



Food and  
Nutrition  
Service

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Center

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**DATE:** September 22, 2016

**POLICY NO:** FD-139: The Emergency Food Assistance Program (TEFAP), Commodity Supplemental Food Program (CSFP), Food Distribution Program on Indian Reservations (FDPIR)

**SUBJECT:** Clarification on Inventory Protection Requirements

On April 19, 2016, FNS published a final rule entitled, [Requirements for the Distribution and Control of Donated Foods and The Emergency Food Assistance Program: Implementation of the Agricultural Act of 2014](#), which amended Food Distribution regulations at 7 CFR part 250 and 7 CFR part 251. Updated program regulations at 7 CFR 250.12(d) set forth new donated food insurance requirements for State distributing agencies, subdistributing agencies, select commercial storage facilities, and recipient agencies that have agreements with the State distributing agency or subdistributing agency to store and distribute donated foods. The purpose of this policy memorandum is to provide further guidance and clarity on this new requirement.

In accordance with 7 CFR 250.12(d), State distributing agencies, including Indian Tribal Organizations (ITOs) that have direct agreements with FNS to store and distribute donated foods, must obtain insurance to protect the value of their donated food inventories. State distributing agencies must also ensure that subdistributing agencies, certain recipient agencies, and commercial storage facilities obtain insurance to protect the value of their donated food inventories, as well. Reasonable insurance premiums required under this part may be paid for with program administrative funds. The amount of insurance must be at least equal to such agency's average monthly value of month-end donated food inventories in the previous fiscal year, as determined by one of the USDA donated foods-valuation methods outlined in 7 CFR 250.58(e).

**The insurance requirement for recipient agencies only applies to recipient agencies that have direct agreements with State distributing agencies or subdistributing agencies.** This includes local agencies in CSFP and some eligible recipient agencies in TEFAP, as well as ITOs that distribute donated foods in a State where the State government administers FDPIR. Recipient agencies that have agreements with other recipient agencies, e.g., food pantries, soup kitchens, and community action agencies that have an agreement with a recipient agency, not a State agency, to operate CSFP, TEFAP, or FDPIR, are not required to obtain insurance under the revised regulations.

Program regulations further provide that such recipient agencies which maintain inventories with a value of donated foods that do not exceed a defined threshold can be provided an exemption from the insurance requirement, as determined in FNS policy.

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FNS has received input from the program community in this regard and has decided not to make any exemptions at this time. However, FNS will continue to follow program trends and may revisit this policy if the insurance requirement is found to cause undue burden on recipient agencies that do not maintain significant inventories of donated foods.

*/s/ Original Signature on File*

Laura Castro

Director

Food Distribution Division

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