

Connecticut Food Distribution Program (FDP)

USDA Foods Further Processing

What is USDA Foods further processing?

An option that allows a recipient agency (RA) such as a school district to contract with processors to convert a small number of raw and/or bulk USDA Foods into a variety of finished end products.

What is a Recipient Agency (RA)?

A sponsor that participates in the [National School Lunch Program \(NSLP\)](#) and the FDP.

Who is eligible to participate in further processing?

All RAs.

What benefits do further processing participants receive?

By participating in further processing, RAs can:

- greatly increase the number of food items that can be purchased using entitlement dollars;
- help ensure food safety by limiting handling of raw products in school food service operations;
- reduce labor costs for food preparation;
- reduce storage and delivery costs; and
- have bulk USDA Foods delivered directly from USDA vendors to their contracted processors.

How does further processing operate in Connecticut?

All processors must enter into a National Processing Agreement with the USDA. After the USDA approves a processor, the processor needs an agreement with the Connecticut (CT) FDP to do business with Connecticut RAs. The agreement between the state and the processor is called a State Participation Agreement (SPA). A SPA only allows the processors to do business with Connecticut schools; it is not a form of procurement.

To further process USDA Foods into selected end products, the RA must competitively procure the product and/or services of a processor to have the USDA Foods converted into end products. These procurements are the responsibility of the RA, not the CT FDP. All RAs must

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comply with the requirements in [2 CFR 200](#) and [2 CFR 400](#) as applicable, in purchasing end products, distribution, or other processing services from processors.

What is “value pass through method”?

The way a processor is approved to “pass through” (or return) the value of the USDA Food back to the RA.

How does the USDA Foods value get passed on to the RA?

Processors entering into these types of agreements must ensure that the full value of the USDA Foods contained in the finished end products are returned to the RA. This value can be returned to the RA by any of the methods below.

- **Refund or rebate:** The processor sells end products to the RA at the commercial price and must provide a refund or rebate for the value of the donated foods contained in the end products.
- **Direct discount:** The processor must sell end products to the RA at a net price that incorporates the discount from the commercial case price for the value of the donated food contained in the end products.
- **Indirect discount (net off invoice):** The processor delivers end products to a commercial distributor, which must sell those products to an eligible RA at a net price that incorporates a discount from the commercial price for the value of donated food contained in the end products.
- **Modified fee-for-service:** The distributor sells end products to the RA at a fee-for-service, which includes all costs to produce the end products not including the value of donated food used in production. Under these arrangements, the end products are sold to a distributor for a fee, which represents the processor’s costs for labor, packaging, other ingredients, and administrative overhead. With a fee-for-service contract, the price awarded is net of a discount applied for the ingredient the processor received. The RA pays the distributor for a lower cost item than the commercial equivalent.

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Where are the rules and regulations for processing donated foods located?

Refer to Subpart C – Processing of Donated Foods in the Code of Federal Regulations ([7 CFR 250.30 through 250.39](#)).

For more information on USDA Foods, visit the CSDE's [Food Distribution Program \(USDA Foods\)](#) webpage or contact the [FDP program staff](#) at the Connecticut State Department of Education, Bureau of Child Nutrition Programs, 450 Columbus Boulevard, Suite 504, Hartford, CT 06103-1841. This document is available at https://portal.ct.gov/-/media/sde/nutrition/fdp/connecticut_fdp_usda_foods_further_processing.pdf.



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