The single inventory policies outlined in this alert apply to commodities at the point that they have been allocated to a SFA. They do not apply to commodities that are received in a warehouse but are not yet allocated to a SFA.

The changes are effective January 1, 2002 and will remain in effect until further notice.

INVENTORY REQUIREMENTS

You are no longer required to maintain a separate inventory of your USDA commodities. You may maintain a single inventory that includes both your USDA commodities and your purchased food products. As always, you must maintain good inventory management and control practices.

You will need to value your inventory for three different situations.

- **Purchased products for which you receive no USDA commodity equivalent.** An example of products that a school would purchase commercially but would not receive as a USDA commodity would be condiments such as catsup and mustard. It is suggested that you base the inventory value for such items on the net purchase price for that item.

- **USDA commodity products for which you purchase no commercial equivalent.** Examples of USDA commodities that schools receive but usually do not purchase commercially include pouches of salmon, frozen diced chicken and prune puree. TDHS will continue to provide you with the value of USDA commodities, which is based on the actual cost per pound.

- **Products that you purchase as well as receive as commodities.** Canned fruits and vegetables are examples of such products. You may base the value of these products on the net cost to purchase such products, on the commodity value provided by TDHS, or you could also use an average or weighted average of the two values.
You are no longer required to take an annual physical inventory of commodities in storage or report your end of year inventory to the Texas Department of Human Services (TDHS).

At the point that USDA commodities are allocated to you by the warehouse, the commodities become a nonprofit food service account asset.

You must continue to safeguard USDA commodities as you do products purchased with nonprofit food service account funds.

If you use first-in-first-out (FIFO) with purchased products, you will use FIFO with USDA commodities.

**USE OF COMMODITIES**

There will no longer be restrictions on the use and sale of commodities and products containing USDA commodities. You may use USDA commodities across all programs as long as the income accrues to the nonprofit food service account in the same manner income currently accrues from the use of products purchased with nonprofit food service account funds.

**COMMODITY LOSSES**

You will no longer report commodity losses to TDHS and TDHS will not require you to replace lost commodities or pay TDHS for the loss. However, you remain responsible for ensuring commodities are safeguarded.

**COMMODITY TRANSFERS**

TDHS will no longer be involved with arranging or accounting for commodities that you wish to transfer to another agency. You may transfer commodities to other organizations without TDHS approval. However, if you transfer commodities to another organization, you will not receive any additional entitlement.

**FOOD SAFETY RECALLS**

Food safety recalls will continue to follow current USDA hold and recall procedures. As with any commercial product, can codes and establishment numbers will be used.

"BEST IF USED BY DATES"

Pack dates will be lost, since they are not required on commercial labels. Pack dates were the basis for USDA's "Best if Used By Dates" Guidance; therefore, this guidance will no longer be available. You are reminded to use good inventory practices.

**FOOD SERVICE MANAGEMENT COMPANIES**

The policy for commodities that are used by a food service management company (FSMC) has not changed. All commodities made available to a FSMC by a school must continue to accrue to the benefit of the schools' nonprofit food service. If you use a FSMC, you should continue to use your existing method for ensuring the value of any donated commodities and purchased products used by your FSMC accrues to the benefit of your nonprofit food service account.
SFAs THAT OPERATE THE SUMMER FOOD SERVICE PROGRAM (SFSP)

SFAs that operate the SFSP are still required to report the disposition of commodities allocated to their SFSP at the end of their SFSP operations. This policy has not changed.

COMMODITIES USED FOR DISASTERS

SFAs will continue to receive commodity entitlement credit for commercially labeled or USDA labeled commodities that are used during nationally declared disasters. The credit may not exceed the lessor of the actual commodities supplied or the amount of the commodity that the SFA received during the past 12 months.

If you have any questions regarding this policy alert, please contact your Food Distribution contract manager.