



Pennsylvania
Department of Agriculture

USDA Foods Processing Programs Manual

Pennsylvania Guidance for USDA Foods Processors

Pennsylvania Department of Agriculture
Bureau of Food Assistance
2301 N. Cameron Street, #401
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Guidance for USDA Foods Processors

Introduction

The Pennsylvania Department of Agriculture (PDA), Bureau of Food Assistance works in tandem with USDA to offer USDA Foods to more than 800 School Food Authorities (SFAs) across Pennsylvania to offer three USDA Foods ordering options annually.

1. Processor Diversion Program
2. Direct Delivery Program
3. USDA DOD Fresh Fruit and Vegetable Program

All SFAs that participate in the USDA Foods Program must place an annual USDA Foods order through the *PDA Ordering System, known as PAMeals*.

This manual will address the Processor Diversion Program as it is currently managed at the PDA, Bureau of Food Assistance.

Application Process

All processors who participate in the Pennsylvania processor diversion program must have a USDA-approved National Processing Agreement (NPA) on file with USDA or a current Pennsylvania In-State Processing Agreement with PDA/Bureau of Food Assistance.

PDA requires all processors who participate in the processor diversion program and have an approved NPA also complete a Pennsylvania State Processing Agreement (SPA). This document will be maintained, if the processor continues to participate, for up to five years. A new SPA must be completed at the start of a new five-year term.

The specific details for participating in each processing program are outlined below.

Processor Diversion - Processing Program:

The Processor Diversion - Processing Program is an option for SFAs to process selected bulk USDA Foods into finished end products. With this option, the SFA is responsible for the procurement of their finished end products that have been processed from bulk USDA Foods. SFAs have the flexibility of processing as many bulk USDA Foods as chosen for their SFA's nutrition program within their respective NSLP Entitlement limitations.

Pennsylvania SFAs will divert pounds through our PAMeals database/online ordering system. The USDA Foods product catalogs follow annual deadlines. Similarly, PDA's ordering deadlines fall two weeks prior to USDA's closing deadlines for each set of catalogs.

As each set of catalogs closes, PDA staff will submit our orders into USDA's database called Web-Based Supply Chain Management (WBSCM).

In July, annually, PDA staff will provide a report to each processor/broker detailing which SFAs have diverted pounds for each USDA Foods that we have processed orders for.

Processor Contracts and Reviews Process:

Contract approval:

It is the policy of Pennsylvania Department of Agriculture (PDA), Bureau of Food Assistance to sign a State Participation Agreement with any USDA approved multi-State processor wishing to do business in Pennsylvania.

- The processor must be approved by USDA and be able to provide an NPA agreement, if requested.
- The processor must also provide a current year SEPDS, which we maintain and update annually.
- The PA SPA required submission of data and documentation is described in the SPA agreement.

In addition to multi-state processors who have NPAs, the PDA Bureau of Food Assistance may consider executing agreements with in-state processors who are based in and operate exclusively within Pennsylvania. Such approved processors will be required to submit required data and documentation, as described in the SPA agreement, and are subject to regular review by PDA.

Monitoring and review of processing activities:

The Bureau of Food Assistance (BFA) monitors processor sales by reviewing Monthly Performance Reports (MPRs) and sales of end products through a two-person review process. The processor/broker sends the MPR, or we retrieve a copy from K12 or ProcessorLink, which then are reviewed by two staff members before downloading into our PAMeals database. The data is then entered into a Months-On-Hand spreadsheet for review by our Bureau Director and Assistant Director, to track entitlement usage at the sponsor level as well as diverted food usage at the state level.

In addition, the bureau's nine field representatives conduct site reviews at the schools, both as needed, and at a minimum of once every three years. During these reviews, the field representatives are required to confirm the processing records and transactions are correctly invoiced.

Recordkeeping and Reporting Requirements:

Recordkeeping Requirements:

Processor shall fully account for all bulk USDA Foods delivered or carried forward from previous school year into its possession. All records and documents to substantiate information provided on reports shall be maintained on file for a period of three years from the close of the federal fiscal year in which they pertain, unless longer retention is required for the resolution of an audit, litigation, or claim. Accountability records are as outlined in the USDA NPA, Section 16.

Reporting Requirements:

Each processor shall submit a Monthly Processor Report (MPR) to the PDA NSLP staff. MPRs are to be submitted monthly, postmarked or transmitted electronically, no later than 30 days after the close of the reporting period. If no activity took place during the reporting month, the processor is still required to submit the MPR reflecting no activity.

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The MPR shall follow USDA report format to include the required information, as outlined in the USDA NPA, Section 15.A.

The submitted MPRs are reviewed by a minimum of two Bureau of Food Assistance NSLP Specialists. All discrepancies, issues, etc. are forwarded to the processor for resolution.

Inventory Controls:

Processor shall reduce bulk pound inventory for end products processed and delivered to the State Agency (SA) and/or to the Recipient Agency (RA). The timing of the drawdown should follow the policies outlined in [USDA Policy Memo FD-40: Inventory Draw Downs in USDA Foods Processing \(Revised\)](#).

Processor Sweeps Policy:

RAs must use 20% of their allocated pounds at a processor prior to October 31st. If agencies are below the 20% threshold, the processor/broker must submit a Sweeps Recommendation to the Bureau by November 7th to get them to the required 20% level. Processors/brokers should submit the Sweeps Recommendation as one document and not as individual requests. Exceptions to the sweeps policy can be made if the RA submits a usage plan to the processor/broker prior to October 31st showing a complete drawdown of pounds by the end of the school year. Agencies should submit these plans directly to the processor/broker and will not be accepted if sent directly to the Bureau. The usage plans can be in any form as preferred by the processor/brokers (commodity calculator, Sweep Policy Exception Request form, etc.). Any plans submitted by RAs after October 31st will not be accepted. Exceptions can also be made if sweeping will result in a less than full case quantity of available pounds for an agency. These exceptions should be noted by the processor/broker on the Sweeps Recommendation that is submitted to the Bureau. The Sweeps Recommendation must be approved by the Bureau.

The pounds that are swept will be reallocated to eligible recipient agencies. To be eligible to receive additional pounds, the RA must submit a usage plan to the processor/broker prior to November 15th showing complete drawdown of the additional pounds and allocated pounds by the end of the school year. Agencies should submit these plans directly to the processor/broker and will not be accepted if sent directly to the Bureau. The usage plans can be in any form as preferred by the processor/brokers (commodity calculator, Sweep Policy Exception Request form, etc.). Any plans submitted by the RA after November 15th will not be accepted. The processor/broker must submit the Transfer Recommendation to the Bureau by November 17th. Processors/brokers should submit the Transfer Recommendation to the Bureau as one document and not as individual requests. The Transfer Recommendation must be approved by the Bureau. The Bureau may reduce transfer amounts if it would result in a RA greatly exceeding their entitlement.

RAs must use 50% of their allocated pounds at a processor prior to January 31st. If not, the same steps must be followed as the October 31st sweep. If agencies are below the 50% threshold, the processor/broker must submit a Sweeps Recommendation to the Bureau by February 7th to get them to the required 50% level. Exceptions to the sweeps policy can be made if the RA submits a usage plan to the processor/broker prior to January 31st showing a complete drawdown of pounds by the end of the

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school year. Agencies should submit these plans directly to the processor/broker and will not be accepted if sent directly to the Bureau. The usage plans can be in any form as preferred by the processor/brokers (commodity calculator, Sweep Policy Exception Request form, etc.). Any plans submitted by RAs after January 31st will not be accepted. Exceptions can also be made if sweeping will result in a less than full case quantity of available pounds for an agency. These exceptions should be noted by the processor/broker on the Sweeps Recommendation that is submitted to the Bureau. The Sweeps Recommendation must be approved by the Bureau.

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If an RA is requesting additional pounds at a turkey or chicken processor, the usage plan must include even drawdown of white and dark meat pounds. The Transfer Recommendation for turkey or chicken processors will only be approved for RAs that currently have even drawdowns of white and dark meat or if the usage plan shows even drawdowns by the end of the school year.

These are the only two times during the school year that pounds will be swept. Exceptions can be made if a recipient agency is unable to use their pounds and emails the processor/broker requesting that the pounds be swept. These are also the only two times during the year that a RA can request additional pounds at a processor. Exceptions can be made prior to October 31st for special circumstances (change of food service management company, ordering error, etc.). This exception is contingent on available pounds, and it is not guaranteed that there will be pounds available. Exceptions can also be made after the transfer deadline on a case-by-case basis if additional pounds are available.

Any unused pounds at the end of the school year will be swept, as the Bureau does not allow carryover from one school year to the next. Processors must sweep any unused pounds by June 14th and deposit the excess into the State Account. The State Account will be used to load RA's banks at the beginning of the following school year. Banks must be loaded for the following school year by July 22nd.

Processors/brokers should submit the Sweeps Recommendations and Transfer Recommendations to BFA NSLP Specialists.

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Refund Applications:

Pennsylvania Department of Agriculture, Bureau of Food Assistance allows processing utilizing the Refund System Value-Pass-Through Method. Processor shall follow the procedures outlined in the USDA NPA, Section 3.A. 1) b. and Section 3.A. 2) b.

If utilizing the Rebate or Refund value pass through system, schools should request the refund for the value of donated foods from the processor within 30 days from the close of the month in which the sales were made. This may be done via email or other written correspondence.

Providing Credit for USDA Foods Values:

The processor must provide credit for the USDA Foods value in the finished end products using one of the following acceptable crediting methods.

- Direct Discount: With this method, the processor must sell finished end products to the distributor or recipient agency, as appropriate, at a net price that incorporates a discount from the commercial case price for the value of USDA Foods contained in the finished end products.
- Fee for Service: For this method, the processor charges the distributor or recipient agency a fee for creating finished end products not for the price of the product itself. A fee for service method includes all costs to produce the ending products and excludes the value of the USDA Foods used in the finished end product. There are three types of fee for services used:
 - Direct shipment and invoicing from the processor to the recipient agency.
 - Multiple pallets of finished end products are shipped to the distributor with a list of which recipient agencies own what products.
 - Authorized agent bills the recipient agency for the total case price.

The processor must identify any delivery charge for finished end products separately from the fee for service on invoicing. If the finished end products are delivered to a distributor, any delivery costs the distributor charges must also be identified separately on processor invoicing or billed separately by the distributor.

- Net Off Invoice (NOI, Also Called Indirect Discount): With this method, the value of the food product is credited when the commercial distributor invoices the recipient agency for the net price – commercial price of the product minus the USDA Foods value equals the net price. The processor must require the distributor to notify the processor of these sales at least on a monthly basis. Notification may be made through automated sales reports or other electronic or written submission. With this information, the processor compensates the distributor for the discount provided for the value of the USDA Foods. RAs must closely monitor invoices to ensure that correct discounts are applied.

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- **Rebate:** When the rebate method is used, the processor sells the finished end products containing USDA Foods to the distributing or recipient agency, as appropriate, at the commercial or gross price. After the recipient agency or distributor receives the finished end products, the recipient agency submits a rebate form to the processor. The processor credits or sends a payment to the recipient agency for the credit value within 30 days of receiving a request. Refund requests must be in writing and may be transmitted by email or other electronic method.

USDA Nondiscrimination Statement:

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Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language), should contact the responsible state or local agency that administers the program or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339.

To file a program discrimination complaint, a Complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form which can be obtained online at: <https://www.usda.gov/sites/default/files/documents/ad-3027.pdf>, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

fax: (833) 256-1665 or (202) 690-7442; or

email: Program.Intake@usda.gov

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