

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

**Lowville Food Mart,**

**Appellant,**

**v.**

**Case Number: C0211534**

**Retailer Operations Division,**

**Respondent.**

**FINAL AGENCY DECISION**

The USDA, Food and Nutrition Service (FNS) finds that there is sufficient evidence to support the decision of the Retailer Operations Division to deny the application of Lowville Food Mart to participate as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP). As a result, the Appellant may not reapply for six months from the effective date of the denial decision.

**ISSUE**

The issue accepted for review is whether the Retailer Operations Division took appropriate action, consistent with 7 CFR § 278.1(b)(1) and 7 CFR § 278.1(k), when it denied the application of the Appellant to participate as an authorized SNAP retailer.

**AUTHORITY**

7 U.S.C. § 2023 and its implementing regulations at 7 CFR § 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 Appellant applied to participate in the SNAP as an authorized retailer on April 20, 2018. In a letter dated July 18, 2018, the Retailer Operations Division informed the Appellant that the store was deficient in that it did not carry three (3) stocking units in at least three (3) varieties of staple food in the Dairy category and therefore did not meet eligibility Criterion A. The Retailer Operations Division also determined that the store failed to meet eligibility Criterion B because the store's staple food sales comprised 50 percent or less of its annual gross retail sales. Lastly, the store did not meet the need for access provision at 7 CFR § 278.1(b)(6). Therefore, the store's application was denied.

In a letter postmarked July 31, 2018, the Appellant requested an administrative review of the Retailer Operation Division's denial of its SNAP application. The request for administrative review 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 AND REGULATIONS**

The controlling law in this matter is found in the Food and Nutrition Act of 2008, as amended (7 U.S.C. § 2018), and promulgated through regulation under Title 7 CFR Part 278. In particular, 7 CFR § 278.1(k) provides the authority upon which FNS shall deny the authorization of any firm applying for participation in SNAP if it fails to meet established eligibility criteria.

7 CFR § 278.1(k) 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 ....

7 CFR § 271.2 defines a retail food store, in part, as:

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 the 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) as set forth in § 278.1(b)(1) of this chapter, or has more than 50 percent of its total gross retail sales in staple foods (Criterion B) as set forth in § 278.1(b)(1) of this chapter as determined by visual inspection, marketing structure, business licenses, accessibility of food items offered for sale, purchase and sales records, counting of stockkeeping units, or other inventory or accounting recordkeeping methods that are

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\* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>.

customary or reasonable in the retail food industry as set forth in § 278.1(b)(1) of this chapter....

7 CFR § 271.2 defines staple food, in part, as:

... 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... Hot foods are not eligible for purchase with SNAP benefits and, therefore, do not qualify as staple foods for the purpose of determining eligibility under § 278.1(b)(1) of this chapter. Commercially processed foods and prepared mixtures with multiple ingredients that do not represent a single staple food category shall only be counted in one staple food category. For example, foods such as cold pizza, macaroni and cheese, multi-ingredient soup, or frozen dinners, shall only be counted as one staple food item and will be included in the staple food category of the main ingredient as determined by FNS. 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. Items shall not be classified as accessory food exclusively based on packaging size but rather based on the aforementioned definition and as determined by FNS. 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(b)(1)(i)(A) reads, in part,

An establishment...will 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 § 278.1(b)(1)(ii) states in part:

In order to qualify under [Criterion A] firms shall:

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\* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>.

(A) 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 minimum 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.

Documentation to determine if a firm stocks a sufficient amount of required staple foods to offer them for sale on a continuous basis may be required in cases where it is not clear that the firm has made reasonable stocking efforts to meet the stocking requirement. Such documentation can be achieved through verifying information, when requested by FNS, such as invoices and receipts in order to prove that the firm had ordered and/or received a sufficient amount of required staple foods up to 21 calendar days prior to the date of the store visit...

(B) Offer for sale perishable staple food items in at least [two\*] staple food categories. Perishable foods are items which are either frozen staple food items or fresh, unrefrigerated or refrigerated staple food items that will spoil or suffer significant deterioration in quality within 2-3 weeks; and

(C) [Offer a variety of staple foods which means different types of foods, such as apples, cabbage, tomatoes, and squash in the fruit or vegetable staple food category, or milk, cheese, butter and yogurt in the dairy category. Variety of foods is not to be interpreted as different brands, different nutrient values, different varieties of packaging, or different package sizes. Similar processed food items with varying ingredients such as, but not limited to, sausages, breakfast cereals, milk, sliced breads, and cheeses, and similar unprocessed food items, such as, but not limited to different varieties of apples, cabbage, tomatoes, or squash shall not each be considered as more than one staple food variety for the purpose of determining variety. Multiple ingredient food items...such as...cold pizza, macaroni and cheese, soup, or frozen dinners, shall only be counted as one staple food variety each and will normally be included in the staple food category of the main ingredient as determined by the FNS.\*]

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

In order to qualify under [Criterion B] 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 CFR § 278.1(k)(2) states, in part:

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\* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>.

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)(6) states in part:

Need for access. FNS will consider whether the applicant firm is located in an area with significantly limited access to food when the applicant firm fails to meet Criterion A per paragraph (b)(1)(ii) or Criterion B per paragraph (b)(1)(iii) of this section so long as the applicant firm meets all other SNAP authorization requirements. In determining whether an applicant is located in such an area, FNS may consider access factors such as, but not limited to, the distance from the applicant firm to the nearest currently SNAP authorized firm and transportation options. In determining whether to authorize an applicant despite its failure to meet Criterion A and Criterion B, FNS will also consider factors such as, but not limited to, the extent of the applicant firm's stocking deficiencies in meeting Criterion A and Criterion B and whether the store furthers the purposes of the Program. Such considerations will be conducted during the application process ....

### **APPELLANT'S CONTENTIONS**

The Appellant, through counsel, made the following summarized contentions in its request for administrative review, in relevant part:

- Following the store visit, the Retailer Operations Division requested additional information within ten (10) days of receipt of its letter dated July 9, 2018. In a letter dated July 16, 2018, the Appellant's counsel requested additional time for the owner to complete the store inventory and provide invoices/receipts as evidence.
- The Appellant then received a letter dated July 18, 2018 denying the application. The denial letter was issued before the end of the ten (10) day period.
- The owner did complete his store inventory within a week of July 16, 2018 and requests that the store be scheduled for another inspection.

The preceding may represent only a brief summary of the Appellant's contentions in this matter. However, in reaching a decision, full attention and consideration has been given to all contentions presented, including any not specifically recapitulated or specifically referenced herein.

### **ANALYSIS AND FINDINGS**

#### **Criterion A**

Under new regulations implemented on January 17, 2018, to meet Criterion A, a firm must carry no fewer than three (3) different varieties of staple food in each of the four (4) staple food categories with a minimum depth of stock of three (3) stocking units for each qualifying variety and at least one (1) variety of perishable foods in at least two (2) staple food categories. In

addition, the SNAP regulations at 7 CFR § 278.1(b)(1)(i)(A) and 7 CFR § 278.1(b)(1)(ii) require retailers to meet Criterion A eligibility requirements “on a continuous basis.”

A store visit conducted on July 2, 2018 documented that Lowville Food Mart carried 19 stocking units of powdered/canned/fresh milk and five (5) stocking units of cheese, but **did not have a third variety** of dairy staple food consisting of at least three (3) stocking units and thus did not meet the minimum requirements in the Dairy staple food category to be eligible under Criterion A.

The Retailer Operations Division sent a Proof of Inventory letter to the store on July 9, 2018 and requested purchase invoices/receipts to verify that the store normally carried a third variety of Dairy staple food consisting of at least three (3) stocking units. The letter stated that the purchase invoices or receipts must be **dated no more than 21 days prior to the store visit and not after the store visit**. In response, the Appellant, through counsel, submitted a letter dated July 16, 2018 requesting an additional week for the owner to complete the store inventory and to provide invoices/receipts as evidence that the store meets minimum requirements. The Retailer Operations Division determined that this letter was nonresponsive to what was requested and issued its denial letter on July 18, 2018.

The Appellant complains that the denial letter was issued before the end of the ten (10) day period. This review agrees that the Retailer Operations Division would have been prudent to delay issuing the denial letter until the expiration of the ten (10) day time period. However, the Appellant’s response to the proof of inventory letter did indicate that it would not meet the deadline and the Retailer Operations Division was under no obligation to accede to the Appellant’s request. In addition, the July 16, 2018 letter stated that the Appellant was stocking up the store and indicated that the invoices/receipts that would be provided would be based on this additional stock. The July 16, 2018 letter did not make any reference to invoices/receipts dated 21 days prior to the store visit. Finally, as of the date of this Final Agency Decision, the Appellant has never provided any invoices/receipts including the required invoices/receipts dated **no more than 21 days prior to the store visit and not after the store visit**, which document the purchase of a **third variety** of dairy staple food in sufficient stocking units for eligibility under Criterion A.

In summary, stores are required to meet the requirements of Criterion A on a continuous basis in order to establish and maintain eligibility for the SNAP. The fact that the store was short on the day of the store visit is not an excuse. The store visit report and photographs taken during the store visit support the decision of the Retailer Operations Division that the store was deficient in the Dairy category. Therefore, based on a preponderance of the evidence, the Appellant store was ineligible under Criterion A.

## **Criterion B**

The Retailer Operations Division determined that the Appellant store did not meet Criterion B because the store’s **staple** food sales did not comprise more than 50 percent of its gross retail sales. The Appellant’s application estimated its **staple** food sales at only five (5) percent of its

annual gross retail sales. There is nothing in the case record which would indicate that this percentage of staple food sales to gross retail sales is inaccurate.

The application estimated the store's "accessory" food sales (such as snack foods, candy, ice cream, potato chips, pastries, carbonated and non-carbonated drinks, spices and condiments) at six (6) percent of its gross retail sales. Although accessory food may be purchased with SNAP benefits, it is not counted towards meeting SNAP eligibility requirements under Criterion B.

The application also estimated that 88 percent of the store's gross annual retail sales are in non-food items, the majority of which consist of gasoline, lottery, tobacco and alcohol sales. Based on a preponderance of the evidence, the Retailer Operations Division properly determined that the Appellant store was ineligible under Criterion B.

### **Need for Access**

SNAP regulations at 7 CFR § 278.1(b)(6) state that FNS will consider whether or not the Appellant firm is located in an area with significantly limited access to food when the firm fails to meet Criterion A or Criterion B as long as it meets all other eligibility requirements. This Need for Access evaluation also considers other factors, such as distance to the nearest SNAP-authorized firm, transportation options, the extent of the Appellant's stocking deficiencies, and whether or not the Appellant firm furthers the purposes of the program.

The case record indicates that the Retailer Operations Division conducted a Need for Access evaluation and appropriately determined that the Appellant firm did not qualify for SNAP authorization under this provision. After a review of all available evidence, this review agrees that authorization under the Need for Access provision is not appropriate in this case.

### **Basis of Determination**

It is important to clarify for the record that the purpose of this review is to either validate or to invalidate the earlier determination of the Retailer Operations Division. This review is limited to what circumstances existed at the time of the store visit which forms the basis of the Retailer Operations Division's action. The fact that the store has since stocked up its food inventory is not relevant to this case. The store may reapply for the SNAP six (6) months from the effective date of the denial and its updated food inventory will be taken into consideration at that time.

## **CONCLUSION**

Based on the analysis above, the decision by the Retailer Operations Division to deny the SNAP application of Lowville Food Mart is sustained. The regulations clearly state the criteria that a store must meet in order to be authorized for the SNAP. There are no exceptions to these requirements. In accordance with 7 CFR § 278.1(k)(2), the Appellant shall not be eligible to submit a new application for SNAP authorization until six months after July 18, 2018, the effective date of the denial decision.

## **RIGHTS AND REMEDIES**

Section 14 of the Food and Nutrition Act of 2008 (7 U.S.C. § 2023) and Title 7, Code of Federal Regulations, Part 279.7 (7 CFR § 279.7) addresses 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 (FOIA), it may be necessary to release this document and related correspondence and records upon request. If we receive such a request, we will seek to protect, to the extent provided by law, personal information that if released, could constitute and unwarranted invasion of privacy.

RONALD C. GWINN  
Administrative Review Officer

September 14, 2018