

DOB

October 3, 2006

NOTICE TO THE TRADE – DeCA NOTICE 06-142

SUBJECT: Defense Commissary Agency's Application of Recouping Product Cost

This notice to the trade provides an update to Notice to the Trade 99-21, Application of Recouping Product Cost.

In July 1999, the Defense Commissary Agency (DeCA) instituted a price recoup policy to allow DeCA to operate in accordance with statutory language which requires the selling price of commissary items to be established at levels to recover normal operating losses. Selling prices of particular categories of merchandise are derived by increasing the unit cost of an item by 1 percent and then applying the zero mil-rule. The current DeCA recoup policy covers the small fraction of unidentifiable losses, e.g., theft, not collectible from any other source. Therefore, DeCA will continue its current business practice of collecting credit from manufacturers under existing business agreements.

The following specifics apply to credits:

- a. Vendor Credit Memos (VCM) for price reductions, unsaleables, returned merchandise, guaranteed sale items, voluntary recall/ALLFOODACTs at store level will continue to be processed at the current selling price.
- b. DIBS/FDS/DOORS Report of Discrepancy will continue to be processed at the cost price.
- c. All VCMs processed at central distribution centers will continue to be processed at the current cost price.
- d. Swell allowances will be calculated as a percent off the payment.

Manufacturers and military brokers are reminded that this program has an impact on all price points, both regular and promotional sale prices.

Point of contact for this notice is Ms. Mary DeSantis. She can be reached at 804-734-8975.

/s/

Scott E. Simpson
Chief Operating Officer