



United States Department of Agriculture

Farm and Foreign Agricultural Services  
Risk Management Agency

**BULLETIN NO.: MGR-99-022**

TO: All Reinsured Companies  
All Risk Management Field Offices

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Administrator

SUBJECT: Settlement of Onion Claims in Georgia and Texas When Mature Non-Storage Onions Contain Significant Internal Damage and Are Rejected Because They Do Not Meet the Standards of the Applicable Marketing Order.

**BACKGROUND:**

Adverse weather during the growing season has caused significant damage to the onion crop in Georgia and Texas. Section 1 of the Onion Crop Insurance Provisions defines “onion production” as onions of recoverable size and condition...that are not considered damaged onion production. The definition of “damaged onion production” states in part “...nonstorage type onions which do not satisfy standards contained in any applicable marketing order or other standards that may be contained in the Special Provisions.” Section 3(c) provides that onions damaged in the first or second stage to the extent that producers in the area would not normally further care for the onions will be deemed to have been destroyed in that stage. Section 13(c)(2) provides that all harvested “onion production” from insurable acreage is counted and section 13(d) states that if the damage to either harvested or unharvested onion production exceeds the percentage shown on the Special Provisions, no production will be counted for that unit or portion of a unit unless the damaged onion production is subsequently sold. Section 13(d) provides that the damaged onion production must be determined not later than the date the onions are delivered to a packer, processor, or handler. The Settlement of Claim Section is clear on how loss adjustment is done on onions lost in the first and second stages. However, questions have been raised regarding how to handle losses for mature onions due to internal damage that cannot be separated and consequently the onions are rejected by the packer. Despite every effort to market their onions, some producers in these states have sustained a total loss because the internal damage to the onions exceeds the standards of the applicable marketing order.



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Insurance providers have asked RMA for additional guidance in determining how to adjust losses under the above circumstance. Specifically, how is the loss determined for (1) mature unharvested onions containing significant internal damage that cannot be separated out, and (2) mature harvested onions that are rejected at the pack shed due to damage that exceeds the standards contained in the applicable marketing order.

**ACTION:**

The following procedure will be used when adjusting losses described above.

**A. Unharvested mature onions.**

1. Advise insureds that acreage with unharvested mature onions containing damage in excess of the applicable standard and which cannot be sorted through normal harvest processes will be deemed to have been lost in the second stage.
2. Collect samples from unharvested acreage and allow the samples to dry for approximately 1 week.
3. Clean the onions, simulating the normal cleaning processes.
4. Take the samples to a licensed grader for grading.
5. If after normal cleaning and sorting the percent of damaged onions (usually due to internal defects) exceeds the standards for the applicable marketing order, count no production for that unit or portion of a unit unless the production is subsequently sold. Such damaged sold production will be counted against the guarantee on a pound-per-pound basis.

**B. Harvested mature onions.**

1. Onion acreage that has been lifted and topped or dug is eligible for the final stage guarantee and the onions are considered harvested when they are removed from the field.
2. If production has not passed over the sort line in the pack shed, representative samples of the production should be run in the normal manner, including reruns if that is customary (without price consideration) to separate damaged onion production.

3. If after normal cleaning and sorting the percent of damaged onions (usually due to internal defects) exceeds the standards for the applicable marketing order, count no production for that unit or portion of a unit unless the production is subsequently sold, in which case the damaged sold production will be counted against the guarantee on a pound-per-pound basis.
4. Damage must be determined prior to shipping or storing. Sampling will not be performed on onions shipped or stored because damage percentages may increase over time and with additional handling.

**DISPOSAL:**

These instructions are effective until incorporated into the Onion Loss Adjustment Standards Handbook and Onion Special Provisions. The disposal date is December 31, 2000.