Delayed and Prevented Planting Provisions

Ag Decision Maker

File A1-57

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), such as Yield Protection, Revenue Protection or Area Risk Protection Insurance (ARPI), as well as other types of crop insurance. A description of Current Insurance Policies can be found in **Managing Risk with Crop Insurance** (*FM1854/AgDM File A1-48*) (https://store.extension.iastate.edu/Product/1844.pdf).These adjustments are subject to revision each year by the Risk Management Agency (RMA) and crop insurance vendors.

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

- Go ahead and 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:

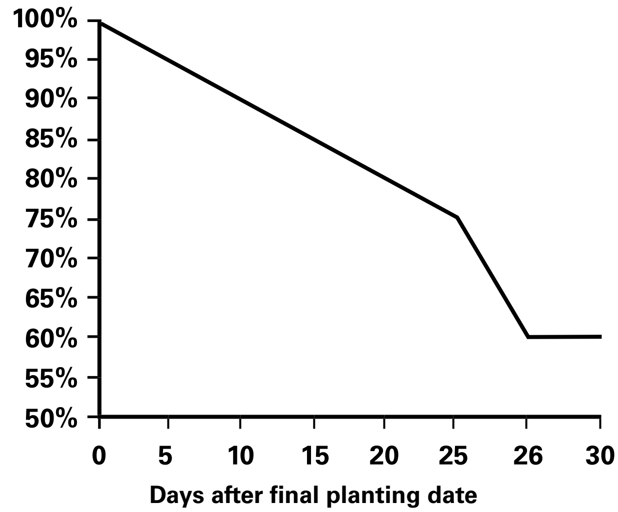
- Leave the damaged crop as it is
- Replant the same crop
- Plant a different crop
- Abandon the acres, and plant a cover crop

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 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. (Figure 1)

Figure 1. Late coverage as percent of original coverage



Insured acres not planted until after the end of the late planting period (June 25 for corn and July 10 for soybeans) due to insurable causes can still be insured at the prevented planting coverage level chosen in the original policy.

	Corn	Soybeans
Final planting date	May 31	June 15
Late planting period	June 1-25	June 16-July 10

This reduction applies to both the yield guarantee under Yield Protection (YP) policies, or the revenue guarantee under Revenue Protection (RP) policies.

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

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Example 1. Late planting

You have an APH corn yield of 143 bushels per acre insured at the 70 percent level, for a production guarantee of 100 bushels per acre:

70% x 143 bushels = 100 bushels

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 4, and the last 30 acres cannot be planted until June 12. The production guarantees are as follows:

- 180 acres with no reduction
- 40 acres reduced 1 percent per day for 4 days
- 30 acres reduced 1 percent per day for 12 days

180 acres	100 bu./acre	18,000 bu.
40 acres	96 bu./acre	3,840 bu.
30 acres	88 bu./acre	2,640 bu.
Total bushels guaranteed		24,480 bu.
Average guarantee per acre		98 bu.

Prevented Planting

Policy holders who are prevented from planting some crop acres until after the final planting date may 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, except under a group protection policy. For an additional premium, prevented planting coverage can be increased to 60 or 65 percent of the original coverage for corn acres, or for soybean acres, 65 or 70 percent of the original coverage. This choice must be made when the policy is purchased, however. In some years this may be more profitable than planting the crop very late and harvesting only a low yield. No other crop may be planted on these acres, including forage crops to be hayed or grazed. A cover crop can be planted, however. 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 payment equal to 35 percent of the prevented planting payment on the crop will be received, as well (Example 2).

Example 2. Prevented planting

You have 250 acres of corn in the insured unit, with a guarantee of 100 bushels per acre, 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.

Your guarantee on the timely planted acres would remain at 100 bushels, but your guarantee on the 100 prevented planted acres would be only 55 percent, or 55 bushels per acre. Assume that the corn indemnity price this year is $4.00 per bushel.

Assume you are unable to plant any crop on the 100 acres. Your insurance payment would be:

55 bushels x $4.00 = $220 per acre

Now suppose you are able to plant the last 100 acres on June 30 to soybeans. You would receive 85 percent of your original soybean coverage (1 percent per 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% x 55% x 100 bushels x $4.00 = $77 per acre

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 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 (ARPI Products). Example 3 illustrates how a replant payment for soybeans might occur.

Example 3. 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 40 bushels per acre. You have chosen to insure with a YP policy at the 70 percent yield level with a price election of $10.00 per bushel. Your yield guarantee is 28 bushels:

70% x 40 bushels = 28 bushels

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

90% x 28 bushels = 25.2 bushels

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

3 bushels x $10.00 = $30.00

Planting a Second Crop

When a crop is damaged late in the planting season, the producer may prefer to plant a different crop in place of the original crop. The area must be released by the insurance carrier first. The second crop can be insured if it was included in the original policy. 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 4).

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 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 4). 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.

Example 4. 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 adjustor to be 30 bushels per acre below your 100-bushel guarantee. 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 bushels x $4.00 = $120 per acre

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

35% x 30 bushels x $4.00 = $42 per acre

If you insure the soybeans with an APH policy at the 70 percent level, with an APH yield of 40 bushels per acre, your yield guarantee will be:

70% x 40 bushels = 28 bushels per acre

If the soybeans yield only 19 bushels per acre at harvest, you can receive a soybean payment of:

(28 bu. – 19 bu.) x $10.00 = $90 per acre

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

65% x 30 bushels x $4.00 = $78 per acre

If the soybeans yield 28 bushels per acre or more, there is no soybean loss, so you receive the other 65 percent of the corn payment and pay the full premium for both crops.

Other Considerations

The yield history on any prevented planting acres for the following year will be calculated as 60 percent of the existing 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.

For revenue insurance policies, all indemnity payments are calculated based on guaranteed and actual revenues rather than bushels. The same coverage reductions apply, though. It is useful to keep a log of how many acres are planted each day and their location, particularly during the late planting period.

Late Planting, Prevented Planting, and Replanting Decisions

What is the planted or intended crop? → **Corn** / **Soybeans**

Corn

Has the corn crop been planted yet?

Yes

Option A. Harvest crop as it is

Option B. Replant to corn
- Appraised yield must be 90% or less of insurance guarantee.
- Affected area must be at least 20 acres or 20%
- Payment is indemnity price x 8 bu.

Option C. Replant to soybeans

Is the soybean crop insured?

- Yes →
  - 35% of corn damage indemnity paid now.
  - Larger of the other 65% or any indemnity payment on soybeans is paid later.
- No → Receive 100% of indemnity payment for corn, based on appraised yield

No

Option A. Plant corn late
- Guarantee is reduced 1% per day June 1-25.
- Goes to 55% of original after that (60% or 65% buy up available.)

Option B. Declare prevented planting
- Must be June 1 or later.
- Guarantee reduced to 55% of original.
- Not available for ARPI Products.
- A cover crop can be planted, but not harvested or grazed before November 1.

Option C. Plant soybeans instead
- Coverage on soybeans is reduced if planted after June 15.
- If planting is delayed until after June 25, 35% of the prevented planting payment on corn is paid.

Soybeans

Has the soybean crop been planted yet?

Yes

Option A. Harvest crop as it is

Option B. Replant to soybeans
- Appraised yield must be 90% or less of insurance guarantee.
- Affected area must be at least 20 acres or 20%
- Payment is indemnity price x 3 bu.

No

Option A. Plant soybeans late
- Guarantee is reduced 1% per day June 15-July 10
- Goes to 60% of original after that (65% or 70% buy up available.)

Option B. Declare prevented planting
- Must be June 16 or later.
- Guarantee reduced to 60% of original.
- Not available for ARPI Products
- A cover crop can be planted, but not harvested or grazed before November 1.

The alternatives described in this publication can be evaluated closer using **Delayed Planting and Replanting Evaluator** (*AgDM Decision Tool A1-57*), (www.extension.iastate.edu/agdm/crops/xls/a1-57delayedplantingevaluator.xlsx).

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 loss is more than 10% of guaranteed yield.
Plant a second crop	Coverage on second crop is in effect, but may be reduced for late planting. 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.	Second crop not insured: payment made based on appraised loss of original crop. Second crop insured, no loss suffered: 35% of payment for original crop made first, then 65%. 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.
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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