Flood damaged crops, crop insurance payments, and lease contracts

by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

Some Iowa corn and soybean producers are facing substantial if not complete crop losses due to flooding. In particular, many acres of crops in the Missouri River Valley have been under water for a month or more this year. Fortunately, nearly 90 percent of Iowa’s corn and soybean acres are protected by multiple peril crop insurance.

Crop insurance
Most Iowa producers purchase crop insurance policies with a 75 or 80 percent level of coverage. This means that if crops are a total loss, the producer must withstand the first 20 to 25 percent of the loss. However, in 2011 nearly 90 percent of the crop acres insured in Iowa were covered under Revenue Protection policies, which offer an increasing guarantee if prices increase between February and October. So far, this has added over a dollar per bushel to corn guarantees and about $.25 per bushel to soybean guarantees. Moreover, since Revenue Protection policies are settled at the average nearby futures price during the month of October, rather than local cash prices, farmers will receive a bonus equal to the fall grain basis in their area.

Producers with crops that have been totally destroyed by flooding will not have to incur the variable costs of harvesting. This could save around $20 per acre for soybeans and perhaps $70 per acre for corn, depending on potential yields and drying costs. Nevertheless, even producers who carried insurance at an 80 percent coverage level could be looking at net revenues of at least $100 per acre below those obtained from normal yields this year.

Potential losses
For example, assume an insured tract has an expected corn yield of 160 bushels per acre and an

Handbook updates
For those of you subscribing to the handbook, the following new update is included.

Change in Corn Prices by Two Week Period, 2001-2010 – A2-17 (1 page)
Change in Soybean Prices by Two Week Period, 2001-2010 – A2-18 (1 page)

Please add these files to your handbook and remove the out-of-date material.

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insurance proven yield of 150 bushels per acre. A normal crop marketed at $6.50 per bushel would bring $1,040 per acre. The insurance indemnity payment for an 80 percent RP guarantee, zero yield, and an October futures price of $7.00 would equal 150 bu. x $7.00 x 80% = $840. Saving $70 in harvest costs would give an equivalent of $910 per acre, or $130 below the value of a normal crop.

For soybeans, assume both the expected yield and the proven yield are 50 bushels per acre, and the crop could be marketed at $13 per bushel. Gross income for a normal crop would be $650 per acre. The insurance payment for a complete crop failure and a $13.75 October futures price would be 50 bu. x $13.75 x 80% = $550. Savings of $20 in harvesting costs brings the equivalent of $570 per acre, or $80 below the value of a normal crop.

In many cases, of course, flooded acres will make up only a portion of the insured unit, so production from non-flooded acres will be averaged in with the zero yields from the flooded acres.

The real question is how much will it cost to clean up fields and bring them back into production next year? Iowa farmers have not had prior experience with fields being under water for extended periods of time, so effects are difficult to estimate. Problems will range from physically removing debris to leveling eroded areas to restoring fertility.

**Rental contracts**

What do these questions imply for rental contracts? A great deal of uncertainty, for one thing. Lease agreements in Iowa continue in effect for another year under the same terms if they are not terminated on or before September 1. Either an owner or a tenant can terminate a lease. Operators who rented flood covered land this year may want to think seriously about whether they want to rent those acres next year, especially at the same level of cash rent. Leases can be terminated by delivering a notice in person to the other party, sending it by certified mail, or (rarely) publishing it.

Landowners will have to bear the burden of mitigating flood damages—that goes with owning property. But, a better solution may be for renters and owners to work together to repair the damage and bring the land back into production. Farm operators may have access to machinery that can help accomplish the job that owners do not. In return, tenants should be compensated for their efforts, either directly, through a significant discount on the 2012 rent, or with a long-term lease.

**Next year**

In some cases there may be doubt as to whether land flooded this year can even be planted next year. Risk Management Agency rules state that land must be physically available for planting to be insurable. Land that cannot be planted due to weather events that occurred before the sales closing date (March 15 in Iowa) is not eligible for prevented planting payments. When operators report their 2011 production, they can request that their 2011 yield histories reflect a value equal to 60 percent of the county “T-yield” rather than a zero or very low yield.

Close communication and cooperation between owners, crop insurance agents and renters can be a “win-win” strategy in the long run, but recovery will likely take several years. Additional information about managing flood damaged cropland will be available Iowa State University Extension and Outreach as the waters recede and the situation is assessed. website at http://www.extension.iastate.edu/topic/recovering-disasters.
Iowa farm and rural life poll: 2010 summary report
By J. Gordon Arbuckle, Jr., extension sociologist; Paul Lasley, extension sociologist; Peter Korsching, professor; and Chris Kast, research assistant.

The Iowa Farm and Rural Life Poll is an annual survey that collects and disseminates information on issues of importance to rural communities across Iowa and the Midwest. Conducted every year since its establishment in 1982, the Farm Poll is the longest-running survey of its kind in the nation. Iowa State University Extension, the Iowa Agriculture and Home Economics Experiment Station, the Iowa Department of Agriculture and Land Stewardship, and the Iowa Agricultural Statistics Service are all partners in the Farm Poll effort. The information gathered through the Farm Poll is used to inform the development and improvement of research and extension programs and is used by local, state and national leaders in their decision-making processes. We thank the many farm families who responded to this year’s survey and appreciate their continued participation in the Farm Poll.

Who participates?
The 2010 Farm Poll questionnaires were mailed in January and February to a statewide panel of 2,224 farm operators. Usable surveys were received from 1,360 farmers, resulting in a response rate of 61 percent. On average, Farm Poll participants were 64 years old. Most Farm Poll participants draw a significant proportion of their overall household income from farming. Forty-eight percent of participants reported that farm income made up more than half of their 2009 household income, and an additional 19 percent earned between 26 and 50 percent of their household income from the farm operation.

Much of the 2010 Farm Poll survey focused on community and economic development issues. This report presents data on changes in perceptions about rural community life over time and population change. Copies of this or any other year’s reports are available from your county extension office, the ISU Extension Online Store (www.extension.iastate.edu/store), ISU Extension Sociology (www.soc.iastate.edu/extension/farmpoll), or from the authors.

Highlights from the 2010 farm poll
Community life and neighboring
Friends and neighbors are a critical part of social support networks and influence quality of life. The Farm Poll has tracked changes in rural social networks for nearly 30 years. Similar to previous years, the 2010 survey points to mixed perceptions of the current state of rural social relations. On the down side, nearly 90 percent of farmers agreed that people do not depend on each other as they have in the past; 71 percent believed that they have fewer neighbors than they did 10 years ago; 55 percent indicated that they only see their neighbors when they drive by their farms; and only 32 percent agreed that their neighborhoods are close-knit (table 1). Questions examining changes in relationships between neighbors over the last 10 years provided similar results: 58 percent believed neighbors helping each other had declined, and 79 percent indicated that visitation among neighbors had declined (table 2).

Not all assessments of community life and neighboring were negative. On the positive side, 72 percent of farmers agreed that they can always count on their neighbors if they need help, and only about one-third indicated that people do not seem to help each other as much as they did in the past (table 1). Sixty-nine percent agreed that when people in their communities need a hand, there are always neighbors who are willing to help out. Farmers’ assessments of changes in their own relationships with neighbors indicated stability over the last decade: 77 percent of farmers rated their level of helping other neighbors as either unchanged or improved and 59 percent indicated that the amount of visiting they do with neighbors had stayed the same or increased (table 2).

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The Farm Poll has been tracking quality of life (QOL) among Iowa farmers every even-numbered year since 1982. Results from 2008 showed the largest increases in QOL in several years. Assessments from 2010 were largely positive as well. Eighty-three percent of farmers reported that their families’ quality of life had either stayed the same (52 percent) or increased (31 percent) over the previous five years. Farmers’ appraisals of how other families in their communities had fared were somewhat less positive, with 52 percent reporting no change and 17 percent reporting improvements. Attitudes about future QOL were generally bright, with 79 percent of farmers predicting no change or improvement for their own families and 69 percent forecasting the same for other families in their communities. Projections regarding the overall economic prospects for Iowa farmers were less optimistic: 41 percent believed that they would deteriorate, 17 percent predicted improvement, and the remaining 42 percent expected no change.

**Population loss**
More than three-quarters of Iowa’s counties have lost population since 1980, and half have seen their

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**Table 1. Community Life**

<table>
<thead>
<tr>
<th>People don’t depend upon each other like they once did</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Undecided</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>66</td>
<td>23</td>
</tr>
<tr>
<td>I can always count on my neighbors if I need help.....</td>
<td>2</td>
<td>7</td>
<td>18</td>
<td>58</td>
<td>14</td>
</tr>
<tr>
<td>I have fewer neighbors than I did 10 years ago.........</td>
<td>3</td>
<td>22</td>
<td>5</td>
<td>47</td>
<td>24</td>
</tr>
<tr>
<td>Whenever someone in our community needs help, there are always plenty of neighbors willing to help them</td>
<td>1</td>
<td>6</td>
<td>24</td>
<td>61</td>
<td>8</td>
</tr>
<tr>
<td>Farmers are so well equipped today that few farmers need their neighbors’ help</td>
<td>1</td>
<td>17</td>
<td>17</td>
<td>57</td>
<td>8</td>
</tr>
<tr>
<td>I’m not as active in community affairs as I should be</td>
<td>3</td>
<td>23</td>
<td>17</td>
<td>53</td>
<td>4</td>
</tr>
<tr>
<td>About the only time I see my neighbors is when they drive past my farm</td>
<td>2</td>
<td>35</td>
<td>9</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>People don’t seem as willing to help each other as they once did</td>
<td>3</td>
<td>39</td>
<td>20</td>
<td>33</td>
<td>5</td>
</tr>
<tr>
<td>Our neighborhood is close-knit</td>
<td>4</td>
<td>32</td>
<td>32</td>
<td>30</td>
<td>2</td>
</tr>
</tbody>
</table>

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**Table 2. Neighboring**

<table>
<thead>
<tr>
<th>Do you feel that neighbors helping each other over the past 10 years has</th>
<th>Greatly Declined</th>
<th>Somewhat Declined</th>
<th>Remained the Same</th>
<th>Somewhat Increased</th>
<th>Greatly Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12</td>
<td>46</td>
<td>40</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Do you feel that neighbors visiting each other over the past 10 years has</td>
<td>26</td>
<td>53</td>
<td>20</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Over the past 10 years, how has your level of helping other neighbors changed</td>
<td>4</td>
<td>19</td>
<td>67</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Over the past 10 years, how has your level of visiting other neighbors changed</td>
<td>8</td>
<td>34</td>
<td>52</td>
<td>7</td>
<td>0</td>
</tr>
</tbody>
</table>
populations drop by more than 10 percent. Counties that rely the most on farming have generally been the hardest hit, with a number of Iowa’s farm-dependent counties losing 20 percent or more of their population between 1980 and 2000. Over that same period, the rural population that lives on farms declined from nearly 400,000 to under 200,000. While this is a long-term trend, population loss, especially the loss of young, educated people from Iowa’s rural areas—often referred to as the “rural brain drain”—has garnered increasing attention over the last several years.

This year’s Farm Poll included two sets of questions to explore farmers’ perspectives related to population decline, and especially the loss of young people from rural areas. The first asked farmers to evaluate several key issues related to population decline. The second set of questions focused on the loss of young people to other areas and examines reasons underlying that out-migration.

The first set of questions asked farmers to rate the degree to which a series of population-related issues are a concern in their communities on a five-point scale ranging from “not a concern at all” (1) to “a major concern” (5). The highest-rated issues were directly related to the out-migration of younger community members. Three items were rated at 3.5 on the five-point scale: inability to attract or retain young people; loss of the brightest young people to other places; and, an increasing proportion of older residents due to out-migration of young people (figure 1). Following in order of level of concern were the loss of young people to urban areas (3.4) and declining viability of local schools (3.4). Interestingly, general population decline, while it did rate as a concern, was rated lowest at 3.3 on the five-point scale. This finding suggests that overall population decline is less of a concern in rural communities than the loss of young people.

Farm Poll participants were provided a list of 11 statements about factors that may be considered potential contributors to rural out-migration among Iowa’s youth and young adults. They were asked to indicate their level of agreement with each statement, “about the reasons that young people leave,” on a five-point scale ranging from strongly disagree to strongly agree. Analyses focused only on the farmers who indicated that this phenomenon is a major concern in their communities. Only responses from farmers who selected four or five on one or both of the five-point concern scales for the items, “the loss of young people who are moving to larger cities,” and, “the loss of the brightest young people to other places,” were analyzed.

Not surprisingly, economic factors topped the list of potential reasons for leaving. Ninety-five percent of farmers agreed or strongly agreed that young people have left their communities because larger communities offer higher paying jobs, and 94 percent agreed that a lack of good jobs in their communities has contributed to young people leaving (figure 2). Two other statements received levels of agreement greater than 50 percent: “There is really nothing here to retain young families,” (60 percent); and, “Young people are no longer interested in farming and rural living,” (51 percent).

Several other statements run counter to recent assertions...
about community actions and reactions to the out-migration of young rural Iowans. Some analysts suggest that many rural communities have done little to retain their young people, or have actively encouraged them, especially the best and brightest, to leave in search of opportunities elsewhere. On the whole, Farm Poll participants do not agree with those assessments. Only about one-third of farmers agreed that community leaders do not appear to care about loss of the younger population, and just 32 percent agreed that their communities have ignored the issue (figure 2). Only thirty percent agreed that young people are encouraged to leave. Nevertheless, these levels of agreement with statements about inaction and/or explicit or implicit encouragement to leave indicate that a substantial minority of farmers believe that their communities have not done enough to retain young people.

![Figure 2. Reasons young people have left, percent agree or strongly agree](image)

Renea Miller provided valuable layout assistance to the questionnaire and this report. The Iowa Department of Land Stewardship, Division of Statistics, assisted in the data collection.

Updates, continued from page 1

Internet Updates
The following information files and tools have been added or updated on www.extension.iastate.edu/agdm.

Iowa Farm Lease (form) -- C2-12 (10 pages)
Iowa Farm Lease Form (short form) -- C2-16 (2 pages)

Current Profitability
The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability -- A1-85
Soybean Profitability -- A1-86
Ethanol Profitability -- D1-10
Biodiesel Profitability -- D1-15

Returns for Farrow-to-Finish -- B1-30
Returns for Weaned Pigs -- B1-33
Returns for Steer Calves -- B1-35
Returns for Yearling Steers -- B1-35

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