



FEFO 09-09
June 1, 2009

LATE PLANTING AND CROP INSURANCE

Adverse planting conditions this spring has resulted in many crop insurance questions related to replant, prevented planting, and late planting provisions in crop insurance contracts. The following provides information on these questions.

GRP and GRIP

GRP and GRIP do not have replant, prevented planting or late planting provisions. For GRP and GRIP coverage to occur, a crop must be planted. Acres that are not planting will not be eligible for GRP or GRIP crop insurance payments.

The following information on replant, prevented planting, and late planting is not applicable to GRP and GRIP. It is applicable to APH, CRC, IP, and RA policies.

Replant provisions

Farmers can receive payments for replanting a crop the first time. Farmers should consult with their crop insurance agent before replanting a crop. Not contacting a crop insurance company may result in the replant payment not being made. Replant provisions are meant to cover the costs of replanting. Farmers will have to provide receipts and estimated costs of field operations to receive payment.

For CRC and RA, the maximum replant payment for corn is \$32.32 per acre (8 x the base price (\$4.04 in 2009)) and for soybeans is \$26.40 per acre (3 x the base price (\$8.80 in 2009)). Expenses associated with replanting usually exceed these minimums.

A minimum number of acres must be replanted before replant payments can be received. The minimum number of acres is 20 acres or 20 percent of the acres in the unit, whichever is lower.

Prevented planting payments

Farmers can take prevented planting payments once the final planting date has been reached (The final planting date is not what it may seem to imply as a crop can still be planted after the final planting date). For corn, the final planting date is June 5 for all counties except for the seven, southern most counties in Illinois. For these seven counties, the final planting date is May 31. In most cases, taking prevent planting means that a farmer will receive 60% of the final guarantee as a prevented planting payment if a crop is not planted on those acres.

A farmer can plant on acres that a prevented planting payment was taken after 25 days have passed from the final planting date. If another crop is planted, the prevented planting payment will be reduced to 35% of the payment given that a crop was not planted.

More information on prevented planting is provided in the attached fact sheet entitled "Crop Insurance: Final Planting Dates, Late Planting Period, and Prevented Planting".

Prevented planting and units

Prevented planting does not have to be taken on all acres in an insurable unit. However, there is a minimum number of acres on which prevented planting can be received (20 acres or 20 percent of the acres in the unit, whichever is lower).

Take as an example a unit with 400 acres. This unit has 250 acres of corn planted and 150 acres on which nothing is planted. Once the final planting date has been reached, prevented planting can be taken on 150 acres. The remaining 250 planted acres will have the corn policy in place. Potential insurance payments on the 250 planted acres will be influenced by production from those 250 acres. There will be a guarantee based on 250 planted acres. The prevented planting payment on the other 150 acres will not impact the payment on the 250 planted acres.

APH yields and prevented planting

Generally, prevented planting will not impact the APH yield in future years, unless a second crop is planted on prevented planting acres.

Take as an example an insurable unit that has 500 acres and 400 acres are planted to corn. Prevented planting acres are taken on 100 acres and a second crop is not planted on those 100 acres. In this case, the yield used in calculating the APH will be based on production from the 400 planted acres divided by 400 planted acres.

On the other hand, if the 100 acres were planted to a second crop (e.g., soybeans) after 25 days from the final planting date, the 100 prevented planting acres will be assigned a per acre yield of 60 percent of the APH yield for the unit, unless the second crop is a double-crop. The 60 percent of the APH for the prevented planting acres will be added to the production from the 400 acres to give production for the unit. Production for the unit then will be divided by 500 acres to arrive at the yield for the year.

Sometimes a unit will have all acres in that unit prevented planting. Again there will be a difference in treatment depending on whether a second crop is planted. If a crop is not planted, zero planted acres will be assigned to the unit and a yield for that crop will not enter into the APH yield calculation. If a second crop is planted, the yield is 60 percent of the APH yield.

Late planting

Late planting happens when a crop is planted after the final planting date. Under late planting, the guarantee will be reduced by 1 percent per day after the final planting date up to 25 days after the final planting date. After 25 days, the guarantee will be 60 percent of the guarantee.

Economic decisions

When examining decisions after the final planting date, it is useful to divide the analysis into two situations: 1) when a crop has not been planted and 2) when a crop has been planted and the crop is marginal. Each situation is handled below.

Crop has not been planted

For most Illinois farmers, the case will be corn has not been planted and the final planting date has been reached. In this case, the farmer has three choices:

Plant corn,

Take a prevented planting payment and do not plant a crop, or

Take 35% of the maximum prevented planting payment and plant another crop, most likely soybeans.

A paper entitled "Crop Insurance/Cropping Decisions When No Crop has Been Planted" gives more detail concerning these three options.

A FAST tool (Microsoft Excel spreadsheet) called 'Late Planting Evaluator' will can be used to evaluate the potential costs and returns of these three alternatives. (See the .html version of *FEFO 09-09* for download link)

A marginal stand of a crop exists

In this case, there are three options:

1. Do nothing,
2. Replant the crop, or
3. Consider the corn crop failed and plant an alternative second crop.

The paper entitled "Crop Insurance/Cropping Decisions for Corn with Questionable Stands" covers these three alternatives.

Submitted by: Gary Schnitkey, Department of Agricultural and Consumer Economics, University of Illinois

June 6, 2008 (revised May 29, 2009)

Crop Insurance: Prevented Planting, Final Planting Dates, and the Late Planting Period

The following information applies to Actual Production History (APH), Crop Revenue Coverage (CRC), Income Protection (IP), and Revenue Assurance (RA) policies. Catastrophic (CAT) policies also have prevented planting provisions, but no opportunity to increase the payment level on prevented planting payments above the 60 percent level. Prevented planting does not apply to Group Risk Plan (GRP) and Group Risk Income Plan (GRIP) policies.

Final Planting Date: Final planting dates are as follows for Illinois:

<u>Crop</u>	<u>Date</u>	<u>Counties</u>
Corn	May 31	Alexander, Hardin, Johnson, Massac, Pope, Pulaski, Union
Corn	June 5	all other counties
Soybeans	June 15	Boone, Bureau, Carroll, Cook, DeKalb, DuPage, Grundy, Henderson, Henry, Jo Daviess, Kane, Kendall, Knox, Lake, La Salle, Lee, McHenry, Marshall, Mercer, Ogle, Putnam, Rock Island, Stark, Stephenson, Warren, Whiteside, Will Winnebago
Soybeans	June 20	all other counties

Late planting period: The late planting period consists of the 25 days following the final planting date.

Prevented Planting Payment: Prevented planting payments can be taken if acres have not been planted by the final planting date because of insurable causes. The prevented planting payment is 60 percent of the final guarantee, unless the farmer opted for a 65 or 70 percent level for prevented planting payments at crop insurance sign-up. As an example, take a corn CRC policy with an 80 percent coverage level having an 170 APH yield. The base price in 2009 is \$4.04. This policy has a minimum guarantee of \$549 per acre (170 bushel APH yield x \$4.04 base price x .80 coverage level). The guarantee will go up if the harvest price is above the base price. Given a 60 percent election on prevented planting, the minimum prevented planting payment will be \$329 (\$549 x .60).

For a farmer to take a prevented planting payment, prevented planting must be prevalent on similar type of farmland within the area.

Farmers can not plant another crop during the late planting period (25 days after the final planting date.) After the late planting period, another insured crop can be planted, usually resulting in reductions in the prevented planting payment to 35 percent of the above calculated amount. In double-crop situations, obtaining the entire prevented planting payment may be possible.

Farmers should contact their crop insurance agents if they believe they will be taking a prevented planting payment.

Planting after the final planting date: Farmers can plant after the final planting date; however, the guarantee will be reduced by 1 percent per day after the final planting date up to 25 days after the final planting date. After 25 days, the guarantee will be 60 percent of the guarantee.

In the above example, a farmer had a minimum guarantee of \$549. Assume this farmer is in a county with a final planting date of June 5. If corn is planted on or before June 5th, the minimum guarantee is \$549 per acre. Planting corn on June 6 will result in a guarantee reduction of 1 percent or \$544 per acre ($\$549 \times .99$). Planting on June 7th results in a 2 percent reduction, or \$538 per acre ($\$549 \times .98$). After 25 days the guarantee is 60% of the original, or \$329 ($\$549 \times .60$).

Issued by: Gary Schnitkey, Department of Agricultural and Consumer Economics

June 6, 2008 (revised May 29, 2009)

Crop Insurance/Cropping Decisions When No Crop Has Been Planted and a Farm-Level Crop Insurance has been Purchased

The following applies to situations in which farmers have farm-level products such as Actual Production History (APH), Crop Revenue Coverage (CRC), Income Protection (IP), Revenue Assurance (RA) policies. Catastrophic (CAT) policies also have prevented planting provisions, but no opportunity to increase the payment level on prevented planting payments above the 60 percent level. Group Risk Plan (GRP) and Group Risk Income Plan (GRIP) policies do not have replant or prevented planting provisions.

Some fields in Illinois have not been planted and the final planting date has been reached for corn (June 5 in most Illinois counties). After the final planting date, a farmer has the following options:

1. **Plant a crop.** In this case, the crop will be covered by crop insurance under the policy chosen by the March 15th deadline. The guarantee, however, will be less than the full guarantee if the crop is planted after a final planting date. The guarantee will decline by 1 percent each day after the final planting date for the first 25 days. After 25 days, the guarantee is 60 percent of the original guarantee.

As an example, take a farmer with a CRC corn policy. This policy has a 150 bu. APH yield, the base price in 2009 is \$4.04 per bushel, and the farmer has a 75 percent coverage level. This policy has a minimum guarantee of \$454 per acre (150 bu. APH yield x \$4.04 base price x .75 coverage level). The farmer farms in a county with a June 5th final planting date. If the farmer plants on June 6th, the minimum guarantee will be \$449 (\$454 x .99). Planting on June 7th results in a guarantee of \$445 (\$454 x .98)

2. **Take a prevented planting payment.** The farmer can choose to take a prevented planting payment. This payment equals 60 percent of the guarantee (unless the farmer elected to have prevented planting payments at a 65 or 70 percent level). For a \$454 guarantee, the prevented planting payment will be \$272 per acre (\$454 x .60), given that the farmer has not elected to increase the prevented payment level.

For a farmer to receive prevented planting payment, prevented planting must be prevalent on similar farmland within the area.

If the farmer wishes to receive 100 percent of the prevented planting payment, a second crop for harvest or grazing may not be planted on the farmland. A cover crop could be planted but it can not be grazed before November 1st.

- 3. Take 35 percent of the prevented planting payment and plant an insured second crop after the late planting period for the first crop.** In most Illinois cases, the second crop will be soybeans which will be planted in July (after the late planting period for corn). The farmer will receive 35 percent of the prevented planting payment. If eligible, the soybean crop will have to be insured. The above applies to situations in which double-crop soybeans are not prevalent.

If double-cropping soybeans are prevalent in an area, soybeans could be treated as double-crop soybeans and a full prevented planting payment could be received. Farmers have to have a history of planting double-crop soybeans. Farmers need to work with crop insurance agents to determine eligibility for double-crop soybeans.

Issued by: Gary Schnitkey, Department of Agricultural and Consumer Economics

June 6, 2008**Crop Insurance/Cropping Decisions for Corn with Questionable Stands and a Farm-Level Crop Insurance Policy has been Purchased**

The following applies to situations in which farmers have farm-level products such as Actual Production History (APH), Crop Revenue Coverage (CRC), Income Protection (IP), and Revenue Assurance (RA) policies. Catastrophic (CAT) policies also have prevented planting provisions, but no opportunity to increase the payment level on prevented planting payments above the 60 percent level. Group Risk Plan (GRP) and Group Risk Income Plan (GRIP) policies do not have replant or prevented planting provisions.

Some farmers have planted corn with resulting plant populations less than ideal. Farmers should consult with their crop insurance agents as they make decisions. Farmers have the following options:

1. **Do nothing.** If corn was planted before the final planting date, the full guarantee will be in place.

Agronomic/crop insurance concern: To be in compliance with “good farming practices”, a farmer should make decisions that provide a good possibility of progressing towards the guarantee in the policy. If replanting increases the chances of having higher yields, the “do nothing” option may not be a good farming practice. The worse the stand, the more difficult this option is to justify.

2. **Replant corn.** Farmers can replant corn. For the first replanting, farm-level crop insurance will provide a replant payment. Farmers should consult with their crop insurance agent before replanting corn. Not contacting a crop insurance company may result in the replant payment not being made.

Agronomic/crop insurance concern: The concern will be whether replanting increases the chance of proceeding toward the guarantee. This, in my opinion, will not be a concern in many cases.

3. **Consider the corn crop failed and plant an alternative second crop.** Farmers can receive crop insurance payments on corn if the crop is failed. For the farmer to receive a payment, the crop insurance company must agree that the corn crop has failed. If the crop insurance agrees, an adjuster will determine the likely yield from the corn crop (The farmer may be required to leave strips of corn in the field to determine yield). The yield will go into the calculation of the payment. Farmers need to contact the insurance company if they want to consider the corn crop failed.

Agronomic/crop insurance concern: The concern will be whether the corn crop has failed. There may be disagreement between farmers and crop insurance companies on whether crop is failed.

On destroyed acres that the crop insurance company has agreed is failed, the farmer will have a choice concerning crop insurance. The farmer can:

- a) Elect to not insure the succeeding crop. In this case, the farmer will receive 100% of the payment for corn and pay 100% of the corn premium.
- b) Elect to insure the second crop, given that the farmer has a policy for the succeeding crop. Except for double crop soybeans (see “Double Crop Soybeans” paragraph below), the farmer will receive 35% of the corn insurance payment and pay 35% of the corn premium. In addition, the farmer will pay the premium on the succeeding crop. A decision then will have to be made when the insurance payment on the succeeding crop is known. The farmer can elect to either a) receive the remaining 65% of the corn payment and pay the remaining 65% of the premium, or b) receive the payment on the succeeding crop.

Double Crop Soybeans: The above rules prevent a farmer from receiving 100% of crop insurance payments for two crops in one year, except where double crop soybeans are prevalent. If soybeans are planted following the destroyed corn, the farmer can receive 100% of payments for corn and double-crop soybeans. Farmers with double-crop soybeans should work with their crop insurance agents to determine eligibility for 100% payments.

Issued by: Gary Schnitkey, Department of Agricultural and Consumer Economics