**PASS THROUGH COMMODITY VALUE PRODUCTS**

A foodservice product manufacturer may process USDA commodities using the "substitution/ standard yield" alternative. This alternative enables the manufacturer to integrate USDA food purchases (commodities) as ingredients into a manufacturer's commercial branded products. All manufacturers have a right to submit a proposal to the Department of Agriculture under the substitution/standard yield alternative. The commodity value in a finished case is USDA's November file value times the amount of commodity integrated into the finished product. A document on file at and approved by the State Agency specifies the yield and commodity value per finished case.

Foodservice distributors have the option to use "net-off invoice"—a discount for commodity value in a finished product. A distributor using this option has modified its software to allow for credits and electronic transfers of critical data elements that provide a clear audit trail for compliance with state and federal regulations and transmittal of data to the State Agency, the end user, and the manufacturer.

NCDA&CS/FDD/CNP may elect to pursue use of the Net Off Invoice option to receive to the extent possible its A and B Entitlement values. (This option is addressed in 7 CFR 250.30 and has been endorsed for use in North Carolina by the State Agency Director.)

NCDA&CS/FDD/CNP will use the Net Off Invoice option to the extent the distributor's delivered price is responsive and deemed to be cost saving to NCDA&CS/FDD/CNP.

Please indicate what method, of Commodity Value Pass Through, you are using by placing a check by either item.

| | |
|---|---|
| Direct Discount | X |
| Net Off Invoice | X |
| Refund | X |
| Alternate Value Pass Through | |
| Fee For Service - billed by processor | X |
| Fee For Service – billed by distributor | |

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