



State of New Jersey

DEPARTMENT OF AGRICULTURE
DIVISION OF FOOD AND NUTRITION
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September 27, 2019

TO: Recipient Agencies (RAs)
Business Administrators (BAs)

FROM: Denise Liptak, Manager, Food Distribution Programs

POLICY #: FDP-P010 - Revised

SUBJECT: Processed Commodity Drawdown and Carryover Inventory Policy

The Food Distribution Program (FDP) has a Processed Commodity Drawdown and Carryover Inventory Policy to ensure New Jersey is compliant with Federal Regulations 7 CFR§250 and the United States Department of Agriculture (USDA) Policy Memorandum FD-064, Inventory Levels at Further Processors.

7 CFR §250 requires States to monitor commodity inventories with all Processors to ensure the quantity of donated foods is at the lowest cost-efficient level but not more than a 6-month inventory based on average monthly usage. Processor inventory levels in excess of 6-month usage could occur for several reasons; the most common being:

- Carryover inventory due to inefficient processed commodity drawdown by Recipient Agencies (RAs)
- RAs placing requests to a specific processor and then failing to use the inventory;
- RAs failing to apply for rebates in a timely manner or not filing at all;
- RAs failing to verify sales under the Net-Off Invoice (NOI) value pass-through system.

The USDA suggests States work proactively with processors to identify RAs that are not utilizing their processed commodity inventory efficiently, and notify RAs of the steps that will take place to maintain acceptable inventory levels. The benchmark dates to evaluate RA year-to-date processed commodity usage is January and May of each calendar year. Below you will find New Jersey's updated policy and procedures regarding this usage requirement.

Processed Commodity Drawdown and Carryover Inventory Policy

- It is the responsibility of the School's Business Office to monitor and work with the Food Service Department to ensure that all possible entitlement is being used effectively for the profitability and sustainability of the program.
- RA pounds will not be altered prior to the January Sweeps. The School's Business Administrator must approve all changes.
- RA year-to-date processed commodity usage must be **55% by** February 1st (based on July through January usage). If less than 55% has been used processors will then place the difference in the State account for reallocation. RA's can submit a waiver request with a plan of action on usage by January 30th to the FDP and the Processor. The FDP will instruct Processors on reallocation. Processors do not have to notify the RA of the deduction.
- RA year-to-date processed commodity usage must be at **95%** by May 31st (July through May 31st usage). Processors can deduct all the RAs remaining balance or bring the account down to 5% remaining and place the inventory in the State account for reallocation. RAs will not be allowed at this point to request a waiver of balance usage. Processors are required to submit notice of deduction to the RA within 10 days of balance reduction.
- On June 30th (January through June usage), Processors are required to deduct 100% of the remaining balance from the RAs account. All inventories will be rolled into the State account for usage in the following school year. There is no carryover of pounds allowed at the RA level.
- For FDP to manage RA usage and ensure regulatory thresholds, Processors are required to include a RA year-to-date usage report for each donated commodity as an attachment to their December and June monthly performance reports. The RA year-to-date usage report must be represented as a percentage.

Reminder that the commodity program is an entitlement program and the commodities being offered belong to the State of NJ Department of Agriculture until the product is utilized by the RA as menu items in the RA's school meal programs.

FDP maintains the option to approve processor written requests on a case by case basis to:

- Maintain inventory in excess of 6 months with adequate justification along with a written plan of action for draw down.

If you have any questions, please feel free to contact Denise Liptak at (609)292-8344.

Cc: Brokers/Sales Representatives
Food Service Management Companies
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