

**U.S. Department of Agriculture  
Food and Nutrition Service  
Administrative Review Branch  
Alexandria, VA 22302**

**AANTA 51 LLC,**

**Appellant,**

**v.**

**Retailer Operations Division,**

**Respondent.**

**Case Number: C0206019**

**FINAL AGENCY DECISION**

It is the decision of the U.S. Department of Agriculture, Food and Nutrition Service (FNS), that there is sufficient evidence to support a finding that AANTA 51 LLC (hereinafter “Appellant”) was properly denied authorization to participate in the Supplemental Nutrition Assistance Program (SNAP) by the Retailer Operations Division, Retailer Operations Branch, hereinafter “ROD Office.”

**ISSUE**

The issue accepted for review is whether the ROD Office took appropriate action, consistent with 7 C.F.R. § 271.2, § 278.1(b)(1) and § 278.1(k)(2) when it made the decision to deny the application by Appellant for authorization to participate in the SNAP.

**AUTHORITY**

7 U.S.C. § 2023 and the implementing regulations at 7 C.F.R. § 279.1 provide that “A food retailer or wholesale food concern aggrieved by administrative action under § 278.1, § 278.6 or § 278.7 . . . may file a written request for review of the administrative action with FNS.”

**CASE CHRONOLOGY**

The record reflects that on November 29, 2017, **5 U.S.C. § 552 (b)(6) & (b)(7)(C)** signed as President of AANTA 51 LLC an application for authorization to participate in the SNAP. A store visit was conducted on January 3, 2018. Appellant was subsequently advised in a letter dated January 12, 2018 of the Department's decision to deny the application. The regulatory

bases given for that denial were 7 C.F.R. § 278.1(b)(1) and § 278.1(k)(2). On January 19, 2018, Appellant requested an administrative review of this action. The request was granted.

## STANDARD OF REVIEW

In appeals of adverse actions an appellant bears the burden of proving by a preponderance of the evidence that the administrative actions should be reversed. That means an appellant has the burden of providing relevant evidence which a reasonable mind, considering the record as a whole, might accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true.

## CONTROLLING LAW

The controlling statute in this matter is contained in the **Food & Nutrition Act of 2008**, as amended, at 7 U.S.C. § 2018 and in Part 278 of Title 7 of the Code of Federal Regulations (CFR). 7 U.S.C. § 2018, 7 C.F.R. § 271.2, § 278.1(b)(1) and § 278.1(k)(2) establish the authority upon which a retail food store or wholesale food concern may be denied authorization to participate in the SNAP. There also exist FNS policy memoranda and clarification letters which further explain the conditions necessary for stores to qualify for participation in the SNAP.

7 C.F.R. § 271.2 states, in part:

**Retail Food Store** means: An establishment or house-to-house trade route that sells food for home preparation and consumption normally displayed in a public area, and either offers for sale qualifying staple food items on a continuous basis, evidenced by having no fewer than three different varieties of food items in each of four staple food categories with a minimum depth of stock of three stocking units for each qualifying staple variety, including at least one variety of perishable foods in at least two such categories, (Criterion A)...or has more than 50 percent of its total gross retail sales in staple foods (Criterion B)...Entities that have more than 50 percent of their total gross sales in: food cooked or heated on-site by the retailer before or after purchase; and hot and/or cold prepared foods that are consumed on the premises or sold for carry-out, are not eligible for SNAP participation as retail food stores...

And

Accessory food items include foods that are generally considered snack foods or desserts such as, but not limited to, chips, ice cream, crackers, cupcakes, cookies, popcorn, pastries, and candy, and other foods that complement or supplement meals, such as, but not limited to, coffee, tea, cocoa, carbonated and uncarbonated drinks, condiments, spices, salt and sugar. Accessory food items shall not be considered staple foods for the purposes of determining the eligibility of any firm.

7 C.F.R. § 278.1(a) states:

FNS shall approve or deny the application within 45 days of receipt of a completed application. A completed application means that all information (other than an on-site visit) that FNS deems necessary in order to make a determination on the firm's application has been received.

7 C.F.R. § 278.1(b)(1)(ii) further stipulates, in part:

Application of Criterion A. In order to qualify under this criterion, firms shall: Offer for sale and normally display in a public area, qualifying staple food items on a continuous basis, evidenced by having, on any given day of operation, no fewer than three different varieties of food items in each of the four staple food categories with a depth of stock of three stocking units for each qualifying staple variety and at least one variety of perishable foods in at least two staple food categories.

7 C.F.R. § 278.1(b)(1)(iii) states, in part:

Application of Criterion B: In order to qualify under this criterion, firms must have more than 50 percent of their total gross retail sales in staple food sales. Total gross retail sales must include all retail sales of a firm, including food and non-food merchandise, as well as services, such as rental fees, professional fees and entertainment/sports/games income.

7 C.F.R. § 278.1(b)(1)(ii)(C) states, in part:

...Variety of foods is not to be interpreted as different brands, nutrient values, flavorings, packaging types or styles or package sizes of the same or similar foods.

...Accessory foods shall not be counted as staple foods for the purposes of determining eligibility to participate in the SNAP as a retail food store.

7 C.F.R. § 278.1(b)(1)(iv) states, in part, ineligible firms under this paragraph include:

...specialty doughnut shops or bakeries not selling bread.

...firms that are considered to be restaurants, that is, firms that have more than 50 percent of their total gross sales in foods cooked or heated on-site by the retailer before or after purchase; and hot and/or cold prepared foods not intended for home preparation or consumption, including prepared foods that consumer on the premises or sold for carryout, shall not qualify for participation as retail food stores under Criterion A or B.

7 C.F.R. § 278.1(k)(1) and (2) state, in part:

FNS shall deny the application of any firm if it determines that:

The firm does not qualify for participation in the program as specified in paragraph (b), (c), (d), (e), (f), (g), (h) or (i) of this section; or The firm has failed to meet the eligibility requirements...under Criterion A or Criterion B....Any firm that has been denied authorization on these bases shall not be eligible to submit a new application for authorization in the program for a minimum period of six months from the effective date of the denial.

7 C.F.R. § 278.1(l)(1)(ii) states, in part:

FNS shall withdraw the authorization of any firm that fails to meet the specifications of paragraph (b), (c), (d), (e), (f), (g), (h) or (i) of this section.

### **APPELLANT'S CONTENTIONS**

In its written request for review dated January 19, 2018, and in subsequent correspondence, Appellant provided information in which it was argued that:

1. On the day of the store visit the firm had run out of dairy products and was waiting on a delivery.
2. The firm normally stocks dairy items and provides copies of invoices in support thereof.

### **ANALYSIS AND FINDINGS**

The record reflects that a contracted store visit to Appellant's firm was conducted on January 3, 2018. Documentation generated as a result of that visit includes photographs of the firm's interior and exterior, a store layout diagram and a store inventory survey reflecting that the firm had ample varieties of staple food stock in the breads and cereals category, in the meats/poultry/fish category and in the fruits and vegetables category but had an inadequate stock of staple food in the dairy category, thus failing to qualify under Criterion A. The ROD Office duly requested additional information in order to determine if the firm normally maintained an adequate variety of staple foods in the dairy category; information Appellant provided in response failed to demonstrate same, thus failing to qualify under Criterion A. Appellant's application to participate in the SNAP indicated that the firm's staple food sales did not exceed 50 percent of gross retail sales (Appellant had indicated staple foods comprised 7% of total gross sales). As staple food sales must comprise more than 50 percent of a firm's gross retail sales, the store was ineligible for authorization under Criterion B. It is additionally noted that the Appellant firm maintained a considerable stock of prepared, ready-to-eat foods and accessory food items (such as carbonated/uncarbonated beverages, candy, coffee, tea, condiments, etc.), which are not considered staple food for the purposes of the SNAP. In addition, the firm maintained a substantial inventory of tobacco and tobacco-related products, alcohol, lottery tickets, automotive products, paper goods, cleaning products and other non-food items. Moreover, the firm operated as a gas station; thus the store visit further corroborated that staple food sales could not have reasonably exceeded 50% of gross sales.

In regard to contention 1, it is acknowledged that extenuating circumstances may have contributed to the level and composition of staple food inventory observed at the firm on the day of the store visit; however, there is no provision in the statute or regulations which allows such considerations to warrant a reversal of a denial decision correctly made. Additionally, as noted above, 7 C.F.R. § 278.1(k)(1) and (2) clearly provides that FNS shall deny the application of any firm if it determines that the firm does not qualify for participation in the program as specified in paragraph (b), (c), (d), (e), (f), (g), (h) or (i) of this section, or the firm has failed to meet the eligibility requirements...under Criterion A and B.

The authorization of a store to participate in the SNAP must be in accord with the Act and the Regulations, as amended; those requirements of law cannot be waived. The SNAP regulations at §278.1(b)(1)(ii) are clear (with emphasis added) that, under Criterion A, a firm shall “offer for sale ... qualifying staple food items on a continuous basis, evidenced by having, on any given day of operation, no fewer than three different varieties of food items in each of the four staple food categories. The store was deficient in one of the four staple food categories on the day of the visit, and, therefore, did not offer qualifying staple foods on a *continuous* basis. Likewise, the firm could not reasonably have qualified under Criterion B. Appellant has provided insufficient information and/or documentation demonstrating that the firm qualified to participate in the SNAP at the time of the store visit and the resulting SNAP Office decision to deny the firm’s application.

Regarding contention 2 above, invoices provided to the ROD Office were dated after the store visit and, as such, could not be considered a reliable indicator of inventory held at an earlier time. Invoices provided in support of the review request, while some were dated prior to the store visit, reflected the purchase of milk only; as noted, three varieties of staple foods are required in each category. Appellant had only two varieties (milk and ice cream). Invoices dated after the store visit were provided; although they reflected the purchase of margarine/butter and cheese, also dairy items. However, as in Appellant’s documentation provided to the ROD Office, invoices dated after the store visit date cannot be viewed as a reliable indicator of inventory held at an earlier time.

## CONCLUSION

In view of the above, it is my determination that the ROD Office’s denial of Appellant’s application for authorization to participate in the SNAP is in accord with the law and regulatory provisions at 7 U.S.C. § 2018, 7 C.F.R. § 271.2, § 278.1(b)(1) and § 278.1(k). The denial, therefore, is sustained. However, it is noted that the six-month waiting period following denial stipulated by the **Food and Nutrition Act of 2008** (Sec. 9(d)) and the regulations at § 278.1(k)(2) will elapse on July 12, 2018; accordingly, Appellant may reapply for participation in the SNAP up to 10 days prior to that date.

## **RIGHTS AND REMEDIES**

Applicable rights to a judicial review of this decision are set forth in 7 U.S.C. § 2023 and 7 CFR § 279.7. If a judicial review is desired, the complaint must be filed in the U.S. District Court for the district in which Appellant's owner resides, is engaged in business, or in any court of record of the State having competent jurisdiction. This complaint, naming the United States as the defendant, must be filed within thirty (30) days of receipt of this decision.

Under the provisions of the Freedom of Information Act (FOIA), FNS is releasing this information in a redacted format as appropriate and will protect, to the extent provided by law, personal information that could constitute an unwarranted invasion of privacy.

DANIEL S. LAY  
Administrative Review Officer

March 16, 2018