

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) as well as other types of crop insurance. These adjustments are subject to revision each year by the Risk Management Agency 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, or 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, or plant a cover crop.

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

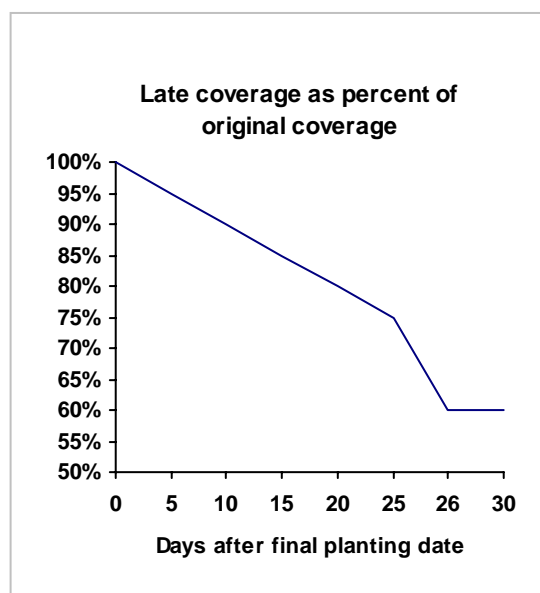
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Late Planting Coverage

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 1 percent per day for each of the next 25 days.

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

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 will continue to be covered at 60 percent of the original guarantee for timely planted acres.



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:

$$70\% \times 143 \text{ bushels} = 100 \text{ bushels}$$

There are 250 acres of corn in the insured unit. Of these, 180 acres are planted before the 1st of June. 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% per day for 4 days
- 30 acres reduced 1% 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	<u>2,640 bu.</u>
Total bushels guaranteed		24,480 bu.
Average guarantee per acre		98 bu.

This reduction applies to both the yield guarantee under the conventional MPCI or Catastrophic policies, or the revenue guarantee under Crop Revenue Coverage, Revenue Assurance, or Income Protection 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.

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 and still receive 60 percent of the original guarantee, except under a catastrophic level

coverage or a group protection policy. For an additional premium prevented planting coverage can be increased to 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 (see 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

Minimum Areas

Very small land areas do not qualify for the late and prevented planting coverage, or for replanting payments. Affected areas must be parcels 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. If one portion of the insured acres meets the minimum size criteria, however, then other smaller areas may be combined with it and the total area is covered.

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 actual cost for replanting it. The maximum replanting payment is equal to the price election chosen in the policy multiplied by the following limits:

- 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). Example 3 illustrates how a replant payment for soybeans might occur.

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 (see Example 4).

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 an MPC policy at the 70 percent yield level with a price election of \$5.60 per bushel. Your yield guarantee is 28 bushels:

$$70\% \times 40 \text{ bushels} = 28 \text{ bushels}$$

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

$$90\% \times 28 \text{ bushels} = 25.2 \text{ bushels}$$

Therefore, you would receive a payment equal to your actual replanting cost. The maximum payment is equal to the indemnity value of 3 bushels of soybeans per acre, or \$16.80 for this example.

$$3 \text{ bushels} \times \$5.60 = \$16.80$$

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 (see Example 4).

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 adjuster 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:

$$30 \text{ bushels} \times \$2.45 = \$73.50 \text{ per acre}$$

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

$$35\% \times 30 \text{ bushels} \times \$2.45 = \$25.73 \text{ per acre}$$

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

$$70\% \times 40 \text{ bushels} = 28 \text{ bushels per acre}$$

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

$$(28 \text{ bu.} - 19 \text{ bu.}) \times \$5.60 = \$50.40 \text{ per acre}$$

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

$$65\% \times 30 \text{ bushels} \times \$2.45 = \$47.77 \text{ per acre}$$

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

Other Considerations

In any case in which 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. The yield history on those acres for the following year will be calculated as 60 percent of the existing APH yield for that unit.

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.

Close communication with a trained insurance agent is important when making decisions about replanting or late planting of crops.

Prepared by William Edwards, extension economist.

For additional information, see ISU Extension publications:

PM 1851, "Soybean Replant Decisions"

PM 1885, "Corn Planting Guide"

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 end of the late planting period)	100% of prevented planting payment is paid (60% of original coverage).	Payment made based on appraised loss of original crop.

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