



United States
Department of
Agriculture

INFORMATIONAL MEMORANDUM: IS-11-008

Farm and Foreign
Agricultural
Services

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

Risk
Management
Agency

FROM: Michael A. Alston /s/ *Michael A. Alston*
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7/28/2011

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SUBJECT: Claims Alert – Adjustment of Losses for Florida Citrus Fruit Insured as
Fresh Fruit and Sold for Juice

BACKGROUND:

Several inquiries have been received regarding the procedure for adjusting losses for Florida Citrus Fruit insured as a fresh fruit crop (Citrus IV, V, VII, and VIII) and later sold as juice. This Claims Alert clarifies the proper procedure for adjusting these losses.

The Florida Citrus Crop Provisions address salvage situations for fresh fruit crops (Citrus IV, V, VII, and VIII) damaged by freeze in sections 10 (c) and (d), while section 10 (e) of the Crop Provisions pertains to juice crops (Citrus I, II, III, and VI) damaged by freeze. Under section 10 (b) of the Crop Provisions, damage is calculated separately by type.

ACTION:

Section 10 (c) of the Crop Provisions addresses fruit insured as fresh (Citrus IV, V, VII, and VIII) that are seriously damaged by freeze and are also not marketable as fresh. First, a fresh fruit cut is used to determine if the fruit is seriously damaged. The Florida Citrus Fruit Loss Adjustment Standards Handbook (LASH) provides language from the Florida Citrus Code that describes seriously damaged fruit. If the fruit is determined to be seriously damaged and is not marketed or could not be marketed as fresh fruit, then the percent of fruit exhibiting serious damage must be determined. Using the fresh fruit cut as described in the LASH, if the percent of the fruit sample exhibiting serious damage is less than 16 percent, then the percent of damage will be zero. If the percent of the fruit sample exhibiting serious damage is greater than 16 percent, then the percent of damage will be 50 percent with the following exceptions:

- 1) Tangerine fruit samples exhibiting greater than 50 percent serious damage will be assigned a damage percent equal to the percent of seriously damaged fruit as determined by the fresh fruit cut.



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- 2) For Citrus IV (except tangerines), V, VII, and VIII, if the percent of the fruit sample exhibiting serious damage exceeds 16 percent it is necessary to determine the amount of juice loss. The LASH provides two methods to determine juice loss for fruit that cannot be marketed as fresh:
 - a. The first method is a dryness cut described in the LASH. This method is used when the fruit remains unharvested.
 - b. The second method, which can be used as an alternative to the dryness cut, uses test house records from the processor when samples are taken or if the fruit is harvested for juice.

If the juice loss using either method is determined to be greater than 50 percent, then the determined juice loss percentage will be considered the percent of damage. If the juice loss is determined to be less than 50 percent, then 50 percent will be considered the percent of damage.

For example, a producer who insures his late oranges as fresh under Citrus VII experiences severe freeze damage as determined by the fresh fruit cut and the fruit is not marketable as fresh. The adjuster appraises samples of the unharvested fresh fruit and uses the fresh fruit cut method to initially determine that more than 50 percent of the fruit was seriously damaged. Since this percentage exceeds 16 percent, the percent of damage will be 50 percent unless it is determined that the percent of juice loss exceeds 50 percent.

Next, using the dryness cut it is determined from samples of unharvested fresh fruit that the juice loss is equal to 70 percent; thus 70 percent will be the percent of damage used to determine the loss. However, if the juice loss had been determined to be only 40 percent, then 50 percent would remain the percent of damage.

Section 10 (d) of the Crop Provisions addresses fruit insured as fresh (Citrus IV, V, VII, and VIII) that is damaged by freeze, but through mechanical separation, it is possible to separate out undamaged fresh fruit. Acceptable methods of mechanical separation include specific gravity or an equally effective method for determining freeze damage. If an acceptable method of mechanical separation is used, the percent of damage will be the actual percent of freeze-damaged fruit not to exceed 50 percent. Tangerines of Citrus IV are not subject to the 50 percent limitation on the percent of damage.

The percent of damage determined using mechanical separation will constitute the final percent of damage and will not change based upon any subsequent marketing of the fruit. To make the determination of the percent of damage, from the fruit that would not pack fresh (eliminations), separate out those fruit that are seriously damaged by freeze from those that would not pack as fresh fruit due to uninsured causes (i.e., undersized, rust, color, punctures). The percent of fruit that would not pack as fresh fruit due to serious freeze-damage would be the percent damage, not to exceed the 50 percent limitation. There is nothing in section 10 (d) of the Crop Provisions that considers the quantity of juice obtained from the fresh fruit types in the calculation of the percentage of damage.

For example, a producer who insures his grapefruit as fresh under Citrus VII experiences freeze damage, but some of the fruit is undamaged and can be separated out mechanically. If 200 boxes of undamaged grapefruit were mechanically separated out of 1,000 total boxes of grapefruit in a unit, eliminating 800 boxes of damaged fruit, then the percent of damage would be equal to 50 percent because the actual percent of damage is equal to 80 percent ($1 - (200/1,000) = .80$) which is greater than the 50 percent limitation specified in Section 10 (d). If however, 350 of the eliminated boxes were removed due to uninsured causes (not due to freeze damage), then the percent damage would be the actual percent of freeze damage, $800 \text{ total eliminated boxes} - 350 \text{ boxes due to uninsured causes} / 1000 = 45 \text{ percent damage}$.

If you have questions, please contact the Valdosta RMA Regional Office at (229) 219-2200.

DISPOSAL DATE:

December 31, 2011.