided the product is produced from poultry equivalent to the original commodity specified. The commercial product must meet all formulation and processing requirements listed on the EPDS and/or attachments to the EPDS. After replacement, the processor may use or dispose of the rework at their discretion. Show in the remarks section of the Reprocessing Production certificate the amount of product replaced by the vendor.

Rework product may be commingled for recipient agencies within a state but may not be commingled with product from another state unless batching has been approved. Rework must be properly identified and labeled throughout all phases of blending, storing, and shipping regardless of the option used.

#### **IV. Condemns and Processing Losses**

Unusual losses of product, such as condemnations resulting from product becoming unwholesome during processing or processing losses (other than rework) exceeding one percent of the raw bone-in or deboned weight, as applicable, shall be reported on the reprocessing production certificate. When losses exceed the one percent level, report the entire amount, including the one percent. Graders shall not report incidental condemnations or normal processing losses. Additionally, graders shall list causes for product condemnations or other unusual losses on the reprocessing production certificate under "Other" (**Exhibit 9**).

Replacement of end products for condemnations or unusual losses will be permitted provided the end product has been formulated and processed in accordance with the EPDS and attachments. Further, the product must be produced from raw product (whole carcasses, parts, or boneless meat) that is equal to or better quality than the original product as determined by the grader. Quality determination can be made online, by stationary lot grading, or as evidenced by product labeling. Additionally, acceptance of commercial type products may be utilized when approved by the recipient agency. Condemned product may be replaced with commercial product provided the grader determines and is assured that the replacement product is substantially equivalent to the original product.

#### **V. Option 1**

Option 1 provides certification to the recipient agency that end products have been processed from the specified donated poultry. Graders are to monitor the processing activities to maintain product accountability and assure non-substitution and non-diversion. All of the general requirements outlined in Section 12.IV.A Substitution, apply to Option 1 reprocessing.

##### **A. Non-substitution and Non-diversion - Required**

Verification provides certification to the recipient agency that end products have been processed from the specified donated poultry. Graders shall monitor the processing activities to maintain product accountability and assure non-substitution and non-diversion. Any deviations or additions to the items listed in this section must be specified on the EPDS, or attachments, and authorized by the applicable recipient agency representative. Notation of any specific waivers,



deviations, or additions, and the person granting them, shall be shown on the grading certificate issued covering final certification at time of shipment. Requirements that cannot be checked and verified by graders shall be brought to the attention of the QAD Supervisor. Unless otherwise noted, all verification checks for these items will be completed according to policies, procedures, and frequencies outlined in the QAD Series. Consolidation of samples for temperature and condition examinations at time of shipment is permissible when the processor has established and is at a Level II freezing history. In addition, items listed on the EPDS or its contractual attachments may cover the verifications listed below. These items may be altered, expanded, or eliminated as deemed necessary by the recipient agency.

## B. Option 2

Option 2 coverage incorporates all of the requirements of Option 1 and, in addition, will cover the items listed in Section 12.V Certification Procedures. These items may be altered, expanded, or eliminated as deemed necessary by the recipient agency. Any deviations or additions to the Option 2 items listed in this section must be specified on the EPDS, or attachments, and authorized by the applicable recipient agency representative. Notation of any specific waivers, deviations, or additions, and the person granting them, is to be shown on the grading certificate issued covering final certification at time of shipment. Requirements that cannot be checked and verified by graders shall be brought to the attention of the QAD Supervisor. Unless otherwise noted, all verification checks for these items will be completed according to policies, procedures, and frequencies outlined in the QAD Series. Consolidation of samples for temperature and condition examinations at time of shipment is permissible when the processor has established and is at a Level II freezing history.

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