

Prevent Plant / Late Planting Decisions

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Soybean Balance Sheet

	2018-19 USDA Forecast	2018-19 Forecast	2019-20 USDA Forecast	2019-20 Forecast No acreage change	2019-20 Forecast 2 mill. acre gain
Supply:					
Planted Acreage (mil.)	89.2	89.2	84.6	84.6	86.6
Harvested Acreage (mil.)	88.2	88.2	83.8	83.8	85.8
Yield (bu./ac.)	51.6	51.6	49.4	48.7	48.7
Production (mil. bu.)	4,544	4,544	4,150	4,081	4,178
Beginning stocks (mil. bu.)	438	438	1,070	1,070	1,070
Imports (mil. bu.)	17	17	20	20	20
Total Supply (mil. bu.)	4,999	4,999	5,165	5,171	5,268
Consumption:					
Crush (mil. bu.)	2,100	2,100	2,115	2,115	2,115
Export (mil. bu.)	1,700	1,700	1,950	1,800	1,800
Seed and feed (mil. bu.)	129	129	130	130	130
Total Consumption (mil. bu.)	3,929	3,929	4,195	4,045	4,045
Ending stocks (mil. bu.)	1,070	1,070	1,045	1,126	1,178
Stocks-to-use	27.2%	27.2%	24.9%	27.8%	29.2%
Average farm price (\$/bu.)	\$8.50	\$8.50	\$8.25	\$8.00	\$7.85

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Corn Balance Sheet

	2018-19 USDA Forecast	2018-19 Forecast	2019-20 USDA Forecast	2019-20 Forecast 7 mill. acre loss	2019-20 Forecast 10 mill. acre loss
Supply:					
Planted Acreage (mill. Ac.)	89.1	89.1	89.8	82.8	79.8
Harvested Acreage (mill. Ac.)	81.7	81.7	82.4	75.4	72.4
Yield (Bu. / Ac.)	176.4	176.4	166	166	166
Total Production (mill. Bu.)	14,420	14,420	13,680	12,516	12,018
Beginning Stocks (mill. Bu.)	2,140	2,140	2,195	2,235	2,235
Imports (mill. Bu.)	35	35	50	50	50
Total Supply (mill. Bu.)	16,595	16,595	15,925	14,801	14,303
Consumption:					
Feed and Residual (mill. Bu.)	5,300	5,260	5,150	5,250	5,175
Food, Seed, and Industrial (mill. Bu.)	6,900	6,900	6,950	6,830	6,770
Ethanol (mill. Bu.)	5,450	5,450	5,500	5,380	5,340
Exports (mill. Bu.)	2,200	2,200	2,150	1,550	1,420
Total Consumption (mill. Bu.)	14,400	14,360	14,250	13,630	13,365
Ending Stocks (mill. Bu.)	2,195	2,235	1,675	1,171	938
Stocks-to-Use	15.2%	15.6%	11.7%	8.6%	7.0%
Average Price (\$/bu.)	\$3.60	\$3.60	\$3.80	\$5.00	\$5.50





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Prevent Plant / Late Planting Decisions

MFP: Where the “M” Stands for Mystery.

- Announced May 23rd; latest update: Must plant a crop for harvest (e.g., to be marketed) to be eligible.
- One county rate (TBD) for all acres planted in the county, regardless of crop; \$14.5b for all Title I commodities and alfalfa.
- Potential for “minimal” MFP for those that plant a cover crop (for harvest or forage?).
- Payments will be made in three tranches: summer 2019; Nov. 2019; early 2020.

Prevent Plant & Ad Hoc Disaster.

OFFICE OF THE SECRETARY

For an additional amount for the “Office of the Secretary”, \$1,085,442,000, which shall remain available until December 31, 2020, for necessary expenses related to losses of crops (including milk, on-farm stored commodities, crops prevented from planting in 2019, and harvested adulterated wine grapes), trees, bushes, and vines, as a consequence of Hurricanes Michael and Florence, other hurricanes, floods, tornados, typhoons, volcanic activity, snowstorms, and wildfires occurring in calendar years 2018 and 2019 under such terms and conditions as determined by the Secretary: *Provided*, That the Secretary may provide assistance for such losses in the form of block grants to eligible states and territories and such assistance may include compensation to producers, as determined by the Secretary, for forest restoration and poultry and livestock losses: *Provided further*, That of the amounts provided under this heading, tree assistance payments may be made under section 1501(e) of the Agricultural Act of 2014 (7 U.S.C. 9001(e)) to eligible orchardists or nursery tree growers (as defined in such section) of peach trees with a tree mortality rate that exceeds 7.5 percent (adjusted for normal mortality) and is less than 15 percent (adjusted for normal mortality), to be available until expended, for losses incurred during the period beginning January 1, 2018, and ending December 31, 2018: *Provided further*, That in the case of producers impacted by volcanic activity that resulted in the loss of crop land, or access to crop land, the Secretary shall consider all monies available, as appropriate, to bring replacement land into production: *Provided further*, That of the amounts provided under this heading, not more than \$7,000,000 shall be available to make payments to agricultural producers whose Whole Farm Revenue Protection indemnity payments were reduced following 2018 crop year losses due to assistance received through state-legislated agriculture disaster assistance programs: *Provided further*, That the total amount of payments received under this heading and applicable policies of crop insurance under the Federal Crop Insurance Act (7 U.S.C. 1501) or any law for the Noninsured Crop Disaster Assistance Program (NAP) under section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7313) shall not exceed 90 percent of the loss as determined by the Secretary: *Provided further*, That the total amount of payments received under this heading for producers who did not obtain a policy or plan of insurance for an insurable commodity for the applicable crop year under the Federal Crop Insurance Act (7 U.S.C. 1501) or any law for the crop incurring the losses or did not file the required paperwork and pay the service fee by the applicable State filing deadline for a noninsurable commodity for the applicable crop year under NAP for the crop incurring the losses shall not exceed 70 percent of the loss as determined by the Secretary: *Provided further*, That in the case of a crop under this heading for which the Federal Crop Insurance Corporation offers a revenue insurance policy under section 508 of the Federal Crop Insurance Act (7 U.S.C. 1508), the Secretary shall use the greater of the projected price or the harvest price for such crop to determine the expected value of such crop: *Provided further*, That producers receiving payments under this heading, as determined by the Secretary, shall be required to purchase crop insurance where crop insurance is available for the next two available crop years, excluding tree insurance policies, and producers receiving payments under this heading shall be required to purchase coverage under NAP where crop insurance is not available in the next two available crop years, as

EXAMPLE:

- ✓ Expected revenue = \$800 (APH, 200bu.; \$4 price).
- ✓ Coverage at 85% = \$680
- ✓ PP: 55% * \$680 = \$374
- ✓ Ad Hoc could be up to 90% of \$680 = \$612

- \$3 billion for prevent planting up to 90% of the loss (as determined) or up to 70% for uninsured (90% is not likely, maybe 3 to 5% increase);
- Disaster counties only (?); 2018 and 2019 hurricanes, floods & wildfires;
- Prevent plant on revenue policies can use harvest price in indemnity calculations

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Farmer Decisions

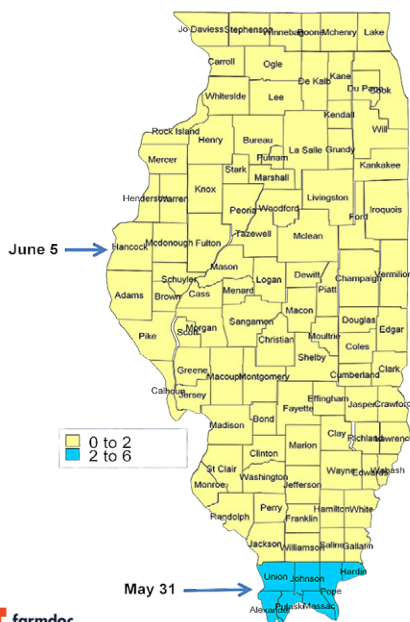
Intended corn acre

1. Should I keep planting corn if I have an RP policy?

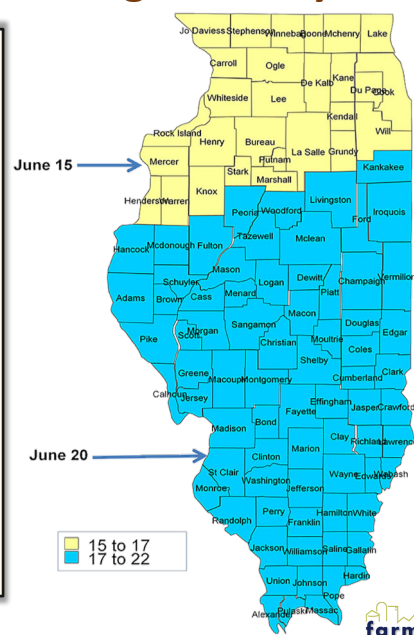
Intended soybean acre

1. I have all my intended corn planted but not all my soybeans acres. Should I switch to corn on my intended soybeans?
2. Should I plant soybeans after soybean final planting date?
3. I have ARP for both corn and soybeans? What should I do?

Final Planting Date Corn



Final Planting Date Soybean



Final Planting Dates

- Date you can take a prevented planting payment for crop
- Can plant after it, but guarantee is reduced
 - 1% per day during late planting period
 - 60% of initial guarantee after late planting period

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Acres intended for corn	Acres intended for soybeans
Late Planting period <ul style="list-style-type: none"> June 5: June 6 to June 25 or May 31: June 1 to June 20 Following decisions in late planting period: <ol style="list-style-type: none"> Prevent payment on corn Plant corn Plant soybeans (STOP, THINK HARD!!) After late planting period <ol style="list-style-type: none"> Take 35% corn prevent planting payment/plant soybeans after late planting period 	Late Planting period <ul style="list-style-type: none"> June 15: June 16 to July 10 (north) or June 20 June 21 to July 15 (central/south) Following decisions in late planting period: <ol style="list-style-type: none"> Prevent planting payment on soybeans Plant soybeans Plant corn (if all intended corn acres are planted)

Eligibility and Prevented Planting Payment

Prevented planting payments on COMBO product	Payment equals	PP factor
<ul style="list-style-type: none"> PP paid on Revenue Protection (RP), Yield Protection (YP), RP with harvest price exclusion Not on SCO Not on ARPI (ARP, AYP, ARP with harvest price exclusion) 	PP payment factor x coverage level x TA-APH yield x projected price	<ul style="list-style-type: none"> 55% for corn (could have bought up to 60%) 60% for soybean (could have both up to 65%)
Note: Some farmers have private add-ons that increase prevented planting coverage to 90% and 95%		

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Projected Prices (for crop insurance), “market” outlook, and RP at high coverage levels

Corn (2019 Projected Price = \$4.00)

- Current Dec contract level = \$4.40
- Good chance harvest price **is greater than \$4.00**
- **Worst case scenario:**
 - Harvest price at \$4.00
 - Yield is at or below RP yield guarantee
- Planting now, look at worst case and bet on higher prices

Soybeans (2019 Projected Price = \$9.54)

- Current Nov CME level = \$8.80 (92% of \$9.54 projected price)
- Good chance harvest price less than \$9.54 projected price
- Likely thinking that RP provide a backstop against low revenue
- Look at revenue at RP guarantee

Acres intended for corn

Late planting period

- June 5: June 6 to June 25 or
- May 31: June 1 to June 20

Following decisions in late planting period:

1. Prevent payment on corn
2. Plant corn
3. Plant soybeans (first plant all intended soybean acres to soybeans)

After late planting period

1. Take 35% corn prevent planting payment/plant soybeans after late planting period

Acres intended for soybeans

Late planting period

- June 15: June 16 to July 10 (north) or
- June 20 June 21 to July 15 (central/south)

Following decisions in late planting period:

1. Prevent planting payment on soybeans
2. Plant soybeans
3. Plant corn (if all intended corn acres are planted)

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Panel A. June 12

TA-APH	Expected Yield	Yield Guarantee Offered by RP at Different Coverage Levels			
		85%	80%	75%	65%
220	171	172	161	150	128
200	155	156	146	136	116
180	141	140	131	122	104
160	126	125	117	109	93

On June 12, expected yields are close to guarantee offered by RP 85%

Panel B. June 19

TA-APH	Expected Yield	Yield Guarantee Offered by RP at Different Coverage Levels			
		85%	80%	75%	65%
220	139	156	145	134	112
200	132	142	132	122	102
180	120	128	119	110	92
160	107	114	106	98	82

On June 19, expected yields are close to guarantee offered by RP 80%

Example I will use (most of the time)

Corn 85% RP at 220 bushel TA-APH

- Prevent planting payment at 55% prevent plant factor (60% was available)
- **\$411 per acre** = .55 prevent plant factor x .85 cl x \$4.00 projected price x 220 TA-APH
- **\$371 net return** = \$411 - \$40 costs (weed control and crop insurance premium)

Soybeans: 85% RP at 65 bushel TA-APH

- Prevent planting payment at 60% prevent plant factor (65% was available)
- **\$316 per acre** = .60 prevent plant factor x .85 cl x \$9.54 projected price x 65 TA-APH
- **\$276 net return** = \$316 - \$40 costs (weed control and crop insurance premium)

NOTE: Soybean prevent planting payment can not be taken until final planting date for soybeans has arrived

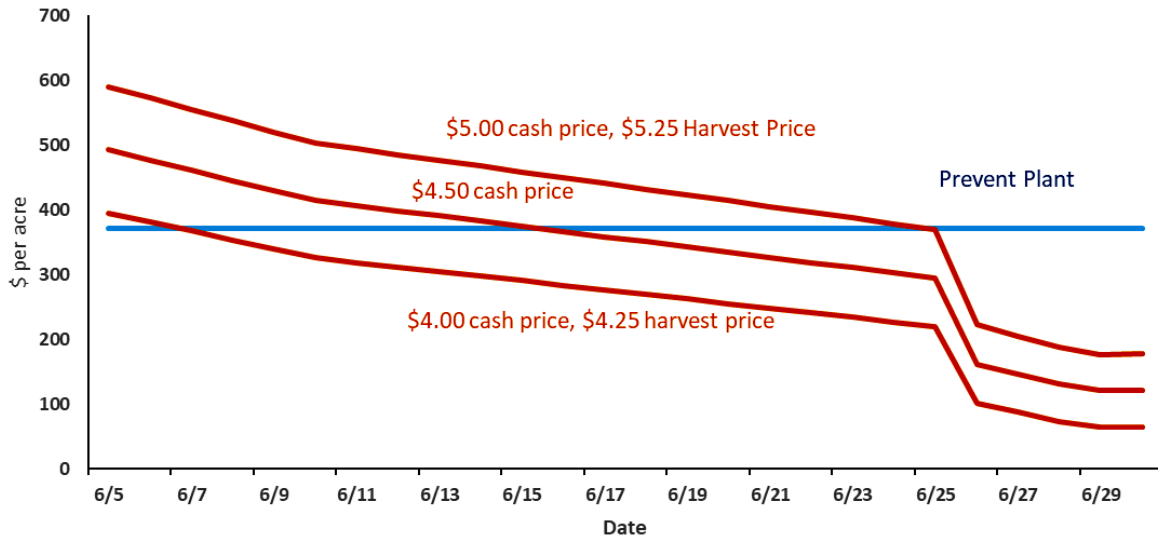
Corn payment **usually much higher** than soybean, make sure that is the case on your farm

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Net Return from Plant Corn and Prevent Plant

Full Costs (\$470) and \$50 MFP, 85% RP, 220 TA-APH



Upside: Plant Corn Net Return Minus Prevent Plant Net Return

APH Yield	Coverage Level			Expected Yield
	85%	75%	65%	
	\$/acre	\$/acre	\$/acre	Bu/acre
220	\$44	\$92	\$141	184.5
200	\$7	\$51	\$95	168.1
180	-\$23	\$16	\$56	153.0
160	-\$58	-\$23	\$12	136.9

\$470 costs, \$45 net return

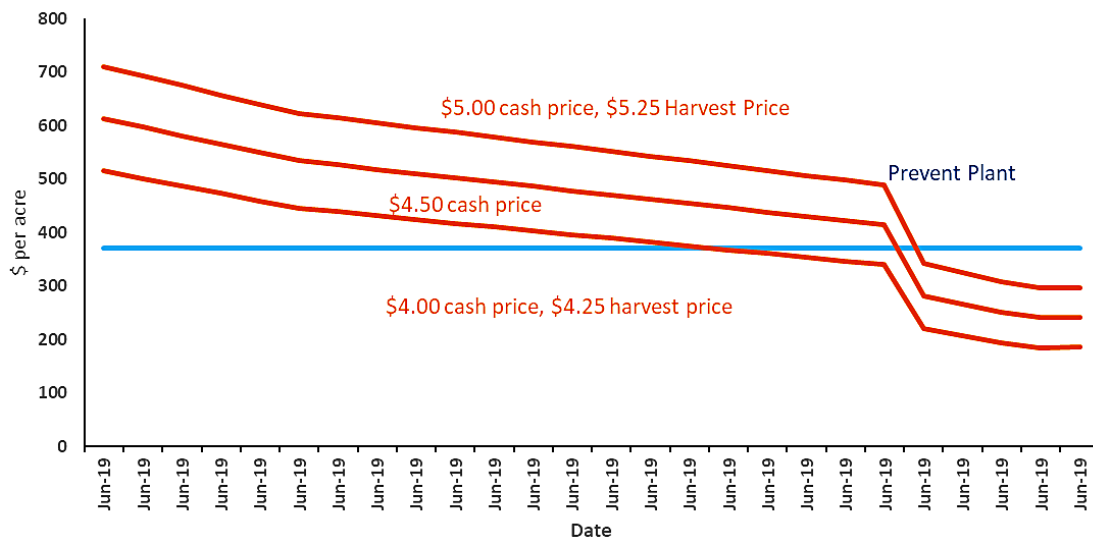
Cash Price \$4.50
basis (\$0.25)
Harvest Price \$4.75

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Net Return from Plant Corn and Prevent Plant

Not Full Costs (\$350) and \$50 MFP, 85% RP, 220 TA-APH



Net returns from higher prices – corn

Need higher prices for planting corn to be economical if inputs have been applied

This table is for a 200 bu TA/APH	Nothing Applied \$470 of Costs, \$50 MFP			N and Pesticides Already Applied \$350 of Costs, \$50 MFP		
	RP Coverage Level			RP Coverage Level		
	85%	75%	65%	85%	75%	65%
Prevent Plant						
Prevent Plant (bu/acre)	374	330	286	374	330	286
Net return (\$ per acre)	\$334	\$290	\$246	\$334	\$290	\$246
Planting -- worst case net return						
Yield for worst case revenue (bu/acre)	156	136	116	156	136	116
Net return (\$ per acre)	\$165	\$90	\$15	\$165	\$90	\$15
Planting -- net return at higher prices and expected yield						
\$4.25 cash price (\$4.50 harvest price)	\$239	\$239	\$239	\$359	\$359	\$359
\$4.50 cash price (\$4.75 harvest price)	\$278	\$278	\$278	\$398	\$398	\$398
\$4.75 cash price (\$5.00 harvest price)	\$316	\$316	\$316	\$436	\$436	\$436
\$5.00 cash price (\$5.25 harvest price)	\$355	\$355	\$355	\$475	\$475	\$475
Expected yield	155	155	155	155	155	155

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Be careful planting soybeans on a corn prevent plant acre

Corn 85% RP at 220 bushel TA-APH

- Prevent planting payment at 55% prevent plant factor (60% was available)
- **\$411 per acre** = .55 prevent plant factor x .85 cl x \$4.00 projected price x 220 TA-APH
- \$371 net return = \$411 - \$40 costs (weed control and crop insurance premium)

Soybean return

\$425	Crop revenue (50 yield x \$8.50 price)
\$77	Insurance payment (65 TA-APH, 85% RP, \$9.00 harvest price)
\$50	MFP
-\$260	Costs
\$292	Crop revenue (50 yield x \$8.50 price)



Acres intended for corn

Late Planting period

- June 5: June 6 to June 25 or
- May 31: June 1 to June 20

Following decisions

in late planting period:

1. Prevent payment on corn
2. Plant corn
3. Plant soybeans (first plant all intended soybean acres to soybeans)

After late planting period

1. Take 35% corn prevent planting payment/plant soybeans after late planting period



Acres intended for soybeans

Late Planting period

- June 15: June 16 to July 10 (north) or
- June 20 June 21 to July 15 (central/south)

Following decisions

in late planting period:

1. Prevent planting payment on soybeans
2. Plant soybeans
3. Plant corn (if all intended corn acres are planted)

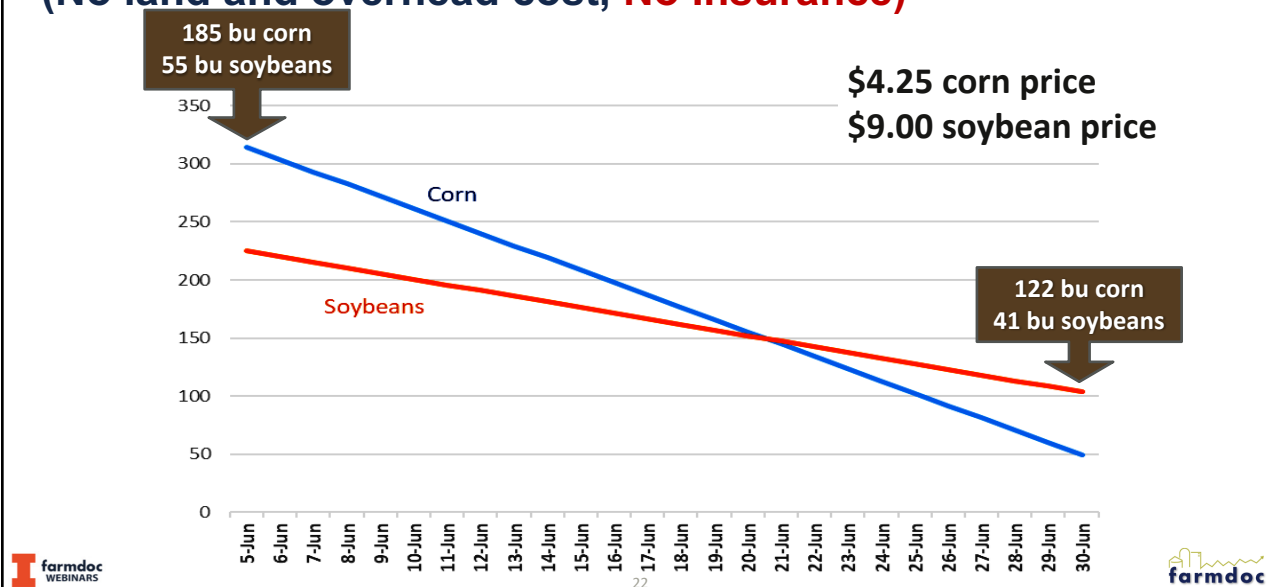


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Plant corn on intended soybean acre

- Should have all intended corn acres planted, no prevent plant
- Corn likely has higher returns than soybeans, but not for very long.
- Need to believe harvest price will be close to \$5.00

Net Returns: Corn and Soybeans (No land and overhead cost, **No Insurance**)



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Intended Soybean Acre

- **Before** Final Planting Date (June 15, June 20)
 - Plant it from an economic and insurance standpoint
- **After** Final Planting Date (June 15, June 20)

Options are:

 - Take prevent planting payment
 - Continue to plant soybeans

85% RP, 65 TA-APH, Full Cost to Incur (\$260)

Prevent Plant Soybeans

- \$276 net return
- Certain payment
- No impact on APH

Plant Soybeans

Will impact APH

Break-even under Full Costs

\$536 revenue (\$276 PP + \$260 soybean costs)
- \$50 MFP

\$486 in revenue from crop sales or crop insurance

\$8.00 cash price: 60 bushels per acre ****

\$8.50 cash price: 57 bushels per acre ****

\$9.00 cash price: 54 bushels per acre ****

**** Does not include crop insurance payments, could generate payments

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Net Return – One day after final plant date

Yield	55	55	55	45	45	45
Harvest price	\$8.50	\$9.00	\$9.50	\$8.50	\$9.00	\$9.50
Cash Price	\$8.10	\$8.60	\$9.10	\$8.10	\$8.60	\$9.10
Crop Revenue	446	473	501	365	387	409
Crop insurance	54	27	0	139	117	94
MFP	50	50	50	50	50	50
- costs	260	260	260	260	260	260
Net return	290	290	291	294	294	293

Net return from Soybean prevent plant = \$276

65 TA-APH

Soybean return exceeds prevent plant until 8 days after final plant date

For Soybean Decisions

(Compare net returns from prevent plant to insurance guarantee)

\$276 net return from prevent planting

Cash price guarantee

\$9.54 projected price - \$.40 basis = \$9.14 cash price

Yield guarantee

65 TA-APH x .85 coverage level x (1-.02) = 54

Goes down 1% per day
during late planting period

Cash insurance guarantee (built in \$.40 basis)

\$9.14 x 54 = \$494

Net return at minimum

\$494 cash insurance guarantee + \$50 MFP - \$260 net costs = **\$283**

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Farmer Decisions

Intended corn acre

1. Should I keep planting corn if I have an RP policy? (Not for much longer)

Intended soybean acre

1. I have all my intended corn planted but not all my soybeans acres. Should I switch to corn on my intended soybeans? (maybe but not much longer)
2. Should I plant soybeans after soybean final planting date? (A while)
3. I have ARP for both corn and soybeans? What should I do? (Plant something)

ARC, PLC and SCO

- If have SCO and want to keep coverage, need to indicate that “intend to take PLC” on July 15 acreage report for crop insurance.
- The intent on July 15 acreage report **does not** bind you to that decision at FSA
- **Can get SCO and ARC-CO in 2019**

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Thank you and Questions

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