

Q's and A's About Citrus Canker Lost Production Payments

Q. How do lost production payments differ from tree replacement payments?

A. Tree replacement payments were first made available in 2000 to compensate eligible owners of commercial citrus groves who have had citrus trees destroyed because of citrus canker. Lost production payments go one step further by providing payments to eligible producers for the recovery of production income lost as a result of the removal of commercial citrus trees to control citrus canker. Together, these provisions, established by the U.S. Department of Agriculture (USDA), will help reduce the economic effects of the citrus canker quarantine on commercial citrus growers.

Q. Why are lost production payments subject to the availability of funding?

A. Because the Secretary of Agriculture has not declared an extraordinary emergency with respect to citrus canker in Florida, USDA's Animal and Plant Health Inspection Service (APHIS) does not have the authority under the Plant Protection Act to establish a compensation program to cover losses associated with the current citrus canker outbreak. APHIS can only provide payments for the recovery of lost production income if appropriated funds are made available for that purpose. Initial funding is available for FY 2001.

Q. Who qualifies for lost production payments?

A. The owner of a commercial citrus grove may be eligible to receive payments to recover income from production lost as a result of the removal of citrus trees to control citrus canker if the trees were removed pursuant to a public order between 1986 and 1990 or on or after September 28, 1995. Although the current citrus canker infestation was detected in Florida on September 28, 1995, Florida officials have identified five commercial citrus groves in Manatee and Highlands Counties that were destroyed to control citrus canker during a limited outbreak of the disease that occurred between 1986 and 1990.

Q. What qualifies as a commercial citrus grove?

A. A commercial citrus grove is any establishment maintained for the primary purpose of producing citrus fruit for commercial sale. Although the Florida Department of Agriculture and Consumer Services' (FDACS) Division of Plant Industry defines a commercial citrus grove as a "solid set planting of 40 or more citrus trees," APHIS' definition of the term omits the 40-tree threshold. APHIS recognizes that there may be some small groves of fewer than 40 trees that were, prior to being destroyed to control citrus canker, maintained for commercial purposes. If, during the processing of an application for lost production payments, a question arises as to whether or not a small grove was maintained for commercial purposes, APHIS will ask the grove owner to produce documentation to support the claim. Supporting documents that APHIS will accept include records of production expenses incurred, records of income derived from direct sales to consumers or from the consignment of harvested fruit to a packer or juicing operation, and tax records showing losses or gains in income resulting from the production and sale of fruit.

Q. How much money will eligible growers receive?

A. Eligible commercial citrus producers will be paid on a per-acre basis. The amount to be paid varies, depending on the type of citrus trees that constitute a particular grove. Per-acre payments for each variety of citrus are listed below.

<u>Citrus Variety</u>	<u>Lost Production Payment (per acre)</u>
Grapefruit	\$3,342
Orange, Valencia, and tangerine	\$6,446
Orange, navel (including early and midseason oranges)	\$6,384
Tangelos	\$1,989
Limes	\$6,503
Other mixed citrus	\$3,342

Q. Why are lost production payments made on a per-acre basis, rather than a per-tree basis?

A. Output per acre is approximately the same regardless of the number of trees per acre. Paying on a per-tree basis would likely result in under payments to growers with older groves and in over-payments to growers with newer groves. This is because older groves normally have fewer, but larger and more productive trees, while newer groves normally have more trees that are smaller and pro-

duce less fruit per tree than larger trees. The current trend in the industry is to plant more trees per acre; smaller trees allow for easier harvesting, making it easier to find workers willing to do this type of work.

Q. How were the per-acre payments calculated?

A. The payments are based on the per-acre loss in the net present value of the destroyed groves. The loss in value is the difference between the value of the grove before it was destroyed minus the value of the replanted grove for its entire productive life. Because APHIS has already provided funds for tree replacement, the Agency has subtracted those payments (\$26 times the number of trees per acre) from the lost production value of each acre. While APHIS acknowledges that some groves may outproduce others for any of several reasons, the Agency believes that the approach and data used to calculate the per-acre payments are valid, appropriate, and consistent.

Q. How was the per-acre amount determined?

A. To determine the per-acre net income for each variety of fruit, APHIS multiplied the yield (number of boxes) per tree by the price per box, then subtracted the production cost per tree to arrive at the cash flow per tree; the cash flow per tree was then multiplied by the number of trees per acre to determine per-acre net income. The values used for the calculation variables were based on information obtained from the Florida Agricultural Statistics Service and the University of Florida's Institute of Food and Agricultural Services. The per-acre value was calculated using a life cycle approach. The revenues and costs were calculated over a period equal to the expected productive life of a replanted grove, which as noted previously, is 25 years for lime groves and 36 years for other varieties of citrus.

Q. How will the availability of Asiatic citrus canker (ACC) crop insurance coverage affect lost production payments?

A. If the owner of a commercial citrus grove obtained ACC coverage for trees in his or her grove and received crop insurance payments following the destruction of the insured trees, then the lost production payment will be reduced by the total amount of the crop insurance payments received by the commercial citrus grove's owner. This adjustment enables APHIS to deduct any indemnity for destroyed trees that may have been received by a grower through crop insurance, thus ensuring that the grove owner does not receive two tree replacement payments for the same destroyed trees.

If the owner of a commercial citrus grove was eligible to obtain ACC coverage for the trees in his or her grove, but failed to do so, the per-acre lost production payment will be reduced by 5 percent. If APHIS were to provide full lost production payments to insurance-eligible commercial growers who elected not to obtain ACC coverage, it would likely undermine the intent and effectiveness of the Federal crop insurance program by making it appear that crop insurance was not necessary.

Q. How can producers apply for lost production payments?

A. The form necessary to apply for payments can be obtained from any local citrus canker program office or from the USDA Citrus Canker Eradication Project office in Winter Haven, FL. Applications will automatically be mailed to producers who applied for tree replacement payments. Completed claim forms need to be sent to the USDA Citrus Canker Eradication Project office in Winter Haven, FL, where the records necessary to validate claims are located. Applicants should also include a copy of the public order that directed the destruction of their trees, the order's accompanying inventory that describes the acreage, number, and variety of trees removed, and documentation verifying that the destruction of trees was completed, and the date of that destruction. Claims for citrus trees already destroyed to control citrus canker need to be received within 60 days after the effective date of this final rule. Claims for losses attributable to the destruction of trees after the effective date of the final rule need to be received within 60 days after the destruction of the trees. For more information please call 1-800-282-5153.

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