Quality Loss Adjustment Program for Cotton Summary
As of February 9, 2021

USDA announced the implementation of the Quality Loss Adjustment (QLA) program to assist upland and extra-long staple cotton producers who suffered quality losses occurring in calendar years 2018 and/or 2019.

Based on conversations with the Farm Service Agency (FSA) on the proper implementation of QLA for cotton, the following outline summarizes QLA eligibility, payment calculations and the quality information growers will need to submit to FSA when filing their QLA application.

Quality losses are eligible in counties that received a qualifying Presidential Emergency Disaster Declaration or Secretarial Disaster Designation because of one or more of these qualifying disaster events or related conditions.

Qualifying events include:
- Drought (D3 intensity or higher)
- Excessive moisture
- Flooding
- Hurricane
- Snowstorm
- Tornado
- Typhoon
- Volcanic Activity
- Wildfire

Note that except for losses solely due to drought, producers may still apply for QLA in counties that did not receive a qualifying declaration or designation. However, they must provide supporting documentation to establish that the crop was directly affected by a qualifying disaster event.

Unlike WHIP+, there is no interaction with a grower's insurance indemnity. Growers receiving crop insurance assistance due to quality loss for 2018 and/or 2019 will still receive a QLA payment if they qualify. However, QLA participation does require a two-year crop insurance purchase commitment like WHIP+.

When applying for QLA, growers will need to provide FSA with every bale that received a net discount due to a qualifying event listed above. Bales receiving a net premium should NOT be provided to FSA offices as they are not part of the aggregate calculation. Discounted bales not due to an eligible loss are ineligible for QLA assistance.

The base price per pound may be the price before discount if sold under a marketing contract or the CCC base loan rate of $0.52 for 2018 and 2019. If the average loss in aggregate value is 5% or greater than the base price, the producer will receive a maximum payment on his total quality loss multiplied by 70%. If the loss of value is less than 5%, the grower will not receive a QLA payment.

For example, a grower has 100 bales under contract at a $0.70 base price. 80 bales received a premium value above $0.70 and 20 bales receive an eligible discount below $0.70. Only the 20 bales receiving

the eligible discount are compiled and averaged to compute whether the grower meets the 5% quality loss threshold.

Payments will not be made until after the conclusion of the March 5 signup date in order to verify the available funding is sufficient to cover all eligible payments. If adequate funding is not available, then an additional factor may be applied to the calculated QLA payment.

The following tables provide examples for losses based on the loan value and for losses based on market prices. In each example, only bales suffering a net discount relative to the base loan rate or the base market price are included in the calculations. The total loss across the eligible bales must be 5% or more in order to be eligible for payments. The actual dollar value of the discounts can be based on the CCC loan premium and discount schedule or those set by the marketer if eligible deductions are off a set market price.

Loan Rate Example #1: Total Production Impacted by Drought					
Bale # (All bales affected by eligible weather event)	Weight	Base Loan Rate	Actual Loan Rate After Applying Premiums & Discounts	Loan Value at Base Loan Rate	Loan Value After Applying Premiums and Discounts
		Per Lb		Per Bale	
A	B	C	D	E = B * C	F = B * D
1	461	$0.5200	$0.5450	$239.72	$251.25
2	474	$0.5200	$0.5320	$246.48	$252.17
3	471	$0.5200	$0.5520	$244.92	$259.99
4	447	$0.5200	$0.5030	$232.44	$224.84
5	448	$0.5200	$0.4870	$232.96	$218.18
6	493	$0.5200	$0.4450	$256.36	$219.39
7	503	$0.5200	$0.4320	$261.56	$217.30
8	488	$0.5200	$0.4870	$253.76	$237.66
9	497	$0.5200	$0.4520	$258.44	$224.64
10	474	$0.5200	$0.5120	$246.48	$242.69
Total Across Eligible Bales				$1,742.00	$1,584.69
Loss in Value for Eligible Bales					-$157.31
Loss in Value as % of Base Value					-9.0%
Eligible for QLA if Total Loss in Value Exceeds 5%					YES

*Highlighted bales included in QLA calculations since loan value is below $0.52.

Loan Rate Example #2: Total Production Impacted by Hurricane					
Bale # (All bales affected by eligible weather event)	Weight	Base Loan Rate	Actual Loan Rate After Applying Premiums & Discounts	Loan Value at Base Loan Rate	Loan Value After Applying Premiums and Discounts
		Per Lb		Per Bale	
A	B	C	D	E = B * C	F = B * D
1	461	$0.5200	$0.5450	$239.72	$251.25
2	474	$0.5200	$0.5320	$246.48	$252.17
3	471	$0.5200	$0.5520	$244.92	$259.99
4	447	$0.5200	$0.5250	$232.44	$234.68
5	448	$0.5200	$0.5430	$232.96	$243.26
6	493	$0.5200	$0.5310	$256.36	$261.78
7	503	$0.5200	$0.4750	$261.56	$238.93
8	488	$0.5200	$0.5050	$253.76	$246.44
9	497	$0.5200	$0.5150	$258.44	$255.96
10	474	$0.5200	$0.5120	$246.48	$242.69
Total Across Eligible Bales				$1,020.24	$984.01
Loss in Value for Eligible Bales					-$36.23
Loss in Value as % of Base Value					-3.6%
Eligible for QLA if Total Loss in Value Exceeds 5%					NO

*Highlighted bales included in QLA calculations since loan value is below $0.52.

Market Price Example #1: Total Production Impacted by Drought					
Bale # (All bales affected by eligible weather event)	Weight	Base Market Price	Price After Applying Premiums & Discounts	Value at Base Market Price	Value After Applying Premiums and Discounts
		Per Lb		Per Bale	
A	B	C	D	E = B * C	F = B * D
1	461	$0.7000	$0.7450	$322.70	$343.45
2	474	$0.7000	$0.7310	$331.80	$346.49
3	471	$0.7000	$0.7560	$329.70	$356.08
4	447	$0.7000	$0.6850	$312.90	$306.20
5	448	$0.7000	$0.6620	$313.60	$296.58
6	493	$0.7000	$0.6210	$345.10	$306.15
7	503	$0.7000	$0.6490	$352.10	$326.45
8	488	$0.7000	$0.6670	$341.60	$325.50
9	497	$0.7000	$0.6420	$347.90	$319.07
10	474	$0.7000	$0.6980	$331.80	$330.85
Total Across Eligible Bales				$2,345.00	$2,210.79
Loss in Value for Eligible Bales					-$134.21
Loss in Value as % of Base Value					-5.7%
Eligible for QLA if Total Loss in Value Exceeds 5%					YES

*Highlighted bales include in QLA calculations since market price after premiums and discounts is below $0.70

Market Price Example #2: Total Production Impacted by Hurricane					
Bale # (All bales affected by eligible weather event)	Weight	Base Market Price	Price After Applying Premiums & Discounts	Value at Base Market Price	Value After Applying Premiums and Discounts
		Per Lb		Per Bale	
A	B	C	D	E = B * C	F = B * D
1	461	$0.7000	$0.7250	$322.70	$334.23
2	474	$0.7000	$0.7120	$331.80	$337.49
3	471	$0.7000	$0.7450	$329.70	$350.90
4	447	$0.7000	$0.7050	$312.90	$315.14
5	448	$0.7000	$0.7330	$313.60	$328.38
6	493	$0.7000	$0.7510	$345.10	$370.24
7	503	$0.7000	$0.6770	$352.10	$340.53
8	488	$0.7000	$0.6850	$341.60	$334.28
9	497	$0.7000	$0.6950	$347.90	$345.42
10	474	$0.7000	$0.6920	$331.80	$328.01
Total Across Eligible Bales				$1,373.40	$1,348.23
Loss in Value for Eligible Bales					-$25.17
Loss in Value as % of Base Value					-1.8%
Eligible for QLA if Total Loss in Value Exceeds 5%					NO

*Highlighted bales include in QLA calculations since market price after premiums and discounts is below $0.70