



United States
Department of
Agriculture

Risk
Management
Agency

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BULLETIN NO.: MGR-07-003

TO: All Reinsured Companies
All Risk Management Field Offices
All Other Interested Parties

FROM: Eldon Gould /s/ *Eldon Gould*
Administrator

1/22/2007

SUBJECT: Citrus Loss Adjustment Procedures for Freeze Damage in California

BACKGROUND:

In central California beginning January 12, 2007, freezing temperatures caused extensive damage to citrus resulting in significant reduction in marketable fresh packed fruit. Some growers may suffer a total loss, while others may be able to salvage a portion of their citrus crop.

Under the 2007 AZ-CA Citrus Crop Provisions (00-126), Settlement of Claim, Section 11(d); "Any production will be considered marketed or marketable as fresh packed fruit unless, due solely to insurable causes, such production was not marketed or marketable as fresh packed fruit." In addition, section 11(e) states: "Citrus that cannot be marketed as fresh packed fruit due to insurable causes will not be considered production to count."

Additionally, under the 2007 Pilot California Citrus Dollar Crop Provisions (2002-0215) Settlement of Claim, Section 11 (c) "The total value of production to count from all insurable acreage on the unit will include: The total value of all harvested production marketed as fresh-packed fruit from the insurable acreage." It also states in Section 11 (c) "Harvested production that is damaged or defective due to insurable causes and is not marketable as fresh-packed fruit, will not be counted as production."

The Arizona-California Citrus Loss Adjustment Standards Handbook (FCIC-25040) Random Citrus Sample Appraisal Method states, in part: "Never use a citrus sample of less than 100 fruit for establishing the percent of damage...For freeze damage, only that portion of the graded sample that will be marketed or is marketable will be cut to determine the percent of damage...The Arizona-California Citrus Crop Provisions guarantees the production of marketable fruit." In addition, Exhibit 1 of the Loss Adjustment Standards Handbook contains some legal and procedural information about freeze damage.



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When determining the number of citrus lost to freeze damage, use a minimum of 100 citrus fruit. According to California Orange Laws and Procedures, if 20 percent or more of the fruit has “damage on the segment walls” or drying or desiccation,” the fruit would be considered unmarketable as fresh fruit. The California Orange Laws and Procedures further states that “tolerances for serious freeze injury cannot exceed 15 percent, and not more than one-third of this amount (5) percent) can show a “drying or desiccation” in more than 40 percent of the exposed pulp.” For example, if you cut 15 oranges of your 100 fruit sample and they show damage to the segment wall across the entire segment, that fruit is not marketable for fresh fruit. Likewise, if 5 oranges of your 100 fruit sample show 40 percent drying or desiccation, these oranges are also unmarketable as fresh fruit.

ACTION:

The purpose of this bulletin is to clarify loss adjustment procedures, and to authorize the use of determinations of freeze damage made by packers for 2007 crop year citrus losses in only the California counties of Kern, Fresno, Madera, and Tulare.

Clarification of Loss Adjustment Procedure:

The minimum sample size to determine freeze damage for the Unit is 100 citrus fruit. Current procedures in selecting samples apply. Additional samples above the 100 fruit minimum may be taken if the adjuster determines such samples are required to accurately establish the extent of damage.

Special Adjustment Procedures for the 2007 Crop Year:

For the specified California counties, if the packer’s field person has made a determination of the percent of freeze damage, the adjuster may obtain documentation for the insured’s file (on the day of the adjuster’s visit) to certify the amount of crop that may be packed for fresh fruit. The adjuster will not be required to do a 100 fruit sample in this situation to determine the percent freeze damage and/or whether the fruit can be packed as fresh fruit. The acreage may be released and only the packed cartons (if any) will be counted as production to count. If, however, the adjuster finds that the fruit can be marketed as fresh packed fruit or is damaged from uninsured causes, an appraisal for production to count of the potentially marketable fruit or fruit lost to uninsurable causes must be made.

Documentation and verification of the final disposition of the crop is required prior to finalizing any claim for indemnity. This includes obtaining: 1) a copy of packing house inspection documentation such as, pack records, and juice records including weight tags for any fruit delivered for juice, and 2) an on-site verification of any production that is left on the tree or dropped on the ground.

Disposal:

This bulletin is effective for the 2007 crop year only.