FARM ECONOMICS: *Facts & Opinions*
FARM BUSINESS MANAGEMENT
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FEFO 09-17
October 29, 2009

LATE PLANTING WHEAT AND CROP INSURANCE

Wheat plantings have been delayed this fall, again bringing up decisions related to crop insurance. This article covers crop insurance implications for Actual Production History (APH), Crop Revenue Coverage (CRC), and Revenue Assurance (RA) policies. These farm-level policies have late planting and prevented planting provisions. Group Risk Plan (GRP) and Group Risk Income Plan (GRIP) policies do not have late or prevented planting provisions. Before GRP and GRIP policies provide coverage, wheat must be planted.

Final Planting Date

For Illinois, the final planting date is either October 20th or October 31st. Northern Illinois counties have an October 20th deadline while southern Illinois counties have an October 31st deadline (see Figure 1).

Figure 1. Wheat Final Planting Dates for Counties in Illinois

Counties with an October 20th Final Planting Date

Adams, Boone, Brown, Bureau, Carroll, Cass, Champaign, Cook, DeKalb, De Witt, DuPage, Ford, Fulton, Grundy, Hancock, Henderson, Henry, Iroquois, Jo Daviess, Kane, Kankakee, Kendall, Knox, Lake, LaSalle, Lee, Livingston, Logan, McDonough, McHenry, McLean, Marshall, Mason, Menard, Mercer, Ogle, Peoria, Piatt, Putnam, Rock Island, Schuyler, Stark, Stephenson, Tazewell, Vermilion, Warren, Whiteside, Will, Winnebago, Woodford

Counties with an October 31th Final Planting Date

Alexander, Bond, Calhoun, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, Douglas, Edgar, Edwards, Effingham, Fayette, Franklin, Gallatin, Greene, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Macon, Macoupin, Madison, Marion, Massac, Monroe, Montgomery, Morgan, Moultrie, Perry, Pike, Pope, Pulaski, Randolph, Richland, St. Clair, Saline, Sangamon, Scott, Shelby, Union, Wabash, Washington, Wayne, White, Williamson

Reaching the final planting date does not mean that wheat cannot be planted. Rather, guarantees will be reduced once the final planting date is reached. In addition, a farmer can choose to take a prevented planting payment and not plant wheat once the final planting date has been reached.

Guarantees and the Late Planting Period

There is a five day late planting period for wheat. The guarantee will be lowered 1 percent per day when wheat is planted during the late planting period. After the end of the late planting period, the guarantee will be 60% of the final guarantee, unless the farmer purchased higher prevented planting coverage. For a higher premium, additional prevented planting coverage of 5% and 10% was available when the farmer signed up for the insurance policy.

As an example, take a farmer with a CRC policy at the 75% coverage level having a 70 bushel APH yield. The 2010 base price is $5.29 bushel. This farmer is located in a county with an October 31st final planting date. Before the

final planting date, this farmer will have an initial guarantee of $278 per acre (70 bushel APH yield x $5.29 base price x 75% coverage level). This final guarantee could be above the initial guarantee if the harvest price is above the base price. Harvest prices will not be known until next year. For the remainder of this article, the initial guarantee is treated as the final guarantee.

If planting does not occur before the final planting date, the guarantee will be reduced as shown below:

Nov 1: $275 per acre ($279 x (1 - .01))
Nov 2: $272 per acre ($279 x (1 - .02))
Nov 3: $270 per acre ($279 x (1 - .03))
Nov 4: $267 per acre ($279 x (1 - .04))
Nov 5: $264 per acre ($279 x (1 - .05))
After Nov 5: $167 per acre ($279 x 60%)

The $167 guarantee after November 5 assumes that the farmer did not purchase additional prevented planting coverage.

Prevented Planting Payment

A prevented planting payment can be taken once the final planting date has been reached because of insurable causes. This year's wet weather likely will be categorized as an insurable cause. One important note is that wheat being prevented planting because of delayed harvest of immature soybeans is not an insurable cause. Wheat plantings must have been prevented because rain and moisture prevented field work.

A farmer must claim a prevented planting payment within 72 hours (or 3 days) after the end of late planting period. This means that a prevented claim must be filed by October 28th for counties with an October 20th final planting date and by November 8th for counties with an October 31st final planting date. For a prevented planting claim to be received, the famer also must indicate prevented planting acres on the acreage report. If prevented planting acres are not indicated, prevented plantings will not be received.

Prevented planting payments will vary depending on whether a crop is planted in the spring. The following example assumes that farmers did not purchase higher prevented planting coverage levels and have the 60% level contained in the standard policy.

Figure 2. Example of Prevented Planting Payments

Parameters Used To Calculate Payments

APH yield	70 bushels
Base price	$5.29 per bushel
Coverage level	75%
Initial guarantee	$278 = 70 bu x $5.29 x 75%
Farmer-paid premium[1]	$11 per acre

Full Prevented Planting Payment Given No Crop is Planted in Spring

Prevented planting payment[2]	$167 = $278 guarantee x 60%
less farmer-paid premium	$11
Net after premium	$156

35% Prevented Planting Payment Given a Crop is Planted in Spring[3]

Prevented planting payment[2]	$58 = $167 full payment x 35%
less farmer-paid premium	$4 = $11 full premium x 35%
Net after premium	$54

[1] Calculated for Washington County, Illinois given enterprise units.

[2] Given that the final guarantee equals the initial guarantee. This example assumes that the farmer did not purchase additional prevented planting coverage.

[3] Example assumes there is no double-crop soybeans crop insurance policy.

Crop not planted. If the crop is not planted in the spring, the prevented planting will equal 60 percent of the final guarantee. For the example given above, the farmer has an initial guarantee of $278 per acre. The final guarantee could be higher if the harvest price is above the base price. Given that the final guarantee equals $278, the prevented planting payment is $167 per acre. The farmer will owe the full farmer-paid insurance premium on prevented planting acres.

Taking a prevented planting payment and not planting a second crop will not have any ramifications on APH yield.

Crop is planted in the spring (and the farm is not eligible for double-crop soybeans crop insurance). If a crop is planted, the prevented planting payment will be reduced to 35 percent of the original prevented planting payment. In the example above, the prevented planting payment will be $58 per acre ($167 x 35%). In this case, the farmer will owe a premium on the prevented planting acres equal to 35 percent of the original premium.

Planting a second crop will have ramifications on the APH yield. The APH yield used for 2010 on prevented planting acres will equal 60 percent of the farm's APH yield. This will lower the APH yield in 2011 and subsequent years. Also, the farmer will not be eligible for prevented planting payments on the crop that followed the prevented planting wheat.

Summary

Planting wheat after the final planting date for insurance will have insurance consequences for farmers with APH, CRC, and RA policies. If wheat is planted, guarantees will be reduced. Expected yields given late planting should be considered when making these decisions.

If wheat is not planted, the farmer is eligible for prevented planting payments. It is likely that many farmers will find this an economical alternative. The size of the prevented planting payment will outweigh negative consequences of taking prevented planting payments. Negative consequences include 1) APH yields may decline if a crop is planted in the spring and 2) the second crop may not be eligible for crop insurance payments.

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