

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

Rainbow Grocery Inc,

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0228499

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 Rainbow Grocery Inc. to participate as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP). As a result, the Appellant may not reapply for six (6) 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 Retailer Operations Division received an application from the Appellant on January 13, 2020. In a letter dated March 16, 2020, the Retailer Operations Division informed the Appellant that the store did not carry the minimum three (3) stocking units in at least three (3) varieties of foods in the Dairy staple food 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 March 26, 2020, 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 customary or reasonable in the retail food industry as set forth in § 278.1(b)(1) of this chapter....

* 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>.

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:

(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

* 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>.

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...** [Emphasis added.]

(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:

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

* 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>.

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 made the following summarized contentions in its request for administrative review, in relevant part:

- When the inspector came to visit the store, there wasn't much products since the previous owner was leaving. At the time I was asked to send the proof, I did have at least 3 dairy products but the date on the receipt wasn't 21 days prior to the visit.
- The receipts that I sent over only had proof for having milk and eggs. But a week after the inspection, once everything was finally sent over for my permits, I started selling milk, cheese, and eggs. The previous owner was selling all three as well. I also sell cereal and bread, too. I believe my firm does in fact meet the inventory requirements under Criterion A and I have proof for that.
- My store is in the middle of a community where majority of the people use EBT to purchase things such as household groceries, snacks and drinks for their families. Ever since I can remember, EBT has always been used in this store. I turn down a lot of customers daily due to not having EBT being accepted in my store. I see customers having to put down everything they pick up and just walk out because they only have their EBT cards to pay with.
- The store has also provided receipts dating after the store visit showing that it purchases milk, eggs, butter, ice cream and cheese.

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. Therefore, the fact that the store may have been only temporarily low on staple food is not an acceptable excuse.

A store visit conducted on February 8, 2020 documented that Rainbow Grocery Inc. was deficient in that it carried **only two (2) varieties** of dairy **staple** food in sufficient amounts (20+ stocking units of milk and 5 stocking units of butter.) The store carried a third variety, cheese, but only in two (2) stocking units. Therefore, the store did not carry a required **third variety** of dairy staple food **in at least three (3) stocking units**. On March 3, 2020, the Retailer Operations Division sent a proof of inventory letter to the Appellant requesting that the store submit any purchase invoices or receipts documenting that the store normally carried at least three (3) varieties of dairy staple food in sufficient stocking units. The letter stated that the invoices/receipts had to be dated no more than 21 days prior to the date of the store visit and not on or after the store visit.

In response to the proof of inventory letter, the Appellant sent the Retailer Operations Division three (3) purchase receipts appropriately dated within the 21-day review period. The receipts showed the purchase of milk, for which the retailer had already received credit, but no other dairy staple foods. The receipts showed the purchase of eggs; however, eggs are counted in the Meat/Poultry/Fish category and not the Dairy category. The receipts showed the purchase of ice cream which is an accessory food item and not a staple food item. Accessory food items may be purchased with SNAP benefits but are not counted in determining store eligibility for SNAP authorization. The remaining items on these receipts included accessory food items like carbonated and non-carbonated drinks and non-food items including packs of cigarettes.

For the administrative review, the Appellant provided additional purchase receipts dated in March and April 2020 after the store visit. Because these additional receipts were outside the 21-day review period before the store visit, they could not be considered under 7 CFR § 278.1(b)(1)(ii)(A).

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 staple food category as it was missing the required third variety in sufficient stocking units. Based on a preponderance of the evidence, the Retailer Operations Division correctly determined that the Appellant store was ineligible under Criterion A at the time of the store visit.

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 **six (6) 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 also estimated the store's "accessory" food sales (items such as snack foods, ice cream, potato chips, carbonated and non-carbonated drinks, spices and condiments) at 47 percent of its gross retail sales. Although accessory foods may be purchased with SNAP benefits, they are not used in determining eligibility. Lastly, the store's application estimated that 47 percent of the store's gross annual retail sales are in non-food items.

Based on a preponderance of the evidence, the Retailer Operations Division properly determined that the Appellant store was ineligible under Criterion B as **staple** food sales did not exceed 50 percent of its gross retail sales.

Need for Access

The Appellant indicates that the local SNAP community needs the store to be authorized in order to provide access to food. 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 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. Whether or not the store has since stocked up its staple foods is not relevant to this case. The store may reapply for the SNAP six (6) months from the effective date of the denial and any 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 Rainbow Grocery Inc. 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 (6) months after March 17, 2020, 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. Please note that the judicial filing timeframe is specified in the Act, and this office cannot grant an extension.

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.

RONALD C. GWINN
Administrative Review Officer

June 1, 2020