



# Food Distribution National Policy Memorandum

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United States  
Department of  
Agriculture

**DATE:** March 29, 2004

Food and  
Nutrition  
Service

**POLICY NO.:** FD-025: State Processing

3101 Park  
Center Drive

**SUBJECT:** Fee-For-Service Billing Methods Through a Distributor

Alexandria, VA  
22302-1500

Processing regulations at §250.30(e)(1)(iv) currently allow two types of billing arrangements when distributors deliver fee-for-service (FFS) processed end products.

- (A) A recipient is invoiced by the processor for the FFS and separately by the distributor for delivery and storage; or
- (B) The processor arranges for delivery through a distributor on behalf of a recipient. The processor's invoice includes separate, identifiable charges for both the FFS and the distributor's charges.

To bring delivery of processed commodities more in line with commercial distribution practices, FNS will allow distributors to charge recipients a total case price if the following requirements are met:

- Written assignment from the processor to the distributor as billing agent:  
Total case price = FFS contract price + Delivery and Storage charges.
- The distributor details, in writing, distribution fees to each recipient, so that the recipient can identify what the total price represents on the invoice.
- Processor provides a list of all recipients and case allocations eligible for FFS pricing to distributors, State agencies, and USDA upon request.
- Processor retains financial obligations for sales to ineligible recipients. The commercial distributor can never assume this obligation. The processing agreement is between the processor and the State agency and/or USDA.

Cathie McCullough  
Director  
Food Distribution Division