



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

BULLETIN NO.: MGR-01-008

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Phyllis Honor /s/ Phyllis Honor 2-12-01
Acting Administrator

SUBJECT: Cotton Quality Adjustment Procedure for the Southeast, North Delta, and South Delta Growth Areas for Crop Year 2000

BACKGROUND:

The Agricultural Marketing Service (AMS) does not include premiums or discounts for cotton staple lengths that grade 31 or less on the Daily Spot Cotton Quotations 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 Daily Spot Cotton Quotations sheets, the loss adjustment procedure states that a price quotation is to be obtained from a buyer within the local producing area. However, cotton buyers in these growth areas have been reluctant or have refused to provide price quotations due to the number of bales that have qualified for quality adjustment. Some of the claims in the South Delta have up to 7,000 bales that qualified for quality adjustment. Cotton buyers do not have time to provide adjusters a price quotation in this situation.

The AMS and the National Cotton Council (NCC) have recommended using the East Texas-Oklahoma (TX-OK) Growth Area differences, along with the applicable growth area differences where the cotton was grown, to determine a price quotation for bales with a staple length grade 31 or less.

ACTION:

For the 2000 crop year, use the following procedure to determine Price "A" for any remaining bales of cotton that have a staple length grade 31 or less and for which Price "A" could not be determined from a buyer. Use the premium and discount differences published by AMS from the East TX-OK Growth Area and the applicable growth area where the cotton was grown. For claims already processed, insurance providers are not required to reopen claims due to procedure contained in this bulletin.



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

An Equal Opportunity Employer

Refer to the quality adjustment example (a loss unit located in the South Delta Growth Area) and supporting attachment examples: ATTACHMENT 1 for the Base Spot Price Quotation; ATTACHMENT 2 for the South Delta Differences; and ATTACHMENT 3 for the East TX-OK Differences.

STEP 1: There is no change in the current procedure for determining Price “B” and 85% of Price “B.” (This part of procedure is presented to introduce information that will be needed below.)

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 “B”), 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.

$$\begin{array}{r}
 .6236 = \text{South Delta Base Spot Price Quotation} \\
 + \ .0100 = \text{from the South Delta Differences} \\
 \ .6336 = \text{Price “B,” color 41 leaf 4, staple length 35, 4.5 mike} \\
 \times \ \underline{.85} \\
 \ .5386 = 85 \text{ percent of Price “B” (“local market price”). Quality adjustment will apply if} \\
 \text{price quotation Price “A” (“value per pound”) is less than .5386.}
 \end{array}$$

STEP 2: Determine Price “A.”

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

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

EXAMPLE: Mature cotton harvested and the following information determined for bale #125 from a computer printout: net bale weight 475 pounds, color grade 51 leaf 4, staple length 31, extraneous matter prep level 1, mike 5.1.

$$\begin{array}{r}
 (0.0850) = \text{deduction for color 51 leaf 4, staple length 32 from the East TX-OK Differences} \\
 - \ \underline{(0.1025)} = \text{deduction for color 51 leaf 4, staple length 31 from the East TX-OK Differences} \\
 0.0175 = \text{point difference}
 \end{array}$$

- b. Determine the point difference from the South Delta Differences for staple length 32 and the actual color 51 leaf 4 grade and subtract the result of item “a.”

EXAMPLE:

- (0.0775) = deduction for color 51 leaf 4, staple length 32 from the South Delta Differences
 - 0.0175 = point difference from "a"
 (0.0950) = point difference
- c. Determine the point difference from the growth area where the cotton was grown (e.g., the South Delta) for the actual extraneous matter and add the result to item "b."

EXAMPLE:

- (0.0950) = result from item "b" above
 + (0.0050) = deduction for extraneous matter, Prep Level 1, from the South Delta Differences
 (0.1000) = point difference
- d. Determine the point difference from the growth area where the cotton was grown (e.g., the South Delta) for the actual micronaire and add to (or subtract from) item "c" above.

EXAMPLE:

- (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**.
- 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.

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.

$$.4736 \div .5386 = .8793 \times 475 \text{ lbs.} = 417.7 = 418 \text{ lbs.}$$

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

DISPOSAL: This bulletin is for the purpose of transmitting/updating information and the disposal date is December 31, 2001.

ATTACHMENT 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

Growth Area	UPLAND SPOT PRICE QUOTATIONS			SPOT TRANSACTIONS		
	Basiss 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	-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		

NOTE: The remaining information on this page has either been removed or is not required for AUP cotton quality adjustment.

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.

7-MARKET AVERAGE
BASE QUOTATIONS
FOR UPLAND COTTON

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

Season high	
8/29/00	62.25
Season low	
8/4/00	55.86

EFFECTIVE 12-Oct-00
ADJUSTED WORLD
PRICE 46.76
COARSE COUNT AD-
JUSTMENT 0.00

ATTACHMENT 2

MP_CNO05

SOUTH DELTA DIFFERENCES
12-Oct-00

Color	Leaf	32	33	Staple	34	35	36&37	Color	Leaf	32	33	Staple	34	35
36&37														
11&21	1&2	-325	-175	125	225	250	250	43	1&2	-825	-750	-725	-725	
-725	3	-325	-175	125	225	250	250		3	-825	-750	-725	-725	
-725	4	-375	-225	75	175	200	200		4	-850	-775	-750	-750	
-750	5	-575	-425	-250	-150	-125	-125		5	-1050	-975	-975	-975	
-975	6	-875	-675	-550	-500	-500	-500		6	-1150	-1075	-1075	-1075	
-1075	7	-1125	-950	-800	-750	-750	-750		7	-1300	-1225	-1225	-1225	
-1225	31	-325	-200	100	200	225	225	53	1&2	-1025	-975	-975	-975	
-975	3	-325	-200	100	200	225	225		3	-1025	-975	-975	-975	
-975	4	-375	-250	50	150	175	175		4	-1150	-1100	-1100	-1100	
-1100	5	-575	-425	-250	-150	-125	-125		5	-1200	-1150	-1150	-1150	
-1150	6	-875	-675	-550	-500	-500	-500		6	-1300	-1250	-1250	-1250	
-1250	7	-1125	-950	-800	-750	-750	-750		7	-1425	-1375	-1375	-1375	
STEP 1	1&2	-400	-250	50	150	175	175	63	1&2	-1300	-1250	-1250	-1250	
-1375	3	-400	-250	50	150	175	175		3	-1300	-1250	-1250	-1250	
-1250	4	-425	-300	62.36	100	125	125		4	-1325	-1275	-1275	-1275	
-1275	5	-700	-550	-375	-325	-300	-300		5	-1375	-1325	-1325	-1325	
-1325	6	-950	-800	-625	-575	-575	-575		6	-1400	-1350	-1350	-1350	
-1350	7	-1250	-1050	-925	-875	-875	-875							
STEP 2b	1&2	-700	-425	-175	-125	-125	-125							
51	3	-700	-425	-175	-125	-125	-125		Mike					
	4	-775	-475	-225	-175	-175	-175		Range				Di ff.	
	5	-825	-625	-400	-350	-350	-350		25-26				-1300	
	6	-1125	-925	-750	-750	-750	-750		27-29				-950	
	7	-1325	-1100	-950	-950	-950	-950		30-32				-500	
	61	1&2	-1025	-900	-800	-775	-775		33-34				-275	
	3	-1025	-900	-800	-775	-775	-775		Base 35-36				0	
	4	-1050	-925	-825	-800	-800	-800		37-42				50	
	5	-1100	-975	-875	-850	-850	-850		Base 43-49				0	
	6	-1175	-1050	-950	-925	-925	-925		50-52				-500	STEP 2d
	7	-1375	-1250	-1150	-1150	-1150	-1150		53 & Above				-700	
	71	1&2	-1375	-1225	-1125	-1125	-1125							
	3	-1375	-1225	-1125	-1125	-1125	-1125		Strength					
	4	-1450	-1275	-1200	-1200	-1200	-1200		(Grams per Tex)					
	5	-1450	-1325	-1225	-1225	-1225	-1225		Range				Di ff.	
	6	-1450	-1350	-1250	-1250	-1250	-1250		20.5-21.4				-300	
	7	-1475	-1375	-1275	-1275	-1275	-1275		21.5-22.4				-200	
12&22	1&2	-375	-250	100	200	225	225		22.5-23.4				-150	
	3	-375	-250	75	175	200	200		23.5-25.4				-100	
	4	-500	-375	-50	50	75	75		25.5-26.4				0	
	5	-775	-500	-275	-225	-200	-200		Base 26.5-28.4				0	
	6	-1000	-700	-500	-450	-450	-450		28.5-29.4				0	
	7	-1250	-950	-750	-700	-700	-700		29.5-30.4				15	
	32	1&2	-425	-300	50	150	175		30.5-32.4				20	
	3	-425	-300	25	125	150	150		32.5 & Above				25	
	4	-575	-400	-125	-25	0	0							
	5	-825	-550	-325	-275	-250	-250		Extraneous Matter					
	6	-1050	-775	-550	-500	-500	-500		Level				Di ff.	
	7	-1300	-1000	-800	-750	-750	-750		Prep					
	42	1&2	-625	-450	-100	-50	-50		1				-50	STEP 2c
	3	-625	-450	-125	-75	-75	-75		2				-800	
	4	-675	-500	-175	-125	-125	-125		Other					
	5	-850	-625	-350	-300	-300	-300		1				-435	
	6	-1200	-875	-700	-700	-700	-700		2				-785	
	7	-1400	-1075	-900	-900	-900	-900							
	52	1&2	-800	-675	-500	-475	-475		Uni formi ty					
	3	-800	-675	-500	-475	-475	-475		Uni t				Poi nts	
	4	-925	-800	-625	-600	-600	-600		77 & bel ow				-60	
	5	-975	-875	-675	-650	-650	-650		78				-50	
	6	-1275	-1125	-975	-975	-975	-975		79				-40	
									80				0	

ATTACHMENT 3

MP_CN006

EAST TEXAS-OKLAHOMA DIFFERENCES

12-Oct-00

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

ATTACHMENT 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	

MI ke	Di ff.	Strength	Di ff.	Extraneous Matter	Di ff.
Range		(Grams per Tex)		Level	
24 & Below	-1350	Range		Prep	
25-26	-1200	18.5-19.4	-250	1	-50
27-29	-775	19.5-20.4	-225	2	-700
30-32	-375	20.5-21.4	-200	Bark	
33-34	-225	21.5-22.4	-175	1	-225
Base 35-36	0	22.5-23.4	-150	2	-700
37-42	0	23.5-25.4	-100	Other	
Base 43-49	0	25.5-26.4	-25	1	-375
50-52	-425	B 26.5-28.4	0	2	-750
53 & Above	-625	28.5-29.4	10		
		29.5-30.4	25		
		30.5-32.4	50		
		32.5 & Above	75		

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