

HPAI Response

Poultry Indemnity Valuation

January 5, 2023

Please note: These procedures may be revised as the situation develops.

BACKGROUND INFORMATION

The purpose of APHIS indemnity payments is to encourage prompt reporting of certain high-consequence livestock and poultry diseases and to incentivize private biosecurity investment, not to secure or protect producers from all consequences of disease. Therefore, APHIS indemnifies producers based on fair market value of animals at the time they are taken for disease control purposes, assuming disease-free status, and does not include anticipated lost income or consider losses due to business interruptions in calculating indemnity payments.

GENERAL GUIDANCE

For poultry with highly pathogenic avian influenza (HPAI), indemnity refers to the payment to the owner (and grower, if applicable) for infected or exposed poultry and/or eggs that are destroyed to control the disease. The indemnity payment is based on the fair market value of the poultry and/or eggs at the time that HPAI virus is detected in the flock.

Compensation refers to payments made to a claimant for the cost of destruction and disposal activities of poultry and/or eggs infected with or exposed to a disease agent, and for cleaning and disinfection activities of premises, materials, and conveyances that came in contact with infected or exposed poultry. For purposes of indemnity valuation for poultry, APHIS considers birds and eggs only. Other covered costs, such as feed, depopulation and disposal costs, and virus elimination costs, are considered compensation, not indemnity, and are processed as separate payments.

Title 9, Code of Federal Regulations (9 CFR), section 56.4 (1)(a) concerns the determination of indemnity and/or compensation amounts for the destruction and disposal of poultry and/or eggs infected with or exposed to H5/H7 low pathogenic avian influenza. This section states in part that for "laying hens, the appraised value should include the hen's projected future egg production." Therefore, the indemnity value for laying hens must be depreciated to account for the reduced egg production of older hens.

APHIS determines the fair market valuation of a laying hen of any type based on two factors: (1) *the cost of developing the bird to its level of maturity at the time that the disease agent is detected in the flock*, and (2) *the depreciated value of the bird accounting for the bird's reduced remaining productive life for egg production at the time that the disease agent is detected in the flock*. Estimates of lost future income that may have been obtained through the remainder of the productive life of the birds, had they not been taken for disease control purposes, are not included in APHIS indemnity payments.

Per established APHIS policy, a signed flock plan is not necessary for payment of indemnity. A flock owner must sign a properly prepared VS Form 1-23 to receive an indemnity payment. APHIS requires a flock plan to be signed by the flock owner, an APHIS official, and a State animal health official before payment of compensation.

APHIS may make an initial indemnity valuation estimate based on values included in standardized indemnity tables. Such values may be accepted by the owner (or grower, if applicable) in lieu of obtaining an independent, third-party appraisal of the birds and/or eggs. If the owner/grower does not agree with the initial indemnity valuation, a notice of intent to appeal the initial values may be

submitted to the APHIS VS Deputy Administrator within 15 days of the time the initial indemnity valuation is presented to the owner or grower.

To appeal the initial indemnity values, the owner (or grower, if applicable) may obtain an independent, third-party appraisal of the birds and/or eggs. Appraisals should meet the standards for personal property appraisal set by the Congressionally-recognized Appraisal Foundation, or their equivalent (Uniform Standards of Professional Appraisal Practice (USPAP) (appraisalfoundation.org). Documentation supporting the appraised value is required.

Not all private appraisers meet these qualifications standards. The appraiser chosen by the owner or grower must make the case that they are qualified to conduct the appraisals. A necessary qualification means the appraiser is independent of the operation being appraised and independent of the appraisal transaction itself (other than being paid a fee to conduct the appraisal). For example, the appraiser cannot be an employee of the operation, can have no financial interest in the outcome of the appraisal valuation and must provide a signed statement to this effect. All appraisals will be reviewed by a VS panel. This panel will consider factors such as the appraiser's qualifications, the appraised values, the appraisal method(s) used, and the supporting documentation provided.

Figure 1 is an example template of an appraisal report.

Figure 1. Appraisal Report (Example)

State in a narrative your justification and method for valuation.
Use a similar table to the one below to list out the animals, values, ref. docs.
Submit all reference documents.

1. Appraiser qualifications:

2. For each indemnity value given (whether for an individual animal or group of animals), specify the id(s) for the animal or group of animals, the type of animal or animals, the valuation method used (either sales comparison or cost approach) for the specific animal or animals, and reference the specific document or documents being used to support that specific indemnity value and any calculations done. (Note: all values must have documentation.)

Example:

Animal ID(s)	Type of Animal (bull, cow, heifer, etc.)	Appraised Value (\$)	Appraisal Method (sales comparison or cost approach)	Documentation (include file name where applicable and indicate any specific section of the file that should be referenced and describe any calculations performed in arriving at the appraised value)

3. Statement of Independence

Your signature:

For more details on producer indemnity and compensation, please go to: <https://www.aphis.usda.gov/aphis/ourfocus/animalhealth/sa-epidemiology-animalhealth-ceah/producer-indemnity-comp>. For additional information on HPAI response policy, visit <http://www.aphis.usda.gov/fadprep>.