

***Quality Loss Adjustment Program
Public Webinar: January 12, 2021***

**Farm
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Outreach

- Don't hear audio through your device? Audience phone bridge is available—button above your chat box
- Questions should be submitted through the chat box
- Questions as applicable, will be answered and added to the QLA FAQ page:
<https://www.farmers.gov/quality-loss>



Today's Discussion

- **What is the Quality Loss adjustment Program?**
- **Who is eligible and how to apply?**
- **Eligible Crops**
 - Forage Use
 - Non-forage use

Authority and Funding

Statutory

- The Additional Supplemental Appropriations for Disaster Relief Act of 2019 (Pub. L. 116-20), as amended by the Further Consolidated Appropriations Act of 2020 (Pub. L. 116-94)

Regulatory

- 7 CFR Part 760, subpart R

Federal Register

The Agricultural Disaster Indemnity Program is the rule that established QLA and is posted in the Federal Register for public comment.

We invite you to submit comments on this rule. You may submit comments by either of the following methods, although FSA prefers that you submit comments electronically through the Federal eRulemaking Portal. All comments are due by March 8, 2021.

Federal eRulemaking Portal: Go to <http://www.regulations.gov> and search for Docket ID FSA-2020-0011. Follow the instructions for submitting comments.

Mail: Director, SND, FSA, U.S. Department of Agriculture, 1400 Independence Avenue SW, Stop 0522, Washington, DC 20250-0522.
In your comment, specify the docket ID FSA-2020-0011.

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Quality Loss Adjustment (QLA)

Program Goal: Provide assistance for crop quality losses that were a consequence of hurricanes, excessive moisture, floods, qualifying drought, tornadoes, typhoons, volcanic activity, snowstorms, or wildfires occurring in calendar years 2018 and 2019.

Sign up deadline:
March 5, 2021



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Eligible Crops

- Crops for which Federal crop insurance is available or
- Crops eligible for coverage in the Noninsured Crop Disaster Assistance Program (NAP), **excluding**:
 - value loss crops
 - honey
 - maple sap.
- Crops that suffered a quality loss due to qualifying disaster event
- Crops that incurred a five percent or greater quality discount due to the qualifying disaster event
- Crops that incurred a nutrient loss (forage crops)
- Crops that may have been sold, fed on-farm to livestock, or may be in storage at the time of application.

Ineligible Crops

Ineligible crops include:

- crops not grown commercially
- crops intended for grazing
- crops not intended for harvest
- subsequent crops that do not meet double cropping provisions
- volunteer crops

Ineligible Crops (continued)

Ineligible crops include:

- prevented planting crops
- first-year seeding of forage crops
- crops that were destroyed, other than by an eligible cause of loss
- immature fruit crops

Qualifying Disaster Events

Qualifying Disaster Event	Related Conditions
Qualifying Drought	Heat, excessive wind, hot wind
Excessive Moisture	
Flooding	Silt, Debris
Hurricane	Excessive wind, Excessive rain, Flooding, Storm surges, Tornado, Tropical storm, Tropical depression
Snowstorm	Blizzard
Tornado	Excessive Wind
Typhoon	Hurricanes, Excessive wind, Excessive rain, Flooding, Storm surges, Tornado, Tropical storm, Tropical depression
Volcanic Activity	Ash, Fire, Vog, Lava, Earthquake
Wildfire	Heavy Smoke

Qualifying Disaster Events

Eligible counties with:

- D3 and D4 extreme Drought designations
- Presidential Emergency Disaster Declarations or Secretarial Disaster Designations in 2018 and 2019

Listed under the **Qualifying Disaster events** section of: www.farmers.gov/quality-loss

Ineligible Causes of Loss

Losses:

- **NOT** due to a qualifying disaster event
- occurring after harvest
- occurring in storage
- due to insect infestation
- drifting herbicide
- failure to follow good farming practices

Quality Loss Adjustment (QLA)

Example:

Producer suffered a quality loss on 10,000 bushels of corn for grain due to excessive moisture. The grain suffered additional quality losses prior to harvest from a subsequent hailstorm.

All 10,000 bushels are eligible.

Quality Loss Adjustment (QLA)

Example:

Producer suffered a quality loss on 10,000 bushels of corn for grain. Only 1,000 bushels were affected by a qualifying disaster event (excessive moisture). The remaining 9,000 bushels only suffered a loss from hail.

Only the 1,000 bushels affected by a qualifying disaster event are eligible for QLA.

Quality Loss Adjustment (QLA)

Example:

Producer lost entire corn crop and was not able to harvest due to hurricane which is listed as a qualifying disaster event. Is producer eligible for QLA?

No. Crops that were not harvested, including those that were destroyed before harvest, are not eligible for QLA.

Producer Eligibility

An Eligible Producer is a:

- US Citizen
- Resident alien, also known as “lawful alien”
- Partnership consisting solely of citizens of the U.S. or resident aliens
- Corporation, Limited Liability Company or other organizational structure organized under State law consisting solely of citizens of the U.S. or resident aliens
- Defined as a person or legal entity that is entitled to an ownership share and is at risk in the crop production and marketing associated with the agricultural production of crops on the farm.

Verifying Producer Eligibility

Applicants must be able to show, with verifiable evidence:

- they have a valid ownership share and risk in the crop produced; and
- control of the crop acreage on which the commodity was grown at the time of the disaster.

Verifying Producer Eligibility

For crops sold under contract, the applicant must provide (1) of the following:

- copies of signed written leases or written agreements
- copies of signed rental agreements
- copies of other legal documents showing land ownership or control
- signed statement from the landowner indicating the producer had control of the acreage
- signed statement from operator or producer that producer had control of the acreage on a farm.

Eligibility

Adjusted Gross Income and Farm Adjusted Gross Income:

- A person or legal entity is ineligible for QLA Program benefits if their AGI exceeds \$900,000, unless at least 75 percent of the AGI is derived from farming, ranching or forestry activities.

Payment Limitations

\$125,000 per person and legal entity

- Limitation applies to each of the program years applied for, 2018 and/or 2019.

Rules for Legal Entities:

- Notification of interest
- Substantive Changes

Linkage Requirement

As a condition for QLA benefits, producers are required to purchase crop insurance, or obtain NAP coverage, on the crop for the 2022 and 2023 crop years.

- coverage must be purchased at the 60/100 level or equivalent.
- linkage applies to all crops receiving a QLA payment.

Linkage Requirement

Producers who obtained crop insurance or NAP coverage for the crop in accordance with the requirements for WHIP+ are considered to have met the requirement to purchase crop insurance or obtain NAP coverage for the QLA Program.

Forms

- FSA-898- QLA Program Application
- FSA 895 – Crop Insurance/NAP Coverage Agreement Form
- FSA-899 – Historical Nutritional Value Weighted Average Worksheet (if applicable)
- CCC 902- Farm Operating Plan for Payment Eligibility
- CCC 941 – Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax
- CCC 942- Certification of Income from Farming, Ranching and Forestry Operations (if applicable)
- AD 1026 – HEL and Wetland Determination
- FSA- 578 Acreage Report
- AD-2106 – Race, Ethnicity and Gender Form (optional)

Quality Loss Adjustment (QLA)

Ways to Apply for QLA

Apply online or in the office:

Forms and Online QLA Application Portal available at
www.farmers.gov/quality-loss .

Locate your nearest service center here:
www.farmers.gov/service-center-locator

QLA Payments

Crop Categories

- Crops intended for forage
- Crops other than forage (non-forage)

Quality Discounts

Quality discounts that are associated with a loss that could have been mitigated, such as high moisture and insect infestation, are **NOT** eligible.

FSA's County Committees (COCs) are responsible for determining whether a loss could have been mitigated.

Quality Loss Adjustment (QLA)

Example:

A producer grew 2019 canola. Prior to harvest an insect infestation damaged the crop. The producer harvested the canola and delivered it to a buyer. The buyer rejected the load due to the poor quality. Would this producer be eligible for QLA?

Losses due to insect infestation are NOT eligible. The producer could have mitigated the loss by applying pest control measures.

Quality Loss Adjustment (QLA)

Example:

A producer's corn crop received a quality discount due to high moisture content. Is this producer eligible for the QLA Program?

Losses due to high moisture (for crops that can be dried down) are NOT eligible. The producer could have mitigated that quality loss by using best practices for drying and storing the crop.

Verifying Quality Loss

Verifiable documentation includes records that:

- can be verified by FSA through an independent source
- will be used to substantiate the amount of quality loss.
- be dated
- show final disposition
- be seasonal or crop-specific for the commodities produced more than once in a calendar year.

Verifying Quality Loss

Grain Crops:

- Date between harvest and sale of affected production

All Other Crops:

- Verifiable documentation must come from tests/analyses conducted within 30 days of harvest unless COC determines the record is representative of the affected production at the time of harvest.

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*Unless the FSA county committee determines that the record is representative of the condition of the affected production at time of harvest

Quality Loss Adjustment (QLA)

Payment Based on Producer Loss

Crops other than Forage	Forage Crops
<ul style="list-style-type: none">• Grading Factors (such as low-test weight, broken kernels) <p style="text-align: center;">And</p> <ul style="list-style-type: none">• Total Dollar Value Loss	<ul style="list-style-type: none">• Nutrient Value for year of application (such as RFV, TDN) <p style="text-align: center;">And</p> <ul style="list-style-type: none">• Nutrient values for 3 prior years

Quality Loss Adjustment (QLA)

Example:

A producer sold 10,000 bushels of corn. The settlement sheet shows the producer received a reduced price of \$2.00 per bushel due to low test weight.

The producer's verifiable evidence shows both a quality loss (low test weight) and a total dollar value loss of \$20,000 (discounted price of \$2.00 per bushel x 10,000 bushels of affected production).

Quality Loss Adjustment (QLA)

Payment Based on County Average

Crops Other than Forage	Forage Crops
<ul style="list-style-type: none">• Grading Factors <p style="text-align: center;">And</p> <ul style="list-style-type: none">• NO Total Dollar Value Loss	<ul style="list-style-type: none">• Nutrient Value for year of application <p style="text-align: center;">And</p> <ul style="list-style-type: none">• NO Nutrient values for prior 3 years

Quality Loss Adjustment (QLA)

Example:

A producer delivered 10,000 bushels of corn. The scale ticket shows the corn had a quality discount due to broken kernels. The producer did not sell the corn but stored it for feed.

The producer's verifiable evidence shows a quality loss (broken kernels) but no total dollar loss due to quality.

Forage Crops – Nutritional Value

Forage quality tests, or analysis of nutritional value, must have been completed within 30 days of harvest.

Quality losses for hay and forage crops must be documented with an analysis from either of the following:

- a State University laboratory
- other laboratories approved by STC

Quality Loss Adjustment (QLA)

Example:

Producer Sumrall routinely harvests 5 cuttings of alfalfa each year. The first and last cuttings are generally lower in quality, while the second, third, and fourth cuttings are higher quality. Sumrall suffered a loss due to drought in 2018 at a time that a fourth cutting would typically be harvested. Sumrall would use the representative laboratory analyses for the second, third, and fourth cuttings to determine the nutritional values as high nutritional category.

Documenting Historical Nutritional Value

A producer must have:

- 4 years of nutritional values representing either high or low nutritional value categories, 1 for the year of application and 3 historical years, AND
- must provide both production and historical nutritional value of the specific crop, type, intended use, and organic status using the FSA-899.

Documenting Historical Nutritional Value

- The 3 years of historical values will be broken into high and low nutritional value categories to be placed on the FSA-899.
- The producer will submit historical nutritional values that are representative of the application year based on the timing and number of harvests within the year.

Example

Producer Lowe submitted an application for 2018 due to drought in an eligible county. Lowe will provide verifiable documentation of nutritional value and acceptable documentation of production for 2015, 2016, and 2017 to calculate the weighted average historical nutritional value, and 2018 verifiable documentation for the application year nutritional value and acceptable documentation of affected production.

Quality Loss Adjustment (QLA)

Forage Crops with Application Year and Historical Nutritional Values

QLA Payment = Total Affected Production x

Verifiable % Loss x Average Market Price x 0.7

Example

- 800 tons (Total Affected Production), multiplied by
- 31.03 percent (Calculated Verifiable Percentage of Nutrient Loss), multiplied by
- \$125 (determined price for the commodity), equals
- \$31,030 (Loss Amount), multiplied by
- 70 percent Payment Factor, equals
- **\$21,721.00 Gross Estimated Payment**

Note: This amount may be factored based on availability of funds after sign-up ends

Quality Loss Adjustment (QLA)

Forage Crops with only Application Year Nutritional Values (No historical nutrient values)

The county average percent of loss for each crop, type, intended use, organic status and nutritional category will be computed after all applications within the county have been submitted and reviewed.

An additional reduction of 50 percent will apply to the producer's computed benefit.

Quality Loss Adjustment (QLA)

Forage Crops Without Historical Nutritional Value Payment Calculations

$$\text{QLA Payment} = \text{Total Affected Production} \times \\ \text{County Average \% Loss} \times \text{Average Market Price} \times \\ 0.7 \times 0.5$$

The average market price is determined by USDA's Farm Service Agency.

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Example

- 400 tons (Total Affected Production), multiplied by
- 25 percent (Weighted Average Percentage of Loss), multiplied by
- \$90 (determined price for the commodity), equals
- \$9,000.00 (Loss Amount), multiplied by
- 70 percent Payment Factor, multiplied by
- 50 percent, equals
- **\$3,150.00 Gross Estimated Payment**

Note: This amount may be factored based on availability of funds after sign-up ends

Non-Forage Crops

These crops will include:

- All crops not intended for Forage
- Any crop with an intended use other than Forage

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

Non-Forage Crops

Affected production is the producer's ownership share of harvested production, adjusted to standard moisture, of an eligible crop that experienced both:

- a quality loss due to a qualifying disaster event
- at least a 5 percent quality loss due to all eligible disaster events combined.

Affected production must have suffered a loss due to quality and have verifiable quality factors (grading factors).

Non-Forage Crops

Verifiable Documentation Records:

- sales receipts from buyers
- settlement sheets
- truck or warehouse scale tickets
- actual measurements or appraisals by FSA, RMA or reinsured companies, LA's, other USDA employees, if performed as part of their work duties, feed company representatives, or STC-approved consultants

Non-Forage Crops – Acceptable Records

The quantity of affected production claimed on the application must be supported with **non-verifiable** records of production, which may include:

- Copies of receipts
- Ledgers of income
- Income statements of deposit slips
- Cash register tapes
- Invoices for custom harvesting
- U-pick records

Non-Forage Crops – Acceptable Records

Producers that suffered a quality loss will fall into two categories regarding verifiable documentation:

- Grading factors and a total dollar value loss based on their own, individual loss.
- Grading factors but no total dollar value loss amount of the discount they received.



Utilizing the Customer Call Center

- QLA applicants can call: **877-508-8364**
- Operating hours: 8 AM – 8 PM Eastern
- Work one-on-one with an employee, get help filling out an application, and get a direct transfer to the applicable service center
- Language interpretation: Call-center users press 1 for English or to identify the non-Spanish language they need. Spanish speakers press 2

How do I apply?

- One application for entire operation nationwide in recording county office.
- Application includes all eligible crops suffering a quality loss.
- Losses sustained in more than one crop year require a separate application for each crop year.

How do I apply?

New to USDA, no problem! Ask for help in filling out your application! Local staff may also ask for:

- Name and address
 - Personal information, including your Tax Identification Number
 - Farm operating structure
 - Adjusted Gross Income compliance certification to ensure eligibility
 - Direct deposit information to enable payment
 - Some producers may need to file an acreage report
-
- Find the QLA application (FSA 878) and needed forms:
www.farmers.gov/quality-loss
 - Find your nearest service center here:
www.farmers.gov/service-center-locator

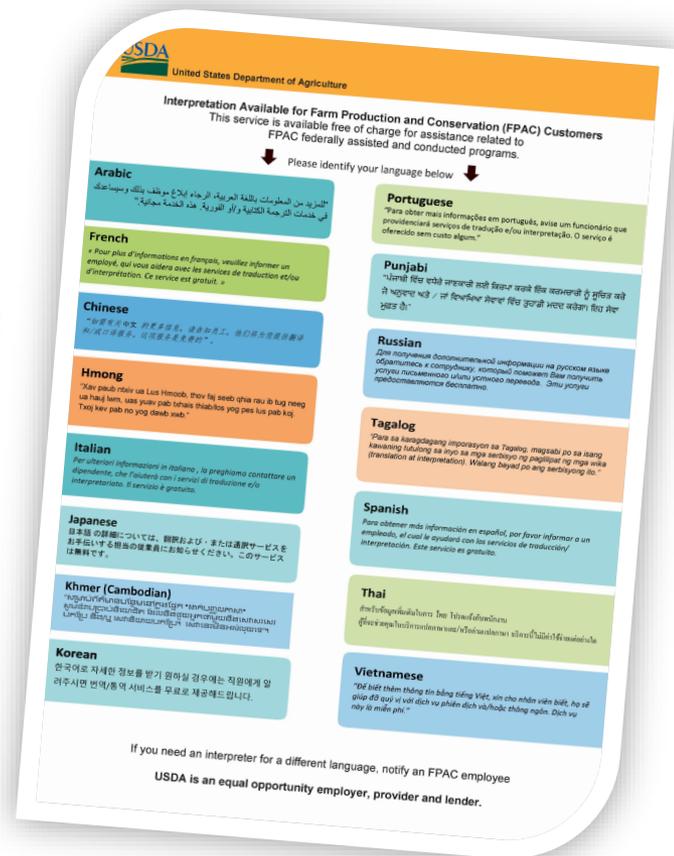
Applying for QLA

Translation services in every office

- You can ask your local office or the Call Center for language interpretation services

USDA partner organizations have experience working with FSA

- Organizations receiving funding from USDA often offer free technical assistance to producers



What happens after I sign my application?

- Producers have **14 days** from signing their QLA application to submit verifiable documentation to support their quality loss. They have **60 days** to submit remaining producer eligibility forms.
- QLA payments will not be issued to producers until after the application period ends March 5.
- If the total amount of needed QLA payments exceeds the amount of funding available, FSA will prorate payments to all producers by a national factor.



For more information on:

- ✓ QLA eligibility
- ✓ Eligible crops
- ✓ Qualifying Disaster events
- ✓ Payment limitations
- ✓ How to apply
- ✓ Program information in Spanish

Visit farmers.gov/quality-loss

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Ways to Partner with FSA

- **Co-hosting webinars**
- **Holding virtual "Office Hours" with FSA**
- **Reaching producers without internet**



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