

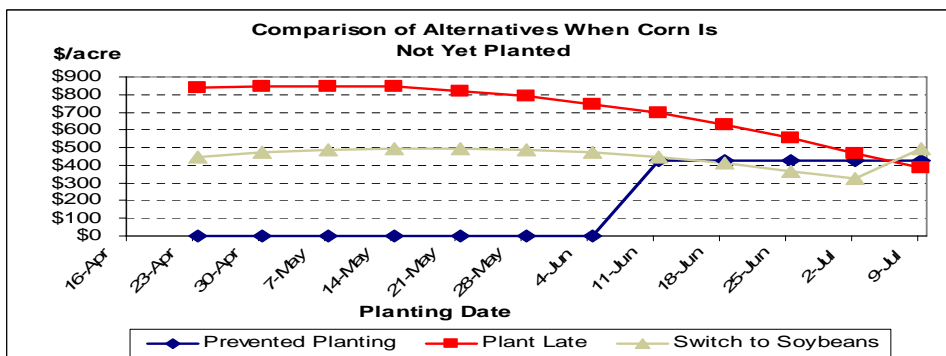
# CROP MARKETING STRATEGIES

## Farming Your Crop Insurance Coverage

The clock is ticking for many farmers to make some key planting and crop insurance decisions. In Iowa, Wednesday, June 25<sup>th</sup> is an important date. That's because it's the last day of the Late Planting Period for corn under multi-peril crop insurance policy coverage.

Farmers can still plant corn after this date. However, coverage changes when they plant after June 25<sup>th</sup> in Iowa. Corn planted after May 31<sup>st</sup>, the Final Corn Planting Date, the insured has lost 1% of coverage per day since June 1<sup>st</sup>. On June 26<sup>th</sup> that coverage drops to 60% of the guarantee on multi-peril policies; Crop Revenue Coverage (CRC), Revenue Assurance (RA) and Actual Production History (APH), if the insured chooses to keep that 2008 coverage in place.

With large 2008 crop insurance revenue guarantees, especially utilizing CRC and RA with the Harvest Price (RA-HP) policies, the decision to keep coverage in place is likely. That's because these products guarantee revenue at the higher of the Spring Base Price, \$5.40/bu for corn. However, a new guarantee is calculated should the fall price be higher than the spring. Fall prices are determined by the daily average December 2008 corn future price closes during the month of October for CRC policies and the month of November for RA-HP policies, respectively.



Source: ISU Ag Decision Maker – File A1-57

Assume a farm has a 170 bu/A corn APH, 75% level of coverage and utilizes CRC or RA-HP coverage in 2008. Plotting potential revenue per acre for those insured acres reflects the revenue decline that occurs for corn yield and soybean yields planted after traditional optimum planting periods. However, the provision for prevented planting contained in multi-peril crop insurance policies provides a “safety net” should good management practices still not allow acres to be planted. Insureds will soon face the deadline to file for prevented planting on corn acres.

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The insured should have already notified their crop insurance agent and likely have had an adjuster on-site. Should the insured choose to claim prevented planting on those acres, they have 72 hours after this final day of the delayed planting period (June 28<sup>th</sup> in Iowa) to file such a claim. Once claims are filed, they will receive 60% of their insurance guarantee minus the premium due. They must also complete FSA Form 576 – Lost Acreage and Prevented Planting as well as certify planted acres on FSA Form 578.

If the insured had already planted a First Crop (corn), and chooses to plant a Second Crop (soybeans), they should make sure they have documentation that the adjuster has “released those corn acres.” They can claim up to 100% of the guarantee minus the premium on the First Crop. The decision to plant a Second Crop requires that it be planted after the late planting period for the First Crop (June 25<sup>th</sup> in Iowa). This only applies if the insured is claiming prevented planting on the First Crop that was already planted. Insureds do not need to wait until the 26<sup>th</sup> to plant, but only make sure that those acres had been released by the insurance company. The Second Crop is automatically insured, unless a form provided by their crop insurance agent is signed prior to planting that crop.

The decision to insure the Second Crop means that only 35% of guarantee on the first crop will be released minus 35% of the premium. With large guarantees likely available on the first crop (corn), the decision to claim 100% of the guarantee minus the premium and “not insure the second crop” will be common.

## Conclusion

It's late June and the stakes are high. Decisions beyond agronomics loom regarding whether to file for prevented planting, plant the First Crop or Second Crop, decide what portion of the crop insurance guarantee to claim and whether to insure a crop planted after the Late Planting period. Insureds need to weigh their ability to not only manage risk of production, but consider contracted bushels committed to delivery and futures market prices. In addition, they have the ability to maximize the revenue guarantee available to them as a result of the crop insurance policy and level of coverage elected in 2008.

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