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Federal Crop
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Product
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Division

FCIC-25090 (05-1999)
FCIC-25090-1 (07-1999)
FCIC-25090-2 (02-2000)
FCIC-25090-3 (01-2001)
FCIC-25090-4 (03-2002)

# AUP & ELS COTTON LOSS ADJUSTMENT STANDARDS HANDBOOK

## 2002 and Succeeding Crop Years

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

| | |
|---|---|
| **FEDERAL CROP INSURANCE HANDBOOK** | **NUMBER: 25090 (05-1999) 25090-1 (07-1999) 25090-2 (02-2000) 25090-3 (01-2001) 25090-4 (03-2002)** |
| **SUBJECT:**<br><br>**AUP & ELS COTTON LOSS ADJUSTMENT STANDARDS HANDBOOK 2002 AND SUCCEEDING CROP YEARS** | **DATE: March 25, 2002**<br>**OPI: Product Development Division**<br>**APPROVED:** \S:\ Tim B. Witt<br>**Deputy Administrator, Research and Development** |

**THIS HANDBOOK CONTAINS THE OFFICIAL FCIC-APPROVED LOSS ADJUSTMENT STANDARDS FOR THESE CROPS FOR THE 2002 AND SUCCEEDING CROP YEARS. IN THE ABSENCE OF INDUSTRY-DEVELOPED, FCIC-APPROVED PROCEDURE FOR THESE CROPS FOR 2002 AND SUCCEEDING CROP YEARS, ALL REINSURED COMPANIES WILL UTILIZE THESE STANDARDS FOR BOTH LOSS ADJUSTMENT AND LOSS TRAINING.**

## SUMMARY OF CHANGES/CONTROL CHART

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

**Changes for Crop Year 2002 (FCIC-25090-4) issued March 2002**:

Revises:

1 Section 6D(5)(d), the number of bolls per pound factors for stripper cotton cultivars predominate open boll sizes. **NOTE**: No change for picker cotton cultivars.

2 Section II column K of the Production Worksheet instructions to subtract Production Not to Count (column J) from Production to Count (column G) multiplied times the Quality Adjustment Factor (column I).

3 Exhibit 4, corrected the word planted to skipped in Tables 2, and 3, and added the words planted and skipped to Table 4.

4 Exhibit 5, Using the Cotton Classification System for Quality Adjustment:

A Paragraph 2, to reflect changes made by Agricultural Marketing Service to the documents used to determine values for damaged cotton (pages 90-94).

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## SUMMARY OF CHANGES/CONTROL CHART (Continued)

B Paragraph 5, new Examples A-1 through A-3 due to format changes made by Agricultural Marketing Service to the Daily Spot Cotton Quotations sheets.

C Paragraph 6, adds quality adjustment procedure from MGR-01-008 for the 2000 crop year (MGR-01-029 for 2001 crop year) for AUP cotton in the Southeast, North and South Delta growth areas when grades for color and leaf, staple lengths or mike cannot be determined from a buyer in the local producing area. See Examples B-1 through B-3.

D Paragraph 7, to reflect changes made by Agricultural Marketing Services to the ELS grading classification procedure. ELS cotton grades are represented by six physical standards. Each standard will represent the appropriate fiber color and leaf content for the grade designated and the presence of any extraneous matter, such as bark or grass. See Examples C-1 through C-3.

5 Revised Exhibit 6, Cotton Quality Adjustment Instructions, and Cotton Quality Adjustment Worksheet to include ELS cotton changes.

## 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 | 1-4 | | | | 01-2001 | FCIC-25090-3 |
| | | 3-4 | | | 02-2000 | FCIC-25090-2 |
| | | | 11-12 | | 05-1999 | FCIC-25090 |
| | | | 27-28 | | 02-2000 | FCIC-25090-2 |
| | | | 29-30 | | 05-1999 | FCIC-25090 |
| | | | 61-62 | | 02-2000 | FCIC-25090-2 |
| | | | | 85-88 | 01-2001 | FCIC-25090-3 |
| | | | | 89-92 | 02-2000 | FCIC-25090-2 |
| | | | | 93-96 | 05-1999 | FCIC-25090 |
| | | | | 97-98 | 02-2000 | FCIC-25090-2 |
| | | | | 99-100 | 05-1999 | FCIC-25090 |
| | | | | 101-104 | 02-2000 | FCIC-25090-2 |
| | | | | 105-110 | 05-1999 | FCIC-25090 |
| | | | | 111-114 | 02-2000 | FCIC-25090-2 |
| Insert | 1-4 | 3-4 | 11-12 | | 02-2002 | FCIC-25090-4 |
| | | | 27-30 | | 02-2002 | FCIC-25090-4 |
| | | | 61-62 | 85-118 | 02-2002 | FCIC-25090-4 |
| Current Index | 1-4 | | | | 02-2002 | FCIC-25090-4 |
| | | 1-2 | | | 02-2000 | FCIC-25090-2 |
| | | 3-4 | | | 02-2002 | FCIC-25090-4 |
| | | | 1-4 | | 01-2001 | FCIC-25090-3 |
| | | | 5-10 | | 05-1999 | FCIC-25090 |
| | | | 11-12 | | 02-2002 | FCIC-25090-4 |
| | | | 13-24 | | 05-1999 | FCIC-25090 |
| | | | 25-26 | | 02-2000 | FCIC-25090-2 |
| | | | 27-30 | | 02-2002 | FCIC-25090-4 |
| | | | 31-32 | | 02-2000 | FCIC-25090-2 |
| | | | 33-36 | | 05-1999 | FCIC-25090 |
| | | | 37-38 | | 07-1999 | FCIC-25090-1 |
| | | | 39-40 | | 05-1999 | FCIC-25090 |
| | | | 41-42 | | 07-1999 | FCIC-25090-1 |
| | | | 43-44 | | 05-1999 | FCIC-25090 |
| | | | 45-48 | | 07-1999 | FCIC-25090-1 |
| | | | 49-52 | | 01-2001 | FCIC-25090-3 |
| | | | 53-60 | | 02-2000 | FCIC-25090-2 |
| | | | 61-62 | | 02-2002 | FCIC-25090-4 |
| | | | 63-66 | | 02-2000 | FCIC-25090-2 |
| | | | | 67-78 | 05-1999 | FCIC-25090 |
| | | | | 79-80 | 02-2001 | FCIC-25090-3 |
| | | | | 81-82 | 05-1999 | FCIC-25090 |
| | | | | 83-84 | 01-2001 | FCIC-25090-3 |
| | | | | 85-118 | 02-2002 | FCIC-25090-4 |

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## EXHIBITS

## TABLE OF CONTENTS (Continued)

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| Stage Number | Average Time Interval | Characteristics |
|---|---|---|
| R1 | 4 days | The first square may appear on the plant as low as the fifth or as high as the seventh node under certain conditions. The square grows at an average rate of one millimeter per day. The plant is approximately 42 days post emergence. |
| R2 | 5 days | The next internode has elongated **2** inch or more. First fruiting branch is beginning to elongate at the first "R" node. Cotyledonary leaves have shed from the plant. |
| R3 | 3 days | Two fruiting branches should be visible and a square appearing at the leaf axle of the third "R" node. |
| R4 | 3 days | The plant is approximately 54 days post emergence. Third "R" internode has elongated **2** inch or more. |
| R5 | 3 days | Fourth "R" internode has elongated **2** inch or more. Plant is squaring freely. |
| R6 | 3 days | Fifth "R" internode has elongated **2** inch or more. |
| R7 | 3 days | Sixth "R" internode has elongated **2** inch or more. |
| R8 | 4 days | The first yellow bloom normally appears at this stage on the fruiting branch elongated from the first "R" node. The plant is approximately 65 days post emergence. |
| R9 | 4 days | Eighth "R" internode has elongated **2** inch or more. |
| R10 | 4 days | Ninth "R" internode has elongated **2** inch or more. The first small bolls may be present on fruiting branches attached to the first and second "R" nodes. |
| R11 | 4 days | Tenth "R" internode has elongated **2** inch or more. |
| R12 | 4 days | Eleventh "R" internode has elongated **2** inch or more. |
| R13 | 4 days | Twelfth "R" internode has elongated **2** inch or more. The plant normally has the maximum number of bolls. |
| R14 | 4 days | Thirteenth "R" internode has elongated **2** inch or more; bolls continue to develop. |
| R15 | 4 days | Fourteenth "R" internode has elongated **2** inch or more; bolls continue to develop. |

| | | |
|---|---|---|
| R16 | 4 days | Fifteen internodes have developed. |
| R16+ | | The plant now has 16 or more "R" nodes; bolls continue to develop. Plants will be identified as R16+ throughout the remaining growth and development period. |

(c) **ELS** Mature Stage

The plant has now "set" **ALL** bolls that will contribute to the ultimate yield. The plant is approximately 150-155 days post emergence. **Important**: Under certain conditions, this mature stage may be attained BEFORE the R16+ stage.

(d) **ELS** Fully Mature Stage

The plant now has **ALL** bolls that will contribute to the ultimate yield at the fully matured (open bolls) stage. The plant is approximately 175-180 days post emergence (90% open bolls).

(4) Cotton Boll Characteristics

(a) A cotton boll will attain full size approximately 25 days after flowering. However, an additional 24 to 40 days are needed for the fibers inside to stretch, thicken, and mature and for the boll to open. Boll development, from open bloom to splitting of a boll requires between 40 to 80 days. Variation in boll development occurs mainly due to temperature.

(b) A mature boll is normally 1**2** to 2 inches long with the earliest and latest bolls on the plant being smaller than the mid-season bolls.

(c) Upon maturity, the carpel walls split open at the seam and flare out, exposing the fluffy mass of cotton fibers.

(d) The cotton fibers are slender single-celled hairs that grow out from epidermal cells of the cottonseed.

(e) Cotton fiber growth begins about the time the flower opens and is at full length in 15 to 25 days, when the seeds are also at approximate full size.

(f) After fibers attain their full length, growth continues, but only as a thickening of the cell walls.

(g) **AUP** cotton cultivars usually have four or five locks. **ELS** cotton cultivars usually have three locks. Each lock of a mature cotton boll usually contains seven to nine seeds.

| **IF the predominant OPEN boll size (diameter) is...** | **THEN count the number of bolls per pound of lint cotton for...** | | **AND use the number of bolls per pound factor** (item 56 of the appraisal worksheet) **for cotton...** | | | |
|---|---|---|---|---|---|---|
| | | | **row-planted, drilled or other narrow row planting methods for UNRC with row spacing 16 inches or more apart for...** | | **drilled or other narrow row planting methods for UNRC with row spacing less than 16 inches apart for...** | |
| | **PICKER cultivars as...** | **STRIPPER cultivars as...** | **PICKER cultivars as...** | **STRIPPER cultivars as...** | **PICKER cultivars as...** | **STRIPPER cultivars as...** |
| **Greater** than 2 ½ in. | 200 bolls | 300 bolls | 2.0 | 3.0 | .04 | .06 |
| 2 in. thru 2 ½ in. | 250 bolls | 325 bolls | 2.5 | 3.25 | .05 | .07 |
| **Greater** than 1½ in. but **less** than 2 in. (and immature green and unopened bolls) | 350 bolls | 375 bolls | 3.5 | 3.75 | .07 | .08 |
| 1 inch thru 1**2** in. | 450 bolls | 450 bolls | 4.5 | 4.5 | .09 | .09 |
| **Less** than 1 inch | 550 bolls | 550 bolls | 5.5 | 5.5 | .11 | .11 |

(e) If the **predominant** boll size is the same for **all** representative samples, record the number of bolls counted for each sample in Part I - Sample Determinations, Number of Bolls Remaining column 14 of the appraisal worksheet.

(f) Compute the pounds per acre appraisal using the instruction for the Boll Count Method - Reproductive Stage in section 8.

(g) **EXCEPTIONS**:

1 If the **predominant** boll size is **not the same** for **two or more** representative samples, calculate each representative sample separately (in the "Remarks" section of the appraisal worksheet) by:

a Determining the total pounds of **all** samples and dividing by the number of samples taken, rounding the results to whole pounds.

b Record in the Pounds Per Acre column 57 of the appraisal worksheet.

**EXAMPLE**:

Sample 1: 87 bolls ÷ 2.5 factor = 34.8 = 35 lbs.
Sample 2: 64 bolls ÷ 3.5 factor = 18.3 = 18 lbs.
Sample 3: 54 bolls ÷ 4.5 factor = 12.0 = 12 lbs.
Total = 65 lbs.

Appraisal = 65 lbs. ÷ 3 samples = 21.7 = 22 lbs.

2 If **adverse weather conditions** cause a wide variation of boll sizes within the representative samples (e.g., the predominant boll size in the sample is less than 1 inch, with a 5.5 boll size factor, and there are also a smaller number of bolls with a 2.5 boll size factor). Using only the predominant factor results in a false appraisal, therefore, compute each boll size factor separately within a representative sample.

a Determine the total pounds of **all sizes within the sample**. Add the pounds of **all samples** and divide by the number of samples taken, round the results to whole pounds.

b Record in the Pounds Per Acre column 57 of the appraisal worksheet.

**EXAMPLE**:

Sample 1: 68 bolls ÷ 2.5 factor = 27.2 = 27 lbs.
120 bolls ÷ 5.5 factor = 21.8 = 22 lbs.
Total = 49 lbs.

Sample 2: 79 bolls ÷ 2.5 factor = 31.6 = 32 lbs.
175 bolls ÷ 5.5 factor = 31.8 = 32 lbs.
Total = 64 lbs.

Sample 3: 60 bolls ÷ 2.5 factor = 24.0 = 24 lbs.
145 bolls ÷ 5.5 factor = 26.4 = 26 lbs.
Total = 50 lbs.

Total of ALL Samples = 49 + 64 + 50 = 163 lbs.
Appraisal = 163 ÷ 3 samples = 54.3 lbs. = 54 lbs.

(6) Appraising Damaged and Undamaged Bolls for **ELS** cotton

(a) Account for **damaged and undamaged bolls** using the Boll Count Computations in section 6D(7).

(b) Include in the Boll Count Computations:

1 immature green and unopened bolls, **ONLY** if they will **timely** contribute lint cotton to the ultimate yield at the time of harvest; and

2 **ONLY** bolls that, when mechanically harvested by the intended method of harvesting (a picker or a stripper), will contribute lint cotton to the ultimate yield at the time of harvest.

(c) Record the results for each selected representative sample in Part I - Sample Determinations, Number of Bolls Remaining on the appraisal worksheet.

(d) Select, from the chart below, the number of bolls per pound **factor** for the number of bolls per pound of lint cotton based on how the **ELS** cotton is planted.

| IF the ELS cotton is planted... | THEN count the number of bolls per pound of lint cotton as... | AND use the number of bolls per pound factor of... |
|---|---|---|
| as two narrow rows, in a single bed of normal row width; or as single rows, with row spacings **16 inches or more apart** (including drilled rows or other narrow row planting methods for UNRC) | 400 | 4 |
| with a drill or other narrow row planting methods for UNRC with row spacings **less than 16 inches apart** | 450 | 4.5 |

(e) Compute the pounds per acre appraisal using the instructions in the Boll Count Method - Reproductive Stage of section 8.

(7) Boll Count Computations

(a) Pick and separate **damaged** and **undamaged** bolls in the sample. Count the **undamaged** bolls.

(b) Pick and separate **all undamaged locks** from **damaged bolls**. Count the **undamaged** locks.

(c) Cut open immature green and unopened bolls to determine **damaged** and **undamaged locks** in the sample. Count the **undamaged** locks.

**NOTE**: Include immature green and unopened bolls **ONLY** if they would contribute lint cotton in a timely manner to the ultimate yield at the time of harvest.

(d) Determine the average number of locks per boll in the sample, usually four or five locks for **AUP**, and three locks for **ELS**.

(e) Divide the **undamaged** locks (total of items (b) and (c) above) by the average number of locks per boll, item (d), to arrive at an equivalent number of **undamaged** bolls. Round to a whole number.

(f) Add the equivalent number of **undamaged** locks, item (e), to the number of **undamaged** bolls, item (a), to arrive at total bolls per sample.

**EXAMPLE**: Using 21 damaged and undamaged bolls with the average number of locks per boll of 4.

15 damaged bolls with 20 undamaged locks
20 ÷ 4 locks per boll = 5 equivalent bolls

| | |
|---|---|
| Undamaged bolls | 6 |
| Equivalent bolls | 5 |
| Bolls to count | 11 |

# 7. APPRAISAL DEVIATIONS AND MODIFICATIONS

## A. DEVIATIONS

Deviations in appraisal methods require FCIC written authorization (as described in the LAM) prior to implementation.

## B. MODIFICATIONS

There are no pre-established modifications included in this handbook. See the LAM for additional information.

# 8. APPRAISAL WORKSHEET ENTRIES AND COMPLETION PROCEDURES

## A. GENERAL INFORMATION

(1) Include the insurance provider's name in the appraisal worksheet title if not preprinted on the insurance provider's worksheet or when a worksheet entry is not provided.

(2) Include the claim number on the appraisal worksheet (when required by the insurance provider), when a worksheet entry is not provided.

(3) Separate appraisal worksheets are required for each unit appraised, and for each field or subfield that have a differing base (APH) yield or farming practice. See section 5B for sampling requirements.

**NOTE**: Standard appraisal worksheet items are numbered consecutively in section 8B. An example appraisal worksheet is also provided to illustrate how to complete entries.

## B. WORKSHEET ENTRIES AND COMPLETION INFORMATION

**Verify or make the following entries:**

| Item No. | Information Required |
|---|---|
| | **Company**: Name of company and agency servicing the contract. |
| | **Claim No.**: Claim number as assigned by the insurance provider. |
| 1. | **Insured's Name**: Name of the insured that identifies EXACTLY the person (legal entity) policy is issued. |

**EXCEPTION**: An exception to using the bonded warehouse weight is that in some areas, a gin may have a purchase contract direct with a mill. In this case, the cotton does **not** go to a warehouse, but direct to a mill. **ONLY** in these situations will gin weights be used. Explain in the narrative that gin weights were used and why and for any other unusual circumstances in which gin weights were used.

b. For remnants, the **Net Weight** is the gin weight.

**NOTE**: For bales and remnants deduct the weight of bagging and ties unless already deducted at the gin or warehouse.

c.*** For small amounts of harvested unginned cotton on the ground, determine the **Net Weight** by estimating the gross weight of the unginned cotton, then multiply by the percent of turnout (from the gin) of the last module (or trailer) ginned on the unit = Net Weight (Lbs.) of production.

**EXAMPLE**: 300 lbs. (gross weight estimate) X .15 (percent of turnout) = 45 lbs.

d. For harvested unginned cotton in a trailer, determine the **Net Weight** of small amounts by using the tare weight of the cotton in the trailer (Lbs.) multiplied by the percent of turnout (from the gin) of the last trailer (or module) ginned on the unit = Net Weight (Lbs.) of production.

**EXAMPLE**: 1800 lbs. (tare weight) X .20 (percent of turnout) = 360 lbs.

e. For harvested unginned cotton in a module, determine the **Net Weight** by measuring the module in feet, to tenths, **after receiving approval** from the insurance provider:

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

*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.

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

**NOTE**: 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.

See **Quality Factor** (Section II Column "I") for quality adjustment procedure 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 insurance provider when required.

**Quality Adjustment** - Refer to **EXHIBIT 5** paragraph 5, for American Upland Cotton Quality Adjustment procedure, and **EXHIBIT 5** paragraph 7, for Extra Long Staple Cotton Quality Adjustment procedure for "$H_1$" and "$H_2$"column entries.

$H_1$. **Value Per Pound**: Record price quotation "A" (value per pound), to four decimal places, for production eligible for quality adjustment from the Cotton Quality Adjustment Worksheet.

$H_2$. **Local Market Price**: Record 85% of price quotation "B" (local market price), to four decimal places, from the Cotton Quality Adjustment Worksheet.

I. **Quality Factor**: Divide Column "$H_1$" by Column "$H_2$," rounded to four decimal places (or enter the factor from the applicable Cotton Quality Adjustment Worksheet).

**NOTE**: Harvested UNGINNED cotton damaged by insured causes may be adjusted for quality when a price quotation (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 to quality adjust unginned cotton production for items c, d, or e of Section II Column "G."

J. **Production Not to Count (lbs.)**: 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, 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.

K. **Production to Count (lbs.)**:

a. If quality adjustment **does not** apply, subtract Column "J" from Column "G."

b. If quality adjustment **does** apply, subtract Column "J" from Column "G" times Column "I," rounding to the nearest whole pounds.

L.-M. MAKE NO ENTRY.

N. **Production/Value to Count**: Transfer result from Column "K."

**NOTE**: FOR COLUMNS 22-24. WHEN SEPARATE LINE ENTRIES ARE MADE FOR VARYING SHARES, APH YIELDS, PRICE ELECTIONS, ETC., WITHIN THE UNIT, AND TOTALS NEED TO BE KEPT SEPARATE FOR CALCULATING INDEMNITIES, MAKE NO ENTRY AND FOLLOW INSURANCE PROVIDER'S INSTRUCTIONS; OTHERWISE, MAKE THE FOLLOWING ENTRIES.

## EXHIBIT 4

**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.

**NOTE**: < = less than

| Planting Pattern | Yield Conversion Factor |
|---|---|
| Solid-planted (solid drilled-62") or nonqualifying skip-row patterns as determined by FSA | 1.00 |
| 1 planted X 1 or more skipped (30" - 35") | 1.14 |
| 1 planted X 1 or more skipped (36" - 62") | 1.28 |
| 1 planted (38") X 1 skipped (34") | 1.28 |
| 1 planted (< 30") X 1 skipped (< 30") | 1.00 |
| 2 planted X 1 skipped (36" - 62") | 1.42 |
| 2 planted X 1 skipped (30" - 35") | 1.26 |
| 2 planted (30" - 62") X 1 skipped (< 30") | 1.00 |
| 2 planted (36" - 62") X 1 skipped (30" - 35") | 1.26 |
| 2 planted (30" - 35") X 1 skipped (36" - 62") | 1.26 |
| 2 planted X 2 or more skipped (36" - 62") | 1.80 |
| 2 planted X 2 or more skipped (30" - 35") | 1.60 |
| 2 planted (30" - 35") X 2 skipped (36" - 62") | 1.70 |
| 2 planted (36" - 62") X 2 skipped (30" - 35") | 1.70 |
| 3 planted X 1 skipped (36" - 62") | 1.35 |
| 3 planted X 2 or more skipped (36" - 62") | 1.69 |
| 3 planted X 1 skipped (30" - 35") | 1.20 |
| 3 planted X 2 or more skipped (30" - 35") | 1.50 |
| 4 planted X 1 skipped (36" - 62") | 1.28 |
| 4 planted X 2 or more skipped (36" - 62") | 1.57 |
| 4 planted X 1 skipped (30" – 35") | 1.14 |
| 4 planted X 2 or more skipped (30" - 35") | 1.40 |
| 5 planted X 1 skipped (36" - 62") | 1.14 |
| 5 planted X 2 or more skipped (36" - 62") | 1.43 |

**TABLE 2 continued on next page.**

**TABLE 2 - continued**

| Planting Pattern | Yield Conversion Table |
|---|---|
| 5 planted X 1 skipped (30" - 35") | 1.07 |
| 5 planted X 2 or more shipped (30" - 35") | 1.27 |
| 6 planted X 1 skipped (30" - 62") | 1.00 |
| 6 planted X 2 or more skipped (36" - 62") | 1.28 |
| 6 planted X 2 or more skipped (30" - 35") | 1.14 |
| 7 planted X 1 skipped (30" - 62") | 1.00 |
| 7 planted X 2 or more skipped (30" - 62") | 1.10 |
| 8 planted X 1 skipped (30" - 62") | 1.00 |
| 8 planted X 2 or more skipped (30" - 62") | 1.06 |
| 9 planted X 1 or more skipped (30" - 62") | 1.00 |
| 10 or more planted X 1 or more skipped (30" - 62") | 1.00 |

In some areas, mixed patterns are planted such as 3 X 2, 4 X 1, 2 X 2. To calculate yield conversion factor for these patterns, determine factor for each pattern (3 X 2, 4 X 1, & 2 X 2) and compute a yield conversion factor based on a simple average. If a pattern(s) (within a mixed pattern) does not qualify as a skip-row planting pattern as determined by FSA, 1.00 is used for that pattern.

**EXAMPLE**: 3 X 2, 4 X 1, 2 X 2 planted in 40" rows

3 X 2 = 1.69
4 X 1 = 1.28
2 X 2 = 1.80
4.77 ÷ 3 = 1.59

## EXHIBIT 4

**TABLE 3** - These factors apply to Kansas, Oklahoma, and all Texas counties for which **TABLE 2** does not apply. **NOTE**: < = less than

| Planting Pattern | Yield Conversion Factor |
|---|---|
| Solid planted (solid drilled-62") or non-qualifying skip-row patterns as determined by FSA. | 1.00 |
| 1 planted X 1 or more skipped 30" - 35" | 1.14 |
| 1 planted X 1 or more skipped 36" - 62" | 1.28 |
| 1 planted (38") X 1 skipped (34") | 1.28 |
| 1 planted (< 30") X 1 skipped (< 30") | 1.00 |
| 2 planted X 1 skipped (36" - 62") | 1.33 |
| 2 planted X 1 skipped (30" - 35") | 1.26 |
| 2 planted (30" – 62") X 1 skipped (< 30") | 1.00 |
| 2 planted (30" – 35") X 1 skipped (36" - 62") | 1.26 |
| 2 planted X 2 or more skipped (36" - 62") | 1.50 |
| 2 planted X 2 or more skipped (30" - 35") | 1.41 |
| 2 planted (30" – 34") X 2 skipped (35" - 62") | 1.46 |
| 2 planted (35" – 62") X 2 skipped (30" - 34") | 1.46 |
| 3 planted X 1 skipped (36" - 62") | 1.31 |
| 3 planted X 2 or more skipped (36" - 62") | 1.45 |
| 3 planted X 1 skipped (30" - 35") | 1.20 |
| 3 planted X 2 or more skipped (30" - 35") | 1.37 |
| 4 planted X 1 or more skipped (36" - 62") | 1.28 |
| 4 planted X 2 or more skipped (36" - 62") | 1.40 |
| 4 planted X 1 skipped (30" - 35") | 1.14 |
| 4 planted X 2 or more skipped (30" - 35") | 1.33 |
| 5 planted X 1 skipped (36" X - 62") | 1.14 |
| 5 planted X 2 or more skipped (36"-62") | 1.34 |
| 5 planted X 1 skipped (30" - 35") | 1.07 |
| 5 planted X 2 or more skipped (30" - 35") | 1.27 |

All other skip row patterns having 6 or more planted rows with 1 or more qualifying skip (fallow) row(s) will have the same factors as those shown in **TABLE 2**.

In some areas, mixed patterns are planted such as 3 X 2, 4 X 1, 2 X 2. To calculate yield conversion factor for these patterns, determine factor for each pattern (3 X 2, 4 X 1, & 2 X 2) and compute a yield conversion factor based on a simple average. If a pattern(s) (within a mixed pattern) does not qualify as a skip-row planting pattern as determined by FSA, 1.00 is used for that pattern.

**EXAMPLE**: 3 X 2, 4 X 1, 2 X 2 planted in 40" rows

3 X 2 = 1.45
4 X 1 = 1.28
2 X 2 = 1.50
4.23 ÷ 3 = 1.41

## 3. TABLE 4 - ACRES CONSIDERED PLANTED BY FSA*

| 40" Row Planting Patterns | % Planted Factor |
|---|---|
| 1 planted 1 skipped | .8000 |
| 1 planted 4 skipped | .3200 |
| 1 skipped 2 planted, 1 skipped 2 planted, 1 skipped 2 planted, 1 skipped | .6000 |
| 2 planted 1 skipped | .6667 |
| 2 planted 1 skipped, 2 planted 2 skipped | .5714 |
| 2 planted 1 skipped, 2 planted 4 skipped | .4444 |
| 2 planted 1 skipped, 2 planted 2 skipped, 2 planted 4 skipped | .4615 |
| 2 planted 1 skipped, 2 planted 1 skipped, 2 planted 2 skipped | .6000 |
| 2 planted 1 skipped, 2 planted 1 skipped, 2 planted 4 skipped | .5000 |
| 2 planted 2 skipped | .5000 |
| 2 planted 2 skipped, 2 planted 2 skipped, 2 planted 4 skipped | .4286 |
| 2 planted 2 skipped, 2 planted 3 skipped | .4444 |
| 2 planted 2 skipped, 2 planted 4 skipped | .4000 |
| 2 planted 4 skipped | .3333 |
| 2 planted 8 skipped | .2000 |
| 3 planted 1 skipped | .7500 |
| 4 planted 1 skipped | .8000 |
| 4 planted 2 skipped | .6667 |
| 4 planted 4 skipped | .5000 |
| 6 planted 2 skipped | .7500 |
| 8 planted 1 skipped | .8889 |
| 10 planted 2 skipped | .8333 |
| 12 planted 4 skipped | .7500 |
| 12 planted 1 skipped | .9231 |
| 16 planted 1 skipped | .9412 |
| 16 planted 2 skipped | .8889 |
| 20 planted 1 skipped | .9524 |

*__NOTE__: For all skip-row Cotton (irrigated and non-irrigated) this must be the planted portion of the field as defined by FSA (See Cotton **AUP** and **ELS** contract provisions). Contact the applicable county FSA office for the correct percent planted factor for any row widths and planting patterns or varying row widths and planting patterns not listed in the above table.

## EXHIBIT 5

## USING THE COTTON CLASSIFICATION SYSTEM FOR 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. DOCUMENTS USED TO DETERMINE VALUES FOR DAMAGED COTTON

A. 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) Daily Spot Cotton Quotations (DSCQ) issued by the USDA AMS; and

(2) Annual Price Summary (for **ELS** cotton only) issued by the National Agricultural Statistics Service.

B. The following information and examples are provided to assist crop insurance personnel in understanding and using the documents for quality adjustment.

(1) **INTERNET ACCESS**. Daily Spot Cotton Quotations are available on the Internet from the USDA AMS market news reports for cotton at the following address:

http://www.ams.usda.gov/cotton/mncs/index.htm.

(2) Under the heading Cotton Prices, select Base, 7MKT Average Quotations, Futures Settlement and Differences. This screen will show the Upland Spot Price Quotations for the 7 Growth Areas. Return to Cotton Prices and select the applicable growth area for the point differences. On a daily basis, AMS publishes the spot quotations for **the previous day**, (e.g., on July 8, 1997, the 07-July-97 quotations are available).

(3) Daily Spot Cotton Quotations are available on the Internet **for previous days and months** at the following address: http://www.ams.usda.gov/search/index.htm. Enter, in the query box (e.g., "mp_cn002" without the quotes to find Upland Spot Price Quotations), one of the following:

"mp_cn002" for Upland and American Pima Spot Price Quotations by growth area;
"mp_cn003" for Southeast Upland differences;
"mp_cn004" for North Delta Upland differences;
"mp_cn005" for South Delta Upland differences;
"mp_cn006" for East Texas and Oklahoma Upland differences;
"mp_cn007" for West Texas Upland differences;
"mp_cn008" for Dessert Southwest Upland differences;
"mp_cn009" for San Joaquin Valley Upland differences;
"mp_cn011" for Dessert Southwest and San Joaquin Valley American Pima differences

(4) In the "Where to search" box, use the "Entire Site" command. Click on "Find It" and then click on the appropriate date for the quotation data. **ATTENTION**: If you are unable to find the Daily Spot Cotton Quotations for the appropriate date using the information above, contact AMS at area code 901-384-3016.

**NOTE**: Point differences are quoted with a minus sign or without. If quoted without a minus sign, the point differences are added instead of subtracted.

**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 computer printouts or the gin-recorded ledgers that contain the insured's classification and production records required for quality adjustment.

B. The following numbered items explain the information provided on the computer-generated printed documents 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) **–** 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

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

Starred (*) lengths represent the staple length as stated on the Special Provisions 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. **NOTE**: Micronaire readings are expressed with or without a decimal (e.g., 3.5 or 35).

**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) - **Strength is NOT included as a part of quality adjustment for insurance purposes**.

(11) **Leaf Grade** (Column 43) – 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) **-** is any substance in the cotton other than fiber or leaf. The amount of extraneous matter in the cotton is 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 of Sample Two or More Color Grades and/or Color Groups or One Color Grade and One Color Grade Group Higher |
| 76 | Reginned |
| 77 | Repacked |
| 78 | Redder Than Normal (Pima) |
| 92 | Pima ginned on saw gin. |

(14) **HVI Color Code thru HVI Trash Percent Surface** (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 the bale is not eligible for loan.

## EXHIBIT 5

## 3 AMERICAN UPLAND SPOT MARKETS

This information is provided to designate states and counties located within growth areas listed on the Daily Spot Quotations for American Upland cotton spot price quotations. The following designations are from the code of Federal Regulation 7 CFR 27.93 as of January 1, 2001, for Agricultural Marketing Service, United States Department of Agriculture.

From §27.93 Bona fide spot markets.

The following markets have been determined, after investigation, and are hereby designated to be bona fide spot markets within the meaning of the act:

Southeastern, North Delta, South Delta, East Texas and Oklahoma, West Texas, Desert Southwest and San Joaquin Valley. Such markets will comprise the following areas:

### SOUTHEASTERN

All counties in the states of Alabama, Florida, Georgia, North Carolina and South Carolina and all counties in the state of Tennessee east of and including Stewart, Houston, Humphreys, Perry, Wayne and Hardin counties.

**NOTE**: Although not issued as a part of the code of Federal Regulations, Agricultural Marketing Services includes the state of Virginia in the Southeastern spot market.

### NORTH DELTA

All counties in the states of Arkansas and Missouri and all counties in Tennessee west of and including the counties of Henry, Benton, Henderson, Decatur, Chester and McNairy counties and the Mississippi counties of Alcorn, Benton, Calhoun, Chickasaw, De Soto, Grenada, Itawamba, Lafayette, Lee, Marshall, Monroe, Panola, Pontotoc, Prentiss, Tate, Tippah, Tishomingo, Union and Yalobusha.

### SOUTH DELTA

All counties in the state of Louisiana and all counties in the state of Mississippi not included in the North Delta market.

### EAST TEXAS AND OKLAHOMA

All counties in the state of Oklahoma and the Texas counties east of and including Montague, Wise, Parker, Erath, Comanche, Mills, San Saba, Mason, Sutton, Edwards, Kinney, Maverick, Webb, Zapata, Star, and Hidalgo counties.

**NOTE**: Although not issued as a part of the code of Federal Regulations, Agricultural Marketing Services includes the state of Kansas in the East Texas and Oklahoma market.

## EXHIBIT 5

### WEST TEXAS

All Texas counties not included in the East Texas, Oklahoma and Desert Southwest Markets and the New Mexico counties of Union, Quay, Curry, Roosevelt, and Lea.

### DESERT SOUTHWEST

The Texas counties of Val Verde, Crockett, Terrell, Pecos, Brewster, Presidio, Jeff Davis, Culberson, Hudspeth and El Paso, all New Mexico counties except those included in the West Texas market, all counties in the state of Arizona and the California counties south of and including Riverside and Orange counties.

### SAN JOAQUIN VALLEY

All California counties except those included in the Desert Southwest market.

**4. EXTRA LONG STAPLE SPOT MARKETS**

The Daily Spot Cotton Quotation for American Pima cotton quotations include two markets, the San Joaquoin Valley (California only) and the Desert Southwest for all other areas of the United States that grow American Pima cotton.

## EXHIBIT 5

## 5. AMERICAN UPLAND COTTON QUALITY ADJUSTMENT PROCEDURE

Mature **white** 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 quotation for cotton of like quality (price quotation "A") for the applicable growth area is less than 85 percent of price quotation "B."

A. Price quotation "B" is the price quotation for the applicable growth area for cotton of the color and leaf grade, staple length and micronaire reading designated in the Special Provisions for the county in which the cotton is insured (staple length and micronaire readings vary from county to county). **NOTE**: Extraneous matter for this grade is zero.

B. Price quotations "A" and "B" will be the price quotations contained in the DSCQ published by the USDA AMS on the date the last bale from the unit is classed. If the date the last bale is classed is not available the price quotations will be determined on the date the last bale from the unit is delivered to the warehouse, as shown on the producer's account summary obtained from the gin.

**NOTE**: Colored cotton lint is **NOT** eligible for quality adjustment.

C. When price quotation "A" for cotton of like quality **cannot** be determined from the DSCQ, obtain a price quotation from a local buyer within the local producing area, however, if a higher price is available from a buyer within a reasonable distance outside the local producing area, this price is to be used. Price quotation "A" obtained from a buyer MUST be quoted for the date stated in section 5B above. Document, in the narrative of the TPC Production Worksheet, the name and phone number of the buyer from whom you obtained price quotation "A."

**NOTE**: Record, on the Cotton Quality Adjustment Worksheet, the bale number in column 12, the bale weight in column 13, and price quotation "A" (Value per Pound) obtained from the buyer in column 20. Calculate the factor using instructions for column 21
.

## EXHIBIT 5

**EXAMPLES A 1-3** shows selected pages of the DSCQ published by the USDA AMS, dated December 6, 2001. Pages are marked in the upper left-hand corner for the applicable growth area point differences. These pages are also marked for the following example, to show how to use the DSCQ sheets for a bale of American Upland cotton eligible for quality adjustment. **The allowable point differences (deductions or additions) for AUP cotton are: color and leaf grade, staple length, micronaire and extraneous matter.** Convert all spot price quotations and point differences to four decimal places for quality adjustment calculations.

**STEP 1:** Determine price quotation Price "B" and 85 percent of Price "B."

**EXAMPLE**: The unit is located in the East Texas-Oklahoma Growth Area. Using the East Texas-Oklahoma Growth Area, color grade 41 leaf 4, staple length 34, the spot price quotation is 33.25 cents (.3325). The .3325 spot price quotation is adjusted to the price quotation (Price B), defined in the Special Provisions as *Strict Low Middling* (41) *Leaf 4, 1 1/32 inch staple length* (34) *and 4.1 micronaire (mike)* for the Oklahoma county of Jackson. **NOTE**: There is no extraneous matter for this grade.

.3325 = East Texas-Oklahoma Base Spot Price Quotation (See **EXAMPLE A-1**)
\- .0200 = deduction (See **EXAMPLE A-2**)
.3125 = Price "B," color 41 leaf 4, staple length 32, 4.1 mike
X .85
.2656 = 85 percent of Price "B"("local market price"). Quality adjustment will apply if price quotation Price "A" ("value per pound") is less.

**STEP 2:** Determine price quotation Price "A" of each harvested bale.

**EXAMPLE**: Mature cotton harvested and the following information determined from the insured's computer printout: bale #125, net bale weight 475 pounds, color grade 71 leaf 6, staple length 31, extraneous matter code 12 (bark level 2), 2.8 mike.

.3325 = East Texas-Oklahoma Base Spot Price Quotation
\- .0800 = deductions for color grade 71 leaf 6, staple length 31 (See **EXAMPLE A-2**)
.2525
\- .0425 = deductions for mike 28 (See **EXAMPLE A-3**)
.2100
\- .0475 = deductions for extraneous matter code 12 (bark level 2) **EXAMPLE A-3**)
.1625 = Price "A" ("value per pound"). Price "A" is less than .2656 (85 percent of Price "B") therefore, quality adjustment applies.

**STEP 3:** Calculating production to count.

Price "A" ("value per pound") ) 85 percent of Price "B" ("local market price") = Factor (round to 4 decimal places) X Pounds = Production to Count.

.1625 ÷ .2656 = .61182 = .6118 X 475 lbs. = 290.6 = 291 lbs.

## EXHIBIT 5

## EXAMPLE A-1

MP_CN002 Memphis, TN Cotton Program, MNB 06-Dec-2001

Spot quotations and differences are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck which includes compression and any brokerage charges. American Pima quotations are FOB warehouse and do not include compression charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per tex and uniformity 81.

**STEP 1** UPLAND SPOT PRICE QUOTATIONS SPOT TRANSACTIONS

| Growth Area | Basis N.Y. Futures Points | Month | Color 41 Leaf 4 Staple 34 cents/lb. | Color 31 Leaf 3 Staple 35 cents/lb. | Usable sales provided to Cotton Programs Today bales | Season bales |
|---|---|---|---|---|---|---|
| Southeast | -525 | Mar-2002 | 32.68 | 34.43 | 4,100 | 106,793 |
| North Delta | -525 | Mar-2002 | 32.68 | 34.18 | 1,288 | 95,582 |
| South Delta | -525 | Mar-2002 | 32.68 | 34.18 | 2,781 | 142,744 |
| East TX-OK | -468 | Mar-2002 | 33.25 | 35.25 | 628 | 285,292 |
| West Texas | -468 | Mar-2002 | 33.25 | 35.00 | 8,144 | 410,885 |
| Desert SW | -475 | Mar-2002 | 33.18 | 37.18 | 5,677 | 53,387 |
| SJ Valley | -175 | Mar-2002 | 36.18 | 43.18 | 0 | 31,505 |
| | | | | | Upland total | |
| Average | -452 | Mar-2002 | 33.41 | 36.20 | 22,618 | 1,126,188 |
| Previous | -454 | Mar-2002 | 32.24 | 35.02 | | |

AMERICAN PIMA SPOT PRICE QUOTATIONS

| | Grade 2 Staple 46 | Grade 3 Staple 44 | Grade 3 Staple 46 | SPOT TRANSACTIONS | |
|---|---|---|---|---|---|
| Desert SW | 83.00 | 79.00 | 80.00 | 0 | 4,271 |
| SJ Valley | 87.00 | 82.00 | 83.00 | 71 | 2,092 |
| | | | | AP total | |
| | | | | 71 | 6,363 |

NEW YORK FUTURES - CONTRACT NO. 2 2/
COLOR 41 LEAF 4, STAPLE 34, MIKE 35-49,
STRENGTH 22 OR GREATER.

| Month | Cents per pound Today | Previous | Change |
|---|---|---|---|
| Mar-2002 | 37.93 | 36.78 | 1.15 |
| May-2002 | 39.21 | 38.13 | 1.08 |
| Jul-2002 | 40.40 | 39.15 | 1.25 |
| Oct-2002 | 42.35 | 41.25 | 1.10 |
| Dec-2002 | 43.28 | 42.20 | 1.08 |
| Mar-2003 | 44.55 | 43.45 | 1.10 |
| May-03 2/ | 46.60 | 45.40 | 1.20 |
| Jul-03 2/ | 47.60 | 46.40 | 1.20 |
| Oct-03 2/ | 48.00 | 46.75 | 1.25 |

7-MARKET AVERAGE
BASE QUOTATIONS
FOR UPLAND COTTON

| | |
|---|---|
| Season high | |
| 8/6/2001 | 38.80 |
| Season low | |
| 10/25/2001 | 25.94 |
| EFFECTIVE | Nov. 29-Dec. 6 |
| AWP | 26.22 |
| CC ADJ. | 0.00 |
| LDP | 25.70 |

# EXHIBIT 5

## EXAMPLE A-2

MP_CN006 Memphis, TN USDA Cotton Program, MNB

EAST TEXAS-OKLAHOMA DIFFERENCES 6-Dec-2001

| Color | Leaf | Staple | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 26-29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
| 11&21 | 1&2 | -350 | -275 | -225 | -100 | -50 | 175 | 225 | 250 | 275 |
| | 3 | -375 | -300 | -250 | -125 | -75 | 175 | 225 | 250 | 275 |
| | 4 | -425 | -350 | -275 | -150 | -100 | 150 | 175 | 200 | 200 |
| | 5 | -475 | -400 | -325 | -200 | -150 | -50 | -25 | -25 | -25 |
| | 6 | -550 | -450 | -375 | -275 | -175 | -100 | -100 | -100 | -100 |
| | 7 | -650 | -550 | -475 | -375 | -275 | -175 | -175 | -175 | -175 |
| 31 | 1&2 | -375 | -300 | -250 | -150 | -75 | 150 | 200 | 250 | 275 |
| | 3 | -375 | -300 | -250 | -175 | -100 | 150 | 200 | 250 | 275 |
| | 4 | -450 | -375 | -300 | -200 | -125 | 150 | 175 | 200 | 200 |
| | 5 | -500 | -425 | -350 | -250 | -200 | -75 | -50 | -50 | -50 |
| | 6 | -575 | -475 | -400 | -300 | -250 | -125 | -125 | -125 | -125 |
| | 7 | -675 | -575 | -500 | -400 | -350 | -200 | -200 | -200 | -200 |
| **STEP 1** 41 | 1&2 | -425 | -350 | -275 | -175 | -100 | 100 | 150 | 175 | 175 |
| | 3 | -425 | -350 | -275 | -175 | -125 | 100 | 150 | 175 | 175 |
| | 4 | -475 | -400 | -325 | -200 | -150 | 33.25 | 125 | 150 | 150 |
| | 5 | -550 | -475 | -375 | -275 | -225 | -100 | -75 | -75 | -75 |
| | 6 | -650 | -550 | -450 | -350 | -300 | -175 | -175 | -175 | -175 |
| | 7 | -700 | -600 | -550 | -450 | -400 | -250 | -250 | -250 | -250 |
| 51 | 1&2 | -525 | -450 | -375 | -275 | -225 | -125 | -100 | -100 | -100 |
| | 3 | -525 | -450 | -375 | -275 | -225 | -125 | -100 | -100 | -100 |
| | 4 | -550 | -500 | -425 | -300 | -250 | -150 | -125 | -125 | -125 |
| | 5 | -650 | -600 | -525 | -400 | -325 | -200 | -200 | -200 | -200 |
| | 6 | -750 | -675 | -600 | -450 | -400 | -275 | -275 | -275 | -275 |
| | 7 | -825 | -775 | -700 | -550 | -500 | -375 | -375 | -375 | -375 |
| 61 | 1&2 | -600 | -550 | -475 | -350 | -300 | -200 | -200 | -200 | -200 |
| | 3 | -600 | -550 | -475 | -350 | -300 | -200 | -200 | -200 | -200 |
| | 4 | -650 | -575 | -500 | -375 | -325 | -250 | -250 | -250 | -250 |
| | 5 | -725 | -650 | -600 | -475 | -400 | -300 | -300 | -300 | -300 |
| | 6 | -825 | -750 | -700 | -575 | -500 | -400 | -400 | -400 | -400 |
| | 7 | -900 | -850 | -800 | -675 | -600 | -500 | -500 | -500 | -500 |
| **STEP 2** 71 | 1&2 | -725 | -650 | -575 | -450 | -375 | -250 | -250 | -250 | -250 |
| | 3 | -725 | -650 | -575 | -450 | -375 | -250 | -250 | -250 | -250 |
| | 4 | -775 | -700 | -625 | -525 | -450 | -325 | -325 | -325 | -325 |
| | 5 | -825 | -750 | -700 | -600 | -525 | -400 | -400 | -400 | -400 |
| | 6 | -925 | -850 | -800 | -700 | -625 | -500 | -500 | -500 | -500 |
| | 7 | -1000 | -950 | -900 | -750 | -675 | -575 | -575 | -575 | -575 |
| 12&22 | 1&2 | -425 | -350 | -275 | -175 | -100 | 75 | 125 | 125 | 125 |
| | 3 | -450 | -375 | -300 | -200 | -125 | 50 | 100 | 100 | 100 |
| | 4 | -500 | -425 | -350 | -225 | -150 | -50 | -25 | -25 | -25 |
| | 5 | -550 | -475 | -400 | -275 | -225 | -150 | -125 | -125 | -125 |
| | 6 | -650 | -550 | -475 | -325 | -275 | -200 | -200 | -200 | -200 |
| | 7 | -750 | -650 | -575 | -425 | -375 | -300 | -300 | -300 | -300 |
| 32 | 1&2 | -475 | -400 | -350 | -225 | -175 | 50 | 75 | 75 | 75 |
| | 3 | -475 | -400 | -350 | -225 | -200 | 50 | 75 | 75 | 75 |
| | 4 | -525 | -450 | -425 | -275 | -225 | -75 | -50 | -50 | -50 |
| | 5 | -575 | -500 | -475 | -325 | -275 | -175 | -175 | -175 | -175 |
| | 6 | -700 | -600 | -550 | -400 | -350 | -250 | -250 | -250 | -250 |
| | 7 | -775 | -675 | -650 | -500 | -450 | -325 | -325 | -325 | -325 |
| 42 | 1&2 | -550 | -475 | -450 | -350 | -275 | -75 | -50 | -50 | -50 |
| | 3 | -550 | -475 | -450 | -350 | -275 | -75 | -50 | -50 | -50 |
| | 4 | -625 | -550 | -500 | -400 | -325 | -150 | -125 | -125 | -125 |
| | 5 | -675 | -600 | -550 | -475 | -400 | -300 | -275 | -275 | -275 |
| | 6 | -800 | -700 | -650 | -550 | -475 | -375 | -375 | -375 | -375 |
| | 7 | -850 | -775 | -750 | -650 | -575 | -450 | -450 | -450 | -450 |
| 52 | 1&2 | -550 | -475 | -425 | -350 | -275 | -150 | -150 | -150 | -150 |
| | 3 | -550 | -475 | -425 | -350 | -275 | -150 | -150 | -150 | -150 |
| | 4 | -625 | -550 | -475 | -400 | -325 | -200 | -200 | -200 | -200 |
| | 5 | -700 | -625 | -550 | -475 | -400 | -250 | -250 | -250 | -250 |
| | 6 | -800 | -725 | -650 | -575 | -500 | -350 | -350 | -350 | -350 |
| | 7 | -875 | -825 | -750 | -675 | -600 | -450 | -450 | -450 | -450 |

# EXHIBIT 5

# EXHIBIT A-3

EAST TEXAS – OKLAHOMA DIFFERENCES – continued 6-Dec-2001

| Color | Leaf | Staple 26-29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
|---|---|---|---|---|---|---|---|---|---|---|
| 62 | 1&2 | -650 | -600 | -525 | -425 | -350 | -250 | -250 | -250 | -250 |
| | 3 | -650 | -600 | -525 | -425 | -350 | -250 | -250 | -250 | -250 |
| | 4 | -700 | -625 | -550 | -450 | -375 | -325 | -325 | -325 | -325 |
| | 5 | -775 | -700 | -650 | -550 | -475 | -400 | -400 | -400 | -400 |
| | 6 | -875 | -800 | -750 | -650 | -575 | -500 | -500 | -500 | -500 |
| 13&23 | 1&2 | -500 | -425 | -375 | -325 | -275 | -200 | -175 | -175 | -175 |
| | 3 | -500 | -425 | -400 | -350 | -300 | -225 | -200 | -200 | -200 |
| | 4 | -550 | -475 | -450 | -425 | -325 | -275 | -250 | -250 | -250 |
| | 5 | -650 | -575 | -550 | -500 | -400 | -325 | -300 | -300 | -300 |
| | 6 | -700 | -650 | -625 | -575 | -475 | -425 | -400 | -400 | -400 |
| | 7 | -750 | -700 | -675 | -650 | -575 | -525 | -500 | -500 | -500 |
| 33 | 1&2 | -550 | -500 | -450 | -425 | -325 | -250 | -225 | -225 | -225 |
| | 3 | -550 | -500 | -450 | -425 | -325 | -250 | -225 | -225 | -225 |
| | 4 | -600 | -550 | -525 | -500 | -400 | -325 | -300 | -300 | -300 |
| | 5 | -650 | -600 | -575 | -550 | -450 | -375 | -350 | -350 | -350 |
| | 6 | -750 | -700 | -650 | -625 | -550 | -500 | -475 | -475 | -475 |
| | 7 | -825 | -775 | -750 | -725 | -625 | -600 | -575 | -575 | -575 |

**NOTE: Information for Grade 43 and 53 was removed to add a heading to this page.**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 63 | 1&2 | -775 | -700 | -650 | -600 | -500 | -425 | -425 | -425 | -425 |
| | 3 | -775 | -700 | -650 | -600 | -500 | -425 | -425 | -425 | -425 |
| | 4 | -825 | -750 | -700 | -650 | -525 | -475 | -475 | -475 | -475 |
| | 5 | -900 | -825 | -775 | -725 | -625 | -575 | -575 | -575 | -575 |
| | 6 | -950 | -900 | -825 | -800 | -700 | -650 | -650 | -650 | -650 |
| 34 | 1&2 | -625 | -550 | -500 | -450 | -375 | -300 | -275 | -275 | -275 |
| | 3 | -625 | -550 | -500 | -450 | -375 | -300 | -275 | -275 | -275 |
| | 4 | -700 | -625 | -575 | -525 | -450 | -375 | -350 | -350 | -350 |
| | 5 | -775 | -700 | -650 | -600 | -550 | -475 | -450 | -450 | -450 |
| | 6 | -850 | -800 | -750 | -700 | -650 | -575 | -550 | -550 | -550 |
| 44 | 1&2 | -725 | -650 | -600 | -525 | -475 | -400 | -375 | -375 | -375 |
| | 3 | -750 | -675 | -625 | -575 | -525 | -450 | -425 | -425 | -425 |
| | 4 | -775 | -700 | -675 | -625 | -575 | -500 | -475 | -475 | -475 |
| | 5 | -850 | -775 | -750 | -700 | -675 | -600 | -575 | -575 | -575 |
| | 6 | -925 | -850 | -825 | -775 | -750 | -675 | -650 | -650 | -650 |
| 54 | 1&2 | -850 | -775 | -725 | -675 | -625 | -550 | -525 | -525 | -525 |
| | 3 | -850 | -775 | -725 | -675 | -625 | -550 | -525 | -525 | -525 |
| | 4 | -900 | -825 | -775 | -725 | -700 | -650 | -625 | -625 | -625 |
| | 5 | -900 | -825 | -775 | -725 | -700 | -650 | -625 | -625 | -625 |

| | Mike Range | Diff. |
|---|---|---|
| | 24 & Below | -1075 |
| | 25-26 | -850 |
| **STEP 2** | 27-29 | -425 |
| | 30-32 | -200 |
| | 33-34 | -100 |
| | Base 35-36 | 0 |
| **STEP 1** | 37-42 | 0 |
| | Base 43-49 | 0 |
| | 50-52 | -375 |
| | 53 & Above | -425 |

| Strength (Grams per Tex) Range | Diff. |
|---|---|
| 18.5-19.4 | -200 |
| 19.5-20.4 | -200 |
| 20.5-21.4 | -175 |
| 21.5-22.4 | -150 |
| 22.5-23.4 | -100 |
| 23.5-25.4 | -75 |
| 25.5-26.4 | -25 |
| B 26.5-28.4 | 0 |
| 28.5-29.4 | 0 |
| 29.5-30.4 | 25 |
| 30.5-32.4 | 35 |
| 32.5 & Above | 50 |

| Extraneous Matter Level | Diff. | |
|---|---|---|
| Prep | | |
| 1 | -50 | |
| 2 | -450 | |
| Bark | | |
| 1 | -150 | |
| 2 | -475 | **STEP 2** |
| Other | | |
| 1 | -300 | |
| 2 | -475 | |

## 6. CALCULATING PRICE "A" FOR AUP COTTON IN THE SOUTHEAST, NORTH AND SOUTH DELTA GROWTH AREAS ONLY

A. The AMS may not include premium or discount differences for all color and leaf grades or staple lengths on the DSCQ sheets for the Southeast, North Delta, and South Delta growth areas. If a price quotation (identified as Price "A" in the Cotton Crop Provisions) cannot be determined from the DSCQ sheets, the loss adjustment procedures states that a price quotation is to be obtained from a buyer within the local producing area. However, when Price "A" cannot be obtained from a buyer in these growth areas ONLY, use the following procedure:

1. The premium and discount differences from the DSCQ sheets from the East TX-OK Growth Area; and

2. The premium and discount differences from the applicable growth area where the cotton was grown.

B. Refer to the quality adjustment examples: **EXAMPLE B-1** for the Base Spot Price Quotation; **EXAMPLE B-2** for the South Delta Differences; and **EXAMPLE B-3** for the East TX-OK Differences.

**STEP 1**: There is no change in the current procedure for determining Price AB@ and 85 percent of Price AB.@ (This part of the procedure is included to introduce information that is needed to determine if Price "A" is less than 85 percent of Price "B.")

**NOTE: All discount points are shown in parentheses, and premium points are shown without parentheses.**

**EXAMPLE**: The last bale was delivered to the warehouse on October 12, 2000. Using the South Delta Growth Area, color grade 41 leaf 4, staple length 34, the spot price quotation is 62.36 cents (.6236). The .6236 spot price quotation is adjusted to the price quotation (Price AB@), defined in the Special Provisions as *Strict Low Middling* (41) *Leaf 4, 1 3/32 inch staple length* (35) *and 4.5 micronaire (mike) reading* for the Mississippi county of Bolivar.
**NOTE**: Extraneous matter for this grade is zero.

.6236 = South Delta Base Spot Price Quotation (See **EXAMPLE B – 1**)
\+ .0100 = from the South Delta Differences (See **EXAMPLE B –2**)
.6336 = Price AB,@ color 41 leaf 4, staple length 35, 4.5 mike
X .85
.5386 = 85 percent of Price AB@ (Alocal market price@). Quality adjustment will apply if price quotation Price AA@ (Avalue per pound@) is less than .5386.

**STEP 2**: Determine Price AA.@

a. Calculate the point differences by **subtracting** the point differences for the actual color/leaf grade and staple length grade 31 from the point differences for staple length grade 32 with the same color/leaf bale grade using the East TX-OK Growth Area differences.

## EXHIBIT 5

**EXAMPLE**: Mature cotton harvested and the following information determined for bale #125 from the insured's computer printout: net bale weight 475 pounds, color grade 51 leaf 4, staple length 31, extraneous matter code 01 (prep level 1), mike 5.1. (See **EXAMPLE B–3**)

(0.0850) = deduction for color 51 leaf 4, staple length 32 from the East TX-OK Differences
\- (0.1025) = deduction for color 51 leaf 4, staple length 31 from the East TX-OK Differences
0.0175 = point differences

b. Determine, the point differences from the applicable growth area where the cotton was grown (e.g., the South Delta Differences) for the actual bale color, leaf, and staple length grades and subtract the result of item "a."

**EXAMPLE**: (See **EXAMPLE B-2**)

(0.0775) = deduction for color 51 leaf 4, staple length 32 from the South Delta Differences
\- 0.0175 = point differences from item "a"
(0.0950) = point differences

c. Determine the point differences from the growth area where the cotton was grown (e.g., the South Delta) for the actual bale extraneous matter grade and add the result of item "b."

**EXAMPLE**: (See **EXAMPLE B-2**)

(0.0950) = result from item "b" above
\+ (0.0050) = deduction for extraneous matter Prep Level 1, from the South Delta Differences
(0.1000) = point differences

d. Determine the point differences from the growth area where the cotton was grown (e.g., the South Delta) for the actual bale micronaire grade and add to (or subtract from) item "c" above.

**EXAMPLE**: (See **EXAMPLE B-2**)

(0.1000) = result from item "c" above
\+ (0.0500) = deduction for mike from the South Delta Differences
(0.1500) = total deductions for the bale (#125)

e. Add the result of item "d" above to the Growth Area Base Spot Price Quotation determined in **STEP 1**.

**EXAMPLE**:

0.6236 = South Delta Base Spot Price Quotation
\+ (0.1500) = total deductions for the bale (#125)
0.4736 = Price "A" (Value Per Pound). Price "A" is less than .5386 (85 percent of Price "B") therefore, quality adjustment applies.

**EXHIBIT 5**

**STEP 3**: Calculating production to count.

Price AA@ (Avalue per pound@) ) 85 percent of Price AB@ (Alocal market price@) = Factor (round to 4 decimal places) X Pounds = Production to Count.

.4736 ) .5386 = .8793 X 475 lbs. = 417.7 = 418 lbs.

**NOTE**: For any stripper cotton cultivars grown in the Southeast, North Delta, or South Delta growth areas, use the Daily Spot Price Quotations for the growth area where the cotton was grown to determine the premium and discount differences.

## EXHIBIT 5

## EXHIBIT B-1

MP_CN002 12-Oct-00

Spot quotations and differences are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are compressed, FOB car/truck, American Pima are uncompressed, FOB warehouse. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per tex and uniformity 81.

**STEP 1**

| | UPLAND SPOT PRICE QUOTATIONS | | | | SPOT TRANSACTIONS | |
|---|---|---|---|---|---|---|
| Growth Area | Basis N.Y. Future Points | Month | Color 41 Leaf 4 Staple 34 cents/lb. | Color 31 Leaf 3 Staple 35 cents/lb. | Usable sales provided to Cotton Programs Today bales | Seasons bales |
| Southeast | -200 | Dec-00 | 62.36 | 65.36 | 542 | 10,939 |
| North Delta | -200 | Dec-00 | 62.36 | 64.36 | 0 | 12,516 |
| South Delta | -200 | Dec-00 | 62.36 | 64.36 | 1,600 | 6,193 |
| East TX-OK | -361 | Dec-00 | 60.75 | 62.00 | 321 | 87,421 |
| West Texas | -411 | Dec-00 | 60.25 | 61.75 | 878 | 13,745 |
| Desert SW | -400 | Dec-00 | 60.36 | 64.61 | 0 | 350 |
| SJ Valley | -150 | Dec-00 | 62.86 | 67.36 | 0 | 3,005 |
| | | | | | Upland total | |
| Average | -275 | Dec-00 | 61.61 | 64.26 | 3,341 | 134,169 |
| Previous | -274 | Dec-00 | 61.11 | 63.75 | | |

AMERICAN PIMA SPOT PRICE QUOTATIONS

| | Grade 2 Staple 46 | Grade 3 Staple 44 | Grade 3 Staple 46 | SPOT TRANSACTIONS | |
|---|---|---|---|---|---|
| Desert SW | 96.50 | 92.00 | 93.50 | 0 | 9,299 |
| SJ Valley | 99.50 | 94.50 | 96.00 | 0 | 24,254 |
| | | | | AP total | |
| | | | | 0 | 33,553 |

NEW YORK FUTURES - CONTRACT NO. 2 2/
COLOR 41 LEAF 4, STAPLE 34, MIKE 35-49,
STRENGTH 22 OR GREATER.

| Month | Cents per pound Today | Previous | Change |
|---|---|---|---|
| Dec-00 | 64.36 | 63.85 | 0.51 |
| Mar-01 | 66.20 | 65.41 | 0.79 |
| May-01 | 66.80 | 66.00 | 0.80 |
| Jul-01 | 67.40 | 66.55 | 0.85 |
| Oct-01 | 63.50 | 63.70 | -0.20 |
| Dec-01 | 63.70 | 63.90 | -0.20 |
| Mar-02 | 64.45 | 64.75 | -0.30 |
| May-02 | 64.95 | 65.25 | -0.30 |
| Jul-02 | 65.78 | 65.95 | -0.17 |

7-MARKET AVERAGE
BASE QUOTATIONS
FOR UPLAND COTTON

| | |
|---|---|
| Season high | |
| 8/29/00 | 62.25 |
| Season low | |
| 8/04/00 | 55.86 |
| EFFECTIVE | 12-Oct-00 |
| ADJUSTED WORLD PRICE | 46.76 |
| COARSE COUNT ADJUSTMENT | 0.00 |

**NOTE: The remaining information on this page has been removed.**

# EXHIBIT 5

## EXAMPLE B-2

MP_CN005

SOUTH DELTA DIFFERENCES 12-Oct-00

| Color | Leaf | Staple 32 | 33 | 34 | 35 | 36&37 |
|---|---|---|---|---|---|---|
| 11&21 | 1&2 | -325 | -175 | 125 | 225 | 250 |
| | 3 | -325 | -175 | 125 | 225 | 250 |
| | 4 | -375 | -225 | 75 | 175 | 200 |
| | 5 | -575 | -425 | -250 | -150 | -125 |
| | 6 | -875 | -675 | -550 | -500 | -500 |
| | 7 | -1125 | -950 | -800 | -750 | -750 |
| 31 | 1&2 | -325 | -200 | 100 | 200 | 225 |
| | 3 | -325 | -200 | 100 | 200 | 225 |
| | 4 | -375 | -250 | 50 | 150 | 175 |
| | 5 | -575 | -425 | -250 | -150 | -125 |
| | 6 | -875 | -675 | -550 | -500 | -500 |
| **STEP 1** | 7 | -1125 | -950 | -800 | -750 | -750 |
| 41 | 1&2 | -400 | -250 | 50 | 150 | 175 |
| | 3 | -400 | -250 | 50 | 150 | 175 |
| | 4 | -425 | -300 | 62.36 | 100 | 125 |
| | 5 | -700 | -550 | -375 | -325 | -300 |
| | 6 | -950 | -800 | -625 | -575 | -575 |
| **STEP 2b** | 7 | -1250 | -1050 | -925 | -875 | -875 |
| 51 | 1&2 | -700 | -425 | -175 | -125 | -125 |
| | 3 | -700 | -425 | -175 | -125 | -125 |
| | 4 | -775 | -475 | -225 | -175 | -175 |
| | 5 | -825 | -625 | -400 | -350 | -350 |
| | 6 | -1125 | -925 | -750 | -750 | -750 |
| | 7 | -1325 | -1100 | -950 | -950 | -950 |
| 61 | 1&2 | -1025 | -900 | -800 | -775 | -775 |
| | 3 | -1025 | -900 | -800 | -775 | -775 |
| | 4 | -1050 | -925 | -825 | -800 | -800 |
| | 5 | -1100 | -975 | -875 | -850 | -850 |
| | 6 | -1175 | -1050 | -950 | -925 | -925 |
| | 7 | -1375 | -1250 | -1150 | -1150 | -1150 |
| 71 | 1&2 | -1375 | -1225 | -1125 | -1125 | -1125 |
| | 3 | -1375 | -1225 | -1125 | -1125 | -1125 |
| | 4 | -1450 | -1275 | -1200 | -1200 | -1200 |
| | 5 | -1450 | -1325 | -1225 | -1225 | -1225 |
| | 6 | -1450 | -1350 | -1250 | -1250 | -1250 |
| | 7 | -1475 | -1375 | -1275 | -1275 | -1275 |
| 12&22 | 1&2 | -375 | -250 | 100 | 200 | 225 |
| | 3 | -375 | -250 | 75 | 175 | 200 |
| | 4 | -500 | -375 | -50 | 50 | 75 |
| | 5 | -775 | -500 | -275 | -225 | -200 |
| | 6 | -1000 | -700 | -500 | -450 | -450 |
| | 7 | -1250 | -950 | -750 | -700 | -700 |
| 32 | 1&2 | -425 | -300 | 50 | 150 | 175 |
| | 3 | -425 | -300 | 25 | 125 | 150 |
| | 4 | -575 | -400 | -125 | -25 | 0 |
| | 5 | -825 | -550 | -325 | -275 | -250 |
| | 6 | -1050 | -775 | -550 | -500 | -500 |
| | 7 | -1300 | -1000 | -800 | -750 | -750 |
| 42 | 1&2 | -625 | -450 | -100 | -50 | -50 |
| | 3 | -625 | -450 | -125 | -75 | -75 |
| | 4 | -675 | -500 | -175 | -125 | -125 |
| | 5 | -850 | -625 | -350 | -300 | -300 |
| | 6 | -1200 | -875 | -700 | -700 | -700 |
| | 7 | -1400 | -1075 | -900 | -900 | -900 |
| 52 | 1&2 | -800 | -675 | -500 | -475 | -475 |
| | 3 | -800 | -675 | -500 | -475 | -475 |
| | 4 | -925 | -800 | -625 | -600 | -600 |
| | 5 | -975 | -875 | -675 | -650 | -650 |
| | 6 | -1275 | -1125 | -975 | -975 | -975 |
| | 7 | -1425 | -1275 | -1125 | -1125 | -1125 |
| 62 | 1&2 | -1175 | -1025 | -975 | -975 | -975 |
| | 3 | -1175 | -1025 | -975 | -975 | -975 |
| | 4 | -1200 | -1050 | -1000 | -1000 | -1000 |
| | 5 | -1275 | -1125 | -1075 | -1075 | -1075 |
| | 6 | -1400 | -1225 | -1200 | -1200 | -1200 |

| Color | Leaf | Staple 32 | 33 | 34 | 35 | 36&37 |
|---|---|---|---|---|---|---|
| 43 | 1&2 | -825 | -750 | -725 | -725 | -725 |
| | 3 | -825 | -750 | -725 | -725 | -725 |
| | 4 | -850 | -775 | -750 | -750 | -750 |
| | 5 | -1050 | -975 | -975 | -975 | -975 |
| | 6 | -1150 | -1075 | -1075 | -1075 | -1075 |
| | 7 | -1300 | -1225 | -1225 | -1225 | -1225 |
| 53 | 1&2 | -1025 | -975 | -975 | -975 | -975 |
| | 3 | -1025 | -975 | -975 | -975 | -975 |
| | 4 | -1150 | -1100 | -1100 | -1100 | -1100 |
| | 5 | -1200 | -1150 | -1150 | -1150 | -1150 |
| | 6 | -1300 | -1250 | -1250 | -1250 | -1250 |
| | 7 | -1425 | -1375 | -1375 | -1375 | -1375 |
| 63 | 1&2 | -1300 | -1250 | -1250 | -1250 | -1250 |
| | 3 | -1300 | -1250 | -1250 | -1250 | -1250 |
| | 4 | -1325 | -1275 | -1275 | -1275 | -1275 |
| | 5 | -1375 | -1325 | -1325 | -1325 | -1325 |
| | 6 | -1400 | -1350 | -1350 | -1350 | -1350 |

Mike

| Range | Diff. | |
|---|---|---|
| 25-26 | -1300 | |
| 27-29 | -950 | |
| 30-32 | -500 | |
| 33-34 | -275 | |
| Base 35-36 | 0 | |
| 37-42 | 50 | |
| Base 43-49 | 0 | |
| 50-52 | -500 | **STEP 2d** |
| 53 & Above | -700 | |

Strength (Grams per Tex)

| Range | Diff. |
|---|---|
| 20.5-21.4 | -300 |
| 21.5-22.4 | -200 |
| 22.5-23.4 | -150 |
| 23.5-25.4 | -100 |
| 25.5-26.4 | 0 |
| Base 26.5-28.4 | 0 |
| 28.5-29.4 | 0 |
| 29.5-30.4 | 15 |
| 30.5-32.4 | 20 |
| 32.5 & Above | 25 |

Extraneous Matter

| Level | Diff. | |
|---|---|---|
| Prep | | |
| 1 | -50 | **STEP 2c** |
| 2 | -800 | |
| Other | | |
| 1 | -435 | |
| 2 | -785 | |

Uniformity

| Unit | Points |
|---|---|
| 77 & below | -60 |
| 78 | -50 |
| 79 | -40 |
| 80 | 0 |
| Base 81 | 0 |
| 82 | 0 |
| 83 | 30 |
| 84 | 40 |
| 85 | 50 |
| 86 & above | 60 |

# EXHIBIT 5

## EXAMPLE B-3

MP_CN006

EAST TEXAS-OKLAHOMA DIFFERENCES 12-Oct-00

| Color | Leaf | Staple | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 26-29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
| 11&21 | 1&2 | -1000 | -900 | -800 | -650 | -400 | 25 | 125 | 175 | 225 |
| | 3 | -1025 | -925 | -825 | -675 | -425 | 25 | 125 | 175 | 225 |
| | 4 | -1075 | -1000 | -900 | -700 | -450 | 25 | 75 | 125 | 150 |
| | 5 | -1125 | -1050 | -975 | -800 | -500 | -375 | -350 | -300 | -300 |
| | 6 | -1175 | -1125 | -1025 | -850 | -650 | -525 | -525 | -525 | -525 |
| | 7 | -1275 | -1225 | -1125 | -975 | -775 | -650 | -650 | -650 | -650 |
| 31 | 1&2 | -1050 | -950 | -850 | -650 | -400 | 25 | 125 | 150 | 200 |
| | 3 | -1075 | -975 | -875 | -675 | -425 | 25 | 125 | 150 | 200 |
| | 4 | -1125 | -1050 | -925 | -725 | -525 | 25 | 75 | 100 | 125 |
| | 5 | -1175 | -1125 | -1000 | -850 | -575 | -400 | -375 | -325 | -325 |
| | 6 | -1225 | -1175 | -1075 | -925 | -675 | -550 | -550 | -550 | -550 |
| | 7 | -1325 | -1250 | -1150 | -1000 | -825 | -700 | -700 | -700 | -700 |
| 41 | 1&2 | -1125 | -1025 | -900 | -750 | -425 | 25 | 50 | 100 | 125 |
| | 3 | -1125 | -1025 | -900 | -750 | -475 | 0 | 50 | 100 | 125 |
| | 4 | -1200 | -1075 | -1000 | -800 | -575 | 60.75 | 50 | 75 | 100 |
| | 5 | -1225 | -1150 | -1050 | -875 | -650 | -475 | -450 | -425 | -425 |
| | 6 | -1300 | -1250 | -1125 | -950 | -725 | -600 | -600 | -600 | -600 |
| **STEP 2** | 7 | -1375 | -1300 | -1175 | -1025 | -875 | -750 | -750 | -750 | -750 |
| 51 | 1&2 | -1225 | -1125 | -925 | -775 | -600 | -400 | -400 | -350 | -350 |
| | 3 | -1225 | -1125 | **STEP** -925 | **STEP** -775 | -600 | -400 | -400 | -350 | -350 |
| | 4 | -1250 | -1150 | **2a** -1025 | **2a** -850 | -675 | -475 | -475 | -425 | -425 |
| | 5 | -1275 | -1200 | -1100 | -1000 | -750 | -625 | -625 | -575 | -575 |
| | 6 | -1350 | -1275 | -1175 | -1075 | -875 | -750 | -750 | -700 | -700 |
| | 7 | -1400 | -1325 | -1225 | -1150 | -975 | -850 | -850 | -800 | -800 |
| 61 | 1&2 | -1275 | -1175 | -950 | -850 | -750 | -650 | -650 | -650 | -650 |
| | 3 | -1275 | -1175 | -950 | -850 | -750 | -650 | -650 | -650 | -650 |
| | 4 | -1300 | -1200 | -1000 | -900 | -825 | -675 | -675 | -675 | -675 |
| | 5 | -1325 | -1250 | -1100 | -1000 | -900 | -775 | -775 | -775 | -775 |
| | 6 | -1375 | -1300 | -1175 | -1075 | -975 | -825 | -825 | -825 | -825 |
| | 7 | -1425 | -1350 | -1225 | -1150 | -1050 | -900 | -900 | -900 | -900 |
| 71 | 1&2 | -1325 | -1250 | -1075 | -950 | -875 | -800 | -800 | -800 | -800 |
| | 3 | -1325 | -1250 | -1075 | -950 | -875 | -800 | -800 | -800 | -800 |
| | 4 | -1350 | -1275 | -1100 | -1025 | -950 | -850 | -850 | -850 | -850 |
| | 5 | -1375 | -1300 | -1175 | -1100 | -1025 | -875 | -875 | -875 | -875 |
| | 6 | -1425 | -1350 | -1250 | -1150 | -1075 | -925 | -925 | -925 | -925 |
| | 7 | -1475 | -1400 | -1300 | -1200 | -1125 | -975 | -975 | -975 | -975 |
| 12&22 | 1&2 | -1075 | -1000 | -875 | -675 | -450 | -150 | -125 | -100 | -100 |
| | 3 | -1100 | -1025 | -900 | -700 | -475 | -175 | -150 | -125 | -125 |
| | 4 | -1150 | -1075 | -975 | -775 | -525 | -300 | -250 | -225 | -225 |
| | 5 | -1225 | -1150 | -1025 | -850 | -600 | -425 | -400 | -400 | -400 |
| | 6 | -1275 | -1200 | -1100 | -975 | -725 | -575 | -575 | -575 | -575 |
| | 7 | -1350 | -1275 | -1175 | -1050 | -825 | -725 | -725 | -725 | -725 |
| 32 | 1&2 | -1125 | -1050 | -950 | -725 | -500 | -200 | -175 | -175 | -175 |
| | 3 | -1150 | -1050 | -950 | -750 | -500 | -200 | -175 | -175 | -175 |
| | 4 | -1225 | -1100 | -1050 | -825 | -575 | -350 | -325 | -300 | -300 |
| | 5 | -1250 | -1175 | -1075 | -900 | -675 | -475 | -475 | -475 | -475 |
| | 6 | -1325 | -1275 | -1175 | -1025 | -800 | -650 | -650 | -650 | -650 |
| | 7 | -1400 | -1325 | -1225 | -1100 | -900 | -800 | -800 | -800 | -800 |
| 42 | 1&2 | -1200 | -1075 | -1000 | -800 | -600 | -275 | -250 | -250 | -250 |
| | 3 | -1200 | -1075 | -1000 | -800 | -600 | -300 | -275 | -275 | -275 |
| | 4 | -1225 | -1150 | -1075 | -875 | -625 | -400 | -375 | -375 | -375 |
| | 5 | -1300 | -1225 | -1125 | -975 | -725 | -550 | -550 | -550 | -550 |
| | 6 | -1375 | -1325 | -1225 | -1075 | -850 | -700 | -700 | -700 | -700 |
| | 7 | -1450 | -1375 | -1275 | -1150 | -950 | -850 | -850 | -850 | -850 |
| 52 | 1&2 | -1275 | -1175 | -1050 | -875 | -675 | -475 | -425 | -425 | -425 |
| | 3 | -1275 | -1175 | -1050 | -875 | -675 | -475 | -425 | -425 | -425 |
| | 4 | -1300 | -1200 | -1100 | -950 | -800 | -625 | -575 | -575 | -575 |
| | 5 | -1350 | -1250 | -1200 | -1100 | -875 | -725 | -675 | -675 | -675 |
| | 6 | -1425 | -1375 | -1325 | -1225 | -1000 | -850 | -800 | -800 | -800 |
| | 7 | -1475 | -1425 | -1375 | -1300 | -1075 | -950 | -900 | -900 | -900 |
| 62 | 1&2 | -1350 | -1275 | -1100 | -950 | -825 | -725 | -725 | -725 | -725 |
| | 3 | -1350 | -1275 | -1100 | -950 | -825 | -725 | -725 | -725 | -725 |
| | 4 | -1375 | -1300 | -1150 | -1025 | -900 | -800 | -800 | -800 | -800 |
| | 5 | -1400 | -1325 | -1250 | -1125 | -1000 | -900 | -900 | -900 | -900 |
| | 6 | -1450 | -1425 | -1375 | -1275 | -1050 | -975 | -975 | -975 | -975 |

## EXHIBIT B-3 (Continued)

EAST TEXAS-OKLAHOMA (Continued) 12-Oct-00

| Color | Leaf | Staple 26-29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
|---|---|---|---|---|---|---|---|---|---|---|
| 13&23 | 1&2 | -1150 | -1075 | -925 | -825 | -625 | -525 | -525 | -525 | -525 |
| | 3 | -1150 | -1075 | -950 | -850 | -650 | -550 | -550 | -550 | -550 |
| | 4 | -1225 | -1100 | -1025 | -925 | -750 | -675 | -675 | -675 | -675 |
| | 5 | -1300 | -1200 | -1125 | -1025 | -850 | -775 | -775 | -775 | -775 |
| | 6 | -1325 | -1250 | -1200 | -1125 | -975 | -900 | -900 | -900 | -900 |
| | 7 | -1425 | -1300 | -1225 | -1175 | -1050 | -975 | -975 | -975 | -975 |
| 33 | 1&2 | -1175 | -1125 | -1000 | -925 | -725 | -575 | -575 | -575 | -575 |
| | 3 | -1175 | -1125 | -1000 | -925 | -725 | -575 | -575 | -575 | -575 |
| | 4 | -1300 | -1175 | -1100 | -1025 | -850 | -750 | -750 | -750 | -750 |
| | 5 | -1350 | -1250 | -1175 | -1125 | -950 | -850 | -850 | -850 | -850 |
| | 6 | -1400 | -1300 | -1225 | -1175 | -1025 | -950 | -950 | -950 | -950 |
| | 7 | -1450 | -1375 | -1325 | -1250 | -1125 | -1025 | -1025 | -1025 | -1025 |
| 43 | 1&2 | -1325 | -1150 | -1100 | -1000 | -775 | -675 | -675 | -675 | -675 |
| | 3 | -1350 | -1175 | -1125 | -1050 | -875 | -775 | -775 | -775 | -775 |
| | 4 | -1375 | -1225 | -1150 | -1075 | -950 | -850 | -850 | -850 | -850 |
| | 5 | -1425 | -1275 | -1200 | -1150 | -1075 | -950 | -950 | -950 | -950 |
| | 6 | -1450 | -1350 | -1300 | -1250 | -1125 | -1025 | -1025 | -1025 | -1025 |
| | 7 | -1500 | -1425 | -1375 | -1325 | -1175 | -1075 | -1075 | -1075 | -1075 |
| 53 | 1&2 | -1400 | -1225 | -1175 | -1100 | -925 | -825 | -825 | -825 | -825 |
| | 3 | -1400 | -1225 | -1175 | -1100 | -925 | -825 | -825 | -825 | -825 |
| | 4 | -1450 | -1275 | -1250 | -1150 | -1000 | -925 | -925 | -925 | -925 |
| | 5 | -1500 | -1300 | -1275 | -1175 | -1125 | -1050 | -1050 | -1050 | -1050 |
| | 6 | -1525 | -1425 | -1375 | -1275 | -1225 | -1150 | -1150 | -1150 | -1150 |
| | 7 | -1575 | -1475 | -1425 | -1325 | -1300 | -1225 | -1225 | -1225 | -1225 |
| 63 | 1&2 | -1525 | -1350 | -1300 | -1225 | -1175 | -1075 | -1075 | -1075 | -1075 |
| | 3 | -1525 | -1350 | -1300 | -1225 | -1175 | -1075 | -1075 | -1075 | -1075 |
| | 4 | -1575 | -1400 | -1350 | -1275 | -1225 | -1125 | -1125 | -1125 | -1125 |
| | 5 | -1625 | -1475 | -1425 | -1350 | -1300 | -1200 | -1200 | -1200 | -1200 |
| | 6 | -1650 | -1500 | -1450 | -1375 | -1325 | -1225 | -1225 | -1225 | -1225 |
| 34 | 1&2 | -1300 | -1175 | -1100 | -1025 | -900 | -775 | -775 | -775 | -775 |
| | 3 | -1300 | -1175 | -1100 | -1025 | -900 | -775 | -775 | -775 | -775 |
| | 4 | -1400 | -1225 | -1200 | -1125 | -975 | -850 | -850 | -850 | -850 |
| | 5 | -1475 | -1300 | -1275 | -1200 | -1050 | -950 | -950 | -950 | -950 |
| | 6 | -1575 | -1400 | -1375 | -1300 | -1150 | -1050 | -1050 | -1050 | -1050 |
| 44 | 1&2 | -1400 | -1225 | -1175 | -1100 | -1000 | -900 | -900 | -900 | -900 |
| | 3 | -1425 | -1250 | -1200 | -1150 | -1050 | -950 | -950 | -950 | -950 |
| | 4 | -1450 | -1300 | -1250 | -1225 | -1100 | -1000 | -1000 | -1000 | -1000 |
| | 5 | -1475 | -1350 | -1325 | -1300 | -1200 | -1100 | -1100 | -1100 | -1100 |
| | 6 | -1525 | -1400 | -1375 | -1350 | -1250 | -1150 | -1150 | -1150 | -1150 |
| 54 | 1&2 | -1525 | -1350 | -1300 | -1275 | -1200 | -1100 | -1100 | -1100 | -1100 |
| | 3 | -1525 | -1350 | -1300 | -1275 | -1200 | -1100 | -1100 | -1100 | -1100 |
| | 4 | -1575 | -1400 | -1350 | -1325 | -1250 | -1150 | -1150 | -1150 | -1150 |
| | 5 | -1575 | -1400 | -1350 | -1325 | -1250 | -1150 | -1150 | -1150 | -1150 |

| Mike Range | Diff. |
|---|---|
| 24 & Below | -1350 |
| 25-26 | -1200 |
| 27-29 | -775 |
| 30-32 | -375 |
| 33-34 | -225 |
| Base 35-36 | 0 |
| 37-42 | 0 |
| Base 43-49 | 0 |
| 50-52 | -425 |
| 53 & Above | -625 |

| Strength (Grams per Tex) Range | Diff. |
|---|---|
| 18.5-19.4 | -250 |
| 19.5-20.4 | -225 |
| 20.5-21.4 | -200 |
| 21.5-22.4 | -175 |
| 22.5-23.4 | -150 |
| 23.5-25.4 | -100 |
| 25.5-26.4 | -25 |
| B 26.5-28.4 | 0 |
| 28.5-29.4 | 10 |
| 29.5-30.4 | 25 |
| 30.5-32.4 | 50 |
| 32.5 & Above | 75 |

| Extraneous Matter Level | Diff. |
|---|---|
| Prep | |
| 1 | -50 |
| 2 | -700 |
| Bark | |
| 1 | -225 |
| 2 | -700 |
| Other | |
| 1 | -375 |
| 2 | -750 |

**NOTE: The remaining information on this page has been deleted.**

## EXHIBIT 5

## 7. EXTRA LONG STAPLE COTTON QUALITY ADJUSTMENT PROCEDURE

A. **For ELS Cotton to be eligible for quality adjustment, ginning must have been completed at a gin using roller equipment.** Qualifying mature **ELS** cotton production, damaged by insured causes, will be reduced if the price quotation for **ELS** cotton of like quality (price quotation "A") is less than 85 percent of price quotation "B."

(1) Price quotation "B" will be the price quotation for **ELS** cotton of the color and leaf grade, staple length, and micronaire reading designated in the Special Provisions for the county in which the cotton is insured. **NOTE**: There is no extraneous matter for this grade.

(2) Price quotations "A" and "B" will be determined from price quotations contained in the DSCQ sheet published by the USDA AMS the week the last bale from the unit is classed. If the date the last bale is classed is not available, the price quotations will be determined the week the last bale from the unit is delivered to the warehouse as shown on the producer's account summary obtained from the gin. In the absence of either price quotation for the applicable week, the price quotations for the nearest prior week for which an **ELS** cotton price quotation was listed for both prices will be used.

**NOTE**: When price quotation "A" for **ELS** cotton of like quality **cannot** be determined from the DSCQ sheet a price may be obtained from a local buyer within the local producing area, however if a higher price is available from a buyer within a reasonable distance outside the local producing area, this price is to be used. Price quotation "A" obtained from a buyer **must** be quoted for the date stated in section 7A(2) above. Document, in the narrative, the name and phone number of the buyer from whom the price quotations was obtained. Record, on the Cotton Quality Adjustment Worksheet, the bale number in column 12, the bale weight in column 13, and the price quotation "A" (Value Per Pound) obtained from the buyer in column 20. Calculate the Factor using the instructions for column 21.

B. Any **AUP** cotton harvested or appraised from acreage **originally planted to ELS cotton** in the same growing season will be reduced by the **factor** (to four decimal places) obtained by dividing the price quotation per pound of the **AUP** cotton by the price quotation for **ELS** cotton of the color and leaf grade, staple length, and micronaire reading designated in the Special Provisions for this purpose. Price quotations per pound are determined using instructions in section 7B(1) for **AUP** and 7B(2) for **ELS**, or if either price quotation is unavailable for the dates as stated, use section 7B(3) instructions.

(1) Determine the price quotation per pound of the **AUP** cotton from the DSCQ published by the USDA AMS the day the last bale from the unit is classed. If the date the last bale is classed is not available, the price quotations will be determined the date the last bale from the unit is delivered to the warehouse, as shown on the producer's account summary.

(2) Determine the price quotation per pound for **ELS** cotton from the DSCQ published by the USDA AMS the week the last bale from the unit is classed.

(3) If either price quotation is unavailable for the dates as stated in section 7B(1) or section 7B(2) above, the price quotations for the nearest prior date for which price quotation for both the **AUP** and **ELS** cotton are available will be used. If prices are not yet available for the insured crop year, the previous season's average prices will be used. Determine the previous year's season average prices from the Annual Price Summary issued by the National Agricultural Statistics Service. Use the season average prices for the state in which the loss occurred

.

## EXHIBIT 5

**EXAMPLE C 1-3** shows selected pages of the Daily Spot Cotton Quotations published by the USDA Agricultural Marketing Service, dated January 7, 2002. These pages are marked, for the following examples, to show how to use the Daily Spot Cotton Quotations Sheets for a bale of Extra Long Staple cotton or American Upland cotton eligible for quality adjustment under the **ELS** Cotton Crop Provisions. **The allowable point differences (deduction or additions) for ELS cotton are: color and leaf grade, staple length, micronaire, and extraneous matter.** Converted all point differences to four decimal places for quality adjustment.

**STEP 1:** Determine price quotation Price "B" and the 85 percent Price "B."

**EXAMPLE**: The unit is located in Texas, El Paso County of the Desert Southwest Growth Area. The price quotation (Price "B") for **ELS** cotton is defined in the Special Provisions as *Grade #4 Leaf 4, 1 3/8 inch staple length* (44) *and 3.5 micronaire (mike.* **NOTE**: There is no extraneous matter for Price "B."

.7150 = Spot Price Quotation (See **EXAMPLE C-1**)
\- .0000 = no differences
.7150 = Price "B," grade 5 leaf 4, staple length 44, mike 35
X .85
.6078 = 85 percent of Price "B" ("Local Market Price"). Quality adjustment will apply if price quotation Price "A" ("value per pound") is less.

**STEP 2:** Determine the price quotation Price "A" of each harvested bale.

**EXAMPLE**: Mature **ELS** cotton harvested and the following information determined from gin record: bale #135, net bale weight 490 pounds, grade 5 leaf 5, staple length 46, mike 26, extraneous matter Code 02 (Prep Level 2). Use the actual price quotation for grade and staple length, and then calculate the point differences for mike and extraneous matter. The deductions for grade and staple length are accounted for in the point differences.

.6300 = price quotation for grade 5, staple length 46 (See **EXAMPLE C-1**)
\- .1300 = differences for mike 26 (See **EXAMPLE C-1**)
.5000
\- .0850 = diffferences for extraneous matter code 02
.4150 = Price "A" ("Value Per Pound"). Price "A" is less than .6078 (85 percent of Price "B"); thus, quality adjustment applies.

**STEP 3:** Calculating production to count:

Price "A" ("Value Per Pound") ÷ 75 percent of Price "B" ("Local Market Price") = Factor (rounded to 4 decimal places) X Pounds = Production to Count.

.4150 ÷ .6078 = .6828 X 490 = 334.6 = 335 lbs.

## EXHIBIT 5

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 of the **AUP** cotton by the price quotation for **ELS** cotton of the color and leaf grade, staple length, and micronaire reading shown in the actuarial documents. Use the price for the date defined in the **ELS** crop provisions. The price for **AUP** is determined from the Daily Spot Cotton Quotation sheets, **EXAMPLE C 2-3**, using the growth area in which the unit is located. The price for **ELS** cotton of the color and leaf grade, staple length, and micronaire shown in the actuarial documents is determined from the DSCQ.

**STEP 1:** Determine the **AUP** price of each harvested bale.

**EXAMPLE**: The unit is located in Texas, El Paso County of the Desert Southwest Growth Area. Using the color grade 41 leaf 4, staple length 34, the spot price quotation is 33.31 cents (.3331). The .3331 price is reduced to determine the price of the harvested bale.

The **AUP** cotton was harvested and the following information determined from a computer printout: bale #122, net bale weight 500 pounds, color grade 41 leaf 5, staple length 35, mike 3.6, and extraneous matter code 01 (Prep Level 1).

.3331 = Desert SW Base Spot Quotation (See **EXAMPLE C-2**)
-.0225 = point differences (See **EXAMPLE C-3**)
.3106 = color grade 41 leaf 5, staple length 35
-.0050 = point differences for extraneous matter, none for mike (See **EXAMPLE C-3**)
.3056 = price for **AUP** harvested bale #122

**STEP 2:** Determine the price for **ELS** of the grade, staple length, and micronaire shown in the actuarial documents.

**EXAMPLE**: The price for **ELS** cotton is defined in the actuarial documents as grade # 4 leaf 4, 1 3/8 inch staple length (44) and 3.5 micronaire.

.7150 = Grade #4 leaf 4, staple length 44 (See **EXAMPLE C-1**, **STEP 1**)
-.0000 = no point differences for mike 3.5
.7150 = price for **ELS** as defined in the actuarial documents.

**STEP 3:** Each **AUP** bale is reduced as follows:

.3056 **AUP** ÷ .7150 **ELS** = .42741 = .4274 Factor x 500 lbs. = 213.7 = 214 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). If prices (spot quotations for **AUP** and **ELS**) are not yet available (or none of the **AUP** cotton acreage was harvested), the previous season's average prices for both **AUP** and **ELS** will be used. Determine the previous season's average prices from the Annual Price Summary issued by the National Agricultural Statistics Service. Use the season average prices for the state in which the loss occurred.

# EXHIBIT 5

## EXAMPLE C-1

MP_CN011 7-Jan-2002

American Pima quotations are for cotton equal to the Official Standards, net weight, in mixed lots, uncompressed, FOB warehouse

DESERT SOUTHWEST PIMA DIFFERENCES

| | Color | Leaf | Staple 44 | 46 | 48 |
|---|---|---|---|---|---|
| | 1 | 1 | 81.50 | 83.50 | 84.25 |
| | | 2 | 81.25 | 83.25 | 84.00 |
| | | 3 | - | - | - |
| | | 4 | - | - | - |
| | | 5 | - | - | - |
| | | 6 | - | - | - |
| | 2 | 1 | 81.25 | 82.75 | 83.50 |
| | | 2 | 81.25 | 82.75 | 83.50 |
| | | 3 | - | - | - |
| | | 4 | - | - | - |
| | | 5 | - | - | - |
| | | 6 | - | - | - |
| | 3 | 1 | 79.25 | 80.75 | 81.00 |
| | | 2 | 79.25 | 80.75 | 81.00 |
| | | 3 | 78.25 | 80.00 | 80.75 |
| | | 4 | - | - | - |
| | | 5 | - | - | - |
| | | 6 | - | - | - |
| **STEP 1** | 4 | 1 | - | - | - |
| | | 2 | - | - | - |
| | | 3 | - | - | - |
| | | 4 | 71.50 | 72.50 | 72.50 |
| | | 5 | - | - | - |
| | | 6 | - | - | - |
| **STEP 2** | 5 | 1 | - | - | - |
| | | 2 | - | - | - |
| | | 3 | - | - | - |
| | | 4 | - | - | - |
| | | 5 | 62.50 | 63.00 | 63.00 |
| | | 6 | - | - | - |
| | 6 | 1 | - | - | - |
| | | 2 | - | - | - |
| | | 3 | - | - | - |
| | | 4 | - | - | - |
| | | 5 | - | - | - |
| | | 6 | 50.00 | 50.00 | 50.00 |

SAN JOAQUIN VALLEY PIMA DIFFERENCES

| Color | Leaf | Staple 44 | 46 | 48 |
|---|---|---|---|---|
| 1 | 1 | 82.50 | 85.50 | 86.25 |
| | 2 | 82.25 | 85.25 | 86.00 |
| | 3 | - | - | - |
| | 4 | - | - | - |
| | 5 | - | - | - |
| | 6 | - | - | - |
| 2 | 1 | 82.25 | 85.00 | 85.50 |
| | 2 | 82.25 | 85.00 | 85.50 |
| | 3 | - | - | - |
| | 4 | - | - | - |
| | 5 | - | - | - |
| | 6 | - | - | - |
| 3 | 1 | 81.25 | 82.75 | 83.00 |
| | 2 | 81.25 | 82.75 | 83.00 |
| | 3 | 81.00 | 82.00 | 82.75 |
| | 4 | - | - | - |
| | 5 | - | - | - |
| | 6 | - | - | - |
| 4 | 1 | - | - | - |
| | 2 | - | - | - |
| | 3 | - | - | - |
| | 4 | 74.00 | 75.00 | 75.00 |
| | 5 | - | - | - |
| | 6 | - | - | - |
| 5 | 1 | - | - | - |
| | 2 | - | - | - |
| | 3 | - | - | - |
| | 4 | - | - | - |
| | 5 | 64.50 | 65.00 | 65.00 |
| | 6 | - | - | - |
| 6 | 1 | - | - | - |
| | 2 | - | - | - |
| | 3 | - | - | - |
| | 4 | - | - | - |
| | 5 | - | - | - |
| | 6 | 51.75 | 52.00 | 52.00 |

**STEP 2**

| Mike ranges | Points per pound | Extraneous Matter Level | Diff. |
|---|---|---|---|
| | | Preparation | |
| 26 & Below | -1300 | 1 | -250 |
| 27-29 | -950 | 2 | -850 |
| 30-32 | -400 | Bark, Grass, Sp.twist & other | |
| 33-34 | -150 | 1 | -300 |
| 35 & Above | 0 | 2 | -800 |

**STEP 2**

| Mike ranges | Points per pound | Extraneous Matter Level | Diff. |
|---|---|---|---|
| | | Preparation | |
| 26 & Below | -1300 | 1 | -300 |
| 27-29 | -900 | 2 | -900 |
| 30-32 | -350 | Bark, Grass, Sp.twist & other | |
| 33-34 | -150 | 1 | -300 |
| 35 & Above | 0 | 2 | -900 |

\1 Format for Pima spot quotations changed August 1, 2001 to reflect changes in Pima classifications. Pima spot quotations will consist only of the color grades and their corresponding leaf grades until sales of 2001-crop Pima are reported. Pima spot quotations for other color-leaf combinations will be included as sales of those qualities are reported.

## EXHIBIT 5

## EXAMPLE C-2

MP_CN002 Memphis, TN Cotton Program, MNB 07-Jan-2002

Spot quotations and differences are for cotton equal to the official standards, net weight, in mixed lots. Upland quotations are FOB car/truck which includes compression and any brokerage charges. American Pima quotations are FOB warehouse and do not include compression charges. The upland base quality is color 41, leaf grade 4, staple 34 (1.05 to 1.07), mike 3.5, 3.6 and 4.3 to 4.9, strength 26.5 to 28.4 grams per tex and uniformity 81.

**STEP 1**

| Growth Area | Basis N.Y. Futures Points | Month | Color 41 Leaf 4 Staple 34 cents/lb. | Color 31 Leaf 3 Staple 35 cents/lb. | SPOT TRANSACTIONS Usuable sales provided to Cotton Programs Today bales | Season bales |
|---|---|---|---|---|---|---|
| Southeast | -550 | Mar-2002 | 32.06 | 33.06 | 2,577 | 144,655 |
| North Delta | -550 | Mar-2002 | 32.06 | 33.06 | 0 | 108,127 |
| South Delta | -550 | Mar-2002 | 32.06 | 33.06 | 1,000 | 164,216 |
| East TX-OK | -506 | Mar-2002 | 32.50 | 34.25 | 0 | 295,216 |
| West Texas | -506 | Mar-2002 | 32.50 | 33.75 | 0 | 510,544 |
| Desert SW | -425 | Mar-2002 | 33.31 | 37.31 | 2,700 | 72,151 |
| SJ Valley | -175 | Mar-2002 | 35.81 | 42.81 | 0 | 34,855 |
| | | | | | Upland total | |
| Average | -466 | Mar-2002 | 32.90 | 35.33 | 6,277 | 1,329,764 |
| Previous | -468 | Mar-2002 | 31.94 | 34.37 | | |

AMERICAN PIMA SPOT PRICE QUOTATIONS

| | Grade 2 Staple 46 | Grade 3 Staple 44 | Grade 3 Staple 46 | SPOT TRANSACTIONS | |
|---|---|---|---|---|---|
| Desert SW | 82.75 | 78.25 | 80.00 | 0 | 5,383 |
| SJ Valley | 85.00 | 81.00 | 82.00 | 0 | 3,942 |
| | | | | AP total | |
| | | | | 0 | 9,325 |

NEW YORK FUTURES - CONTRACT NO. 2 2/
COLOR 41 LEAF 4, STAPLE 34, MIKE 35-49,
STRENGTH 22 OR GREATER.

| Month | Cents per pound Today | Previous | Change |
|---|---|---|---|
| Mar-2002 | 37.56 | 36.62 | 0.94 |
| May-2002 | 38.99 | 38.09 | 0.90 |
| Jul-2002 | 40.35 | 39.59 | 0.76 |
| Oct-2002 | 42.40 | 41.81 | 0.59 |
| Dec-2002 | 43.50 | 42.64 | 0.86 |
| Mar-2003 | 45.10 | 44.15 | 0.95 |
| May-03 2/ | 47.30 | 46.35 | 0.95 |
| Jul-03 2/ | 48.30 | 47.35 | 0.95 |
| Oct-03 2/ | 48.85 | 48.00 | 0.85 |
| Dec-03 2/ | 49.85 | 49.00 | 0.85 |

7-MARKET AVERAGE
BASE QUOTATIONS
FOR UPLAND COTTON

| | |
|---|---|
| Season high | |
| 8/6/2001 | 38.80 |
| Season low | |
| 10/25/2001 | 25.94 |
| EFFECTIVE | January 3-10 |
| AWP | 28.93 |
| CC ADJ. | 0.00 |
| LDP | 22.99 |

**NOTE: The remaining information on this page has been removed.**

## EXHIBIT 5

## EXAMPLE C-3

MP_CN008 Memphis, TN USDA Cotton Program, MNB

DESERT SOUTHWEST DIFFERENCES 7-Jan-2002

| Color | Leaf | Staple 33 | 34 | 35 | 36 | 37 |
|---|---|---|---|---|---|---|
| 11&21 | 1&2 | -225 | 200 | 450 | 585 | 620 |
| | 3 | -225 | 200 | 450 | 535 | 570 |
| | 4 | -300 | 0 | 325 | 410 | 445 |
| | 5 | -350 | -150 | -25 | 50 | 85 |
| | 6 | -450 | -350 | -200 | -185 | -180 |
| | 7 | -675 | -400 | -300 | -270 | -265 |
| 31 | 1&2 | -250 | 150 | 400 | 485 | 520 |
| | 3 | -250 | 150 | 400 | 485 | 520 |
| | 4 | -350 | 0 | 325 | 360 | 395 |
| | 5 | -375 | -300 | -100 | -65 | -30 |
| **STEP 1** | 6 | -475 | -375 | -200 | -195 | -190 |
| | 7 | -675 | -400 | -300 | -270 | -265 |
| 41 | 1&2 | -325 | 25 | 225 | 235 | 245 |
| | 3 | -325 | 25 | 225 | 235 | 245 |
| | 4 | -350 | 33.31 | 175 | 185 | 195 |
| | 5 | -425 | -300 | -225 | -215 | -205 |
| | 6 | -525 | -400 | -350 | -340 | -340 |
| | 7 | -750 | -625 | -600 | -595 | -585 |
| 51 | 1&2 | -375 | -200 | -150 | -140 | -130 |
| | 3 | -375 | -200 | -150 | -140 | -130 |
| | 4 | -375 | -225 | -175 | -165 | -155 |
| | 5 | -475 | -425 | -375 | -365 | -355 |
| | 6 | -650 | -525 | -475 | -475 | -475 |
| | 7 | -850 | -800 | -775 | -775 | -775 |
| 12 & 2 | 1&2 | -275 | 50 | 275 | 285 | 295 |
| | 3 | -275 | 50 | 250 | 260 | 270 |
| | 4 | -325 | 0 | 225 | 235 | 245 |
| | 5 | -425 | -250 | -150 | -150 | -150 |
| | 6 | -600 | -475 | -350 | -350 | -350 |
| | 7 | -775 | -650 | -600 | -600 | -600 |
| 32 | 1&2 | -325 | 25 | 200 | 210 | 220 |
| | 3 | -325 | 25 | 200 | 210 | 220 |
| | 4 | -375 | -100 | 75 | 85 | 95 |
| | 5 | -525 | -500 | -425 | -425 | -425 |
| | 6 | -675 | -650 | -600 | -600 | -600 |
| | 7 | -825 | -775 | -750 | -750 | -750 |
| 42 | 1&2 | -425 | -200 | -150 | -150 | -150 |
| | 3 | -425 | -200 | -150 | -150 | -150 |
| | 4 | -450 | -275 | -225 | -225 | -225 |
| | 5 | -575 | -575 | -525 | -525 | -525 |
| | 6 | -750 | -675 | -625 | -625 | -625 |
| | 7 | -1000 | -900 | -875 | -875 | -875 |
| 52 | 1&2 | -475 | -350 | -325 | -325 | -325 |
| | 3 | -475 | -350 | -325 | -325 | -325 |
| | 4 | -650 | -475 | -450 | -450 | -450 |
| | 5 | -700 | -600 | -600 | -600 | -600 |
| | 6 | -800 | -700 | -700 | -700 | -700 |
| | 7 | -1100 | -1000 | -1000 | -975 | -975 |

| Color | Leaf | Staple 33 | 34 | 35 | 36 | 37 |
|---|---|---|---|---|---|---|
| 43 | 1&2 | -725 | -625 | -525 | -525 | -525 |
| | 3 | -725 | -625 | -525 | -525 | -525 |
| | 4 | -825 | -725 | -600 | -600 | -600 |
| | 5 | -975 | -875 | -650 | -650 | -650 |
| | 6 | -1075 | -975 | -925 | -925 | -925 |
| | 7 | -1150 | -1100 | -1050 | -1050 | -1050 |
| 53 | 1&2 | -925 | -825 | -725 | -725 | -725 |
| | 3 | -925 | -825 | -725 | -725 | -725 |
| | 4 | -1025 | -925 | -825 | -825 | -825 |
| | 5 | -1075 | -975 | -875 | -875 | -875 |
| | 6 | -1175 | -1075 | -975 | -975 | -975 |
| | 7 | -1425 | -1325 | -1300 | -1300 | -1300 |

Mike

| Range | Diff. |
|---|---|
| 24 & Below | -1200 |
| 25-26 | -1000 |
| 27-29 | -800 |
| 30-32 | -300 |
| 33-34 | -150 |
| Base 35-36 | 0 |
| 37-42 | 25 |
| Base 43-49 | 0 |
| 50-52 | -300 |
| 53 & Above | -500 |

Strength

| Range | Diff. |
|---|---|
| 20.5-21.4 | -450 |
| 21.5-22.4 | -300 |
| 22.5-23.4 | -150 |
| 23.5-25.4 | -100 |
| 25.5-26.4 | -50 |
| B 26.5-28.4 | 0 |
| 28.5-29.4 | 50 |
| 29.5-30.4 | 75 |
| 30.5-32.4 | 100 |
| 32.5 & Above | 100 |

Extraneous Matter

| | Level | Diff. |
|---|---|---|
| Prep | 1 | -50 |
| | 2 | -800 |
| Other | 1 | -500 |
| | 2 | -800 |

**NOTE: The remaining information on this page has been removed.**

## EXHIBIT 6

## COTTON QUALITY ADJUSTMENT WORKSHEET INSTRUCTIONS

### 1. GENERAL INFORMATION

Use this worksheet to calculate the price quotations necessary for the quality adjustment of **AUP** and **ELS** cotton.

A. The allowable point differences for both **AUP** and **ELS** are Color and Leaf, Staple Length, Micronaire and Extraneous Matter.

B. Convert **ALL** price quotations and point difference deductions or additions from the DSCQ sheet to four decimal places. List each bale separately. Attach worksheets to the TPC Production Worksheet.

C. Items 8 thru 11 are used to determine Price Quotation "B" and the 85 percent of Price Quotation "B." The entries in Columns 16 thru 21 are used to determine Price Quotation "A" for each harvested bale and the factor used to reduce the Net Weight when quality adjustment applies.

### 2. FORM ENTRIES AND COMPLETION INFORMATION

| Item No. | Information Required |
|---|---|
| 1. | **Insured's Name**: Name of the insured. |
| 2. | **Policy Number**: Insured's assigned Policy Number. |
| 3. | **Unit Number**: The five-digit unit number from the Summary of Coverage. |
| 4. | **County**: Name of the county in which the cotton is insured |
| 5. | **Date of Quotation**: Record the date the last bale from the unit was classed. If the date of the last bale classed is not available, enter the date the last bale from the unit was delivered to the warehouse as shown on the producers account summary obtained from the gin. **NOTE**: Price quotations "A" and "B" will be determined on the date determined for this entry. |
| 6. | **County Price Quotation**: The numeric grades for color, leaf, staple length, and micronaire reading designated in the actuarial documents for the county in which the cotton is insured. **NOTE**: Extraneous Matter for Price "B" is zero. |
| 7. | **Growth Area**: The designated spot market Growth Area within which the county for the insured cotton is located. Refer to Exhibit 5 paragraph 3. |
| 8. | **Base Spot Price**: The Base Spot Price quotation converted to four decimal places, from the DSCQ sheet for the Growth Area listed in Column 7. |

9. **+/- Differences**: Record the point +/- differences to determine the County Actuarial Quotation Price "B" for color and leaf, staple length, and micronaire grades shown in Column 6.

10. **Price B**: Add or subtract point differences (Column 9) to the Base Spot Price quotation (Column 8).

11. **85% of Price B**: Multiply Price "B" (Column 10) by .85 (Column 11) to determine 85% of Price "B" ("Local Market Price"). Quality adjustment will apply if Price Quotation "A" ("Value Per Pound") is less than 85% of Price "B."

12. **Bale Number**: Bale number from computer printout or gin record.

13. **Net Weight**: Net Weight of the bale for the bale number recorded in Column 12. ***

14. **Color/Leaf/ Staple/Mike**: Record the numeric grades for color and leaf, staple length, and micronaire (mike) from the computer printout or gin record.

15. **Ex. Matter Code No.**: Record the numeric Extraneous Matter Code number from the computer printout or gin record for the bale number recorded in Column 12.

16. **Base Spot Price**: Transfer the Base Spot Price quotation recorded in Column 8.

17. **Color/Leaf/Staple +/-Differences**: Record the +/- differences (additions or deductions) determined from the DSCQ for the color and leaf and staple length recorded in Column 14.

18. **Mike +/- Differences**: Record the +/- differences (additions or deductions) determined from the DSCQ for the Mike recorded in Column 14.

19. **Ex. Matter +/- Differences**: Record the +/- differences (additions or deductions) determined from the DSCQ for the Extraneous Matter recorded in Column 15.

20. **Price A**: Add or subtract point differences recorded in Columns 17, 18, and 19 from the Base Spot Price in Column 16 to determine Price Quotation "A" ("Value Per Pound"). If Price "A" is less than 85% of Price "B" in Column 11, quality adjustment applies

21. **Factor**: Divide Price Quotation "A" ("Value Per Pound") in Column 20 by 85% of Price "B" ("Local Market Price") in Column 11, rounded to four decimal places, to determine the Factor used to reduce the Net Weight of the bale of cotton shown Column 13.

**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 Production, Column G of the Production Worksheet. Transfer Price A to "Value Per Pound" Column $H_1$ and 85% of Price B to "Local Market Price" Column $H_2$. Calculate the Quality Factor Column I, or enter the factor from the worksheet.

## EXHIBIT 6

## EXAMPLE WORKSHEET

**Company Name**
FOR ILLUSTRATION PURPOSES ONLY

### COTTON QUALITY ADJUSTMENT WORKSHEET

| 1 Insured's Name | 2 Policy Number | 3 Unit Number | 4 County |
|---|---|---|---|
| I. M. Insured | XXXXXXX | 00100 | Hidalgo |

| 5 Date of Quotation | 6 County Price Quotation | 7 Growth Area |
|---|---|---|
| July 7, 2001 | 41, 4, 34, 45 | East Texas – Oklahoma |

| 8 Base Spot Price | 9 +/- Differences | 10 Price B | Multiplied by: | 11 85% of Price B |
|---|---|---|---|---|
| .6950 | None | .6950 | **.85** | .5908 |

| 12 Bale Number | 13 Net Weight | 14 Color/Leaf Staple/Mike | 15 Ex. Matter Code No. | 16 Base Spot Price | 17 Color/Leaf/Staple +/- Differences | 18 Mike +/- Differences | 19 Ex. Matter +/- Differences | 20 Price A | 21 Factor |
|---|---|---|---|---|---|---|---|---|---|
| 125 | 475 | 71, 6, 31,28 | 12 | .6950 | - .1150 | - .0325 | - .0600 | .4875 | .8252 |
| | | | | | | | | | |
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