UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Quality Loss Adjustment Program 1-QLA	**Amendment 5**

Approved by: Acting Deputy Administrator, Farm Programs

Bradley Karmen

Amendment Transmittal

A Reasons for Amendment

Subparagraph 3 C has been amended to add the extended QLA deadline of April 9, 2021.

Subparagraph 4 A has been amended to include STC member applications as applications requiring review by STC or designee.

Subparagraph 4 D has been amended to clarify that COC's may, in routine cases, delegate authority to CED's to complete Phase I reviews.

Subparagraph 25 A has been amended to clarify that linkage is not required when a producer received QLA benefits on a crop but does not plant the crop in subsequent years.

Subparagraph 46 A has been amended for clarification.

Subparagraph 63 A has been amended to add the extended QLA deadline of April 9, 2021.

Subparagraph 76 A has been amended to clarify that COC's may redelegate Phase I reviews to CED's.

Paragraph 78 has been added to provide procedure for producer notifications of adjustments and COC actions after Phase II reviews.

Exhibit 10 has been added to include example producer notification letters of COC actions.

Page Control Chart		
TC	**Text**	**Exhibit**
1, 2	1-3 through 1-8 2-17, 2-18 3-17, 3-18 4-3 5-1 through 5-4 5-5 (add)	10, pages 1-4 (add)

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3 General Information

A Assistance

The QLA Program provides money for crop quality losses resulting from hurricanes, excessive moisture, floods, qualifying drought, tornadoes, typhoons, volcanic activity, snowstorms, or wildfires occurring in calendar years 2018 and 2019.

B Funding

The Further Consolidated Appropriations Act, 2020 provides funding for the QLA Program in an amount equal to the remaining funds provided under the Bipartisan Budget Act of 2018 (Pub. L. 115–123) for losses due to Hurricanes Harvey, Irma, Maria, and other hurricanes and wildfires occurring in calendar year 2017 (2017 WHIP) and remaining funds provided under the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (Pub. L. 116-20) for losses due to Hurricanes Michael and Florence, other hurricanes, floods, tornadoes, typhoons, volcanic activity, snowstorms, and wildfires occurring in calendar years 2018 and 2019 (WHIP+).

C Application Period

--**The application period is January 6, 2021, through April 9, 2021. To apply, participants**-- must file FSA-898, Quality Loss Adjustment (QLA) Program Application, in the recording County Office.

D Signature Requirements

Signatures **must** be entered on applications and received by FSA by the application deadline. If an application is received after the deadline, the application will be disapproved, and appeal rights provided according to 1-APP.

Follow 1-CM for signature requirements.

Note: General partnerships **must** have a permanent tax ID number to receive an FSA payment. FSA payments will **not** be issued to the individual members of a general partnership when the general partnership does **not** have a permanent tax ID number.

FSA payments may be issued to either of the following:

- a joint venture with a permanent tax ID number
- the individual members of a joint venture, using the individual member's ID number, when the joint venture does **not** have a permanent tax ID number.

3 General Information (Continued)

E Modifying Provisions

Provisions in this handbook will **not** be revised without prior written approval from the National Office.

F Authorized Forms

The use of forms, worksheets, applications or documents, other than those provided in this handbook or issued by the National Office are **not** permitted.

G Public Information

Follow instructions in 1-INFO for providing program information.

H Other Criteria

The following are other program and administrative provisions that apply:

- controlled substance provisions
- fraud/FCIC
- equitable relief provisions.

Exception: Participants either qualify for payments or they do not. Participants do not render performance; therefore, failure to fully comply relief provisions do **not** apply.

County Offices will record determinations for the applicable criteria in the eligibility file according to 3-PL (Rev. 2).

4 Responsibilities and Delegations

A STC Responsibilities

Within the authority and limitations in this section and 7 CFR Part 760, subpart R, STC will:

- direct the administration of the program
- ensure that State and County Offices follow program provisions
- approve crop data according to 1-NAP (Rev. 2), as applicable
- handle suspected fraud cases according to applicable procedure
- thoroughly document all actions taken in STC meeting minutes
- provide COC and DD with a copy of STC or DAFP determinations for appeals or misinformation/misaction cases
- handle appeals according to 1-APP and 7 CFR Parts 780 and 11
- ***--**require all applications executed by State Office employees, STC members, COC**--*** members, CED's, County Office employees, and their spouses to be sent to STC, or designee, for approval
- require the first 5 applications of an employee in the Service Center to be reviewed by the State Office representative according to subparagraph B to ensure program provisions are followed

  Note: STC's may establish additional reviews.

- determine if authority will be delegated to COC to act on QLA Program matters in other than routine cases.

4 Responsibilities and Delegations (Continued)

B SED Responsibilities

Within the authority and limitations in this handbook and 7 CFR Part 760, subpart R, SED's will:

- ensure that County Offices follow program provisions
- handle appeals according to 1-APP and 7 CFR Parts 780 and 11
- ensure that State Office representative conducts reviews according to subparagraph A

  Note: SED may establish additional reviews to ensure that the program is implemented according to program provisions.

- immediately notify the National Office of software problems, incomplete or incorrect procedures, and specific problems or findings
- apply SED equitable relief authority in 7-CP.

SED's may delegate responsibility to the State Office staff for approving routine applications

C DD Responsibilities

Within the authority and limitations in this handbook and 7 CFR Part 760, subpart R, DD's will ensure that COC's and CED's carryout program provisions as follows:

- conduct reviews according to subparagraphs D and E and any additional review established by STC or SED according to subparagraphs A and B
- ensure that County Offices publicize the program provisions according to paragraph 5.

4 Responsibilities and Delegations (Continued)

D COC Responsibilities

Within the authority and limitations in this handbook and 7 CFR Part 760, subpart R, COC's will:

- fully comply with all program provisions
- ensure that CED's fully comply with all program provisions
- research data and available resources for a general knowledge of quality losses and quality adjustments applicable to crops in the county

  Note: If losses occur outside of the county, the COC may consult with other counties, as applicable.

- handle suspected fraud cases according to applicable procedure
- ensure the claimed share reflects the participant's share ownership interest in the crop at the time of loss

  Note: If the participant claiming a share of the payment has entered into any agreement or contract to grow or produce the crop for another and without retaining any ownership share and risk in the crop, the participant **cannot** be considered to have a valid claim to a share of the payment.

- handle appeals according to 1-APP and 7 CFR Parts 780 and 11
- thoroughly document all actions taken in COC meeting minutes

  Important: All the following must be thoroughly documented for all program determinations made by COC:

  - references to applicable handbooks, notices, and regulations
  - all sources of information obtained for review or consideration.

4 Responsibilities and Delegations (Continued)

D COC Responsibilities (Continued)

- notify participants in writing, of any adverse action taken by COC

  Note: Notifications must include the following information:

  - reason the application was adjusted or denied
  - factors reviewed or considered in making the determination
  - appeal rights of the producer
  - copy of the application
  - CFR and handbook references.

- ensure that producers receive complete and accurate program information

- ensure that program provisions and other important items are publicized as soon as possible after information is received from the National Office, including but not limited to the following:

  - application period
  - payment limitation
  - basic participant eligibility criteria
  - general data required to complete applications

- act on all applications

  Note: This authority cannot be delegated beyond routine determinations.

- complete Phase 1 reviews of all applications

***--Notes:** In routine cases, COC may redelegate, in writing, to CED the authority to complete Phase I reviews. The redelegation must define what COC considers routine. This redelegation of authority may be limited to specific crops.

All redelegations must be documented in COC minutes.**--***

- not delegate responsibility to CED or County Office for determinations involving any of the following:

  - disapproving applications
  - COC adjustments
  - determining ineligible loss conditions.

Exception: COC can delegate CED authority to disapprove applications received after the deadline. In this instance, the appeal right will be to COC.

COC's may delegate responsibility to CED or County Office employees for approving routine applications.

25 Linkage Requirement (Continued)

A Rule (Continued)

See Exhibit 6 for completion instructions and an example of FSA-895.

Example 1: Recording County A covers 2 physical counties (County A and County B). An approved applicant had a crop that suffered an eligible loss due to quality in County A during the disaster year. Crop insurance linkage applies to County A. The producer is not required to purchase crop insurance for County B.

Example 2: Recording County A covers 2 physical counties (County A and County B). An approved applicant had a crop that suffered an eligible loss due to quality in both counties. Crop insurance linkage applies to both County A and County B.

Example 3: An approved applicant had a crop that suffered an eligible loss due to quality in County A, and also had a crop that suffered an eligible loss due to quality in County B during the disaster year. County A and County B are separate recording counties. The producer received assistance for a loss only in County A. Crop insurance linkage applies to County A.

Example 4: Q. What happens if the applicant or entity quits farming?

A producer applied for the QLA Program and received a benefit in 2021 for a quality loss on insured cotton. Policy requires the producer to purchase crop insurance for the next 2 available crops years (2022 and 2023 for all crops). However, before the next available closing date to purchase insurance, the producer retires from farming. Because the producer will no longer be farming, the producer will not have to meet the linkage requirement. However, any member of a dissolved entity that is still actively farming would be required to meet linkage.

25 Linkage Requirement (Continued)

A Rule (Continued)

Example 5: Q. What happens if an entity dissolves completely?

ABC Farms, LLC incurred a quality loss in 2018 on its insured peanut crop due to a hurricane. The entity applied for the QLA Program. Policy requires ABC Farms, LLC to purchase crop insurance for the next 2 available crops years (defined as 2022 and 2023 for all crops). ABC Farms, LLC obtains insurance coverage for the 2022 crop year. At the end of the harvest season in 2022, the members decide to dissolve the entity. ABC Farms, LLC will no longer be in existence and is not required to purchase insurance for peanuts in 2023 for linkage purposes. If any members are still actively farming, they would need to meet linkage.

Example 6: Q. How do we handle a member of an entity that leaves the entity and now farms on their own using a different TIN?

ABCD Farms, LLC consisted of 4 members with each having a 25 percent share of ownership in the entity. The entity incurred a quality loss in 2018 on its insured corn crop due to a hurricane and received a QLA Program benefit in 2021. Subsequently, member A decides to leave the entity and farm as an individual for 2022. The remaining members continue to operate the entity. The entity is required to meet linkage for 2022 and 2023. The former member A, farming as an individual, is not required to obtain insurance coverage for ABCD Farms, LLC's linkage requirement.

***--Example 7:** Q. What happens if a producer received QLA benefits, but does not plant that crop, crop type, intended use, and organic status in subsequent years?

Producer A received QLA benefits on conventional corn intended for grain. Producer A does not plant the crop in crop years 2022 or 2023. In this situation the producer will not be required to purchase crop insurance or obtain NAP coverage to meet the linkage requirement.

Note: A NAP service fee is not required under these circumstances.**--***

46 Upland Cotton

A Background

Upland cotton is graded based on the applicable premiums and discounts as outlined in 7-CN. Each bale is priced based on the net adjustment to loan value with all grading factors considered.

* * *

B Eligibility

Affected production must have suffered a loss due to quality with verifiable grading factors directly related to a qualifying disaster event.

Eligible production only includes production from bales with either of the following:

- a loan value of less than $0.52 after applying adjustments based on the schedule of premiums and discounts
- a net discount based on the schedule of premiums and discounts.

C Verifiable Documentation

Producers must have verifiable documentation of the adjustment to the upland cotton loan price. Verifiable documentation will include:

- date of sale
- producer name
- location of point of sale
- buyer's name
- sold commodity information
- affected production, adjusted to standard moisture
- unit of measure
- adjusted loan value based on the schedule of premiums and discounts, or the net discount to the loan value based on the schedule of premiums and discounts
- price before discount if sold under a marketing contract.

*--46 Upland Cotton (Continued)

C Verifiable Documentation (Continued)

Note: Upland cotton that is not sold under a marketing contract will use a price before discount of $0.52/lb.

Verifiable documentation must be dated within 30 days of harvest unless it meets the exceptions in subparagraph 45 B.

D Determining Quality Loss

Quality losses will be determined separately for each organic status based on total value dollar loss.

The total dollar value loss will be based on the weight of each eligible bale multiplied by the net discount amount, which is either of the following:

- available on the verifiable documentation
- equal to the result of $0.52 minus the adjusted loan rate on the verifiable documentation, if the net discount is not available on the verifiable documentation.

Notes: The producer can summarize the production and total dollar value loss for the eligible bales as stated above by using the weight of the bales and the total dollar value loss. The summary should be completed separately for bales sold under contract and bales using the loan price.

The County Office will not calculate the total production and total dollar value loss for the producer.

Production is ineligible if the producer does not have either of the following:

- verifiable documentation of the adjusted loan value based on the schedule of premiums and discounts
- the net discount to the loan value based on the schedule of premiums and discounts.**--***

63 Signature Requirements

A Late Filed FSA-898

*--The deadline for filing a complete FSA-898, including the applicant's signature, was April 9, 2021. Neither STC or COC has authority to approve late-filed FSA-898. See 1-CM for signature requirements.

Note: Registers were authorized to accommodate producers expressing interest in applying for QLA. The deadline to finalize applications for all producers on a register, including submission of all supporting documentation, was April 30, 2021.--*

B Recording Receipt of FSA-898

Offices must make every effort to process FSA-898 in the system and then have the producer sign the application.

If a producer submits an application to a County Office that is not the producer's recording County Office, the receiving County Office will date stamp the signed application and send a copy by e-mail or FAX to the recording County Office.

64 COC Action and Redelegation of Authority

A COC Action on FSA-898

COC must complete:

- Part G of FSA-898 following the initial review process in Phase I
- Part H of FSA-898 only **after** notification by DAFP.

B Redelegation of Approvals of FSA-898

- COC may redelegate authority to CED to approve routine FSA-898's; however, CED **cannot** complete the review process on behalf of the COC.

- All adverse actions must be presented to the COC for review.

Important: Approved FSA-898's are subject to prompt pay interest; therefore, every effort must be made to complete the payment process as soon as possible for approved FSA-898's.

65-74 (Reserved)

Part 5 Review Process

75 Review Process

A Overview

The QLA Program will include a two-phase review process.

Phase 1: After the application period has concluded, the COC must complete an initial review of all applications. The purpose of the review is to determine if the information provided is reasonable.

Phase 2: After the COC Phase 1 review is complete, a second review will be conducted to determine if county averages can be established for those applications that do not include historical nutrient values or a total dollar value loss.

76 Phase 1 – COC Review

A COC Review for Reasonableness

After the application deadline, the COC is required to review all producer-signed applications for reasonableness. During this time, COC's may request additional documentation from an applicant to support their certification of production quantity or quality.

--Notes:** The COC review process may be redelegated to CED according to subparagraph 4 D.**--

The COC is not required to review a producer's documentation unless the COC has reason to question the producer's certification

76 Phase 1 – COC Review (Continued)

B COC Considerations

COC must consider each of the following items when reviewing the application:

- the quality of production was affected due to an eligible disaster event
- the quality loss could not have been mitigated
- total affected production is reasonable based on the type and timing of event
- affected production is reasonable based on reported acreage and share

  Example: Lew certified 50,000 bushels of 2019 corn for grain which suffered a quality loss due to excessive moisture. The FSA-578 indicates that Lew planted 100 acres to corn intended for grain on July 1, 2019. The COC questioned the affected production from the FSA-898 compared to his 2019 FSA-578, which resulted in a yield of 500 bushels per acre. The average yield for the county is 163 bushels per acre.

- double crop provisions were met if the crop is a subsequent crop
- the producer is considered an eligible producer
- the claimed reduction in nutrient value was caused by disaster event
- severity of the loss is reasonable for the disaster event/dates
- the nutritional value of the current test (for disaster year) is appropriate
- historical forage tests and total production on the FSA-899 are reasonable
- the quality discount type was caused by an eligible disaster event
- amount of discount is reasonable
- the claimed discount was caused by a disaster event
- the grading factors of sold production are representative of the quantity remaining in storage.

76 Phase 1 – COC Review (Continued)

B COC Considerations (Continued)

The COC may adjust the following based on its findings.

- total affected production
- current verifiable nutrient value
- historical nutrient value from FSA-899
- total dollar value loss on affected production.

Example based on total affected production:

Producer Isabelle harvested and baled 2019 timothy grass hay and due to wet weather the hay was baled before drying to a reasonable moisture content. The laboratory analysis indicated a musty odor and the presence of mold. Isabelle sold it in 2020 without acceptable evidence of quantity for a significantly lower price due to the mold. The COC adjusted the quantity to zero because there was no acceptable documentation of quantity and the mold was a quality loss that could have been mitigated.

Example based on current verifiable nutrient value:

Producer Lee harvested 75 tons of alfalfa that was affected by drought and certified that he had a TDN of 56.75 for the application year. Upon review of the verifiable forage test, the COC adjusted his application year TDN to 65.75 based on the laboratory test provided.

Example based on historical nutrient value:

Producer Anita had 40 acres of alfalfa that yielded 80 tons per acre for a total of 3,200 tons hay. Anita certified she had 800 tons of alfalfa that had a quality loss due to excessive moisture on June 1, 2019, through August 31, 2019, that she fed on the farm. Anita produces high quality alfalfa hay and she has a quality test done annually. Anita completed the FSA-899 for the years 2016, 2017, and 2018 to find her Weighted Historical Nutritional Value was 316. However, after a review the COC adjusted the historical nutritional value because the verifiable historical tests indicate the average is actually 116.

76 Phase 1 – COC Review (Continued)

B COC Considerations (Continued)

Example based on total dollar value loss on affected production:

Producer Lance had 1,200 acres of yellow corn for grain conventionally grown that yielded 185 bushels per acre for a total of 222,000 bushels of corn. Lance certified he had 120,000 bushels that had a quality loss due to drought from June 15, 2019, until November 15, 2019. Lance certified he had verifiable evidence of 120,000 bushels that he had priced before the discount at $3.70 per bushel, but he only received $332,000 for the 120,000 bushels due to low test weight when it was sold. The crop with a quality loss was valued at $444,000 (120,000 times $3.70). Upon review of the verifiable evidence, Lance actually received $350,000 for the crop. The COC adjusted his total dollar value loss to $94,000 based on the evidence.

The COC must complete FSA-898 Part G after its review of the application is complete.

77 Phase II

A DAFP Review

After the Phase I review is completed and the applications have been updated, if necessary, in the software to reflect any COC adjustments, the Phase II review will occur. The Phase II review is to determine if DAFP can establish county averages based on the applications that were submitted with verifiable documentation of both loss of quality and loss of value on the same crop, type, organic status, and intended use.

FSA may determine that a county average cannot be calculated and producers in that county applying for payment under the applicable calculation are ineligible.

The county average percentage of loss and the county average loss per unit of measure will be based on the average loss for a crop obtained from producers applying with verifiable documentation of historical nutritional factors or the total dollar value loss. FSA may determine that a county average cannot be calculated, and those losses are ineligible.

After Phase II is complete, COC's will be notified when determinations may be completed and recorded in the software.

*--78 Producer Notifications

A Notification Requirements

COC's must notify producers of all actions on applications, including all approvals, disapprovals, and adjustments made to any portion of the application. See Exhibit 10 for example letters, which must be modified for each determination and contain applicable appeal rights in accordance with 1-APP.

In addition to the determination letter, the notification must include:

- Estimated Calculated Payment Report
- original FSA-898 as filed
- final FSA-898, including any COC adjustments.**--***

79-93 (Reserved)

Example Producer Notification Letters on COC Actions

A Adjusted Total Affected Production

Date:

I M Farmer
9999 Any Street
Somewhere ST 99999

Dear Mr. Farmer:

This letter is in response to your Quality Loss Adjustment (QLA) Program application (FSA-898). In accordance with 7 CFR 760.1808(b), FSA processed that application and adjusted your Total Affected Production of [crop] because [your loss was due to [cause of loss], which is an ineligible cause of loss. Eligible disaster events are specified at 7 CFR 760.1802 / you have not provided verifiable records to substantiate your loss as required by 7 CFR 760.1811].

Your QLA Program payment was calculated based on the adjusted affected production as indicated on the copy of FSA-898 included with this determination.

Insert applicable appeal rights in accordance with 1-APP here:

FSA will consider this a final determination of this matter, in accordance with 7 CFR Part 780, unless you timely file an appeal of this determination.

Sincerely,

IM CED
County Executive Director

Example Producer Notification Letters on COC Actions (Continued)

B Determination of No Payment Due

Date: I M Farmer 9999 Any Street Somewhere ST 99999 Dear Mr. Farmer: This letter is in response to your Quality Loss Adjustment (QLA) Program application (FSA-898). FSA processed your application and determined that you are not due a payment. Accordingly, a payment will not be issued. Insert applicable appeal rights in accordance with 1-APP here: FSA will consider this a final determination of this matter, in accordance with 7 CFR Part 780, unless you timely file an appeal of this determination. Sincerely, IM CED County Executive Director

Example Producer Notification Letters on COC Actions (Continued)

C Adjusted Total Dollar Value Loss and Price Before Discount

Date:

I M Farmer
9999 Any Street
Somewhere ST 99999

Dear Mr. Farmer:

This letter is in response to your Quality Loss Adjustment (QLA) Program application (FSA-898). FSA processed that application and adjusted all or part of the Total Dollar Value Loss and Price Before Discount for [crop] because the information reported on your application was not supported by verifiable documentation as required by 7 CFR 760.1811.

As a result, [FSA has based the payment amount for [crop] using these adjustments/determined no payment amount is due]. A copy of FSA-898 indicating the adjustments is included with this determination.

Insert applicable appeal rights in accordance with 1-APP here:

FSA will consider this a final determination of this matter, in accordance with 7 CFR Part 780, unless you timely file an appeal of this determination.

Sincerely,

IM CED
County Executive Director

Example Producer Notification Letters on COC Actions (Continued)

D Crop Not Eligible Because of Payments Under Other Programs

Date:

I M Farmer
9999 Any Street
Somewhere ST 99999

Dear Mr. Farmer:

This letter is in response to your Quality Loss Adjustment (QLA) Program application. FSA processed that application and determined that you previously received a payment for [insert crop] under the Wildfires and Hurricanes Indemnity Program Plus (WHIP+) and an indemnity under a crop insurance policy based on a comparison of your sale price and the FCIC established price; therefore, as provided at 7 CFR 760.1804(b)(13), you are ineligible for a QLA Program payment for all or part (adjust as applicable) your affected production of [crop]. Accordingly, a QLA Program payment for [crop] will not be issued.

Insert applicable appeal rights in accordance with 1-APP here.

FSA will consider this a final determination of this matter, in accordance with 7 CFR Part 780, unless you timely file an appeal of this determination.

Sincerely,

IM CED
County Executive Director