

UC Davis Policy and Procedure Manual

Chapter 340, Rates, Recharges and Sales Activities

Section 30, Disposal of Agricultural By-Products

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Responsible Department: Accounting & Financial Services

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I. Purpose

This section presents guidelines for establishing appropriate methods of disposing of agricultural by-products and outlines procedures for approval and documentation of sales, consistent with Section 340-09, Sales and Reimbursement of University Supplies and Services.

II. Definitions

- A. Agricultural by-product--for the purpose of this section, any saleable commodity resulting from teaching, research, or other University activities. Generally, this includes agronomic grain and forage crops, and surplus animals and animal products.
- B. Net income--sales revenue remaining following payment of expenses associated with making a by-product available for disposition. Such expenses are beyond the needs of teaching and research and typically include advertising, handling, freight, and harvest.
- C. Non-University--organizations not departments of or directly affiliated with the University of California; and individuals acting in their own behalf.

III. Policy

A. Responsibility

- 1. Departments producing agricultural by-products are responsible for determining surplus status of crops, animals, and animal products and for their disposal. Departments may retain, with prior approval of the Associate Vice Chancellor--Finance or designee, net income from the sales of the by-products to support their activities that produced the crops, animals, or animal products.
- 2. The producer-department shall maintain internal inventory and accounting controls for all disposed by-products.
- 3. Disposals shall be recorded on a Request for Disposition of By-Products (RDB form), Form D750. (RDB forms may be obtained by calling Accounting & Financial Services--Internal Control Division at 530-757-8511.)
 - a. The department head must approve the RDB form.
 - b. If the department head is the person directly responsible for the by-products being disposed of, the dean or designee must approve the RDB form.
- 4. Any exceptions to this policy require the prior approval of the Associate Vice Chancellor--Finance or designee.

B. Methods of disposition

- 1. When it has been determined that agricultural by-products are surplus to teaching, research, or other activities, the by-products may be disposed of in one of the following ways:
 - a. Public auction to the highest bidder.
 - b. Sale of by-products to vendors, organizations, or individuals that contract with the University department either one time at specific pricing or over a period of time at a

fair market value, as by-products become available. In these cases, the purchasing party may issue a purchase contract (to be approved in form by Business Contracts) or the University shall issue its own contract through the Business Contracts Office. The selling department shall initiate a Requisition (PR) document in DaFIS to request a Business Agreement. (See Section 330-05)

- c. Sale on a first-come, first-served basis, if a fair market value has been established and the availability and price of the product are made known to the general public through newspaper advertising. Other methods of advertising may be permitted with prior approval of the Associate Vice Chancellor--Finance or designee.
 - d. Private sale to an individual, when the cost and effort involved in arranging for sale by the methods in a-c, above, would be disproportionate to the return expected, and a fair market price has been established.
 - e. Sale to another campus department.
 - f. Sale to another campus department or a non-University nonprofit organization at a price that recovers only the University's handling costs, when the cost and effort involved in arranging sale by other methods would be disproportionate to the return expected.
 - g. Donation to a non-University organization, if the market value of the surplus materials is below the cost required for handling, record keeping, storage, and other costs associated with sale.
2. The basis for the fair market value established for surplus agricultural by-products shall be documented and, when possible, based on published sources such as the Wall Street Journal, recent auction results, local newspapers, or USDA AMS Market News Report.
 3. Any sale of by-products must be consistent with policy in Section 340-09, Sales and Reimbursement of University Supplies and Services.
 4. Sales of by-products to University employees, or to their near relatives, of the department producing or selling the by-product are prohibited except under the following circumstances:
 - a. During a public auction or sale.
 - b. When purchased through a vendor under contract with the University who simultaneously offers the same commodities to the general public.
 - c. Upon exception by the Associate Vice Chancellor--Finance or designee.
 5. Agricultural by-products purchased from UCD may subsequently be donated to UCD only under unique circumstances and with prior approval of the Associate Vice Chancellor--Finance or designee. Such donations may be permitted only if the by-product is necessary to teaching, research, or other activities and if the donated value does not exceed the sale price to the purchaser. Such donations are not permitted if the purchaser is an employee, or near relative of an employee, in the producing or selling department.

IV. Procedure for Disposal of Crops, Animals, and Animal By-Products

Responsibility	Action
Department	1. Prepares RDB form; if by-product was originally acquired by gift, attaches copy of processed gift form; retains departmental (gold) copy.

Responsibility	Action
Department head	2. Approves RDB form; forwards form set and any attachments to Accounting & Financial Services--Internal Control.
Department	3. Sells crops, animals, or animal products and records sales by preparing documents such as cash receipts, sundry debtor bills, Interdepartmental Bills, or Special Sale/Service Authorization forms for departments that do not have income accounts; cites RDB number on each sales document; forwards copies of sales documents to Accounting & Financial Services--Internal Control.
Accounting & Financial Services--Internal Control	4. Verifies sales have been recorded in University accounts, and records DaFIS document number(s) on RDB form; performs post-audit review; sends departmental (pink) copy to originator. 5. Performs follow-up on RDBs for which settlement has not been made within 30 days of "date available" stated on RDB.

V. Further Information

Guidelines for disposition methods are available from Materiel Management (530-752-5637).