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AUP & ELS COTTON LOSS ADJUSTMENT STANDARDS HANDBOOK

2012 and Succeeding Crop Years

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

TITLE: AUP & ELS COTTON LOSS ADJUSTMENT STANDARDS HANDBOOK	**NUMBER: 25090 (11-2010)** **25090-1 (11-2011)**
EFFECTIVE DATE: 2012 and succeeding crop years	**ISSUE DATE: November 17, 2011**
SUBJECT: **Provides the procedures and instructions for administering the AUP & ELS Cotton loss adjustment standards.**	**OPI: Product Administration and Standards Division** **APPROVED: November 14, 2011** **/s/ Tim B. Witt** **Deputy Administrator for Product Management**

THIS HANDBOOK CONTAINS THE OFFICIAL FCIC-ISSUED LOSS ADJUSTMENT STANDARDS FOR THIS CROP FOR THE 2012 AND SUCCEEDING CROP YEARS. ALL REINSURED COMPANIES WILL UTILIZE THESE STANDARDS FOR BOTH LOSS ADJUSTMENT AND LOSS TRAINING.

SUMMARY OF CHANGES/CONTROL CHART

The following list contains significant changes to this handbook, as determined by us. It may not represent all changes made. All changes made to this handbook are applicable regardless of whether or not listed.

Major Changes: See changes or additions in text which have been highlighted. Three stars (***) identify where information has been removed.

Changes for the Crop Year 2012 (FCIC–25090-1) issued NOVEMBER 2011:

A. **Subsection 2 B (3)**: Removed abbreviation for Daily Spot Cotton Quotation, as it no longer applies to procedures.

B. **Subsection 3 A (1)**: Revised subsection to denote which insurability requirements apply to AUP and ELS Cotton crop provisions.

C. **Subsection 3 D**: Changed Exhibit reference for cotton quality adjustment procedures.

D. **Subsection 9 C, Form Entries and Completion Information, item 35**: Removed language regarding using the previous season's average prices when price quotations are not available for quality adjustment, as this provision was removed from the ELS cotton crop provisions.

SUMMARY OF CHANGES/CONTROL CHART (Continued)

E. **Subsection 9 C, Form Entries and Completion Information, Narrative**: Removed previous item (t) that required recording of the buyer from whom a price quotation was obtained for ELS cotton quality adjustment, as this no longer applies under the current ELS cotton crop provisions. Also added item u requiring documentation of the calculations used to determine the quality adjustment factor used to reduce any AUP cotton harvested or appraised from acreage originally planted to ELS cotton in the same growing season.

F. **Subsection 9 C, Form Entries and Completion Information, item 62**: Clarified procedures regarding production not to count.

G. **Section 10, Exhibit 1**: Added definition for Bale Listing.

H. **Section 10, Exhibit 2**: Clarified that the language concerning insurability of cotton that is grown where a small grain crop has reached the heading stage in the same calendar year applies to the ELS Cotton Crop Provisions only. Added instructions for AUP cotton to check the applicable SP for insurability impacts for any cotton that is grown where a small grain crop has reached the heading stage in the same calendar year. For AUP cotton, this information was removed from the cotton crop provisions and placed in the Special Provisions which can vary.

I. **Section 10, Exhibit 4**: Revised procedures regarding yield conversion factors to correspond with the Crop Insurance Handbook.

J. **Section 10, Exhibit 5**: Revised procedures regarding cotton quality adjustment to comply with current AUP and ELS cotton crop provisions. Removed previous Exhibits 5 and 6 that contained quality adjustment procedures specifically for ELS cotton; the procedures are now the same for AUP and ELS cotton in accordance with the crop provisions.

SUMMARY OF CHANGES/CONTROL CHART (Continued)

Control Chart For: AUP & ELS Cotton Loss Adjustment Standards Handbook						
	SC Page(s)	TC Page(s)	Text Page(s)	Reference Material	Date	Directive Number
Remove	1-2	3-4	1-4	--	11-2010	FCIC-25090
			59-60	--	11-2010	FCIC-25090
			63-64	81-84	11-2010	FCIC-25090
			67-68	89-122	11-2010	FCIC-25090
Insert	1-4	3-4	1-4	--	11-2011	FCIC-25090-1
			59-60	--	11-2011	FCIC-25090-1
			63-64	81-84	11-2011	FCIC-25090-1
			67-68	89-110	11-2011	FCIC-25090-1
Current Index	1-4	--	--	--	--	FCIC-25090-1
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		3-4	1-4	--	11-2011	FCIC-25090-1
			5-58	--	11-2010	FCIC-25090
			59-60	--	11-2011	FCIC-25090-1
			61-62	--	11-2010	FCIC-25090
			63-64	--	11-2011	FCIC-25090-1
			65-66	--	11-2010	FCIC-25090
			67-68	--	11-2011	FCIC-25090-1
			69-72	73-80	11-2010	FCIC-25090
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(RESERVED)

1. INTRODUCTION

THIS HANDBOOK MUST BE USED IN CONJUNCTION WITH THE LOSS ADJUSTMENT MANUAL (LAM) STANDARDS HANDBOOK, FCIC-25010.

The FCIC-issued loss adjustment standards for this crop are the official standard requirements for adjusting Crop Insurance losses in a uniform and timely manner. The FCIC-issued standards for this crop and crop year are in effect as of the signature date for this crop handbook at www.rma.usda.gov/handbooks/25000/index.html. All reinsured companies will utilize these standards for both loss adjustment and loss training for the applicable crop year. These standards, which include crop appraisal methods, claims completion instructions, and form standards, supplement the general (not crop-specific) loss adjustment standards identified in the LAM.

2. SPECIAL INSTRUCTIONS

This handbook remains in effect until superseded by reissuance of **either** the entire handbook **or** selected portions (through slipsheets or bulletins). If slipsheets have been issued for a handbook, the original handbook as amended by slipsheet pages shall constitute the handbook. A bulletin can supersede either the original handbook or subsequent slipsheets.

A. DISTRIBUTION

(1) The following is the minimum distribution of forms completed by the adjuster and signed by the insured (or insured's authorized representative) for the loss adjustment inspection:

(a) One legible copy to insured.

(b) The original and all remaining copies as instructed by the approved insurance provider (AIP).

(2) It is the AIP's responsibility to maintain original insurance documents relative to policyholder servicing as designated in their approved plan of operations.

B. TERMS, ABBREVIATIONS, AND DEFINITIONS

(1) Terms, abbreviations, and definitions **general** (not crop specific) to loss adjustment are identified in the LAM.

(2) Terms, abbreviations, and definitions **specific** to **AUP** and **ELS** cotton loss adjustment and this handbook, which are not defined in this section, are defined either as they appear in the text or **EXHIBIT 1**.

(3) Abbreviations:

AMS Agricultural Marketing Service
AUP American Upland Cotton

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DSSH	Document and Supplemental Standards Handbook, FCIC-24040
ELS	Extra Long Staple Cotton
FSA	Farm Service Agency
HVI	High Volume Instruments
SP	Special Provisions
UNR	Ultra-Narrow-Row
UNRC	Ultra-Narrow-Row Cotton

3. INSURANCE CONTRACT INFORMATION

The AIP is to determine that the insured has complied with all policy provisions of the insurance contract. **AUP** and **ELS** Cotton Crop Provisions, which are to be considered in this determination include (but are not limited to):

A. INSURABILITY

The following may not be a complete list of insurability requirements. Refer to the Basic Provisions, Cotton Crop Provisions, and the SP for a complete list.

(1) The crop insured will be all the cotton lint in the county, in which the insured has a share, for which premium rates are provided by the actuarial documents; and that is not (unless allowed by the SP or by a written agreement):

(a) For **AUP** and **ELS** Cotton:

1 Planted into an established grass or legume;

2 Interplanted with another spring planted crop;

(b) For **AUP** Cotton:

1 Colored cotton lint;

(c) For **ELS** Cotton:

1 Grown on acreage from which a hay crop was harvested in the same calendar year unless the acreage is irrigated; or

2 Grown on acreage on which a small grain crop reached the heading stage in the same calendar year unless the acreage is irrigated or adequate measures are taken to terminate the small grain crop prior to heading and less than fifty percent (50%) of the small grain plants reach the heading stage.

(2) In addition to the provisions of section 9 (Insurable Acreage) of the Basic Provisions:

(a) The acreage insured will be ONLY the land occupied by the rows of cotton when a skip-row planting pattern is utilized.

(b) Any acreage of the insured crop damaged before the final planting date, to the extent that a majority of producers in the area would not normally further care for the crop, must be replanted unless the AIP agrees that it is not practical to replant. Refer to the LAM for replanting provision issues.

(3) In lieu of section 11(b)2 of the Basic Provisions, insurance will end upon the removal of the cotton from the field.

B. PROVISIONS AND PROCEDURES NOT APPLICABLE TO CAT COVERAGE

Refer to the LAM for provisions and procedures not applicable to CAT.

C. UNIT DIVISION

Refer to the insurance contract for unit provisions. Unless limited by the Crop or SP, a basic unit, as defined in the Basic Provisions, may be divided into optional units if, for each optional unit, all the conditions stated in the applicable provisions are met.

D. QUALITY ADJUSTMENT

The production to count for mature cotton may be reduced as a result of a loss in quality when production has been damaged by insured cause(s). Refer to **Exhibit 5** for cotton quality adjustment procedures.

E. AUP AND ELS INSTRUCTION DESIGNATIONS

Instructions designated **AUP** will apply to American Upland cotton **ONLY**. Instructions designated **ELS** will apply to Extra Long Staple cotton **ONLY**. Undesignated instructions will apply to both **AUP** and **ELS** cotton.

F. DUTIES IN THE EVENT OF DAMAGE OR LOSS

(1) In the event of damage or loss, the cotton stalks must remain intact for the AIP's inspection. The stalks must not be destroyed, and required samples must not be harvested, until the earlier of the AIP's inspection or 15 days after harvest of the balance of the unit is completed and written notice of probable loss is given to the AIP.

(2) Representative samples are required in accordance with section 14 of the Basic Provisions.

4. REPLANTING PAYMENT PROCEDURES

There currently is no replant payment available for **AUP** or **ELS** cotton. Refer to section 3A(2)(b) for replanting requirements prior to the final planting date.

5. AUP AND ELS COTTON APPRAISALS

A. GENERAL INFORMATION

(1) Potential production for all types of inspections will be appraised in accordance with procedures specified in this handbook and the LAM.

(2) Refer to the Cottonseed (Pilot) Endorsement Insurance Standards Handbook for Cottonseed loss adjustment procedures.

B. SELECTING REPRESENTATIVE SAMPLES FOR APPRAISALS

(1) Determine the minimum number of required samples for a field or subfield by the field size, average stage of growth, general capabilities of plants to recover, and variability of plant damage within the field or subfield.

(2) Split the field into subfields when:

(a) variable damage causes the crop potential to appear to be significantly different within the same field, or

(b) the insured wishes to destroy part of a field.

(3) Appraise each field or subfield separately.

(4) Take not less than the minimum number (count) of representative samples as required in **TABLE A** for each field or subfield.

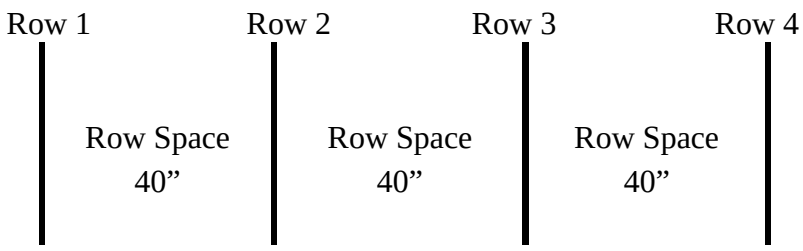
C. MEASURING ROW WIDTH FOR SAMPLE SELECTION

Use these instructions when the selection of the representative sample is based on row width.

(1) Use a measuring tape marked in inches or convert a tape marked in tenths, to inches, to measure row width (refer to the LAM for conversion table).

(2) Measure across THREE OR MORE row spaces, from the center of the first row to the center of the fourth row (or as many rows as needed), and divide the result by the number of row spaces measured across, to determine an average row width in whole inches.

EXAMPLE:



120 inches ÷ 3 row spaces = 40 inches average row width

31. **Appraised Potential**: Per-acre appraisal, in whole pounds, of POTENTIAL production for the acreage appraised as shown on the appraisal worksheet. Refer to Appraisal Worksheet Entries and Completion Procedures in section 8 for additional instructions.

If there is no potential on UH acreage enter "0." Refer to paragraph 85 in the LAM for procedures for documenting zero yield appraisals.

32. - 33. MAKE NO ENTRY.

34. **Production Pre QA**:

PRELIMINARY AND FINAL: Result of multiplying column 31 times column 19, round result to nearest whole pound. If no entry in column 31, MAKE NO ENTRY.

35. **Quality Factor**:

FINAL:

a. **AUP or ELS**: **Mature** UNHARVESTED APPRAISED production may be adjusted for quality when damaged by insured causes, and a price (value per pound) can be determined from harvested ginned production, from the same unit, that was eligible for quality adjustment. Enter the factor, to four decimal places, of the last bale ginned from the unit as shown in Column "65" of Section II.

If appraised mature production is determined by the AIP to have zero market value, enter ".0000." Refer to the LAM.

AUP ONLY: Colored lint cotton is **not** eligible for quality adjustment.

b. **ELS ONLY**: Any appraisal of **AUP** cotton on acreage **originally planted to ELS cotton** in the same growing season will be reduced by entering the factor, to four decimal places, of the last **AUP** bale ginned from the unit as shown in Section II item "65."

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36. **Production Post-QA**:

PRELIMINARY AND FINAL: Result of multiplying column 34 times column 35, rounded to the nearest whole pound. If "no entry" in column 35, transfer entry from column 34.

37. **Uninsured Causes:**

PRELIMINARY AND FINAL: Result of per acre appraisal for uninsured causes (taken from appraisal worksheet or other documentation) multiplied by column 19, in whole pounds. Refer to the LAM for information on how to determine uninsured cause appraisals. If no uninsured causes, MAKE NO ENTRY.

a. Hail and Fire exclusion NOT in effect.

(1) Enter the result of multiplying column 19 entry by NOT LESS than the insured's production guarantee per acre (Refer to production guarantee (per acre) definition in **Exhibit 1**) for yield protection or for revenue protection, not less than the amount of production that when multiplied by the harvest price equals the revenue protection guarantee, in pounds, for the line, (calculated by multiplying the elected coverage level percentage times the approved APH yield per acre shown on the APH form) for any "P" stage acreage.

(2) The cotton stalks must **not** be destroyed until the earlier of an inspection or 15 days after harvest is completed on the unit **and** a notice of probable loss is given. However, upon written authorization from the AIP to the adjuster, the adjuster can give the insured consent in writing to destroy stalks **without** a stalk inspection. The AIP can also give written consent to the insured directly. Such authorization should be done on a case-by-case basis with justification, such as widespread loss in the area. Document date of AIP's authorization, your initials and code number, and the reason(s) for the authorization. A copy of the written authorization will be kept in the claim file.

(3) On preliminary inspections, advise the insured to keep the harvested production from any acreage damaged SOLELY by uninsured causes separate from other production.

(4) For acreage that is damaged PARTLY by uninsured causes, enter result of multiplying the APPRAISED UNINSURED loss of production per acre in pounds by column 19 entry for any such acreage.

l. Attach a sketch map or aerial photograph to identify the total unit:

(1) If consent is or has been given to put part of the unit to another use;
(2) If uninsured causes are present; or
(3) For unusual or controversial cases.

Indicate on aerial photo or sketch map the dispositions of acreage destroyed or put to other use with or without consent.

m. Explain any difference between date of inspection and signature dates. For an ABSENTEE insured, enter the date of the inspection AND the date of mailing the Production Worksheet for signature.

n. When any other adjuster or supervisor accompanied the adjuster on the inspection, enter the code number of the other adjuster or supervisor and date of inspection.

o. Explain the reason for a "No Indemnity Due" claim. "No Indemnity Due" claims are to be distributed in accordance with the AIP's instructions.

p. Explain any delayed notices or delayed claims as instructed in the LAM.

q. Document any authorized estimated acres, as instructed in the LAM, shown in Section I, column 19.

r. Document the method and calculations used to determine acres for the unit. Refer to the LAM.

s. Specify the type of insects or disease when the insured cause of damage or loss is listed as insects or disease. Explain why control measures did not work.

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t. Document Price "B" from the Cotton Quality Adjustment Worksheet.

u. Document the calculations used to determine the quality adjustment factor used to reduce any AUP cotton harvested or appraised from acreage originally planted to ELS cotton in the same growing season.

v. Document the name and address of the charitable organization when gleaned acreage is applicable. **Refer to the LAM for more information on gleaning.**

w. Record any new planting pattern established after the final planting date. Explain the cause of damage and the reason the insured chose to plant in a different planting pattern.

x. Document any other pertinent information, including any data to support any factors used to calculate the production.

SECTION II – DETERMINED HARVESTED PRODUCTION

GENERAL INFORMATION:

(1) Account for ALL HARVESTED PRODUCTION for **ALL ENTITIES** sharing in the crop. This includes **ALL** cotton retrieved from the ground by the use of a "Rudd" (brand name) or any other method.

(2) There generally will be **NO** "harvested production" entries in Columns "47" through "66" for preliminary inspections.

(3) If additional lines are necessary, the data may be entered on a continuation sheet. USE SEPARATE LINES FOR:

(a) Separate disposition; e.g., bales, remnants, or unginned cotton.

(b) Varying determinations of production; e.g., prices and factors for quality adjustment.

(c) Varying shares; e.g., 50% and 75% shares on the same unit.

(4) If there is harvested production from more than one insured practice and a separate approved APH yield has been established for each, the harvested production also must be entered on separate lines in columns "47" through "66" by practice. If production has been commingled, refer to the LAM.

Verify or make the following entries:

Item No.	**Information Required**

43. **Date Harvest/Sale Completed**: **(Used to determine if there is a delayed notice or a delayed claim. Refer to the LAM.)**

PRELIMINARY: MAKE NO ENTRY.

FINAL:

a. The earlier of the date the ENTIRE acreage on the unit was either:

(1) harvested,
(2) totally destroyed,
(3) put to other use,
(4) a combination of destroyed, put to other use, or harvested and the cotton (modules) removed from the field (unit), or
(5) the calendar date for the end of the insurance period.

Traditional rectangular module:
Length X Width X Height X Cubic Foot Factor* X Percent of Turnout from the most recent module (or trailer) ginned on the unit = Net Weight (Lbs.) of Production

EXAMPLE: 32ft. X 7.5ft. X 5.5ft. = 1320 X 8.5 factor X 15% turnout = 1683 lbs.

Round bale/module:
Pi X radius^2 X Height X Cubic Foot Factor* X Percent of Turnout from the most recent module (or trailer) ginned on the unit = Net Weight (Lbs.) of Production

EXAMPLE: 3.14 X 8ft. (4^2) X 8ft. X 8.5 factor X 25% turnout = 427 lbs.

*Average number of pounds of seed cotton in a cubic foot. For stripper and picker cotton cultivars harvested with a stripper, use a factor of 8.5. For stripper cotton cultivars harvested with a burr extractor stripper, and **AUP** and **ELS** picker cotton cultivars harvested with a picker, use a factor of 11.

If no cotton has been ginned nor will be ginned from the unit, use the Average Percent of Turnout, on the date of final inspection, from the gin where the cotton would have been delivered for ginning.

Refer to **Quality Factor** (Section II, Column "65") for quality adjustment procedures for items c, d, and e above. Document, on a Special Report, the calculations used to determine the Net Weight of any unginned cotton in items c, d, or e above. Explain the reason requiring their use and the date of approval from the AIP when required.

Quality Adjustment – Refer to **EXHIBIT 5** for Cotton Quality Adjustment procedures for "64a" and "64b"column entries.

57-60b. MAKE NO ENTRY.

61. **Adjusted Production**: Transfer the entry from column "56," in whole pounds.

62. **Prod. Not to Count**: Production NOT to count, to nearest whole pound, WHEN ACCEPTABLE RECORDS IDENTIFYING SUCH PRODUCTION ARE AVAILABLE, from harvested acreage which has been assessed an appraisal of not less than the production guarantee per acre, and there is also harvested production from such acreage or from other sources (e.g., other units or uninsured acreage) in the same module or trailer, or where stalks were destroyed without consent.

THIS ENTRY MUST NEVER EXCEED PRODUCTION SHOWN ON THE SAME LINE. EXPLAIN ANY "PRODUCTION NOT TO COUNT" IN THE NARRATIVE.

63. **Production Pre-QA:** Result of subtracting column 62 from column 61.

64a. **Value**: Record price "A" (value per pound), to four decimal places, for production eligible for quality adjustment from the Cotton Quality Adjustment Worksheet.

64b. **Mkt. Price**: Record 85% of price "B", to four decimal places, from the Cotton Quality Adjustment Worksheet.

65. **Quality Factor**: Divide Column "64a" by Column "64b," rounded to four decimal places (or enter the factor from the Cotton Quality Adjustment Worksheet).

Harvested UNGINNED cotton damaged by insured causes may be adjusted for quality when a price (value per pound) can be determined from harvested ginned production from the same unit that was eligible for quality adjustment. The factor (to four decimal places) of the last bale ginned from the unit is used to quality adjust unginned cotton production for items c, d, or e of Section II, Column "56."

66. **Production to Count**:

a. If quality adjustment **does not** apply, subtract Column "62" from Column "61."

b. If quality adjustment **does** apply, subtract Column "62" from Column "61" times Column "65," rounding to the nearest whole pound.

67. **Total**: Total of column 63. If no entry in column 63, MAKE NO ENTRY.

68. **Section II Total**:

PRELIMINARY: MAKE NO ENTRY.

FINAL: Enter the figure from Section II, Column "66" total.

69. **Section I Total**:

PRELIMINARY: MAKE NO ENTRY.

FINAL: Enter the figure from Section I, Column "38" total.

70. **Unit Total:**

PRELIMINARY: MAKE NO ENTRY.

FINAL: Total of column 68 and column 69.

71. **Allocated Prod.**: Refer to the LAM paragraphs 126 C (1 – 3) and 127 for instructions for determining allocated production. Enter the total production, in whole pounds, allocated to this unit that is included in Sections I or II of the Production Worksheet. Document how allocated production was determined and record supporting calculations in the Narrative or on a Special Report.

EXHIBIT 1

DEFINITIONS

AUP Cotton	American Upland cotton of a botanical group known as *Gossypium hirsutum*, native to Mexico and Central America.
AUP "Picker" **Cotton**	A cotton cultivar with characteristics conducive to efficient picking, a relatively large plant with dispersed fruiting habit, a high yielding cultivar of early-maturing, slightly storm-resistant bolls borne well off the ground on a strong central stem. Harvesting is usually accomplished by a machine-picker with revolving spindles that removes the lint and seeds from open bolls and leaves unopened bolls and empty burrs on the plant. Machine-picking can be used more than once per season to harvest the crop as it progressively matures. Machine-picking can be used on cotton plants of practically any size.
AUP "Stripper" **Cotton**	A cotton cultivar with characteristics conducive to efficient stripping, a small plant with a fairly compact zone of relatively determinant fruiting habit and either storm-resistant or storm proof bolls. Determinacy is considered necessary because of moisture and temperature factors that limit the effective growing season; storm resistance or storm proofness provides protection to open bolls until the entire crop is matured and ready for once-over harvest by machine-stripper. Stripper harvesting, strips the entire plant of both open and unopened bolls. Therefore, harvesting is an once-over operation after all of the crop is mature. Stripping can be used when conditions are such that plant size is not excessive and the crop matures uniformly and early, and where satisfactory desiccation or defoliation can be achieved either by chemicals or frost.
Bagging and Ties	The wrapping materials used to secure a bale of cotton.
Bale	The cotton lint (that has been separated from the seed in the ginning process) that is tightly compressed into a bale and secured with bagging and ties. An accepted basic tradeable unit.
Bale Listing	Cotton classification information, including bale identification numbers, net weights, and HVI quality information.
Boll	A fruit of a cotton plant containing seed and lint.
Carpel	Ovary or ovule-bearing structure of the flower bud. A cotton flower contains 3 to 5 carpels, each of which at maturity contain a single lock, and collectively make the boll.
Cotton Module	A bulk cube or cylinder shape of cotton compacted by manual or mechanical controls on the module builder. Cotton modules provide temporary storage for unginned cotton that is transported from the field to the gin by a module truck or hauler.
Colored Cotton	Cotton lint that grows naturally in dye-free colored bolls (e.g., brown, green, and red) right on the stalk.

EXHIBIT 1

Cotton Trailer	Provides temporary storage for unginned cotton for transporting to the gin.
Cotyledonary Node	The site to which the cotyledonary leaves (seed leaves) are attached to the plant stem. In all cases, the cotyledonary node will be the bottom-most node of the plant and appear directly opposite each other on the stem.
Cultivar	A group of individual plants within a species that differ in certain characters from others within the species. A contraction of the words "cultivated variety."
ELS Cotton	A botanical group known as *Gossypium barbadense*, of early South American origin. Refer also to the ELS Cotton Crop Provisions.
Emergence	Fifty percent (50%) or more of the seedling plants visible above the ground with cotyledonary leaves unfolded.
Ginning	The process of separating the cotton lint (fiber) from the seed, cleaning the lint to remove plant residue and other foreign material. Refer to **EXHIBIT 5** for additional information.
Ginning Turnout	The ratio of lint to seed cotton produced by the ginning process (also may be referred to as ginning outturn).
Hill Dropped	A method of spacing cottonseed in the furrow at the time of planting. Generally, several seeds are dropped together in a "hill" as an alternative to equally spacing seed. Hill dropped seed allow several emerging seedlings to break through the soil crust.
Internode	That part of a stem or branch between two nodes.
Lint	The product separated from the seed in the ginning process.
Lock	The seed and lint in a carpel.
Node	A slightly enlarged place on a stem (joint) from which buds arise and which bear a leaf and/or limb(s) or fruit.
Open Boll	Lint exposed.
Production Guarantee (Per Acre)	In lieu of the definition contained in the Basic Provisions, the number of pounds determined by multiplying the approved yield per acre by any applicable yield conversion factor for non-irrigated skip-row planting patterns, and multiplying the result by the coverage level percentage you elect.
Remnant	A portion of a bale weighing less than normal bale weight.

EXHIBIT 1

Square	Unopened cotton flower bud together with surrounding bracts.
Stage Code	Code denoting stage of crop growth or period of development at time of loss.
Ultra Narrow Row Cotton	Cotton planted with a grain drill or any other narrow row planting method used to attain the ultra narrow row spacing of 20 inches or less.
Variety	Refer to cultivar.

EXHIBIT 2

INSURABILITY OF NONIRRIGATED COTTON GROWN UNDER A CONSERVATION TILLAGE PRACTICE

1. GENERAL INFORMATION

In high wind areas, producers may plant a small grain (usually wheat or rye) during the fall to prevent soil erosion during the winter and spring months. Building organic matter in the soil, prevention of soil compaction, cutting costs, improving yields, and moisture conservation are other reasons to employ a conservation tillage practice. The small grain is then chemically terminated but remains standing between the rows of cotton to reduce wind-caused damage to the cotton seedlings and soil erosion. The small grain should be terminated in the early to mid-boot stage of growth in order to provide maximum erosion reduction and yet not use excessive amounts of soil moisture needed to produce the cotton crop.

Under some conditions, although herbicide practices are properly applied to terminate the small grain crop, the plants may produce seed heads. This may occur when the small grain is stressed and is not sufficiently translocating the herbicide to cause quick termination. For AUP cotton, check the applicable SP for insurability impacts for any cotton that is grown where a small grain crop has reached the heading stage in the same calendar year. The **ELS** Cotton Crop Provisions contain a provision that makes any cotton **uninsurable** that is grown where a small grain crop has reached the heading stage in the same calendar year, unless:

A. the acreage is irrigated; or

B. adequate measures are taken to terminate the small grain crop prior to heading (**if nonirrigated**); and

C. less than fifty percent (50%) of the small grain plants reach the heading stage.

2. STANDARD PROCEDURES FOR A CONSERVATION TILLAGE PRACTICE

A. Any small grain crop utilized in a conservation tillage practice will not be considered headed out unless fifty percent (50%) or more of the small grain plants have reached the heading stage. If proper herbicide practices are utilized to terminate the small grain crop, this threshold should not be reached. Proper practices include applying recommended amounts of herbicide at a time that, under normal growing conditions, will result in the termination of the small grain plants before plants reach the heading stage.

B. When the above conservation tillage practice exists and the acreage is ALL or PART of a claim for indemnity, the loss adjuster must document, on a Special Report, the following: That;

(1) The insured does not have an insurance policy in effect for the small grain on the acreage;

(2) The operator (producer) complied with ALL requirements of the crop provisions, including but not limited to applying a recommended herbicide in the required amounts at the proper stage of growth to achieve vegetative kill before 50 percent or more of the small grain plants reached the heading stage; and

EXHIBIT 4

YIELD CONVERSION FACTORS FOR NONIRRIGATED SKIP-ROW PLANTING PATTERNS

1. GENERAL INFORMATION

A. Acreage determinations and qualifying skip-row planting patterns must agree with the FSA Rules and Verifying Row-widths and Planting Patterns in **EXHIBIT 3**.

B. Refer to **TABLE 4** for Percent Planted Factors for 30 to 40-inch planting patterns.

2. YIELD CONVERSION FACTOR TABLES

To compute the acreage report yield for non-irrigated skip-row planting pattern(s) carried out, multiply the approved solid-planted yield from the APH form times the yield conversion factor for the qualifying skip-row planting pattern. Irrigated acreage does not qualify for skip-row yield conversion factors.

If the entire area is considered devoted to cotton (solid planted) by FSA, a yield conversion factor of 1.00 must be used. Use the following tables to convert qualifying non-irrigated skip-row cotton yields to a solid-planted basis:

TABLES

TABLE 1 – These factors apply to Arkansas, Louisiana, Missouri, and all states east of these states.

Planting Pattern	Row Width 1/	Yield Conversion Factor
Solid-planted or non-qualifying skip-row patterns as determined by FSA or RMA		1.00
2 planted X 1 skipped	30 to 40 inch	1.33
2 planted X 1 narrow skip (40-40-24*)	30 to 40 inch	1.23
2 planted X 1 narrow skip (38-38-26**)	30 to 40 inch	1.25
2 planted X 2 skipped	30 to 40 inch	1.50
2 planted X 4 or more skipped	30 to 40 inch	1.67
4 planted X 1 skipped	30 to 40 inch	1.20
4 planted X 2 skipped	30 to 40 inch	1.33
4 planted X 4 skipped	30 to 40 inch	1.33
6 planted X 1 skipped	30 to 40 inch	1.14
6 planted X 2 or more skipped	30 to 40 inch	1.20
Other	Cannot Exceed 40 Inch	RMA rules

1/ Row widths are equal unless otherwise indicated.

* 40 inch planted row width with 24 inch skip width.

** 40 inch planted row width with 26 inch skip width.

EXHIBIT 4

YIELD CONVERSION FACTORS FOR NONIRRIGATED SKIP-ROW PLANTING PATTERNS

For planting patterns of unequal row widths within the pattern, or row patterns other than those listed in **TABLE 1**, compute the yield conversion factor as follows:

A. Divide the width in inches of the area skipped in the pattern (as defined by FSA) by the width in inches of the whole pattern, rounded to 2 decimals.

B. Add 1.00 to the results obtained in item A.

EXAMPLE: 3 planted X 1 skipped (40" rows) = 40 ÷ 160 = .25 + 1.00 = 1.25

In some areas, mixed patterns are planted such as 4 planted X 1 skipped X 2 planted X 1 skipped. To calculate the factor for these patterns, determine the factor for each part (4 X 1 and 2 X 1) and compute a weighted factor based on the number of planted rows.

EXAMPLE: 4 X 1 X 2 X 1 (40" rows)
4 X 1 = 40 ÷ 200 = .20 + 1.00 = 1.20 X 4 = 4.80
2 X 1 = 40 ÷ 120 = .33 + 1.00 = 1.33 X 2 = 2.66
7.46 ÷ 6 rows = 1.24

C. The result of item B must not exceed:

(1) 1.67 for any pattern or part of a pattern of 1 planted row or 2 consecutive planted rows alternating with idle land.

(2) 1.45 for any pattern or any part of a pattern of 3 consecutive planted rows alternating with idle land.

(3) 1.33 for any pattern or part of a pattern of 4 consecutive planted rows alternating with idle land.

(4) 1.20 for any pattern or part of a pattern of 5 or 6 consecutive planted rows alternating with idle land.

(5) 1.00 for any pattern or a part of a pattern of 7 or more consecutive planted rows alternating with idle land.

EXHIBIT 4

YIELD CONVERSION FACTORS
FOR NONIRRIGATED SKIP-ROW PLANTING PATTERNS

TABLE 2 – These factors apply to New Mexico, and the following counties in Texas: Baylor, Concho, Runnels, Schleicher, Shackleford, Sutton, Taylor, Throckmorton, Valverde, Wilbarger, and all counties west of these counties.

Planting Pattern	Row Width 1/	Yield Conversion Factor
Solid-planted or non-qualifying skip-row patterns as determined by FSA or RMA		1.00
1 planted X 1 skipped	40 inch	1.32
1 planted X 1 skipped	36 inch	1.19
1 planted X 1 skipped	32 inch	1.06
2 planted X 1 skipped	30 to 40 inch	1.29
2 planted X 2 skipped	30 to 40 inch	1.29
3 planted X 1 skipped	30 to 40 inch	1.19
3 planted X 2 skipped	30 to 40 inch	1.19
4 planted X 1 skipped	30 to 40 inch	1.14
4 planted X 2 skipped	30 to 40 inch	1.14
4 planted X 4 skipped	30 to 40 inch	1.02
5 planted X 1 skipped	30 to 40 inch	1.12
5 planted X 2 skipped	30 to 40 inch	1.12
6 planted X 1 skipped	30 to 40 inch	1.10
6 planted X 2 skipped	30 to 40 inch	1.10
7 planted X 1 skipped	30 to 40 inch	1.08
7 planted X 2 skipped	30 to 40 inch	1.08
8 planted X 1 skipped	30 to 40 inch	1.07
8 planted X 2 skipped	30 to 40 inch	1.07
Other	Cannot Exceed 40 Inch	RMA rules

1/ Row widths are equal unless otherwise indicated.

EXHIBIT 4

YIELD CONVERSION FACTORS FOR NONIRRIGATED SKIP-ROW PLANTING PATTERNS

TABLE 3 – These factors apply to Kansas, Oklahoma, and all Texas counties for which **TABLE 2** does not apply.

Planting Pattern	**Row Width** 1/	**Yield Conversion Factor**
Solid planted or non-qualifying skip-row patterns as determined by FSA or RMA		1.00
1 planted X 1 skipped	40 inch	1.40
1 planted X 1 skipped	36 inch	1.26
1 planted X 1 skipped	32 inch	1.12
2 planted X 1 skipped	30 to 40 inch	1.35
2 planted X 2 skipped	30 to 40 inch	1.35
3 planted X 1 skipped	30 to 40 inch	1.23
3 planted X 2 skipped	30 to 40 inch	1.23
4 planted X 1 skipped	30 to 40 inch	1.17
4 planted X 2 skipped	30 to 40 inch	1.17
4 planted X 4 skipped	30 to 40 inch	1.04
5 planted X 1 skipped	30 to 40 inch	1.14
5 planted X 2 skipped	30 to 40 inch	1.14
6 planted X 1 skipped	30 to 40 inch	1.12
6 planted X 2 skipped	30 to 40 inch	1.12
7 planted X 1 skipped	30 to 40 inch	1.10
7 planted X 2 skipped	30 to 40 inch	1.10
8 planted X 1 skipped	30 to 40 inch	1.09
8 planted X 2 skipped	30 to 40 inch	1.09
Other	Cannot Exceed 40 Inch	RMA rules

1/ Row widths are equal unless otherwise indicated.

EXHIBIT 4

YIELD CONVERSION FACTORS FOR PLANTING PATTERNS NOT LISTED IN TABLES 2 AND 3

The following procedures provide instructions for calculating the skip-row yield conversion factor for skip-row planting patterns not listed in Tables 2 or 3 for skip-row planted cotton in Kansas, New Mexico, Oklahoma and Texas.

Using the following table, assign the appropriate row factor for each individual row, including the skipped row, in the planting pattern. Row factors are based on the planting pattern only; therefore, turning at the end of the field has no effect on the calculation. Once all rows in the pattern are assigned a row factor, sum the row factors, and then divide the total by the total number of rows in the planting pattern, including the skipped rows. Round the result to the nearest four decimal places. Divide the result by the FSA percent planted factor applicable to the skip-row planting pattern, and round the result to two decimal places.

COUNTY WHERE CROP IS PLANTED	INDIVIDUAL ROW FACTORS				
	ROW WIDTH	SKIPPED ROW	PLANTED ROW ON BOTH SIDES	PLANTED ROW ON ONE SIDE, SKIPPED ROW ON OTHER SIDE	SKIPPED ROW ON BOTH SIDES
COUNTIES IN TABLE 2	40	0.00	1.00	1.29	1.32
	36	0.00	1.00	1.29	1.19
	32	0.00	1.00	1.29	1.06
COUNTIES IN TABLE 3	40	0.00	1.00	1.35	1.40
	36	0.00	1.00	1.35	1.26
	32	0.00	1.00	1.35	1.12

Example 1: Insured planted cotton in Baylor County, Texas, using a 2 rows planted, 3 rows skipped, 1 row planted with 40 inch rows planting pattern. To calculate the skip-row yield conversion factor, assign the appropriate row factor to each individual row as follows.

PLANTING PATTERN = 2 X 3 X 1 WITH 40 INCH ROW WIDTH						
ROW	Row 1 Planted	Row 2 Planted	Row 3 Skipped	Row 4 Skipped	Row 5 Skipped	Row 6 Planted
ASSIGNED ROW FACTOR	1.29	1.29	0.00	0.00	0.00	1.32

Sum the row factors, then divide the total by the total rows in the planting pattern.

1.29 + 1.29 + 0.00 + 0.00 + 0.00 + 1.32 = 3.90 ÷ 6 rows = 0**.6500**

Divide the result by the FSA percent planted factor for the planting pattern. The skip-row yield conversion factor for the planting pattern is 1.30.

0.6500 ÷ 0.5000 = **1.30**

Example 2: Insured planted cotton in Baylor County, Texas, using a 4 rows planted, 1 row skipped, 2 rows planted, 1 row skipped with 36 inch rows planting pattern.

To calculate the skip-row yield conversion factor, assign the appropriate row factor to each individual row as follows.

PLANTING PATTERN = 4 X 1 X 2 X 1 WITH 40 INCH ROW WIDTH								
ROW	Row 1 Planted	Row 2 Planted	Row 3 Planted	Row 4 Planted	Row 5 Skipped	Row 6 Planted	Row 7 Planted	Row 8 Skipped
ASSIGNED ROW FACTOR	1.29	1.00	1.00	1.29	0.00	1.29	1.29	0.00

Sum the row factors, then divide the total by the total rows in the planting pattern.

1.29 + 1.00 + 1.00 + 1.29 + 0.00 + 1.29 + 1.29 + 0.00 = 7.16 ÷ 8 rows **= 0.8950**

Divide the result by the FSA percent planted factor for the planting pattern. The skip-row yield conversion factor for the planting pattern is 1.19.

0.8950 ÷ 0.7500 = **1.19**

EXHIBIT 4

3. TABLE 4 – ACRES CONSIDERED PLANTED BY FSA TABLE

Cropping Definition	Row Width	Percent Planted to Cotton
1 planted 1 skipped	40 inch	50.00%
1 planted 1 skipped	36 inch	55.56%
1 planted 1 skipped	32 inch	62.50%
2 planted 1 skipped	30 to 40 inch	66.67%
2 planted 2 skipped	30 to 40 inch	50.00%
3 planted 1 skipped	30 to 40 inch	75.00%
3 planted 2 skipped	30 to 40 inch	60.00%
4 planted 1 skipped	30 to 40 inch	80.00%
4 planted 2 skipped	30 to 40 inch	66.67%
4 planted 4 skipped	30 to 40 inch	50.00%
5 planted 1 skipped	30 to 40 inch	83.33%
5 planted 2 skipped	30 to 40 inch	71.43%
6 planted 1 skipped	30 to 40 inch	85.71%
6 planted 2 skipped	30 to 40 inch	75.00%
7 planted 1 skipped	30 to 40 inch	87.50%
7 planted 2 skipped	30 to 40 inch	77.77%
8 planted 1 skipped	30 to 40 inch	88.89%
8 planted 2 skipped	30 to 40 inch	80.00%
Other patterns	FSA Rules	FSA Rules

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

1. GENERAL INFORMATION

The term "cotton classification" refers to the application of standardized procedures developed by USDA AMS for measuring those physical attributes of raw cotton that affect the quality of the finished product and/or manufacturing efficiency. The USDA AMS classification system currently consists of determinations of color grade, preparation, leaf grade, and extraneous matter (if any); and High Volume Instrument (HVI) measurements for fiber length, micronaire, strength, color, trash, and length uniformity.

At the gin, cotton fibers are separated from the seed, cleaned to remove plant residue and other foreign material, and pressed into bales of about 500 pounds. A sample of at least 4 ounces (114 grams) is taken from each side of the bale by a licensed sampling agent and delivered by the agent or designated hauler to the USDA AMS classing facility serving the area. Gin and warehouse operators serve as licensed sampling agents and perform this function under USDA supervision.

Classification procedures for American Pima cotton, also referred to as Extra Long Staple, are similar to those for American Upland cotton. Different grade standards are used because the color of American Pima cotton is a deeper yellow than that of Upland. Also, the ginning process for American Pima cotton (roller ginned) is not the same as for Upland (saw ginned). The roller gin process results in an appearance that is not as smooth as that of the saw ginned process.

The USDA AMS, at the request of producers, classes practically all of the cotton grown in the United States. While classification is not mandatory, growers generally find it essential to marketing their crop and for participation in certain USDA programs.

2. COTTON CLASSIFICATION INFORMATION

A. The AMS classing office provides classification information to producers or their authorized agents through computer-to-computer telecommunications, tapes, diskettes, and computer-generated printed documents. At the gins, adjusters may use the producer's bale listing or the gin-recorded ledgers that must contain a minimum of the information listed in (B) below.

B. The following numbered items explain the information provided on the bale listing as number codes.

(1) **Gin Code Number** (Columns 1-5) **–** The gin code number is composed of five digits. The first two digits denote the classing office and the last three digits identify the gin.

(2) **Gin Bale Number** (Columns 6-12) – The seven-digit bale numbers are assigned by the gin. A bar-coded bale identification tag, preprinted with the gin code number and gin bale number, is placed between the two halves of the sample for identification purposes.

(3) **Date Classed** (Columns 13-20) **–** This is the date the bale was classed in the classing office.

(4) **Module, Trailer, or Single Bale** (Column 21) – This one digit code indicates whether the sample was outturned as a single bale or from a bale that was module/trailer averaged. Single bale = 0; Module = 1; Trailer = 2.

(5) **Module/Trailer Number** (Columns 22-26) – A five-digit number identifies the module/trailer number assigned at the gin.

(6) **Bales in Module/Trailer** (Columns 27- 28) – A two-digit number that identifies the number of bales in the module/trailer that were averaged to determine the value of all the bales in the module/trailer.

(7) **Official Color Grade** (Columns 32-33) – A number that refers to an official Upland color grade that appears on the classification record. Certain special condition codes listed below are shown in the color grade columns for Upland and Pima. Color refers to the gradations of whiteness and yellowness in the cotton. There are 25 official color grades for American Upland cotton, plus five categories of below grade color, as shown in the table below.

COLOR GRADES OF AMERICAN UPLAND COTTON

	WHITE	LIGHT SPOTTED	SPOTTED	TINGED	YELLOW STAINED
Good Middling	11*	12	13	--	--
Strict Middling	21*	22	23*	24	25
Middling	31*	32	33*	34*	35
Strict Low Middling	41*	42	43*	44*	--
Low Middling	51*	52	53*	54*	--
Strict Good Ordinary	61*	62	63*	--	--
Good Ordinary	71*	--	--	--	--
Below Grade	81	82	83	84	85

*Physical Standards. All others are descriptive.

Special Condition Codes for American Upland Cotton:
96 – Mixture of Upland and Pima; 97 – Fire Damaged; 98 – Water Damaged

AMERICAN PIMA GRADES – has six official grades 01, 02, 03, 04, 05, 06, all represented by physical standards, plus below grade 07 which is descriptive.

Special Condition Codes for American Pima Cotton:
93 – Mixture of Pima and Upland; 94 – Fire Damaged; 95 – Water Damaged

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

(8) **Fiber Length – 32nds** (columns 34-35); **100ths** (columns (61– 63) – The HVI system measures length in hundreds of an inch. Fiber length (staple length) is reported in both 32nds and 100ths of an inch on the grade card (refer to conversion chart below).

Starred (*) lengths represent the staple length as stated on the SP for quality adjustment.

American Upland Length Conversion Chart

Length 32nds	HVI Length Inches	Length 32nds	HVI Length Inches
24 (below 13/16)	.79 & shorter	36 (1 1/8*)	1.11 – 1.13
26 (13/16)	.80 - .85	37 (1 5/32)	1.14 – 1.17
28 (7/8)	.86 - .89	38 (1 3/16)	1.18 – 1.20
29 (29/32)	.90 - .92	39 (1 7/32)	1.21 – 1.23
30 (15/16*)	.93 - .95	40 (1 ¼)	1.24 – 1.26
31 (31/32)	.96 - .98	41 (1 9/32)	1.27 – 1.29
32 (1”)	.99 - 1.01	42 (1 5/16)	1.30 – 1.32
33 (1 1/32*)	1.02 - 1.04	43 (1 11/32)	1.33 – 1.35
34 (1 1/16*)	1.05 - 1.07	44 & longer (1 3/8)	1.36 & longer
35 (1 3/32*)	1.08 - 1.10		

A separate chart is used to convert American Pima fiber length from 32nds to 100ths of an inch.

American Pima Length Conversion Chart

Length 32nds	HVI Length (Inches)
40	1.20 & lower
42	1.21 – 1.25
44 (1 3/8*)	1.26 – 1.31
46	1.32 – 1.36
48	1.37 – 1.42
50	1.43 – 1.47
52	1.48 & above

(9) **Micronaire** (Columns 36-37) **–** An airflow instrument is used in the HVI system to measure fiber fineness. The measurements are commonly referred to as micronaire or “mike” readings.
Micronaire readings are expressed with or without a decimal (e.g., 3.5 or 35).

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

Relationship of Micronaire Readings to Market Value
American Upland

Premium Range
3.7 - 4.2
3.5 - 3.6 Base Range 4.3 - 4.9
3.4 and below Discount Range 5.0 and up

Micronaire Readings for American Pima
Range

3.5 and Above
3.3 – 3.4
3.0 – 3.2
2.7 – 2.9
2.6 and Below

(10) **Strength** (Columns 39-42) – Fiber strength is measured in grams per tex and represents the force in grams to break a bundle of fibers one tex unit in size.

(11) **Leaf Grade** (Column 43) – Leaf refers to small particles of the cotton plant's leaf which remain in the lint through the ginning process. Upland leaf grades are identified by numbers of 1 through 7, all represented by physical standards. Leaf grade 8 (Below grade) is used to identify samples having more leaf than leaf grade 7. Pima leaf grades are identified by numbers 1 through 6, all represented by physical standards, and leaf grade 7 (Below grade) which is used to describe samples having more leaf than leaf grade 6.

(12) **Extraneous Matter** (Columns 44-45) **–** Extraneous matter is any substance in the cotton other than fiber or leaf, such as bark, grass spindle twist, seed coat fragments dust, or oil. The amount of extraneous matter in the cotton will be reported as level 1 and level 2, with level 2 indicating the heavier contamination. The code numbers identifying the presence and level of extraneous matter in a sample are as follows:

Code	Description	Code	Description
01	Prep Level 1	32	Seed Coat Fragments Level 2
02	Prep Level 2	41	Oil Lever 1
11	Bark Level 1	42	Oil Lever 2
12	Bark Level 2	51	Spindle Twist Level 1
21	Grass Level 1	52	Spindle Twist Level 2
22	Grass Level 2	61	Other Level 1
31	Seed Coat Fragments Level 1	62	Other Level 2

(13) **Remarks** (Columns 46-47) **–** The HVI assigns the remarks code 75 where applicable. Classers identify other special condition cotton. Some of these items cause processing problems and lower yarn quality. The following remarks codes identify special condition cotton:

Code	Description
75	Other Side Two or More Color Grades and/or Color Groups or One Color Grade and One Color Group Higher
76	Reginned
77	Repacked
78	Redder than normal (Pima)
92	Pima ginned on saw gin

(14) **HVI Color Code and Color Quadrant etc.** (Columns 49-64) **–** These columns are **NOT** required for quality adjustment purposes

(15) **Length Uniformity Percent** (Columns 65-66) – These columns are **NOT** required for quality adjustment purposes

(16) **Upland or Pima** (Columns 67) – The one digit code indicates whether the sample is Upland or American Pima. 1 = Upland; 2 = Pima.

(17) **Record Type** (Columns 68) **–** the one digit code gives the type of record according to the following: 0 = Original; 1 = Review; 2 = Reworked; 3 = Duplicate; 4 = Correction.

(18) **CCC Loan Premium or Discount Points** (Columns 69-73) –The five digit code gives the CCC loan premium and discount points for Upland cotton. The physical loan price for Pima cotton is shown in cents per pound. Upland – Column 69 (+) if Premium, (-) if Discount. These columns will be left blank if bale is not eligible for loan.

3. UPLAND AND EXTRA LONG STAPLE COTTON QUALITYADJUSTMENT PROCEDURE

The following is quality loss adjustment procedures for AUP and ELS cotton. Mature **white** AUP cotton and mature ELS cotton may be adjusted for quality when production has been damaged by insured causes and qualifies for quality adjustment. Production will be reduced if the price for cotton of like quality (price "A") is less than 85 percent of price "B."

A. If the type of cotton being adjusted is AUP, Price "B" is the Upland Cotton National Average Loan Rate determined by FSA. If the type of cotton being adjusted is ELS, Price "B" is the ELS Cotton National Average Loan Rate determined by FSA.

B. Price "A" is the loan value per pound for the bale determined in accordance with the FSA Schedule of Premiums and Discounts for the applicable crop year.

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

Colored AUP cotton lint is **NOT** eligible for quality adjustment.

C. The quality dimensions on which quality will be measured are grade, staple length, leaf content, bark and extraneous matter, micronaire, strength, and length uniformity. However, length uniformity is not a grading factor for ELS cotton so it is not a quality dimension on which ELS cotton will be measured.

D. The documents used to determine cotton values for mature cotton that has been damaged by an insurable cause and qualifies for quality adjustment are the:

(1) Bale listing;

(2) Upland Cotton National Average Loan Rate for AUP cotton; or

(3) ELS Cotton National Average Loan Rate for ELS cotton; and

(4) FSA Schedule of Premiums and Discounts.

The current crop's FSA National Average Loan Rate and Loan Premium and Discount Schedule can be accessed from the FSA website at the following address:

http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=lor

E. Determine Price "A" by completing the Cotton Quality Adjustment Worksheet as follows:

(1) Bale listing with FSA Loan Values:

(a) Transfer information from the bale listing to the Cotton Quality Adjustment Worksheet. The bale listing includes bale identification numbers, net weights and calculated FSA loan values for each bale produced on the unit.

(b) For each bale produced on the unit, transfer bale numbers to Column 7, net weights to Column 8 and FSA loan values to Column 15 (Price "A") of the Cotton Quality Adjustment Worksheet.

(c) Attach the bale listing to the Cotton Quality Adjustment Worksheet.

(2) Bale listing without FSA Loan Values:

(a) Use information from the bale listing to complete the Cotton Quality Adjustment Worksheet. The bale listing includes bale identification numbers, net weights and HVI quality information for each bale produced on the insured unit. Use only the allowable criteria listed in 3 C above.

(b) For each bale produced on the unit, transfer bale numbers to Column 7 and net weight to Column 8 of the Cotton Quality Adjustment Worksheet.

(c) Use the allowable quality information from the bale listing and FSA Loan Premium and Discount Schedule for the crop year recorded as Item 4 to complete Columns 10-14 of the Cotton Quality Adjustment Worksheet for each bale.

(d) For each individual bale, sum Columns 10-14 (sum may be a negative number), and add to the applicable Cotton National Average Loan Rate (Item 5). Record the results (Price "A") in Column 15.

(e) Attach the bale listing to the Cotton Quality Adjustment Worksheet.

F. Any AUP cotton harvested or appraised from acreage originally planted to ELS cotton in the same growing season will be reduced by the factor obtained by dividing the price per pound for AUP cotton by the price per pound for ELS cotton. If AUP cotton is replanted, identify in the Narrative the line(s) applicable to ELS and AUP cotton. Also, document the calculations used to determine the quality adjustment factor in the Narrative. The prices used for AUP cotton will be the Upland Cotton National Average Loan Rate adjusted by the applicable FSA premiums and discounts. The prices used for ELS cotton will be the ELS Cotton National Average Loan Rate.

EXAMPLE:

Step 1: Determine the AUP price of each harvested bale.

The AUP cotton was harvested and the net bale weight is 500 pounds.

.5200 (Upland Cotton National Average Loan Rate)
-.0505 (net FSA AUP premiums and discounts for bale's allowed quality dimensions)
.4695 = price for AUP harvested bale #122

Step 2: Determine the price for ELS.

The ELS Cotton National Average Loan Rate is .7977.

Step 3: Bale #122 is reduced as follows:

.4695 ÷ .7977 = .5886 Factor x 500 lbs. = 294.3 = 294 lbs.

Any appraisal of **AUP** cotton on acreage **originally planted to ELS cotton** in the same growing season will be reduced by the factor determined in Step 3 (**AUP** value ÷ **ELS** value = factor).

G. The following example shows pages of the FSA loan rates for AUP cotton that are used to complete the example cotton quality adjustment worksheet in Exhibit 6. All shadowed information is used to complete the worksheet.

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

2010 National Average Loan Rates

Commodity	Loan Rates per Unit
Wheat	$2.94 per bushel
Corn	$1.95 per bushel
Grain Sorghum	$1.95 per bushel
Barley	$1.95 per bushel
Oats	$1.39 per bushel
Upland Cotton	$0.52 per pound
Extra Long Staple (ELS) Cotton	$0.7977 per pound
Rice	
• Long Grain	$6.50 per hundredweight
• Medium/Short	$6.50 per hundredweight
Soybeans	$5.00 per bushel
Oilseeds (see below)	$0.1009 per pound
Graded Wool	$1.15 per pound
Non-Graded Wool	$0.40 per pound
Mohair	$4.20 per pound
Honey	$0.69 per pound
Dry Peas	$5.40 per hundredweight
Lentils	$11.28 per hundredweight
Small Chickpeas	$7.43 per hundredweight
Large Chickpeas	$11.28 per hundredweight
Peanut	$355.00 per Ton

← Used for Price B, Item 5.

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

PREMIUMS AND DISCOUNTS FOR GRADE, STAPLE LENGTH, AND LEAF CONTENT OF 2010-CROP AMERICAN UPLAND COTTON

	Color	Leaf	2010 Loan Rates (points per lb.)								
			Staple								
			26-29	30	31	32	33	34	35	36	37 +
WHITE	SM & better 11 & 21	Leaf 1-2	-190	-170	-160	-150	15	210	400	475	485
		3	-240	-185	-175	-165	10	185	345	410	425
		4	-290	-215	-195	-185	-80	110	230	300	310
		5	-405	-330	-315	-300	-195	-50	135	190	205
		6	-620	-520	-475	-460	-375	-305	-230	-215	-205
		7	-695	-620	-605	-590	-525	-445	-385	-370	-360
	MID 31	Leaf 1-2	-240	-185	-175	-165	10	170	330	410	420
		3	-290	-210	-185	-175	-5	150	310	370	380
		4	-360	-290	-230	-220	-115	75	190	260	270
		5	-455	-380	-345	-335	-210	-95	105	150	160
		6	-670	-570	-495	-480	-385	-320	-265	-245	-235
		7	-745	-665	-625	-610	-530	-450	-415	-390	-380
	SLM 41	Leaf 1-3	-420	-370	-295	-285	-135	45	135	170	175
		4	-495	-420	-315	-305	-200	**Base**	85	125	130
		5	-525	-455	-420	-410	-290	-195	-115	-60	-60
		6	-720	-625	-555	-540	-470	-395	-355	-335	-335
		7	-795	-745	-710	-695	-630	-565	-535	-525	-520
	LM 51	Leaf 1-4	-575	-525	-495	-480	-310	-260	-190	-175	-170
		5	-600	-575	-550	-540	-450	-365	-305	-280	-280
		6	-815	-740	←Used for color, leaf, staple differences, Item 10			-535	-495	-475	-475
		7	-890	-840	-815	-775	-740	-695	-665	-650	-650
	SGO 61	Leaf 1-5	-630	-620	-610	-600	-525	-455	-420	-420	-420
		6	-840	-775	-765	-755	-690	-645	-625	-605	-605

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

Micronaire Differences
2010 Upland Cotton

Micronaire Reading	Points
2.4 and Below	-935
2.5 through 2.6	-910
2.7 through 2.9	-645
3.0 through 3.2	-340
3.3 through 3.4	-180
3.5 through 3.6	0
3.7 through 4.2 a/	15
4.3 through 4.9	0
5.0 through 5.2	-220
5.3 and Above	-325

a/ Premium applies only to white grades 11-41, leaf 1-6; 51, leaf 1-5; light spotted grades 12-32, leaf 1-5; 42, leaf 1-4; and 52, leaf 1-3.

← Used for micronaire differences, Item 11.

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

Fiber Strength 2010 Upland Cotton	
Strength	**points**
18.4 or less	-500
18.5 - 19.4	-270
19.5 - 20.4	-270
20.5 - 21.4	-270
21.5 - 22.4	-220
22.5 - 23.4	-180
23.5 - 24.4	-155
24.5 - 25.4	-135
25.5 - 26.4	0
26.5 - 27.4	0
27.5 - 28.4	0
28.5 - 29.4	0
29.5 - 30.4	25
30.5 - 32.4	45
32.5 & above	45

←Used for strength differences, Item 12

EXHIBIT 5

COTTON QUALITY ADJUSTMENT

Length Uniformity
2010 Upland Cotton

Uniformity	Points
77.4 & below	-100
77.5 - 78.4	-85
78.5 - 79.4	-75
79.5 - 80.4	0
80.5 - 81.4	0
81.5 - 82.4	0
82.5 - 83.4	20
83.5 - 84.4	30
84.5 - 85.4	40
85.5 & above	50

←Used for uniformity differences, Item 13

Extraneous Matter
2010 Upland Cotton

	Level 1	Level 2
	Points of discounts	
Tex-NM-Oklahoma-KS Bark	-245	-455
Prep. All Locations	-100	-675
Other 1/	-375	-710

1/ Bark in locations other than TX/NM/OK/KS. Extraneous matter other than bark and preparation, in all locations.

Used for extraneous matter differences, Item 14

EXHIBIT 6

COTTON QUALITY ADJUSTMENT WORKSHEET INSTRUCTIONS

1. GENERAL INFORMATION

Use this worksheet to calculate the prices necessary for the quality adjustment of AUP or ELS cotton.

A. Convert all FSA loan rate values and point differences to cents per pound. For example, micronaire point -220 becomes -.0220.

B. Attach completed quality adjustment worksheets to the cotton Production Worksheet.

C. List each bale separately.

2. FORM ENTRIES AND COMPLETION INFORMATION

Item No.	Information Required
1.	**Insured's Name**: Name of the insured that identifies EXACTLY the person (legal entity) to whom the policy is issued.
2.	**Policy Number:** Insured's assigned policy number.
3.	**Unit Number**: Unit number from the Summary of Coverage after it is verified to be correct.
4.	**Crop Year:** The crop year applicable to the insured crop.
5.	**Price B**: If adjusting AUP cotton, record the Upland Cotton National Average Loan Rate determined by FSA for the applicable crop year, to four decimal places. If adjusting ELS cotton, record the ELS Cotton National Average Loan Rate determined by FSA for the applicable crop year, to four decimal places.
6.	**85% of Price B**: Multiply Price "B" (Item 5) by .85 to determine 85% of Price "B". Quality adjustment applies if Price A is less than 85% of Price B.
7.	**Bale Number**: Bale number from computer printout, gin record, or bale listing.
8.	**Net Weight**: Net Weight of the bale for the bale number recorded in Column 7.
9.	**Color/Leaf/Staple/Mike**: Record the numeric grades for color and leaf, staple length, and micronaire (mike) from the computer printout, gin record, or bale listing.
10.	**Color/Leaf/Staple +/-Differences**: Record the +/- differences (additions or deductions) determined from the appropriate crop year's (Item 4) FSA Premium and Discount schedule for the color, leaf, and staple length recorded on the computer printout or bale listing (gin recap) for the bale number designated in Column 7.

EXHIBIT 6

COTTON QUALITY ADJUSTMENT WORKSHEET INSTRUCTIONS

11. **Micronaire +/- Differences**: Record the +/- differences (additions or deductions) determined from the appropriate crop year's (Item 4) FSA Premium and Discount schedule for the Micronaire recorded on the computer printout or bale listing (gin recap) for the bale number designated in Column 7.

12. **Strength +/- Differences**: Record the +/- differences (additions or deductions) determined from the appropriate crop year's (Item 4) FSA Premium and Discount schedule for the Strength recorded on the computer printout or bale listing (gin recap) for the bale number designated in Column 7.

13. **Unformity +/- Differences**: Record the +/- differences (additions or deductions) determined from the appropriate crop year's (Item 4) FSA Premium and Discount schedule for the Length Uniformity recorded on the computer printout or bale listing (gin recap) for the bale number designated in Column 7. Length uniformity is not a grading factor for ELS cotton so it is not a quality dimension on which ELS cotton will be measured.

14. **Ex. Matter +/- Differences**: Record the +/- differences (additions or deductions) determined from the appropriate crop year's (Item 4) FSA Premium and Discount schedule for the Extraneous Matter recorded on the computer printout or bale listing (gin recap) for the bale number designated in Column 7.

15. **Price A**: Sum the point differences recorded in Columns 10 thru 14 (may be a negative number), and add to the FSA Base Loan Rate recorded in Item 5 to determine Price "A."

16. **Factor**: Divide Price "A" in Column 15 by 85% of Price "B" in Item 6, rounded to four decimal places, to determine the Factor used to reduce the Net Weight of individual bales of cotton shown in Column 8.

Page Numbers Page numbers – (Example: Page 1 of 1, Page 1 of 2, Page 2 of 2, etc.).

Combine net bale weights quality adjusted by the same factor (and share), then record in Bu., Ton, Lbs., CWT, Column 56 of the Production Worksheet. Transfer Price A to Value (Column 64a) and 85% of Price B to Mkt. Price (Column 64b) of the Production Worksheet. Calculate the Quality Factor (Column 65) or enter the factor from the worksheet.

EXHIBIT 6

COTTON QUALITY ADJUSTMENT WORKSHEET INSTRUCTIONS

EXAMPLE WORKSHEET

This example follows the example in Exhibit 5, 3 G.

Company Name
FOR ILLUSTRATION PURPOSES ONLY

COTTON QUALITY ADJUSTMENT WORKSHEET

1 Insured's Name	2 Policy Number	3 Unit Number	4 Crop Year
I. M. Insured	XXXXXXX	0001-000BU	YYYY

5 Price B	Multiplied by:	6 85% of Price B
.5200	.85	.4420

7 Bale Number	8 Net Weight	9 Color/Leaf Staple/Mike/	10 Color/Leaf/Staple +/- Differences	11 Micronaire +/-Differences	12 Strength +/- Differences	13 Uniformity +/- Differences (AUP only)	14 Ex. Matter +/- Differences	15 Price A	16 Factor
024	482	51, 6, 30, 33	-.0740	-.0180	.0025	-.0100	-.0100	.4105	.9287

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