

**U.S. Department of Agriculture  
Food and Nutrition Service  
Administrative Review Branch**

**Danny’s Package Liquor & SFD MKT,**

**Appellant,**

**v.**

**Retailer Operations Division,**

**Respondent.**

**Case Number: C0233135**

**FINAL AGENCY DECISION**

It is the decision of the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS), that there is sufficient evidence to support the determination by the Retailer Operations Division to withdraw the authorization of Danny’s Package Liquor & SFD MKT (Appellant) to participate as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP).

**ISSUE**

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with Title 7 of the Code of Federal Regulations (CFR) part 278, in its administration of the SNAP when it withdrew the authorization of the Appellant to participate in the SNAP as an authorized retailer.

**AUTHORITY**

7 USC § 2023 and the implementing regulations at 7 CFR § 279.1 provide that a food retailer 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 Appellant submitted a reauthorization form FNS-252-R, entitled *Supplemental Nutrition Assistance Program Reauthorization Application for Stores* which was signed on October 14, 2019. The information provided to the Retailer Operations Division reports that 0 percent of the firm’s gross retail sales were in staple foods, 20 percent were in accessory foods, 14 percent were in non-foods, and 66 percent were in hot and cold prepared foods. On November 23, 2019, an on-site store visit was conducted by an FNS contractor in an effort to evaluate the firm’s conditions and inventory. The store visit observations indicate that the Appellant firm is primarily a restaurant because more than 50 percent of its total gross retail sales are from “heated

foods” and/or “prepared foods.” “Heated foods” are foods cooked or heated by the retailer before or after purchase. “Prepared foods” are hot or cold foods not intended for home preparation and/or home consumption, including prepared foods that are consumed on the premises or sold for carryout.

In a letter dated December 11, 2019, the Retailer Operations Division informed the Appellant that based on the November 23, 2019 store visit record, in conjunction with information submitted on the Appellant’s application for reauthorization, the firm has a significant prepared food operation and appears to operate primarily as a restaurant, in that a majority of the firm’s total gross retail sales are in hot food (heated by your firm before or after purchase) and/or cold foods prepared on site. As such, in order to verify the eligibility of the Appellant business as an eligible retail food store, the Retailer Operations Division requested that the Appellant provide the following documents:

5 U.S.C. § 552 (b)(7)(E).

In addition, the Retailer Operations Division requested the Appellant submit the following:

5 U.S.C. § 552 (b)(7)(E).

The Appellant was informed that it had 10 days, from receipt of the December 11, 2019 letter, to provide the requested documentation. The record reflects that on December 23, 2019, the Retailer Operations Division received the requested documents 5 U.S.C. § 552 (b)(7)(E).

After considering the information provided by the Appellant and the store visit record, the Retailer Operations Division informed the Appellant, by letter dated July 1, 2020, that its SNAP authorization was being withdrawn because it did not meet the definition and requirements of a retail food store as set forth in Sections 271.2 and 278.1(b)(1) of the SNAP regulations and is therefore, ineligible to participate in the SNAP as an authorized retailer. Specifically, the letter stated that the Appellant firm was a restaurant because more than 50 percent of its total sales were in the sale of hot and/or cold prepared foods not intended for home preparation and consumption.

In a letter postmarked July 21, 2020, the Appellant, through counsel, appealed the Retailer Operations Division’s decision and requested an administrative review of this action. The request for review was granted by letter dated August 4, 2020, and implementation of the withdrawal has been held in abeyance pending completion of this review. In a letter dated August 24, 2020, the Appellant, through counsel, provided additional information in support of the request for administrative review.

### **STANDARD OF REVIEW**

In appeals of adverse actions, the Appellant bears the burden of proving by a preponderance of the evidence, that the administrative actions should be reversed. That means the Appellant has the burden of providing relevant evidence which a reasonable mind, considering the record as a

whole, would accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true.

## **CONTROLLING LAW AND REGULATIONS**

The controlling statute in this matter is contained in the Food and Nutrition Act of 2008, as amended, 7 USC § 2018 and § 278 of Title 7 of the Code of Federal Regulations (CFR). In particular, 7 CFR § 278.1(l)(1) and § 278.1(k)(2) establish the authority upon which FNS shall withdraw the SNAP authorization of any firm which fails to meet established eligibility requirements.

7 CFR § 271.2 reads, in part: Staple food means those food items intended for home preparation and consumption in each of the following four categories: Meat, poultry, or fish; bread or cereals; vegetables or fruits; and dairy products . . . 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 food items that complement or supplement meals, such as, but not limited to, coffee, tea, cocoa, carbonated and uncarbonated drinks, condiments, spices, salt, and sugar . . . A food product containing an accessory food item as its main ingredient shall be considered an accessory food item. Accessory food items shall not be considered staple foods for purposes of determining the eligibility of any firm.

7 CFR § 278.1(l)(1) reads, in part: FNS may withdraw the authorization of any firm authorized to participate in the program for any of the following reasons:

- (A) The firm's continued participation in the program will not further the purposes of the program;
- (B) The firm fails to meet the specification of paragraph (b), (c), (d), (e), (f), (g), (h), or (i) of this section;
- (C) The firm fails to meet the requirements for eligibility under Criterion A or B, as specified in paragraph (b)(1)(i) of this section...for the time period specified in paragraph (k)(2) of this section.

7 CFR § 278.1(k)(1) Denying authorization, references 7 CFR § 278.1(b)(1)(iv) ineligible firms, which reads, in part:

Firms that are considered to be restaurants, that is, firms that have more than 50 percent of their total gross retail sales in hot and/or cold prepared foods not intended for home preparation and consumption, shall not qualify for participation as retail food stores under Criterion A or B. This includes firms that primarily sell prepared foods that are consumed on the premises or sold for carryout.

7 CFR § 278.1(k)(2) reads, in relevant part: FNS shall deny the application of any firm if it determines that:

(2) The firm has failed to meet the eligibility requirements for authorization under Criterion A or Criterion B, as specified in paragraph (b)(1)(i) of this section.... 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 CFR § 278.1(b)(1)(i) states, in part:

An establishment...shall...effectuate the purposes of the program if it sells food for home preparation and consumption and meets one of the following criteria: Offer for sale, on a continuous basis, a variety of qualifying foods in each of the four categories of staple foods...including perishable foods in at least two of the categories (Criterion A); or have more than 50 percent of the total gross retail sales of the establishment...in staple foods (Criterion B).

7 CFR § 271.2 states, in part:

Entities that have more than 50 percent of their total gross retail sales in: Food cooked or heated on-site by the retailer before or after purchase; and hot and/or cold prepared foods not intended for home preparation and consumption, including prepared foods that are consumed on the premises or sold for carry-out are not eligible for SNAP participation as retail food stores under § 278.1(b)(1) of this chapter.

7 CFR § 278.1(b)(1)(iv) states, in part:

...Ineligible firms under this paragraph include, but are not limited to, stores selling only accessory foods, including spices, candy, soft drinks, tea, or coffee; ice cream vendors selling solely ice cream; and specialty doughnut shops or bakeries not selling bread. In addition, 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 and consumption, including prepared foods that are consumed on the premises or sold for carryout, shall not qualify for participation as retail food stores under Criterion A or B. [Emphasis added.]

### **APPELLANT'S CONTENTIONS**

The following represents a brief summary of the Appellant's contentions in this matter. Please be assured, however, that in reaching a decision, full attention and consideration was given to all contentions presented, including any not specifically recapitulated or specifically referenced herein.

In the request for administrative review and in subsequent correspondence, the Appellant, through counsel, made the following summarized contentions, in relevant part:

- The Appellant is not a restaurant, and less than 50% of its total gross retail sales are from heated or prepared foods.
- As required by USDA, a retail food store must “have more than 50 percent of the total gross retail sales of the establishment in staple foods.” 7 CFR § 278.1(b)(1)(i)(A). Allowed methods of computation are “record keeping methods that are customary or reasonable in the retail food industry.” *Id at (B)*.
- Both spreadsheets and receipts are submitted as supporting documents, as are customary and reasonable in the retail food industry, which detail that more than 50% of the gross retail sales of the Appellant are in staple foods.
- As provided, the staple foods equate to roughly 59 percent of the total of all sales at the Appellant, making the remaining percentage of the total sales at 41 percent. Thus, it is conclusively shown that the Appellant has complied with the SNAP program requirements under the pertinent regulations and should be reinstated for participation in the SNAP.

In support of these contentions, the Appellant, through counsel, submitted the following information for review:

- Sales summary for July 2020;
- Z-tapes July 2020;
- Hand-written sales summary.

### **ANALYSIS AND FINDINGS**

The purpose of this review is to validate or to invalidate the determination of the Retailer Operations Division, and as such it is limited to consideration of the relevant facts at the time of the decision. 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 Appellant contends that, based on the supporting documentation provided, the firm is not a restaurant as staple foods equate to roughly 59 percent of the total of all sales at the Appellant, making the remaining percentage of the total sales at 41 percent.

The firm’s SNAP authorization was withdrawn because it was determined the business did not meet the definition and requirements of a retail food store as set forth in Sections 271.2 and 278.1(b)(1) of the SNAP regulations. This decision was based on information on the reauthorization application submitted by the owner, an onsite visit by FNS-contracted staff, additional information provided by the Appellant, and analysis by the Retailer Operations Division. The evidence under review supports that the firm did not meet SNAP eligibility criteria to be an authorized retail food store when it was withdrawn.

In accordance with the regulations, 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 are consumed on the premises or sold for carryout, shall not qualify for participation as retail food stores under Criterion A or B. This

includes firms that primarily sell prepared foods that are consumed on the premises or sold for carryout.

There is no evidence in the inspection report and photographs of the November 23, 2019 store visit, nor in the information provided by the Appellant, that indicates that Danny's Package Liquor & SFD MKT is not primarily a restaurant. The Appellant's SNAP reauthorization application and additional documents provided to the Retailer Operations Division indicate that more than 50 percent of the firm's gross retail sales were in hot and cold prepared foods. The kitchen area and signage in the store shows that the store sells a variety of hot foods and cold prepared foods (boiled seafood, pig's feet, turkey necks, and sausage, gumbo, etc.). **5 U.S.C. § 552 (b)(7)(E)**. Therefore, by definition the Appellant is an ineligible firm.

There is sufficient evidence to support the Retailer Operations Division's determination to withdraw the authorization of Danny's Package Liquor & SFD MKT to participate as an authorized retailer in the SNAP because it did not meet the necessary criteria to be eligible for SNAP participation. The business does not operate as a retail food business within the meaning of the SNAP regulations at Part 271.2 (definition of a retail food store) and is ineligible for SNAP authorization under 7 CFR § 278.1 (b)(1)(iv).

## **CONCLUSION**

After review of all the documentation in the record, the decision by the Retailer Operations Division to withdraw the authorization of Danny's Package Liquor & SFD MKT to participate in the SNAP as a retail food store is sustained. The preponderance of the evidence supports that the Appellant is an ineligible firm as per the definition cited herein. Ineligible firms shall not qualify for participation as retail food stores under Criterion A or B. This includes firms that primarily sell prepared foods that are consumed on the premises or sold for carryout. In accordance with the Food and Nutrition Act of 2008, as amended, and the SNAP regulations, the withdrawal of Danny's Package Liquor & SFD MKT shall become effective 30 days after receipt of this letter.

## **RIGHTS AND REMEDIES**

Your attention is called to Section 14 of the Food and Nutrition Act (7 U.S.C. 2023) and to Section 279.7 of the Regulations (7 CFR § 279.7) with respect to your right to a judicial review of this determination. Please note that if a judicial review is desired, the Complaint, naming the United States as the defendant, must be filed in the U.S. District Court for the district in which you reside or are engaged in business, or in any court of record of the State having competent jurisdiction. If any Complaint is filed, it must be filed within thirty (30) days of receipt of this Decision.

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

LORIE L. CONNEEN  
ADMINISTRATIVE REVIEW OFFICER

September 9, 2020