Cotton quality loss adjustment may provide additional disaster benefits.

Think you don't qualify for any disaster payments on a farm because you didn't receive an insurance check? Think again. Because of the quality loss provision of the 2001/2002 Crop Disaster Program you may be eligible for payments if the loan value of your cotton falls below the adjusted county loan rate, even if you had no production loss.

Method 2

Since losses are calculated by farm insurance unit, some units may not qualify for a payment in the year selected for the disaster program. However, production to count is decreased if your average loan rate falls below the adjusted county loan rate. For 2001 the adjusted loan rate is $0.4842794 if your cotton was classed in Lubbock and $0.498065 if it was classed in Lamesa. For 2002 the rate is $0.4835698 in Lubbock and $0.499065 in Lamesa.

For example: Farmer White had a farm unit of 100 acres of irrigated cotton with an APH of 500 pounds in Hale county in 2002. His production on this unit was 48,000 pounds or 480 lbs./acre. Since he carried multi-peril crop insurance at the 65% level, he had no loss and figures there is no point turning in production from this unit for a disaster payment. The county average yield for Hale County, for determining disaster losses, is 707 pounds. Since the county average is higher than his APH on this unit, payments will be figured on 65% of 707 lbs., or 460 pounds. Again, it would appear on the surface that he has no loss. However, rain in October delayed harvest and adversely affected the quality of the cotton on this unit, resulting in an average loan value of $0.415 per pound. His production to count is reduced by a factor of 0.858 (0.415/0.4835698) yielding 412 lbs./acre. The following worksheet demonstrates the effect of the lower production to count:

Payment Calculator for FSA Crop Disaster Program - 2002		
Enter your data in shaded areas		**Adjusted**
Your share % of harvested production	100%	100%
Planted acres	100.0	100.0
APH yield	500.0	500.0
1996-2000 county average yield	707.0	707.0
Harvested production (production to count)	48000.0	41194.0
Did you purchase crop insurance? (Enter 1=yes or 0=no)	1	1
Crop was harvested=0, un-harvested=1	0	0
Producer-received gross crop ins. indemnity	$ -	$ -
Producer-paid crop insurance premium	$ 850.00	$ 850.00
APH crop insurance price election	$0.52	$0.52
NASS national market price	$0.405	$0.405
Higher of APH or county average yield	707.0	707.0
Quantity payment rate	65%	65%
Production harvest factor	100%	100%
Production guarantee (disaster level)	45955.0	45955.0
Your share of production (production to count)	48000.0	41194.0
Net production for payment (payment quantity)	0.0	4761.0
Price payment rate (50% if insured)	50%	50%
FSA gross disaster payment	$0.00	$1,237.86
Higher of APH price or market price	$0.52	$0.52
Value of crop @ 100%	$36,764.00	$36,764.00
Value of crop @ 95%	$34,925.80	$34,925.80
Net Indemnity	$0.00	$0.00
FSA gross disaster payment before 95% cap	$0.00	$1,237.86
Value of crop harvested	$24,960.00	$21,420.88
Total of above	$24,960.00	$22,658.74
Does above total exceed 95% value?	NO	NO
If "y", by how much?	$0.00	$0.00
Net FSA disaster payment	$0.00	$1,237.86

As you can see in this example, what appears to be no loss at all, qualifies for a payment of $1,237.86 when the quality loss adjustment is applied.

Method 3

Another method for figuring quality loss is on a bale-by-bale method. This method pays only on the bales in which there was a 20% or greater loss in the value of the cotton. There are five tiers to the bale method of calculating payments. When evaluating bales to see if they qualify for a payment, it is not necessary to know which tier the loss falls into, only to know that for crop year 2001, the loan value of the bale would have to be below $0.387424 in Lubbock and $0.398452 in Lamesa. For 2002 the value would have to be below $0.386856 in Lubbock and $0.399252 in Lamesa. If the bale value falls below the appropriate number, that bale qualifies for a payment. The five tiers and the corresponding payment rates per pound are listed in the following table:

Tier	Loss	Quality Payment Percentage	2001	2002
I	20-29.9%	25%	0.063375	0.054925
II	30-49.9%	40%	0.1014	0.08788
III	50-69.9%	60%	0.1521	0.13182
IV	70-89.9%	80%	0.2028	0.17576
V	90-100%	95%	0.240825	0.208715

Multiplying the number from the appropriate column, 2001 or 2002, with your share of production will give you the expected payment for that bale.

As an example of the bale-by-bale method, Farmer Brown, also from Hale County, had no production loss and his average loan value was $0.4955 in 2002. However, he had one module left in a low spot in the field during that same October storm that came back with much lower than average loan values. The worksheet below illustrates the payment he would have coming on these 11 bales:

Bale-by-bale Method of Calculating Quality Adjustment					
Enter Your Data in Shaded Areas					
Crop Year		2002			
Classing Office	Lubbock				
Your Share % of Production		100%			
Adjusted County Loan Rate	$ 0.4835698	Loan Value Threshold		$ 0.3868558	
Payment Rate	$ 0.5200				
Bale Number		Bale Weight	Loan Value	Value Loss %	Payment
2125166		486	$ 0.3387	29.96%	$ 26.69
2125167		485	$ 0.3162	34.61%	$ 42.62
2125168		473	$ 0.3817	21.07%	$ 25.98
2125169		477	$ 0.3387	29.96%	$ 26.20
2125170		482	$ 0.3372	30.27%	$ 42.36
2125171		496	$ 0.3387	29.96%	$ 27.24
2125172		490	$ 0.3417	29.34%	$ 26.91
2125173		495	$ 0.3427	29.13%	$ 27.19
2125174		501	$ 0.3382	30.06%	$ 44.03
2125175		519	$ 0.3387	29.96%	$ 28.51
2125176		532	$ 0.3387	29.96%	$ 29.22
Total					$ 346.95

In this example, Farmer Brown qualifies for a payment of $346.95 on this one module of low-grade cotton even though he had no other losses. In these days of low margins, every penny counts.