

Average Price Explanation

Annually, FDD prices its USDA Foods based on last purchased price (LPP). The LPP is the last price per pound paid prior to November 15th. This price is then used on National Processors' Summary End Product Data Schedules (SEPDS) as a basis for rebating or discounting finished product prices for USDA Foods. A proposal was made for FNS to use an average value to establish the rebate and discount value for USDA Foods. After an extensive analysis it was determined that establishing an average value for USDA Foods will result in a more favorable return to recipients.

However, cheese is currently valued at a 33-month average based on the Chicago Mercantile Exchange (CME: a third party index). This value is then applied to all cheeses for the purpose of rebates and discounts. There was concern with changing this method because the 33-month average creates less volatility in the annual price established for all cheeses. However, after an extensive analysis it was determined that establishing an annual average price will have a more favorable return over a longer period of time than the current 33-month CME average.

Based on the above information, we will calculate a 12-month average price based on the purchase information collected in the system from January through December. We will publish the file by November 15th as a file on the internet and update processors' SEPDS for the upcoming school year (SY12-13). This file, which will be titled Average Price File for Processors for SY 2012-2013, will then be used for most USDA Foods as the basis for rebates and discounts. For SY 2012-2013 only we will not use an average price for cheese, we will continue our current method of the 33-month CME average. After this school year, cheese will also be based on a 12-month average price.