

FARM PROGRAM UPDATE

Written By Kent Thiesse, Government Farm Program Analyst

May 23, 2011

CROP INSURANCE STRATEGIES WITH LATE PLANTING

Many farm operators in the upper Midwest are dealing with very late planting conditions for corn and soybeans in 2011. Some of these operators will soon be facing decisions on whether to plant corn, the intended crop, at a later than normal planting date, switch to an alternative crop such as soybeans, or decide to collect prevented planting coverage on their 2011 corn crop. For producers with Federal Crop Insurance coverage on corn and soybeans in 2011, the "Prevented Planting" provisions of their crop insurance policies could affect the late planting decision. It is very important for producers to consult with their Crop Insurance Agent before finalizing any decisions on planting a crop after the final planting deadline, or switching crops from corn to soybeans after May 31 in Minnesota, Iowa, and South Dakota.

According to the USDA Risk Management Agency (RMA), producers have the following options with regards to delayed or prevented planting later than the established Final Planting Dates (Remember, these provisions are not applicable until after the Final Planting Dates):

- **Plant the insured crop during the late planting period, which is typically 25 days following the established Final Planting Date for a given crop.** (Example --- A Final Planting Date of May 31 for corn would result in a late planting period from June 1-25.) The crop insurance coverage is reduced by 1 percent for each day after the Final Planting Date for the next 25 days.
- **Plant the intended crop after the 25-day Late Planting Period.** Crops that are planted after the 25-day Late Planting Period are insured at the same level as the prevented planting insurance coverage, which is 60 percent of the original crop insurance guarantee for most corn and soybeans. (Example --- an original revenue guarantee with an 80 % RP crop insurance policy of \$800.00 per acre would result in a \$480.00 prevented planting guarantee.)
- **Leave the unplanted crop acreage idle (black dirt).** Eligible producers can then receive the full prevented planting coverage, typically 60 percent of the original crop insurance guarantee for corn and soybeans.
- **Plant a cover crop rather than the intended crop, and receive the full prevented planting payment** (60 % of guarantee on the intended crop). The cover crop can not be used for haying and grazing until after November 1 of the crop year, and can not be harvested at any time.
- **Plant another crop (second crop) after the late planting period has ended.** In this situation, haying, grazing, or harvesting of the second crop could occur at any time before or after November 1. The prevented planting payment is reduced to 35 percent of the original prevented planting payment. (Example --- \$800.00/A. original guarantee x .60 = \$480.00/A. x .35 = \$168.00/A.)

NOTE --- The payment reductions (65 % of the full prevented planting coverage) for a second crop may not apply, if the producer meets the “double-cropping” specifications in a crop insurance policy. Typically this does not apply to corn and soybean insurance policies in the Midwest.

KEY CROP INSURANCE PLANTING DATES

<u>STATE</u>	<u>FINAL PLANTING DATE</u>		<u>LATE PLANTING PERIOD</u>	
	<u>CORN</u>	<u>SOYBEANS</u>	<u>CORN</u>	<u>SOYBEANS</u>
Minnesota	May 31	June 10	June 1-25	June 11 – July 5
Iowa	May 31	June 15	June 1-25	June 16 – July 10
South Dakota	May 31	June 10	June 1-25	June 11 – July 5

Here are some additional points to consider relative to late planting and prevented planting crop insurance coverage for corn and soybeans :

Late Planting Insurance Coverage

As mentioned earlier, the production guarantee is reduced by 1 percent for each day that corn or soybeans are planted after the Final Planting Date for the next 25 days. The situation gets more complicated if part of a crop insurance unit is planted before the Final Planting Date, but the balance of the acreage is planted on various planting dates after that date, which is more likely to occur if the producer chose to insure the 2011 corn and soybean crop utilizing “enterprise units”. Following are examples to demonstrate the variations in late planting insurance coverage.

Example #1 --- Late Planting For MN Corn

Background Data : APH Yield of 180 Bu./A.
 75 % RP Insurance Policy
 135.0 Bu./A. Yield Guarantee
 \$6.01/Bu. Base Price
 \$811.35/A. Revenue Guarantee

	<u>SITUATION A</u>	<u>SITUATION B</u>
Type of Crop Insurance Unit	Optional	Enterprise
Intended 2011 Corn Acres	100 A.	600 A.
Planting Date	100 A. on June 10	300 A. on May 25 150 A. on June 10 150 A. on June 20
Adjusted Yield Guarantee	121.5	124.9
Revised Revenue Guarantee	\$730.22/A.	\$750.53/A.

NOTE --- In situation B, the Adjusted Yield Guarantee is calculated by determining a “weighted average” of the bushel guarantees for the various planting dates.

Prevented Planting Insurance Coverage

As mentioned earlier, producers of eligible crops that are not able to plant their intended crop by the final planting date, due to weather conditions or natural disasters, may choose not to plant the crop at all. In which case, the producer with a qualifying crop insurance policy would qualify for prevented planting insurance coverage, which is 60 percent of the original insurance guarantee. Producers with group insurance coverage policies (GRP or GRIP) are not eligible for prevented planting insurance coverage. **Remember, if a producer chooses accept a full prevented planting payment on all or part of a crop insurance farm unit, they can not plant and harvest a second crop, and can not hay and graze a cover crop until after November 1.** Failure to comply with this could result in loss of crop insurance coverage for the 2011 crop year, as well as potential other penalties.

If a second crop is planted instead of the intended crop after Final Planting Date and before the end of the Late Planting Period ends, the crop insurance coverage on the second crop would replace the insurance coverage on the first crop, provided the second crop is eligible for crop insurance coverage. If a second crop is planted after the Late Planting Period ends, the producer could receive 35 percent of the prevented planting coverage on the intended crop, and would have reduced insurance coverage on the second crop. **It is important that producers contact their Crop Insurance Agent before planting the second crop in order to maintain maximum insurance coverage.** Following are examples to demonstrate the variations in late planting insurance coverage.

Example #2 --- Prevented Planting (PP) For MN

Background Data : Corn APH Yield of 180 Bu./A.
Soybean APH Yield of 48 Bu./A.
75 % RP Insurance Policy (Corn & Soybeans)
135 Bu./A. Yield Guarantee for Corn
36 Bu./A. Yield Guarantee for Soybeans
\$6.01/Bu. Base Price for Corn
\$13.49/Bu. Base Price for Soybeans
\$811.35/A. Revenue Guarantee for Corn
\$485.64/A. Revenue Guarantee for Soybeans

	<u>SITUATION A</u>	<u>SITUATION B</u>	<u>SITUATION C</u>
Type of Crop Insurance Unit	Optional	Enterprise	Enterprise
Intended 2011 Corn Acres	100 A.	600 A.	600 A.
Corn Planting Date	Prevented Planting	400 A. on May 25 200 A. PP	400 A. on May 25 0 A. PP
Soybean Planting Date			200 A. on June 9
Adjusted Yield Guarantee	N/A	135.0 Bu./A.(400 A.)	135 Bu./A (Corn) 36.0 Bu./A (SB)
Revised Revenue Guarantee	N/A	\$811.35/A. (400 A.)	\$811.35/A. (Corn) \$485.14/A. (SB)
Prevented Planting Payment	\$486.81/A.	\$486.81/A. (200 A.)	N/A

NOTE --- To qualify for a Prevented Planting crop insurance payment the affected area must be a minimum of 20 acres or 20 % of the insured acreage, if less than 100 acres.

Minimum Acreage For Prevented Planting

To qualify for Prevented Planting insurance coverage and payments, affected areas must be a minimum of 20 acres in size, or 20 percent of the total insured acreage, on farm units of less than 100 acres. Very small areas of land do not qualify for prevented planting coverage, which could be a factor on some smaller land tracts with optional unit insurance coverage. Meeting the 20 percent threshold may be easier with enterprise units, if most crop acres are affected; however, it could become more difficult if some farms are affected, and some are not.

Key Points On Crop Insurance Coverage With Late and Prevented Planting

- All prevented planting crop insurance losses must be reported to the Crop Insurance Agent before the producer does any additional options regarding a second crop or cover crop.
- Producers need to keep good records and documentation of all crop insurance losses, and make sure that those losses are verified by the Crop Insurance Agent.
- Producers should review their crop insurance policy or consult their Crop Insurance Agent to make sure that they understand all requirements, restrictions, etc. relative to their crop insurance coverage with late and prevented planting.
- Producers need to remember that they are not forced to plant the intended crop after the Final Planting Date, and are eligible to receive a prevented planting payment, which is 60 percent of the original crop insurance guarantee for corn and soybeans.
- Producers need to consult their Crop Insurance Agent before planting a second crop, such as soybeans, on intended corn acres to make sure they understand all the crop insurance implications, and the potential affect on possible crop insurance indemnity payments.
- Producers that are facing late corn planting after the Final Planting Date should analyze the overall financial implications of planting corn late, planting soybeans, or collecting a prevented planting crop insurance payment.
- **A producer's Crop Insurance Agent is the best source of high quality information on late and prevented planting crop insurance coverage.** The following web sites also have some good information late and prevented planting insurance options :
Iowa State Univ. Ag Decision Maker Web Site - <http://www.extension.iastate.edu/agdm/>
USDA RMA Web Site --- <http://www.rma.usda.gov/>

Bottom Line

Every producer's situation is different when it comes to late and prevented planting situations, as a result, the best option will vary considerably from farm-to-farm. In addition to differences in production practices and yield potential, there are differences in level of insurance coverage, optional or enterprise units, and other crop insurance provisions. The choice that a producer makes could result in a difference of thousands of dollars in the potential insurance coverage that is available. That is why it is so very critical for producers to consult with their Crop Insurance Agent before finalizing late and prevented planting crop decisions.

Note --- For additional information contact Kent Thiesse, Government Farm Program Analyst and Vice President, MinnStar Bank, Lake Crystal, MN. (Phone --- (507) 381-7960) ;
E-mail --- kent.thiesse@minnstarbank.com) Web Site --- <http://www.minnstarbank.com/>