



State of Arizona  
Department of Education

HNS 76-2013

**MEMORANDUM**

*Original Signed*

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**TO:** USDA Foods Program Sponsors

**FROM:** Mary Szafranski, Associate Superintendent  
Arizona Department of Education, Health and Nutrition Services

Ellen Pimental, Director  
Arizona Department of Education, School Food Programs

**DATE:** January 1, 2014

**SUBJECT:** State procedure and guidance for managing USDA Foods inventory levels at food processing plants

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The Arizona Department of Education (ADE), Health and Nutrition Services (HNS), School Food Programs is implementing a Use it or Lose it policy when addressing USDA Foods inventory levels at food processing plants (carryover inventory).

For raw bulk USDA Foods to be further processed into selected end products, the State Distributing Agency (SDA) contracts with commercial food processors to have the USDA Foods converted into ready-to-use products.

USDA purchases and delivers bulk USDA Foods to the designated processing location as ordered by the SDA. The SDA determines what to order based on the responses received by sponsors utilizing the School Food Program's annual processing surveys.

Once this inventory reaches the food processing plant, it is the sponsor's responsibility to order end products listed on the Summary End Product Data Schedule (SEPDS) throughout the year to draw down their individual inventory levels.



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For various reasons these inventory levels may not be fully utilized by the end of the school year. When that happens, the School Food Programs will allow 20% of that inventory to be carried over into the next school year provided the processor and SDA approve a plan of action on how those pounds will be used.

This carryover inventory must be used by November 30<sup>th</sup> of the current year to avoid being swept and placed in the Arizona State account. Once the pounds are swept, they become non-entitlement based pounds available to all sponsors participating in further processing who do not possess carryover pounds themselves. This process allows the food processors to ensure their inventory does not exceed the 6-month threshold regulated by USDA.

The School Food Programs will complete the sweeps on behalf of any sponsor not fully utilizing their carryover inventory by November 30<sup>th</sup> by working with brokers and/or a representative of each food processor. The entitlement will not be returned for pounds swept.

It is the responsibility of the sponsor to ensure these pounds are utilized. Carryover pounds will be addressed when reviewing School Food Programs annual processing surveys; a sponsor's request may be reduced or deleted based on carryover inventory. Sponsors are to work with brokers and/or representatives of the food processor to develop a USDA Food specific plan for diversions based on sponsor's menu needs and potential carryover balances.

If you have questions regarding this memorandum, please contact Dawn Irvine at (602) 364-0714 or at dawn.irvine@azed.gov.

CC: USDA Foods Processors and USDA Foods Processing Brokers



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