**Direct Diversion Value Pass-through Options**

**Refund or Rebate.** The processor sells end products to the distributing or recipient agency, as appropriate, at the commercial, or gross, price and must provide a refund or rebate for the value of the donated food contained in the end products. The processor may also deliver end products to a commercial distributor for sale to distributing or recipient agencies under this system. In both cases, the processor must provide a refund to the appropriate agency within 30 days of receiving a request for a refund from that agency. The refund request must be in writing, which may be transmitted via email or other electronic submission.

**Direct discount.** Under this system, the processor must sell end products to the distributing or recipient agency, as appropriate, at a net price that incorporates a discount from the commercial case price for the value of donated food contained in the end products.

**Indirect discount.** Under this system, also known as net off invoice, the processor delivers end products to a commercial distributor, which must sell the end products to an eligible distributing or recipient agency, as appropriate, at a net price that incorporates a discount from the commercial case price for the value of donated food contained in the end products. The processor must require the distributor to notify it of such sales, at least on a monthly basis, through automated sales reports or other electronic or written submission. The processor then compensates the distributor for the discount provided for the value of the donated food in its sale of end products. Recipient agencies should closely monitor invoices to ensure correct discounts are applied.

**Fee-for-service.**Under this system, the processor must sell end products to the distributing or recipient agency, as appropriate, at a fee-for-service, which includes all costs to produce the end products not including the value of the donated food used in production.

Three basic types of fee-for-service are used:

**Fee for Service Processor** – Direct shipment and invoicing from the processor to the recipient agency.

**Fee for Service Distributor** - the processor ships multiple pallets of product to a distributor with a breakout of who owns what products.

**Modified Fee for Service -** the recipient agency has an authorized agent bill them for the total case price.

**Approved alternative method.**The processor or distributor may sell end products under an alternative method approved by FNS and the distributing agency that ensures crediting for the value of donated foods contained in the end products.

This institution is an equal opportunity provider.