



**DEFENSE COMMISSARY AGENCY**  
HEADQUARTERS  
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FORT LEE, VIRGINIA 23801-1800

MP

July 27, 2022

NOTICE TO THE TRADE – DeCA NOTICE 22-84

SUBJECT: Expansion of DeCA's Brand Name Swell Allowance Program

The purpose of this notice is to inform industry of DeCA's intent to eliminate VCM Type 2s which cover 1- damaged and/or expired goods and 2- all categories with the exception of Produce, Beef, Pork, and Deli or Bakery and move to an automatic deduction of a negotiated fixed percentage from vendor's invoice payments.

DeCA requests our vendor / manufacturers provide offered swell allowance rates NLT August 31, 2022. DeCA anticipates rate comparisons and negotiations to occur within the month of September with a program roll-out date to be determined. We look to provide industry with a 90-day notice before the required implementation date post-rate period for comment.

The Agency will move to an expanded Swell Allowance Program with mandatory participation for goods outlined above. DeCA's current process for Type 2 VCMs is a highly manual process not in-line with current industry best practices. DeCA research demonstrates that our VCM costs are in-line with industry available rates.

We will begin collecting / negotiating rates and methodology from vendors with the following considerations:

- Swell allowances will be aligned by contract due to technology considerations. Vendors offering product category swell rates will need to provide a blended category rate to apply to the entire contract.
- Goods under an umbrella (e.g. Broker) contract will be charged one blended swell rate, regardless of whether included vendors offer separate swell rates.
- If a vendor does not offer a rate, we will apply a blended average rate.
- DeCA will compare offered rates against observed Type 2 VCM rates by contract for FY21/FY22 to ensure agreement between offered and observed unsaleable rates. In cases of substantial disparities, DeCA will be open to negotiations prior to assigning a blended average rate.
- Out of Scope: DeCA will align with industry best practice and maintain current VCM processes for:
  - Local Promotional Markdowns (Type 1)
  - Product Returns (Type 3)
  - Guaranteed Sales (Type 4)
  - Product Recalls (Type 5)
  - Distributor Damage / Mis-picks (Type 6)

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