DEFENSE COMMISSARY AGENCY
HEADQUARTERS
1300 E AVENUE
FORT LEE, VIRGINIA 23801-1800

MP December 9, 2022

NOTICE TO THE TRADE – DeCA NOTICE 23-11

SUBJECT: DeCA's FDS Delivered Swell Allowance Program Initiative

The purpose of this notice is to inform industry of DeCA's intent and next steps to eliminate VCM Type 2's on all FDS delivered goods and move to an automatic deduction of a negotiated fixed percentage from vendor's invoice payments. This program is designed to reduce the number of unsalable VCMs written at the commissaries. Unsalable products are products which are no longer fit for sale, e.g., outdated merchandise, leaky containers, etc.

Offered rates from Industry have been turned in and reviewed (negotiations were conducted where % data did not match, not all contracts had to be negotiated), cases where vendors could not offer or declined a rate % for turn in, DeCA has established said rate based on observed Type 2 VCM's within the last 52 weeks. We are asking Industry to turn in the % rates on an official company letterhead (if a company letter is unavailable, original email will be utilized) designating a POC who is authorized to discuss the specific contracts by December 31, 2022 to the POC's listed below. After correspondence is received, the contract % rates will be turned into contracting, 90 days out to institute the modifications with a start date to the program of April 1, 2023.

DeCA's swell allowance program eliminates most brand name resale VCMs written for unsalable products. By doing so, the manufacturer agrees to convert dollars of VCMs into a mutually agreed upon percentage that will automatically be deducted from each delivery ticket invoice (DTI) payment. Products received as DSD items (generally items such as bread, chips, and sodas) and DSD-S (generally fresh chicken, beef, and pork) are not part of this program. The swell allowance program is not part of DeCA's recoup strategy used to cover unidentified losses, such as theft and breakage.

The swell allowance program frees up both store personnel and Industry partners by automating what is currently a labor-intensive, manual process. This change permits both parties to concentrate their valuable time to better serve our patrons, operate the store more efficiently and effectively, and ultimately increase sales. This program has significantly reduced the annual requirement by participating companies to process unsalable VCMs at all commissaries and DeCA's accounting offices.

Items not covered under the swell program are:

(1) Manufacturer and DeCA deletes
(2) Guaranteed sales (will still be under VCM Type 4) such as holiday items that do not sell and are not unsalable; items that do not sell within a specific period of time, such as holiday or seasonal items; or regular and promotional items that are under a specific buy-back agreement
(3) Report of Discrepancy (ROD
(4) Promotions/truckload sale items
(5) All food activities (ALFOODACT)/voluntary recalls
(6) Price reductions - items voluntarily marked down by the vendor in order to promote the sale of products or short dated/distressed items reduced for quick sale
(7) Direct Store Deliveries
(8) Returned merchandise - products in good condition voluntarily returned to the vendor at their request and/or items donated by a vendor to other qualified organizations

(9) Distributor shortages, damages, mis-picks, etc.
(10) Products for demonstrations
(11) Commercial activities contractor damages

Point of contact for this initiative is Todd Heasley, Business Management Specialist, Sales Directorate, 804-734-8000, ext. 48838, todd.heasley@deca.mil or Robert Goodwin, Strategic Business Analyst, ext. 48445, robert.goodwin@deca.mil.

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Edward Walters III
Executive Director
Sales, Marketing and Logistics

Attachments:
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DeCA_SwellProgram_Q&A-NTT-Dec2022