

# Delayed and Prevented Planting Provisions for Multiple Peril Crop Insurance

**Most crop producers** know that to achieve optimum yields it is important to plant early. Once the danger of a frost is past, the more days the crop has to grow and mature – the higher the yield. However, in some years cold weather or frequent rains may prevent tillage and planting from being completed as early as desired. When this happens some adjustments may be made to the amount of coverage provided by Multiple Peril Crop Insurance (MPCI) policies, such as Yield Protection (YP), Revenue Protection (RP) or Revenue Protection with Harvest Price Exclusion (RPHPE). A description of current insurance policies can be found in [Managing Risk with Crop Insurance](https://store.extension.iastate.edu/Product/1844.pdf), FM1854/AgDM File A1-48, <https://store.extension.iastate.edu/Product/1844.pdf>. These adjustments are subject to revision each year by the [USDA Risk Management Agency](http://www.rma.usda.gov) (RMA), [www.rma.usda.gov](http://www.rma.usda.gov), and crop insurance providers.

The **first situation** that can arise is when the original crop cannot be planted on time. In this case the producer has three choices:

- Plant the original crop, even though yields may be reduced
- Plant an alternative crop
- Abandon the acres and plant a cover crop

A **second situation** arises when the original crop is planted, but is severely damaged by frost, hail, wind, floods, or other natural occurrences. In this case several options are available:

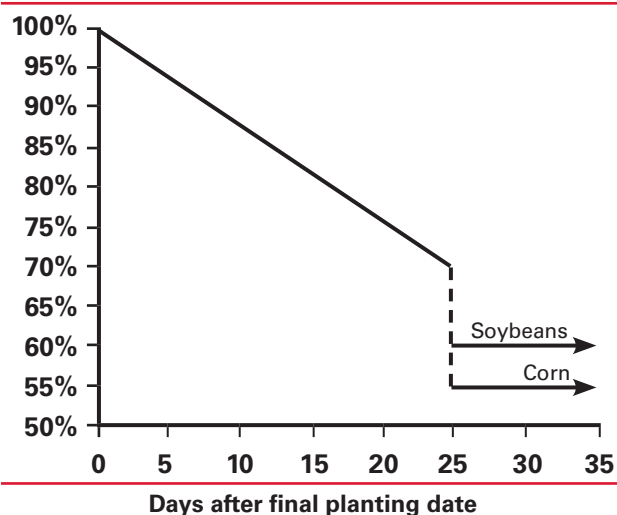
- Leave the damaged crop as it is
- Replant the same crop
- Plant a different crop
- Abandon the acres and plant a cover crop

Each of these situations has different consequences for crop insurance coverage.

## Late Planting Coverage

MPCI policies include a 25-day **late planting period**. In Iowa, this period begins on the day

**Figure 1. Late coverage as percent of original coverage**



after the **final planting date**, that is, June 1 for corn and June 16 for soybeans. These dates may be different in other states and for other crops. Any acres planted during this period receive a lower yield or revenue guarantee than those acres planted earlier. The coverage is reduced one percent per day for each of the next 25 days, then drops to 55 percent for corn and 60 percent for soybeans after the end of the late planting period (Figure 1).

Insured acres not planted until after June 25 for corn and July 10 for soybeans due to insurable causes can still be insured, but at the applicable reduced level of coverage. This reduction applies to both the yield guarantee under YP policies, or the revenue guarantee under RP policies.

|                             | <b>Corn</b> | <b>Soybeans</b> |
|-----------------------------|-------------|-----------------|
| <b>Final planting date</b>  | May 31      | June 15         |
| <b>Late planting period</b> | June 1-25   | June 16-July 10 |

It is important to remember that the yield guarantees and actual yields on late planted crops

**Example 1. Late planting**

You have an Actual Production History (APH) corn yield of 175 bushels per acre insured with an RP policy at the 80 percent level, and an indemnity price of \$4.00, for a revenue guarantee of \$560 per acre:

$$80\% \times 175 \text{ bushels} \times \$4.00 = \$560 \text{ per acre}$$

There are 250 acres of corn in the insured unit. Of these, 180 acres are planted before June 1. However, wet weather prevents you from planting 40 acres until June 5, and the last 30 acres cannot be planted until June 15. The production guarantees are as follows:

- 180 acres with no reduction
- 40 acres reduced 1 percent per day for 5 days
- 30 acres reduced 1 percent per day for 15 days

|                            |                      |               |
|----------------------------|----------------------|---------------|
| 180 acres                  | \$560 x 100% = \$560 | \$100,800     |
| 40 acres                   | \$560 x 95% = \$532  | 21,280        |
| 30 acres                   | \$560 x 85% = \$476  | <u>14,280</u> |
| Total revenue guaranteed   |                      | \$136,360     |
| Average guarantee per acre |                      | \$545.44      |

are averaged together with those of all the timely planted acres in the same insurance unit rather than considered separately. Example 1 shows how the final guarantee for a mixture of timely planted and late planted acres is determined.

**Prevented Planting**

Policy holders who are prevented from planting some crop acres until after the late planting period and choose to not plant the crop at all, will receive 55 percent of the original guarantee for corn or 60 percent of the original guarantee for soybeans. For an additional premium, prevented planting coverage can be increased to 60 percent of the original coverage for corn acres, or for soybean acres, 65 percent of the original coverage. This choice must be made when the policy is purchased, however.

In some years, not planting may be more profitable than planting the crop very late and harvesting only a low yield. In order to receive the full prevented planting payment, no other harvested crop may be planted on these acres, however, a cover crop can be planted. Example 2 illustrates a prevented planting situation.

If a second insurable crop is planted in place of the first crop **on or before** the end of the late planting period (June 25 for corn in Iowa), coverage for the second crop simply replaces the coverage for the first crop. If the crop is planted **after** this date, the second crop can still be insured and a payment equal to 35 percent of the prevented planting payment on the first crop will be received, as well (Example 3).

**Example 2. Prevented planting**

You have 250 acres of corn in the insured unit, with a guarantee of \$560, just as in the previous example. This time 150 acres are planted before May 31, but prolonged wet weather prevents you from planting the last 100 acres.

Assume you are unable to plant any crop on the 100 acres, your guarantee on the timely planted acres would remain at \$560, but your guarantee on the 100 prevented planted acres would be only 55 percent of that, or \$308.

Your prevented planting payment would be:

$$\$308 \times 100 \text{ acres} = \$30,800$$

**Example 3. Planting an alternative crop**

Now suppose you qualify for prevented planting on the 100 acres in Example 2, but you are able to plant the acres to soybeans on June 30. You would receive 85 percent of your original soybean coverage (one percent reduction per day for each day after June 15) for the 100 acres. In addition, you would receive 35 percent of the prevented planting payment for the corn acres.

$$35\% \times \$308 \times 100 \text{ acres} = \$10,780$$

**Minimum Areas**

Very small land areas do not qualify for the prevented planting coverage, or for replanting payments. Affected areas must be equal to or greater than 20 acres in size, or 20 percent of the insured acreage that was intended to be planted for units under 100 acres.

**Replanting Coverage**

If an insured crop is severely damaged due to a natural peril such as hail or frost and is projected to produce less than 90 percent of the guaranteed

yield, the producer can receive a replanting payment equal to the projected price each year multiplied by the following:

- 8 bushels for corn
- 3 bushels for soybeans

The minimum area rules also apply for replanting payments, and the same crop must be planted again. The same production guarantee is still in effect, based on the original planting date. The replant option is not available for catastrophic level coverage (CAT) or group risk policies (Area Risk Protection Insurance (ARPI) Products). Example 4 illustrates how a replant payment for soybeans might occur.

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#### Example 4. Replanting

Your insured soybean crop is hit with hail, and is projected to yield only 19 bushels per acre. You decide that it would pay to replant. Your APH yield is 50 bushels per acre. You have chosen to insure with an RP policy at the 80 percent yield level with a price election of \$10.00 per bushel. Your revenue guarantee is \$400 per acre:

$$80\% \times 50 \text{ bushels} \times \$10.00 = \$400 \text{ per acre}$$

The projected yield of 19 bushels is less than 90 percent of the guaranteed yield:

$$90\% \times (80\% \times 50 \text{ bushels}) = 36 \text{ bushels}$$

Therefore, you would receive a replant payment equal to the indemnity value of 3 bushels of soybeans per acre, or \$30.00 for this example.

$$3 \text{ bushels} \times \$10.00 = \$30.00$$


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#### Practical to Replant

The insurance provider may determine that it is still **practical to replant** a damaged crop. This will generally be true for up to ten days after the RMA final planting date for that crop, which would be through June 10 for corn and June 25 for soybeans in Iowa. Dates may differ for other crops and other states. If it is deemed practical to replant a damaged crop, the producer can (1) replant the original crop, receive a replant payment, and maintain 100 percent of the original insurance coverage on that crop, (2) plant a second crop instead and insure it, or (3) do neither, in which case the insurance coverage on the original crop is voided and no premium is due.

#### Planting a Second Crop

If the producer elects to plant a different crop in place of the original crop, the area must first be released by the insurance provider. If the second crop planting date is **on or before** the end of the practical to replant period (June 10 for corn and June 25 for soybeans), the insurance coverage and premium for the first crop are eliminated, and the second crop can receive full insurance coverage, the same as if it were the original crop.

If the second crop planting date is **after** the practical to replant period, different rules apply. If the second crop is **not** insured, the producer will receive 100 percent of the indemnity payment due on the first crop, based on an adjustor's estimate of yield loss (Example 5), and have no coverage on the second crop.

If the second crop **is** insured, the producer will first receive 35 percent of the loss payment on the first crop. If the second crop does not have a loss, the other 65 percent of the first crop loss will be paid after harvest. If a loss claim is filed on the second crop, however, the producer can choose to take the second crop payment or the remaining 65 percent of the first crop payment, whichever is greater (Example 5). Whenever the producer receives only 35 percent of the payment for the first crop, whether planted or not, only 35 percent of the original premium for the policy on those acres will be charged.

For acres rented under a crop share lease, the tenant and the landowner must make the same choice about insuring the second crop.

Agronomic factors such as herbicide programs, yield and fertility considerations for the following year, feed needs for livestock, and long-term crop rotations also need to be given serious consideration when deciding whether or not to plant a different second crop.

The provisions for replanted crops should not be confused with those pertaining to late planted crops, as explained on page one.

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**Example 5. Plant a second crop**

Your corn crop was planted before the final planting date, but later hail damages it severely. The crop loss is projected by the adjuster to be 30 bushels per acre below your 140 bushel guarantee (175 bu. x 80%). You decide to tear it up and plant soybeans on the same acres.

If you do **not** insure soybeans on this unit, you will receive a corn indemnity payment equal to 100 percent of your loss:

$$30 \text{ bushels} \times \$4.00 = \$120 \text{ per acre}$$

If you **do** insure soybeans on this unit, you will receive a payment equal to 35 percent of corn loss:

$$35\% \times 30 \text{ bushels} \times \$4.00 = \$42 \text{ per acre}$$

If you insure the soybeans with an RP policy at the 80 percent level, with an APH yield of 50 bushels per acre, your revenue guarantee will be:

$$80\% \times 50 \text{ bushels} \times \$10.00 = \$400 \text{ per acre}$$

If the soybeans yield only 25 bushels per acre at harvest and the fall price is still \$10.00, you could receive a soybean payment of:

$$\$400 - (25 \text{ bu.} \times \$10.00) = \$150 \text{ per acre}$$

You can take the larger of the soybean payment or the remaining corn payment. In this example the additional corn payment is:

$$65\% \times 30 \text{ bushels} \times \$4.00 = \$78 \text{ per acre}$$

If you choose to receive the soybean payment, you will pay 35 percent of the corn premium and all the soybean premium.

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**Planting a Cover Crop**

Producers who elect to plant a cover crop after the late planting period can choose to hay or graze it before November 1 and receive 35 percent of the indemnity payment, or wait to hay or graze it on or after November 1 and receive the full indemnity payment for their first crop.

**Effects on APH Yield**

The yield history on any prevented planting acres for the following year will be calculated as 60 percent of the existing Actual Production History (APH) yield for that unit, if a second crop is planted and a 35 percent payment is collected. If a producer collects a prevented planting payment and does not plant a second crop, no yield history is counted for that year and the APH yield for that unit is not affected for the following year.

Work with an approved insurance provider to determine delayed or prevented planting decisions for individual operations.

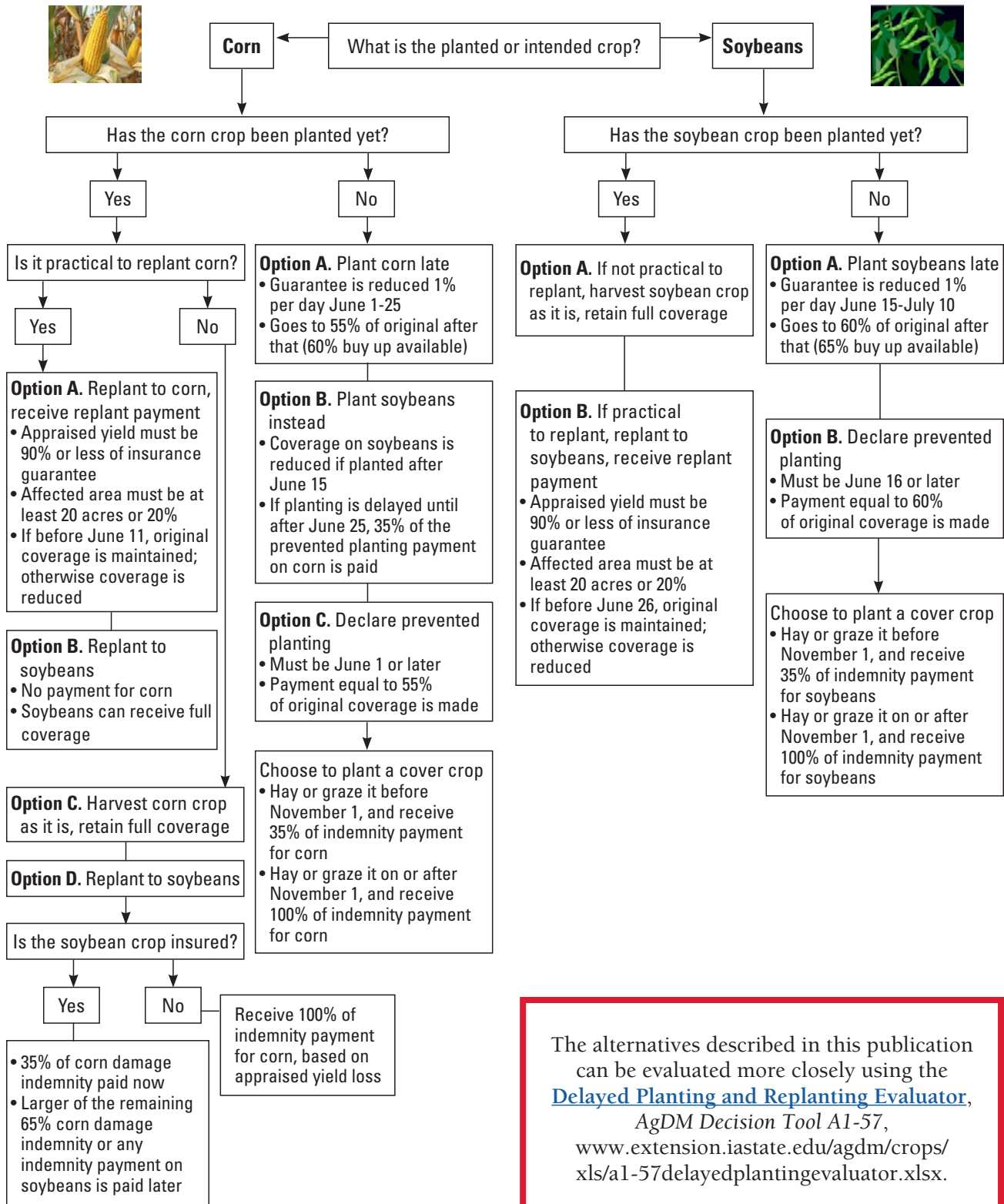
**Summary of effects on crop insurance coverage**

| Action  | Original crop has not been planted  | Original crop has been planted  |
|---|---|---|
| Plant or replant original crop                | Coverage on original crop may be reduced for late planting.   | Replant payment may be paid if appraised loss is more than 10% of guaranteed yield.   |
| Plant a second crop                           | <p>Coverage on second crop is in effect, but may be reduced for late planting.</p> <p>If the second crop can't be planted until after the end of the original crop's late planting period, 35% of the prevented planting payment for the original crop is paid.</p> | <p>Still practical to replant:<br/>Coverage on second crop replaces coverage on first crop, no payment on first crop.</p> <p>Not practical to replant:<br/>Second crop not insured: payment made based on appraised loss of original crop.</p> <p>Second crop insured, no loss suffered: 35% of payment for original crop made first, then 65%.</p> <p>Second crop insured, suffers loss: 35% of payment for original crop made, then larger of 65% of payment for original crop or 100% of payment for second crop paid.</p> |
| Abandon the acres (after final planting date) | 100% of prevented planting payment is paid (55% of original coverage for corn and 60% for soybeans).  | Not applicable  |
| Harvest original crop                         | Not applicable  | Payment based on harvested yield and projected or harvest price   |

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Late Planting, Prevented Planting, and Replanting Decisions for Corn and Soybeans in Iowa



Note: Flow chart may not cover every situation; work with your approved insurance provider to find the right decision for your operation.