**POLICY ALERT**

**Date:** February 24, 2011  
**Reference:** # FDP 2011-01  
**To:** Food Distribution Program (FDP) Contractors and Processors  
**Subject:** Excess Inventory Guidelines for Processors  
**Effective Date:** Immediately

<table>
<thead>
<tr>
<th>Purpose</th>
<th>REPLACE Item 8180, Inventory Levels at Processors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>Immediately</td>
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<tr>
<td>Procedure</td>
<td>Replace Item 8180 with the following:</td>
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</table>

The Texas Department of Agriculture (TDA) monitors United States Department of Agriculture (USDA) Foods inventories held at processors to ensure that the quantity of USDA foods is at the lowest cost efficient level, but not more than a six-month inventory level, based on the processors’ average monthly usage.

If a recipient agency (RA) fails to use its allocated inventory in a timely manner, USDA guidelines allow for TDA to re-allocate the inventory to another RA.

However, inventory levels in excess of six-month usage could occur for several reasons. Common reasons are:

- Carryover inventory due to product not yet drawn down or deliveries scheduled late in the school year that are held in school accounts. Several processors hold inventory at the end of the school year so that product is available for delivery at the beginning of the new school year and RAs do not have to store finished items over the summer;
- RAs place orders into a specific processor and fail to use the inventory; or
- RAs fail to apply for rebates or fail to apply for rebates in a timely manner.

If an RA fails to use its inventory in a timely manner, TDA will allow processors to request approval to remove and re-allocate inventory in excess of 12 months to another RA.

continued
**PROCESSORS**

The processor is responsible for monitoring inventory at the RA level. TDA will provide written notice to the processor when their overall statewide inventory level for all RAs is in excess of six months. TDA will require a processor to provide a corrective action plan for inventory levels over six months. The plan must outline how the processor will reduce inventory by working with the RAs to encourage them to use their inventory in a timely manner to avoid the transfer of USDA Foods to another RA.

If RAs with excessive inventory are non-responsive to efforts to have them increase usage or transfer inventory to another RA, the processor may contact TDA and provide lists of RAs who continue to maintain excess inventory.

TDA will compare the processor’s information against new orders these RAs are placing. If necessary, any additional orders made by a non-responsive RA to the same processor will be rejected by TDA.

TDA will allow a processor to request approval to remove inventory from a school account that has no inventory usage during a school year by March 1 of each year and transfer it to the State Account for reallocation to other schools that will use the inventory in a timely manner.

**RAs**

RAs are responsible for monitoring their processing inventory levels to ensure timely usage of USDA Foods. If TDA notifies your processor that it has inventory levels in excess of six-month usage, the processor may contact you via e-mail or letter. If your processor contacts you, you will be advised to increase usage or transfer inventory to another RA. Since special circumstances can cause an RA or processor to have an inventory in excess of six months, processors may submit to TDA, for approval, justification to maintain inventory in excess of six months.

TDA may, without a processor’s request, re-allocate inventory from a non-performing RA account that is in excess of 12 months or by March 1, has 0% usage for the current school year.

**NOTE:** Processors may access the Food Distribution Handbook online at www.snptexas.org.

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**Authority**

7 CFR 250.14(f)

**Contact**

If you have any questions please contact Commodity Operations at 1-877-TEX-MEAL (1-877-839-6325).