

USDA Foods: How a \$1.3 billion program can be transformed to create a more just and healthy food system

Summary

The USDA Foods program, while providing well-intentioned financial support for school districts, contributes to menus that rely heavily on carbon-intensive, ultra-processed foods like hamburgers, deli meat sandwiches, and chicken nuggets sourced from the largest industrial meat and dairy corporations. Independent, sustainable, and BIPOC farmers and ranchers struggle to gain access to the program and compete with the subsidized USDA Foods prices. School districts must navigate a complicated program, only to end up with foods that often fall short on quality and fail to align with their values.

Congress and USDA leadership must reform the program to better support school districts in providing the healthy and sustainably produced meals that their students and families are demanding. Reforming USDA Foods is also a powerful vehicle for achieving the Biden administration's goals around mitigating climate change, encouraging sustainable farming practices, creating fair markets for independent and BIPOC producers, and supporting robust regional food systems.

Background

The USDA Foods program was created to help stabilize the American farm economy by purchasing surplus commodities to offer to public schools at a low cost. USDA's Food and Nutrition Service determines the list of available commodities and generally administers the program, liaising with each state's administering agency. Agricultural Marketing Service acts as the purchasing agent. It buys commodity foods in large volumes at a lower unit cost than if an individual school district purchased these foods on its own. States then receive a USDA Foods entitlement allocation based on the number of lunches served in the previous year.ⁱ In most states, USDA Foods is split into three categories: Processed/Bulk USDA Foods (\$635 million), Direct Delivery USDA Foods (\$678 million), and Department of Defense (DoD) Fresh Fruits and Vegetables Program (\$271 million).ⁱⁱ Reference to USDA Foods from this point on refers solely to foods in the Bulk and Direct Delivery categories.

USDA Foods often creates perverse incentives for public schools to serve unhealthy meals

In FY 2019, 68% of the value and 45% of the volume of USDA Foods ordered by schools was for animal products. A 2014 study from the Academy of Nutrition and Dietetics found that raw beef, mozzarella cheese, cheddar cheese, and chicken made up 88% of the products USDA Foods sent for processing.^{viii} These four foods were primarily converted to three entrée items: hamburgers, pizza, and chicken nuggets.ⁱⁱⁱ USDA Foods' high spending on animal products, particularly processed meats, and the absence of plant-based protein options like tofu, lentils, and veggie burgers suggest a misalignment with the agency's own 2020-25 *Dietary Guidelines for Americans* and other [leading public health recommendations](#) for healthy eating.

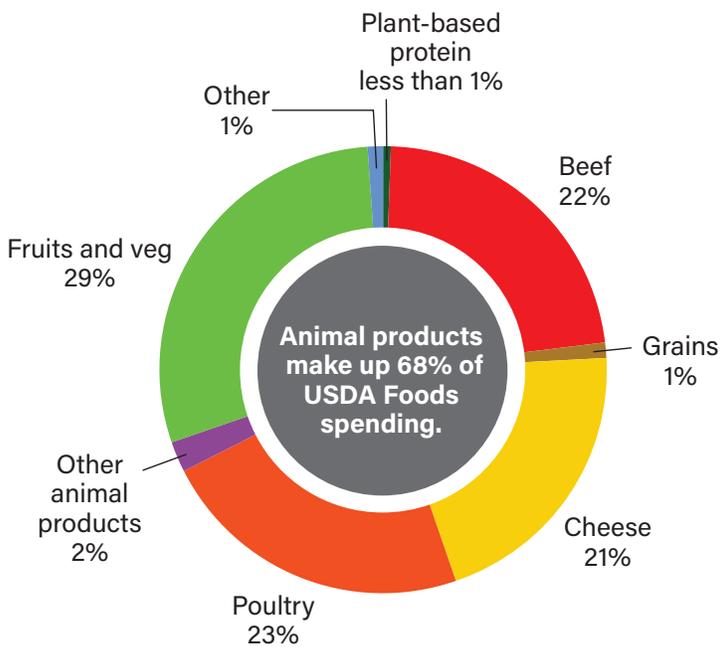
Students and families are demanding more healthy and sustainable options

Whether for environmental, animal welfare, religious, health, or cultural reasons, demand for plant-based foods is growing rapidly, especially among our youth. According to a recent poll, 79% of Gen Zs are looking to go meatless a few times a week, with 65% finding plant-forward eating "appealing."ⁱⁱⁱ Today's generation of students recognize the threat that climate change poses to them. A *Washington Post*-Kaiser Family Foundation poll found that one in four American teens have participated in a walkout, attended a rally, or written to a public official to express their views on global warming.^{iv} These students want their cafeterias to be climate-friendly too.

Students and their families also want more organic options and higher-quality meat produced without hormones or routine antibiotics. Organic food sales skyrocketed from \$3.4 billion in 1997^v to over \$50 billion in sales today, with organic produce growing at nearly twice the rate of conventional produce.^{vi} Now, 60% of broiler chickens in the U.S. are raised without the use of routine antibiotics to meet demand from consumers, restaurants, and foodservice operators. A majority of consumers (65%) think public institutions should purchase meat, eggs, and dairy products only from animals raised more humanely.^{vii}

Despite this demand, USDA Foods generally does not offer any organic options, meat raised without routine antibiotics, and higher-welfare or grass-fed animal products. And it offers only a limited selection of plant-based proteins.

Figure 2. **USDA Foods Spending FY 2017-19**



Aligning USDA Foods with the Dietary Guidelines

The *Dietary Guidelines for Americans* call for shifts within the protein foods group, noting that about three-quarters of Americans meet or exceed the recommendation for consuming meat, poultry and eggs, and more than half do not meet the recommendation for nuts, seeds, and soy products.^{ix} The DGAs also acknowledge the benefits of replacing processed and high-fat meats with beans, peas, and lentils, which comprise only a tiny fraction (>1%) of USDA Foods purchases by volume. Finally, the DGAs state that “dietary patterns characterized by higher intake of red and processed meats, sugar-sweetened foods and beverages, and refined grains are, in and of themselves, associated with detrimental health outcomes.”^x Fewer purchases of meat, poultry, and eggs—especially red and processed meat—and more purchases of plant-based sources of protein would better align school meals with the DGAs.

Unsurprisingly, this pattern is reflected on school menus. A recent Friends of the Earth analysis of California’s largest 25 school districts revealed that the vast majority (94%) of school lunch entrées offered feature animal protein, and 16% of entrées contain processed meat, while just 4% of entrées were plant-based (mostly nut/seed butter and jelly).^{xi} Schools’ frequent offerings of cheeseburgers, pizza, chicken fingers, and hot dogs does not help our children establish a lifetime of healthy eating. This disproportionately harms low-income kids and children of color, who are more likely to depend on school meals as a primary source of nutrition and face higher rates of food insecurity and childhood obesity than their white peers.^{xii}

Top 10 Entrées Offered at California’s 25 Largest School Districts (2019)

1		Chicken sandwich	6		Bean and cheese entrées
2		Chicken bowls	7		Ground beef dishes
3		Meat pizza ♦	8		Meat deli sandwich ♦
4		Cheeseburger	9		Chicken strips/tenders
5		Cheese pizza	10		Hot dog ♦

♦ Entrée contains processed meat

USDA Foods furthers concentration in the meat and dairy sector

The data show that the largest meat and dairy conglomerates have monopolized the USDA Foods market, and these products likely account for most of the meat and cheese on our kids’ lunch trays.¹ For example, Tyson Foods, the biggest poultry producer in the United States and under scrutiny for its egregious treatment of workers during COVID-19,^{xiii} accounted for 8% of all USDA Foods spending in FY 2019.^{xiv} From FY 2017 to FY 2019, fifteen companies received nearly 60% of annual USDA Foods spending -- and 13 of these are meat or dairy companies.^{xv} Rather than supporting independent, local, or sustainable producers, the tax-funded program acts as a \$1.3 billion support for industrial agriculture.

Industrial animal agriculture fuels climate change,^{xvi} pollutes local communities (disproportionately Black and brown communities),^{xvii} contributes to the crisis of antibiotic resistance,^{xviii} and perpetuates animal cruelty.^{xix} Virtually all animal products procured through USDA Foods are industrially produced.

¹ We estimate that the vast majority meat and cheese in California schools—and likely across the country—come from the USDA Foods program based on a) interviews with 10 food service directors, who on average estimated that 80% of the meat and cheese they served came from USDA Foods and b) estimates of the total poundage of animal products served by California schools (based on the number of California school breakfasts and lunches) compared with the total poundage purchased through USDA Foods (that calculation is 69%).

A Handful of Large Companies Dominate USDA Foods Sales of Meat and Dairy: 2017-19

TURKEY	PORK	CHICKEN	BEEF
TOP 3 companies control 92% of all turkey sales	TOP 3 companies control 64% of all pork sales	TOP 3 companies control 86% of all chicken sales	TOP 3 companies control 48% of all beef sales
  	  	  	  

USDA Foods Purchasing Data analyzed by Friends of the Earth

USDA Foods undercuts independent and sustainable farmers and ranchers

School districts, which operate on tight budgets, have little choice but to buy from corporate agribusiness companies that run counter to their student health, equity, and sustainability goals. School Food Authorities function with extremely limited budgets. When they are given entitlement dollars that they can use only for USDA Foods, it is impossible to resist the allure of spending this “free money” on animal products offered through USDA Foods at prices significantly below market rates, thus locking districts into supporting corporate-controlled industrial agriculture.

As Chef Vince Caguin of Natomas Unified School District expressed, “I would rather buy Mary’s Free-Range Organic Chicken, but it is \$40-50 per 20-pound box compared with \$5 per 20-pound box through USDA Foods.” USDA Foods purchases undercut local and independent producers who cannot gain access to the program and who cannot compete with the government-subsidized price of meat and dairy procured through USDA Foods.

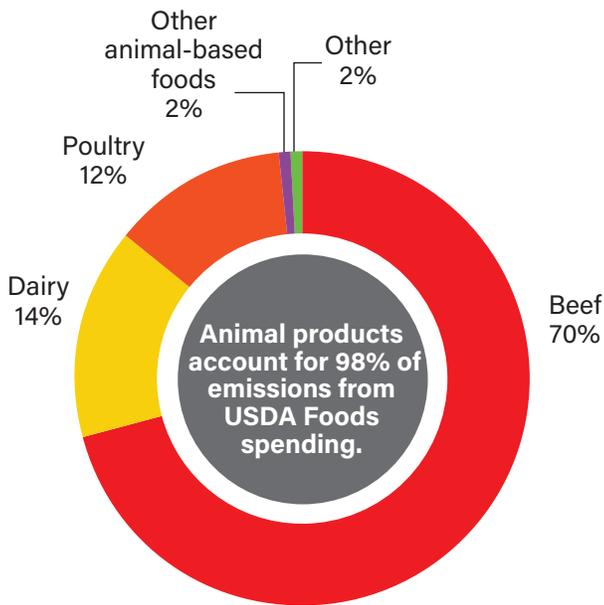


USDA Foods have a low sticker price but a high cost to society

Foods available through the USDA Foods Program are inexpensive in part because of USDA’s bulk purchasing power, which is a benefit of the program. However, USDA’s commodities are also cheap because the costs of producing these foods to the environment, local communities, workers, farmers, student health, and animals are externalized. A lack of oversight and regulation within our food system allows companies to pollute the air and water that local communities depend upon,^{xx} exploit contract farmers,^{xxi} underpay food workers and subject them to dangerous working conditions,^{xxii} and raise animals in inhumane and unsanitary conditions.^{xxiii} These “hidden” costs—plus the health care costs associated with meat-heavy diets—should be accounted for in the price of foods as well.^{xxiv}

As one school food dietitian put it, “I am pulling my hair out every single day because I am trapped in feeding Big Ag products to children.”

Figure 3. **GHG Emissions associated with USDA Foods FY2019 Purchasing**

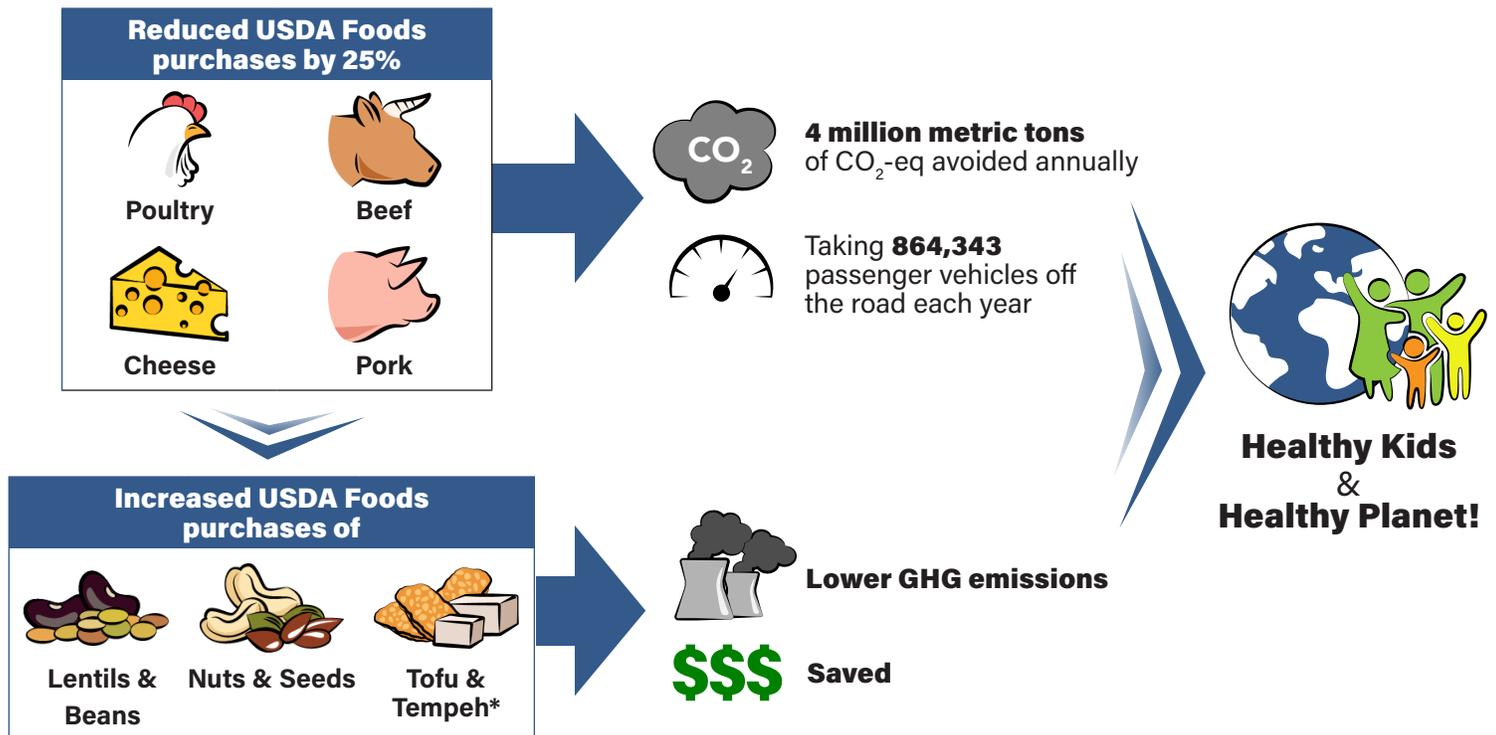


Shifting USDA Foods away from industrially produced animal products is a cost-effective climate strategy

In the 2018-19 school year, USDA Foods purchasing had an embedded carbon footprint of 19.1 million tons of CO₂-eq—equivalent to the emissions of more than 4.1 million passenger vehicles driving for a year.^{xxv} The vast majority (98%) of these emissions came from animal products. Plant-based protein (legumes and nut butters) accounted for less than 1% of emissions.^{xxvi}

With 7 billion school meals served every year, even modest menu shifts to low-carbon plant-based foods or blended entrées (e.g., turkey bean chili or blended burgers) can make measurable progress toward achieving President Biden’s ambitious climate goals.^{xxvii} If 25% of the beef, pork, chicken, and cheese procured through USDA Foods were replaced with plant-based protein-rich foods, it would save 4 million metric tons of CO₂ a year—equivalent to eliminating 864,343 passenger vehicles (or nearly every registered vehicle in the state of Arkansas) for one year or planting 66 million sapling trees and letting them grow for 10 years.^{xxviii} These shifts would generate a double win: providing significant carbon savings with little to no additional cost, while providing students with wholesome, plant-based foods.

Benefits of Reducing USDA Foods Purchases of Animal Products by 25%



Policy solutions

To better align our school meal program with the scientific evidence on climate change and leading public health guidance for healthy eating, we recommend the following policies:

1. Establish a pilot program where districts can opt in to receiving Commodity Letters of Credit instead of commodities.

For many districts, USDA Foods is a complicated and restrictive program. USDA could instead issue Commodity Letters of Credit that school districts can spend on certain commodities determined by the state's administering agency. This would give them flexibility to buy foods that align with their values, such as organic produce, meat raised without routine antibiotics, and locally produced foods. Allowing districts to opt in to receive Commodity Letters of Credit is a cost-neutral solution that enables them to support local farmers and ranchers instead of Big Ag and better meet the unique needs of the populations they serve.

2. Disqualify USDA Foods vendors with repeated violations of labor and environmental laws.

USDA should not reward agribusiness companies that repeatedly break federal laws with generous federal contracts. Further, several large school districts have made commitments not to source food from companies with significant labor law violations.^{xxxix} School districts should be able to uphold this commitment when taking advantage of the USDA Foods program.

3. Disclose comprehensive ingredient lists and sourcing information for USDA Foods products.

USDA does not provide comprehensive ingredient lists and sourcing information at the time of purchase for foods purchased through USDA Foods. This precludes some districts from using USDA Foods, because they do not serve foods with certain additives or preservatives. Plus, many districts have local food purchasing commitments and require sourcing information to make their procurement decisions.

4. Direct USDA Foods spending to mirror dietary guidelines recommendations.

By directing a greater proportion of USDA Foods spending toward plant-based sources of protein and to produce via DoD Fresh, the agency can foster stronger adherence to its own nutrition recommendations.

5. Expand minimally processed plant-based protein offerings (e.g., tofu, lentils, and veggie burgers) in USDA Foods.

USDA can help create a more level playing field for plant-based sources of protein and encourage alignment with its dietary guidelines by ensuring a wide variety of plant-based protein options are available through USDA Foods.

6. Direct a portion of USDA Foods spending to purchasing higher-quality meat and dairy, including grass-fed meat, meat raised without routine antibiotics, and organic and higher-welfare animal products.

Students and their families want more organic options and higher-quality meat produced without hormones or routine antibiotics. Schools are struggling to meet this demand, and USDA Foods could play a crucial role in providing these healthier and more sustainable options at an affordable price.

7. Direct a portion of USDA Foods spending to purchasing food from BIPOC producers.

USDA's sordid legacy of racial discrimination has prevented Black, Indigenous, and other farmers of color from participating in programs like USDA Foods. For USDA to fulfill President Biden's promise of racial justice, it needs to leverage every program at its disposal to give BIPOC producers fair access to markets—and that includes USDA Foods.

8. Phase out processed lunch meats and pepperoni from USDA Foods due to their negative health impacts.

Processed meats such as pepperoni, sausage, and bologna have been classified as Group 1 carcinogens by the World Health Organization, in the same category as tobacco and plutonium.^{xxx} The federal government should not subsidize known carcinogens on our children's lunch trays.

9. Require USDA Foods vendors to disclose their supply chain GHG emissions and have deforestation-free supply chains by 2025.

USDA can accelerate climate progress in the private sector by signaling to its vendors that they need to be transparent about their carbon footprints and the impact of their supply chains on deforestation.

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