

SUBJECT: Shipping and Receiving USDA Donated Commodities

A. Purpose. This policy establishes the procedures to be followed in shipping and receiving USDA donated commodities.

B. Scope. This policy applies to all recipient agencies (RAs), warehouses and food processors.

C. Authority.

1. FNS Instruction 709-5, Shipment and Receipt of Foods.
2. SERO, USDA Policy Memorandum Number 250.12-01, Delivery Order Contract Amendments and SERO memorandum of July 27, 1998, Subject: Contract Amendment Procedures defines the conditions under which a shipment of USDA commodities can be diverted from one warehouse to another warehouse.
3. SERO memorandum of June 10, 1998, Subject: Early Delivery Approval.
4. SERO memorandum of December 14, 2000 Subject: Warehouse Delivery of Damaged Commodities After Normal Working Hours.

D. Diversion of Shipments from One Warehouse to Another Warehouse.

1. Background. In one year, USDA processed over 1,100 contract amendments (requests for diverting shipments from one warehouse to another warehouse). These amendments create an extensive administrative burden on USDA and diminishes the good faith contractual obligations with USDA's vendors. A purchased delivery order creates a contractual obligation for USDA. Therefore, amendments must be kept to a minimum. Contract amendments add to the vendor's costs which results in higher prices for USDA. Vendors have a right to refuse a contract change.
2. Approved Shipment Diversions. SERO, USDA will approve shipment diversions only for the following reasons:
 - (a) The warehouse has exercised its termination clause in its contract with the Bureau or recipient agency.
 - (b) A change in food processor or its location.
 - (c) Unanticipated warehouse operational problems.
 - (d) Contracted warehouse relocates.

E. Destination Inspection of Fresh Fruits and Vegetables.

1. Background. During School Year (SY) 1996, the Agricultural Marketing Service (AMS) conducted a pilot program requiring destination inspections on fresh oranges, grapefruit, and potatoes. USDA has decided to continue this requirement for all fresh produce.
2. Inspections.
 - (a) Vendor Responsibility. Inspections will be performed by the Federal or Federal-State Inspection Service in accordance with the destination tolerances in the U.S. Grade Standards. **The vendor will be responsible for arranging and paying for the inspection.** AMS will work with the vendors if there are problems arranging for inspections at the destination. For example, if it is very expensive to fly an inspector to a destination, under certain conditions, arrangements can be made by the shipper to have the load inspected en route.
 - (b) Split Shipments. Split shipments are to be inspected at each stop unless arrangements can be made with AMS to allow inspection of the entire load at the first stop. When this occurs, the vendor is still responsible for arranging for the inspection and associated costs, including unloading and reloading the truck for shipment to the final destination.
 - (c) **Unloading Without an Inspection. If a shipment arrives and an inspector is not available, the warehouse is to go ahead and unload the shipment and immediately notify the Bureau. The following notation is to be written on the vendor's receipt or any other receiving document: "Product has been off-loaded but not accepted, pending inspection by USDA." The commodity can not be distributed before inspection.**
 - (d) Reinspection. The warranty period for handling fresh commodity complaints is 5 days with one day being the day the commodity was received. If after the initial inspection, it is detected that the commodity is unacceptable, the warehouse must call the Bureau immediately to arrange for a reinspection. The AMS inspector has to certify that the commodity is unfit within 5 days. AMS makes every effort to do the reinspection within 24 hours after receiving the request. If the request is made on the fifth day, it will be most difficult for the inspector to conduct the reinspection. Therefore, if a reinspection is needed, the request to the Bureau must be made as soon as possible after discovering that the commodity is unacceptable.

F. Inspection of Commodities Delivered by Rail, Truck, Piggyback or Pool Car.

1. Inspection Before and During Unloading. Each shipment must be carefully inspected before unloading begins to ascertain if there is any obvious overage, shortage or damage. It is imperative that an accurate count of the shipment be recorded during unloading.
2. Shipments of Canned Commodities Frozen in Transit. Exhibit I provides information and instructions for handling shipments that are frozen in transit.

G. Unloading Railroad Cars.

1. Unloading Responsibilities. Warehouses are responsible for completely unloading railroad cars. Dunnage must be removed and scrapped by the warehouse.
2. Free Time for Unloading. The warehouse must unload the railroad cars as quickly as possible. If railroad cars are detained at stopover or destination stations, there is a charge for all time over the free time allowed.
 - (a) At Stopover Station. The free time unloading a railroad car at the stopover station ranges between 24 and 48 hours, depending on the type of railroad car used. The free time is decided by the carrier.
 - (b) At Destination Station. The free time for unloading railroad cars at the destination station ranges between 24 and 72 hours, depending on the type of railroad car used. The free time is decided by the carrier.
3. Computation of Free Time for Unloading. Time will begin from the first 7:00 a.m. after placement of the car. Free time does not begin Saturday, Sunday or legal holidays. Therefore, if a car is placed after 7:00 a.m. on Friday, the free time allowed will begin on Monday at 7:00 a.m. unless Monday is a holiday, then the free time would begin on Tuesday at 7:00 a.m. An exception to this practice is a shipment received in cars with the identification code initials FGMR. FGMR is one of two sets of initials assigned to the Fruit Growers Express Company which is a railroad car supply company. Free time on cars identified with the initials FGMR begins at the placement of the car whatever the day.
4. Charges. All demurrage charges for detaining railroad cars beyond allowable free time is the responsibility of the warehouse. Secondly, charges for special services such as switching or additional consignment not provided in the shipping instructions or approved by Kansas City Commodity Office (KCCO) are the responsibility of the warehouse.
5. Records. It is important that warehouses maintain complete and accurate records on each rail shipment including the following information:

- (a) N/D Number, Contract Number and Delivery Order Number.
- (b) The name of the carrier.
- (c) Railroad car initial and number.
- (d) Date and time the carrier was notified of the arrival of the car.
- (e) Date and time the car was placed for unloading.
- (f) Date and time the car was released.
- (g) Date and time the car was removed from the siding.
- (h) Seal Number(s) and condition of the seal(s). If no seals, then enter on the record that there was no seal(s).

H. Unloading Trucks, Piggyback Trailers and Pool Car Trailers.

1. Appointments.

- (a) ASCS requests that trucking, piggyback and pool car companies give a 24-hour notice of arrival to warehouses. Without additional charges, truck and piggyback companies often prearrange schedules for arrival of the vehicles at the warehouse for unloading. This benefits both the trucking/piggyback company and the warehouse. **However, the trucking/piggyback companies are not obligated to make these appointments. If any trucker arrives at a State-contracted warehouse without making an unloading appointment, or does not give 24-hour notice of arrival to the warehouse, the warehouse must notify the Bureau. If it is a school-contracted commercial warehouse, the warehouse is to notify the school food service(s) involved. The school food service(s) will contact the Bureau if assistance is needed.** Sometimes a vendor will request permission to deliver the shipment before the Deliver Not Earlier Than (NET) date shown on the Forwarding Notice. Warehouses may agree to an early delivery; however, the warehouses are under no obligation to accept an early delivery.
- (b) The warehouse should try to unload the truck even if :
 - (1) The truck arrives without an unloading appointment.
 - (2) The trucking company calls for an unloading appointment less than 24 hours ahead of the delivery time.

(3) The truck is late for an appointment. Trucking companies normally work with warehouses in situations such as this. However, the time allowed for unloading the truck is governed by the trucker's detention rules. If trucks are not unloaded quickly, detention charges may accrue.

(c) **If the trucking, piggyback or pool car company cannot get an appointment due to the warehouse being unable to receive the shipment, the truck driver has the right to put the shipment into storage.** The time the driver is allowed to do so is at the trucker's option, but is usually done only if necessary. Tariff rules specify the time a trucking company will allow to elapse before exercising this option. If the trucking company has no established rule to cover its inability to get a delivery date for whatever reason, "reasonable time frames" govern. **If the shipment is put into storage, the State-contracted warehouse is responsible for any storage charges that may accrue. In instances involving a school food service-owned warehouse, the school food service is responsible. Cases involving a school food service-contracted commercial warehouse, the responsible party will be whoever is specified in the contract with the warehouse. The foregoing also applies to any shipment diversion to another warehouse that can accept the shipment.**

(d) If a warehouse does not make appointments, they must realize that the trucker's free time begins when the trailer arrives at the warehouse and, if not unloaded within the allowable free time, detention charges may accrue.

(e) Disputes that cannot be resolved between a State-contracted warehouse and truckers are to be submitted to the Bureau for resolution. If the Bureau cannot resolve a dispute, it will be forwarded to SERO, USDA for resolution. Disputes between school food service warehouses or school food service contracted warehouse will be resolved by the school food service(s) involved.

2. Free Time Allowance and Detention Charges. USDA allows the following free time for unloading trucks, piggybacks and pool cars at intermediate and final destinations:

Loads not on pallets. up to 6 hours

Loads on pallets. up to 2 hours

Full and split loads will be allowed the same free time. Exceptions for additional free time may be made by USDA. This free time allowance is computed from the time of arrival or time of scheduled unloading, whichever is later. Allowance for lunch is not normally allowed. Charges for detention of trucks, piggybacks and pool cars beyond

the free time allowed by USDA will be the responsibility of the warehouse. When a carrier allows less free time than established by USDA, any resulting detention charges will be paid by USDA. All such bills must be sent to the Bureau with an explanation about why the free time was reduced by the carrier.

Railroad companies allow free time for storage of piggyback trailers. The standard free time is usually 48 hours. If the piggyback trailer is not removed from the rail yard within the allowed free time, storage charges will accrue. If failure to remove the trailer from the rail yard was due to the warehouse being unable to schedule a delivery appointment within the allowed free time, the State-contracted warehouse or the school food service-contracted warehouse is responsible for any storage charges. In all other cases, the piggyback company is responsible for the detention charges.

I. Reporting Overages, Shortages or Damage in Commodity Shipments.

1. Notifying the Carrier's Agent. Warehouses must notify the carrier's agent immediately in person or by telephone upon discovery of an overage, shortage and/or damage followed by notification in writing. The carrier's agent could be the truck driver, railroad company or the piggyback company. Make a record of the person making the notification and the name and location of the person notified along with time and date. When a truck shipment is involved, have the driver sign the Form FNS-57 Report of Shipment Received Over, Short and/or Damaged (Exhibit M), if possible. Obtain a copy of the carrier's inspection report if one is used. A copy of the notification is to be submitted to the Bureau with the FNS-57.
2. Notifying Piggyback Companies. **When a piggyback shipment is involved, warehouses are required to immediately notify the piggyback company and not the local drayage company upon discovery of overage, shortage or damage.** The telephone number can be found on the Notice to Deliver (N/D). Also, Exhibit J is a list of piggyback companies used by USDA.
3. Inspection by Carrier's Agent. The carrier's agent in every transportation mode is obligated to make an inspection, when practicable, which must be done within 48 hours after notification. If the carrier's agent waives or fails to make an inspection, the warehouse's inspection will be accepted as the carrier's inspection. Unloading is not to be stopped while waiting for inspection whenever practical.
4. Failure to Notify the Carrier's Agent. Failure of the warehouse to properly notify the carrier's agent of over, short or damaged commodities is an acknowledgment by the warehouse that the shipment was received complete and in good condition.

J. Accepting a Shipment with Damaged Commodities.

1. During Normal Business Hours.

(a) Acceptance by the Warehouse. **A shipment that contains damaged commodities must be accepted by the warehouse unless the damage is to all or most of the shipment.** The Bureau must be contacted in order to decide if damage is to a major portion.

(b) Salvaging the Commodities.

(1) Salvage by the Carrier. Warehouses cannot rely on delivering carriers to salvage damaged commodities or dispose of food that is unfit for human consumption. However, carriers must be given the option to salvage or dispose of damaged commodities upon demand. The warehouse must obtain a receipt as proof that the salvage was turned over to the carrier. The receipt should show the total number of damaged cases received less the salvaged units and the net loss. The warehouse must also report any damage to the carrier as it usually does.

(2) Salvage by the Warehouse. Damaged commodities that are still fit for human consumption are to be salvaged and accepted for program use. The warehouse is responsible for recouping undamaged commodity units and destroying damaged commodity units. Therefore, if a case is damaged, the warehouse must remove the undamaged units and destroy the damaged units.

2. After Normal Business Hours. After normal business hours (8:00 a.m. to 5:00 p.m. EDT), Bureau staff is unavailable to receive calls from the warehouse reporting the receipt of damaged commodities. In these cases, the warehouse will have sole responsibility inspecting damaged commodities and assessing whether to accept all of the delivery order, a portion of the delivery order, or refusing to unload the entire delivery order. It is extremely important that the warehouse maintain proper documentation to justify the refusal of a portion or all of the delivery order. Otherwise, the warehouse may be held liable for any donated food losses and/or detention charges that occur as a result of a decision made concerning the acceptance or rejection of a delivery order after normal business hours. The warehouse must notify the Bureau by 9:00 a.m. the following morning.

K. Mandatory Destruction of Damaged Commodities. It is important that damaged commodities bearing USDA labels do not get into commercial outlets since their presence for sale raises questions as to the propriety of their being sold, and may result in expensive investigations. The warehouse is responsible for segregating the damaged units and disposing of them in an acceptable manner. An acceptable method is one consistent with industry practice and in compliance with all Federal, State and local laws and regulations including the regulations of the Federal Food, Drug and Cosmetic Act.

L. Reimbursement of Expenses in Salvaging Damaged Commodities or Unusual Unloading Expenses.

1. Normal Expenses. The following are not considered as additional expenses: (a) labor required in the normal course of unloading, (b) repair of bracing or leveling the cargo by any intermediate warehouse and (c) unloading dunnage, debris or any other material involved with unloading the shipment.
2. Additional Expenses. Additional expenses are costs that the warehouse incurs that are in addition to their normal expenses. Acceptable as additional expenses are: (a) charges assessed by the warehouse that are beyond normal handling and storage charges, (b) labor costs incurred specifically for reworking and repacking damaged commodities, (c) hauling costs incurred in the disposal of non-salvageable commodities and (d) labor for palletizing shipments contracted to be palletized.
3. Claims for Reimbursement. The warehouse must submit bills for reimbursement to the Bureau with an explanation as to why there are additional charges involved in unloading the shipment.

M. Rejection of the Total Shipment.

1. Unacceptable Commodities. When the initial examination of a shipment shows that all or most of it is out of condition (e.g., frozen beef patties arriving at the warehouse with an internal temperature above 0°F) or excessively damaged (e.g., 1/2 or more of the load is obviously damaged), the warehouse must report by telephone to the Bureau explaining why the shipment should not be accepted. The Bureau will provide this information to USDA for a final decision.
2. Inspection. If the USDA agrees with the initial report, they will direct the warehouse to obtain an inspection by a qualified inspector. If the findings of the inspection confirm the initial examination, the shipment will be held and reported to the Bureau.
3. Inspection Report. The report submitted by the warehouse to the Bureau on a refused shipment must, as a minimum, include the following information.
 - (a) The Delivery Order Number, the contract number and the N/D number.
 - (b) The railroad car number and initial, piggyback trailer number or the truck/trailer identification.
 - (c) The name of the shipper, the origin of the shipment and the date shipped.
 - (d) The date and time that the shipment was received.

- (e) A full explanation of the problem and the number of cases involved.
- (f) If obvious, the cause of the unacceptable condition (e.g., wrecked container, fire, temperature unit not operating, etc.).
- (g) How the shipment is being protected from further damage.
- (h) The name, title, telephone number and location of the carrier's agent who was notified along with the agent's response.
- (i) Name, title and telephone number of the warehouse contact person.

4. Accepting Shipments After Normal Working Hours. See Paragraph J.2.

N. Replacement of Commodities That are Out of Condition on Delivery.

1. USDA will replace donated foods received by the Bureau when:
 - (a) The warehouse documents that the donated foods were stale, spoiled, out of condition or not in compliance with USDA specifications at the time they are delivered by USDA.
 - (b) The loss is reported to USDA within three months of the date that the donated foods were received in the warehouse, except that the reporting period for canned commodities is six months after receipt.
 - (c) The warehouse provides a receipt or other acceptable written documentation that the commodities were received.
 - (d) If requested by USDA, documentation that the product was reinspected and has been detected to be stale, spoiled, out of condition or not in compliance with USDA specifications.
 - (e) When a school food service warehouse or school food service commercially contracted warehouse is involved, the school food service is responsible for gathering the information and submitting it to the Bureau.
2. Replacement by the vendor shall be made with either the same or similar food agreed to by USDA. Physical replacement shall be on a per-pound or per-case basis.
3. Replacement by USDA shall be with either the same or similar food or by crediting the State's entitlement. Physical replacement will be on a per-pound or per-case basis. An entitlement credit will be equal to the dollar value or the number of pounds

deducted from the State's entitlement for that shipment. USDA will arrange for delivery of the replacement foods when the quantities to be replaced are sufficient to be cost-effective. After USDA has replaced the food, the Bureau will arrange for providing replacement food to the recipient agency that incurred the loss.

O. General Unloading Responsibilities.

1. Preparing Commodities for Shipment.
 - (a) Unitized Commodities. Unitized commodities are commodities that are bound on pallets. Being bound means stretch wrapped or secured with either metal or plastic straps. Group A Commodities. All Group A commodities are unitized except for bulk chicken and turkey going to processors, dehydrated potatoes and egg mix.
 - (b) Group B Commodities. All Group B commodities are unitized with the exception of adult cereal products.
 - (c) Slipsheets. In some cases, the dehydrated potatoes, egg mix and cereal products may be shipped on slipsheets. The warehouse is responsible for unloading these shipments without assistance from the truck driver.
2. Palletized Loads. Warehouses are liable for the unloading of palletized loads even if they do not have the proper equipment to handle pallets. Dunnage must be removed and disposed of by the warehouse. If the warehouse requests a driver to restock the commodity onto pallets or provide other labor concerning the unloading, the carrier normally charges for these services. The warehouse is responsible for these charges.
3. Non-Palletized Loads. The driver is responsible for unloading to the tailgate on non-palletized shipments. However, if the driver and warehouse agree, the driver may put the commodity pallets within the truck for removal by forklift.
4. Pallet Exchange. **Pallet exchange is encouraged but is not required.** It is at the option of the warehouse and should be made in advance. Drivers requesting unloading appointments should be asked by the warehouse at that time if an exchange of pallets is desired.

P. Form Used in Receiving USDA Commodities.

Forwarding Notice. The Forwarding Notice, Form KC 269 (Exhibit L –Electronic Notice), provides advance notice to the Bureau that the commodity is being prepared for shipment by the Kansas City Commodity Office (KCCO). One copy of the Forwarding Notice is electronically sent to the Bureau. The Bureau will provide the warehouse/processor with one copy of the Forwarding Notice notifying them of the

pending shipment. Upon receiving the required documentation from the warehouse/processor described in Paragraph Q below, the Bureau will complete Section III, Distributing Agency Consignee Receipt, of the KC 269 and send to KCCO.

Q. Electronic Commodity Receipting Responsibilities.

1. Once commodities are received at the warehouse/processor, the warehouse/processor must enter the receive shipment information into ECOS within 24 hours or receipt. If needed, Form FNS-57, Report of Shipment Over, Short and/or Damaged (Exhibit M) must be completed and forwarded to the Bureau. When all required information is entered into ECOS, the status code, as described in (Exhibit K), will change to reflect the current status of the shipment. It is the RAs responsibility to monitor all ECOS reports in order to track the status of their commodities.
2. It is very important that the warehouse/processor record the receipt of commodities in ECOS within the time frame allowed and promptly place it on the RAs account so the school food service(s) can be notified that the commodity(s) is in and ready for delivery. If the warehouse fails to record the receipt in a timely fashion, the free storage period allowed by the warehouse will elapse and the school food service(s) will have to begin paying storage charges as well as being deprived the use of the commodity(s). The Bureau will work with State-contracted warehouses to ensure that they comply with the requirement. However, school food services with their own warehouses or contracts with commercial warehouses must ensure that the warehouses are complying with this requirement.
3. RAs should allow at least 3 days from the date a shipment is received at the warehouse for it to be placed in their account. Once the commodity is placed in an RA's inventory, it is available for delivery to the RA.