

Appraisals for the Liquidation of Poultry and Other CAFO's

A Background

Poultry and other CAFO facilities are often appraised for the “liquidation or salvage” value by a guaranteed lender when submitting a loss claim because CAFO is no longer active. Subsequently, a third party may purchase the facility for the “liquidation or salvage” value and obtain a contract from an integrator that then inflates the value of the property to its “highest and best use” value as an active CAFO. This results in a greater loss paid by FSA than necessary and the possibility that FSA will approve a guarantee on the same property on which it previously paid a substantial loss.

B State and County Offices Responsibilities

State and County Offices are required to:

- analyze lender’s liquidation appraisals for poultry and other CAFO’s to ensure that the market conditions for CAFO’s and the demand for producers by area integrators has been properly reflected in the appraisal
- advise guaranteed lenders that they should, according to USPAP when submitting loss claims, appraise CAFO property to determine the “highest and best use” value considering the demand for CAFO facilities and operators by the area integrators and only use “liquidation or salvage” value appraisals when there is no demand and it is likely that the *--property will not be used for a CAFO in the future.--*

C Appraising Poultry Facilities and Other CAFO’s for Loss Claims

If the market indicates that there is a demand for CAFO facilities with integrators in the area, then the appraisal requested by the lender will be a market value appraisal less the cost of repairs or retro-fitting, if necessary. When assigning the scope of work for the appraisal according to USPAP Standards Rule 1-2(f), the lender should require appraiser to:

- survey all existing integrators in the area as to the feasibility of the availability of an operating contract on the property
- appraise the property for its “highest and best use” value as required by USPAP Standard Rule 1-3.

Appraisers should be held accountable by the lender for a “liquidation or salvage” value appraisal of a CAFO facility that is in fact suitable as a functional facility. Lenders will be advised that FSA will be closely reviewing these types of appraisals.

Appraisals for the Liquidation of Poultry and Other CAFO's (Continued)

D Appraisals and Actions After Final Loss Claims

This table provides guidance for appraisals and actions that shall be taken after final loss claims.

IF...	THEN...
within 2 years of payment of the final loss claim, there is a loan request on the same property that includes an appraisal at a greater value than the appraisal used to calculate the final loss payment	the appraisals should be thoroughly reviewed to determine the reason for the discrepancy Note: Any loan application received in this circumstance must be very thoroughly reviewed.
it is determined that the property appraisal at the time of the loss claim payment was deficient	FSA will initiate actions against the lender to recover the difference in value.
a property securing a poultry operation or other CAFO is repurchased at the foreclosure sale and subsequently re-sold by the lender for a higher value than the appraised value	the proceeds exceeding the appraised value must be paid proportionally to FSA as determined in the final loss claim.