

# Federal Crop Insurance: Delayed & Prevented Planting Provisions:

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June 2004

## INTRODUCTION:

Producers know that in order to maximize crop yields, it is essential to plant early. The more growing days a crop has, the better the yield, assuming normal growing conditions. There are, however, those years when the weather does not cooperate and planting is either delayed or can not be completed entirely. If this occurs and the producer has insured the crop with a Federal Crop Insurance product, there may be an adjustment in the coverage due to delayed or prevented planting.

Across the region, many farm operators are carrying either Multi-Peril Crop Insurance (MPCI) or a revenue-based crop insurance product – Crop Revenue Coverage (CRC), Revenue Assurance (RA), or Revenue Assurance with Fall Harvest Price Option (RA-HPO). If weather problems arise at planting time, many producers are concerned about what the provisions are for prevented planting and replanting under Federal Crop Insurance policies.

The information in this piece will outline the guidelines and provisions for prevented and replant provisions for the Federal Crop Insurance products. The information includes changes for the 2004 crop year, coverage definitions and various examples.

## DEFINITIONS AND TERMS:

**Insurance per acre coverage:** For most Federal Crop Insurance products, there is a level of coverage per acre determined by a producer's Actual Production History (APH), coverage percentage level, and associated price. This coverage amount varies by type of insurance. This is an important number when dealing with delayed and prevented planting. Following are the calculations for coverage amounts per acre based upon a given type of insurance.

For MPCI, coverage per acre is APH x coverage level x Market Price Election. MPCI Market Price Elections for 2004 are corn - \$2.45, soybeans - \$5.60, and spring wheat - \$3.35. Assume a crop of corn with an APH of 140 bu. per acre and 75% coverage level. The coverage per acre is as follows:

$$140 \text{ bu. APH} \times .75 \times \$2.45 \text{ Market Price Election per bu.} = \$257.25 \text{ per acre coverage}$$

For CRC, RA, and RA-HPO, the revenue based crop insurance products, the calculations are a bit different. There are three calculations for determining coverage and indemnity (loss). There is an initial calculation done at sign-up which is the Minimum Revenue Guarantee and is the least amount of coverage per acre for the term of the insurance contract. For the purpose of this information piece, the Minimum Revenue Guarantee is the calculation we will focus on. It includes APH, coverage level, and Base Price. Base Prices for the revenue based crop insurance products for 2004 are corn - \$2.83, soybeans - \$6.72 and spring wheat - \$4.00.

The second calculation is the Final Revenue Guarantee which is done at harvest time. The final calculation is for the Actual Production Value, also done at harvest time. Assuming the same APH and coverage level as above, the Minimum Revenue Guarantee calculation is as follows:

$$140 \text{ bu. APH} \times .75 \times \$2.83 \text{ Base Price per bu.} = \$297.15 \text{ per acre coverage}$$

**“Unit”:** The term unit, as used in this information piece, refers to insurance units. That is, basic, optional, enterprise, and whole farm units.

**“Partial Units”:** This term refers to a portion of a total unit as defined immediately above.

**Note:**

- 1) For most of the examples, RA-HPO is used. The reason is that it provides coverage for losses due to yield loss and/or a change in price or revenue coverage. In addition, in most areas, RA-HPO has been cheaper per acre than CRC.
- 2) For more complete details on Federal Crop Insurance products, how they work and how they can be incorporated into a pre-harvest marketing plan, go to [www.cffm.umn.edu](http://www.cffm.umn.edu). Once there, scroll down the left side of the page and click on “Publications and Articles”. On the next page scroll down to “Farm Management Topics” and click on an item entitled “*Utilizing Federal Crop Insurance: Coverage Alternatives and Marketing Strategies for Managing Grain Yield and Price Risk*”.

**LATE PLANTING:**

MPCI, CRC, RA, and RA-HPO policies include a 25 day late planting period for most crops (sweet corn, green peas, etc. are not included), that begins the day after the Final Planting Date. The Final Planting Dates in Minnesota are May 15 – June 5 (varies by county) for spring wheat, May 31 for corn and June 10 for soybeans. The Final Planting Date is the last date a producer can plant the intended crop and still maintain 100 percent of the per acre coverage in their original insurance policy. For both corn and soybeans, the per acre coverage is reduced one percent per day for the first twenty-five days after the Final Planting Date. The insurance per acre coverage is reduced to 60 percent of the original coverage on the twenty-sixth day after the Final Planting Date. This final per acre coverage is the same as the coverage per acre for prevented planting provisions under MPCI, CRC, RA, and RA-HPO policies.

The producer must have been delayed from planting the insured acres due to a weather event and not by personal choice. If, for example, corn is planted on June 5<sup>th</sup>, the insurance coverage would be reduced by 5 percent. The insurance coverage reduction would be 15 percent on June 15<sup>th</sup> and 25 percent on June 25<sup>th</sup>. On June 26<sup>th</sup> and after, the insurance coverage would be reduced to 60 percent of the original coverage.

**Example:** A producer with 75 percent RA-HPO coverage on corn with an APH of 140 bushels per acre, has a bushel guarantee per acre of 105 bushels (140 bu. APH x .75 = 105 bu.). With the 2004 RA-HPO Base Price of \$2.83, the producer’s Minimum Revenue Guarantee is \$297.15 per acre (105 bu. x \$2.83). The RA-HPO Minimum Revenue Guarantee drops to \$282.29 per acre (5% reduction) on June 5<sup>th</sup>; \$252.58 per acre (15% reduction) on June 15<sup>th</sup>; and \$222.86 per acre (25% reduction) on June 25<sup>th</sup>. The Minimum Revenue Guarantee after the June 25<sup>th</sup> date and the payment for prevented planting is \$178.29 per acre.

**PREVENTED PLANTING:**

For most of Minnesota, the Final Planting Dates are May 15 – June 5 (varies by county) for spring wheat, May 31 for corn and June 10 for soybeans. If a producer is prevented from planting all their acres to the intended crop due to bad weather, the producer qualifies for prevented planting. The weather conditions that kept the producer from planting must be general and wide spread to the area.

If so, the producer can choose not to plant the intended crop and accept the prevented planting provision anytime between the Final Planting Date and the Late Planting Period **or** after the Late Planting Period. Remember, the payment is only 60 percent of the original insurance coverage.

After the Late Planting Period dates, the minimum crop insurance per acre coverage for prevented planting and late planting guarantees are the same.

After a producer has elected to exercise prevented planting on a particular "unit" or "partial unit", a cover crop or crop that is intended for harvest (grain, hayed, chopped, grazed, etc.) can not be planted. If the crop is planted between the Final Planting Date and the Late Planting Period, there is **no** Prevented Planted coverage.

If such a crop is planted after the Late Planting Period and it is harvested, the producer would also be penalized. They would be eligible for only 35 percent of the loss indemnity associated with the first crop. As an additional penalty, the producer would receive 60 percent of the APH for the acres involved.

Also applicable here are the 1<sup>st</sup> Crop-2<sup>nd</sup> Crop Rules, listed on page 4 of this information piece. Please refer to them if prevented planting applies to your operation.

**Example:** A soybean producer has a 45 bushel APH and an 80 percent coverage RA-HPO policy with a Base Price of \$6.72 per bushel. The result is a per acre coverage of \$241.92. The RA-HPO payment for prevented planting and the late planting guarantee after July 5<sup>th</sup> would be 60 percent of that amount, or \$145.15 per acre.

### **SWITCHING CROPS:**

Due to lateness in corn planting because of bad weather and thus the shortened growing season, some producers may consider switching some of their intended corn acres to soybeans. If the producer has crop insurance coverage on both corn and soybeans, there would be very little impact. The added soybean acres in a particular "basic or optional unit" would have the same coverage as the other soybeans in that unit. The premiums for the corn and soybean crop insurance are calculated on the actual planted acres of each crop.

If the producer had crop insurance coverage on corn, but not on soybeans, there will not be insurance coverage available for the soybeans that are planted on the intended corn acres. Producers should check with their crop insurance agent for special situations and circumstances that could affect insurance coverage when switching crops.

**Example:** A producer has a 100 acre farm that was intended to be 50 acres of corn with 75 percent RA-HPO coverage and 50 acres of soybeans with 80 percent RA-HPO coverage. Due to bad weather, 25 acres were switched from corn to soybeans. Now the producer's soybean coverage would increase to 75 acres at 80 percent RA-HPO and the corn coverage would be reduced to 25 acres at 75 percent RA-HPO coverage.

### **"20 / 20 RULE":**

The "20/20 Rule" applies to many prevented planting and replant decisions. The "20/20 Rule" states that to qualify for prevented planting and replant provisions under Federal Crop Insurance, a producer must have eligibility on the lesser of 20 acres or 20 percent of the intended or actual crop acreage in a given "unit".

**Example:** If a producer intended to plant 50 acres of corn in a "unit", they need to have at least 10 acres planted to qualify for either prevented planting or replant coverage on that "unit". For "units" in excess of 100 acres, the minimum acreage is 20 acres for both prevented planting and replant coverage.

## **REPLANTING CROPS:**

If the corn or soybeans are planted and then part of the crop is destroyed due to flooding, hail, late frost, or other insurable causes, the producer may qualify for replant coverage. To qualify for replant coverage, the "unit" must meet the "20/20 Rule" for crop acreage loss on the insured crop and the producer must replant corn to corn, soybeans to soybeans, etc. It is extremely important to have a crop insurance adjuster inspect the crop damage and give approval before destroying any damaged crop acres. Once eligible, the replant coverage payments will be the actual costs of replanting, up to pre-determined maximum limits. The replant coverage payment limits for corn are 8 bushels per acre times the Market Price Election on MPCCI or times the Base Price for CRC, RA, and RA-HPO. For soybeans, the replant limit is 3 bushels times the Market Price Election for MPCCI or times the Base Price for CRC, RA, and RA-HPO. For spring wheat, the replant limit is 4 bushels times the Market Price Election for MPCCI or times the Base Price for CRC, RA, and RA-HPO. The original minimum per acre coverages that were in place with a MPCCI or CRC/RA/RA-HPO insurance policy will continue after the crop acres are replanted.

**Example:** Assume a MPCCI Market Price Election of \$2.45 for corn, \$5.60 for soybeans, and \$3.35 for spring wheat. Assume a Base Price for CRC, RA, and RA-HPO of \$2.83 for corn, \$6.72 for soybeans and \$4.00 for spring wheat. The resulting 2004 replant coverage limits would be:

**Corn** MPCCI: 8 bu. x \$2.45 = \$19.60 per acre  
CRC/RA/RA-HPO: 8 bu. x \$2.83 = \$22.64 per acre  
**Soybeans** MPCCI: 3 bu. x \$5.60 = \$16.80 per acre  
CRC/RA/RA-HPO: 3 bu. x \$6.72 = \$20.16 per acre  
**Spring Wheat** MPCCI: 4 bu. x \$3.35 = \$13.40  
CRC, RA, RA-HPO: 4bu. x \$4.00 = \$16.00

**Remember:** following replanting, the original MPCCI or CRC/RA/RA-HPO insurance per acre coverages will continue to be in effect.

## **1<sup>st</sup> CROP – 2<sup>nd</sup> CROP:**

If, for example, a producer has corn acres that require replanting, those acres could be switched to soybeans, if it was deemed too late to plant corn. There would be no impact on the original guarantee for the corn acreage on that farm "unit" and the added soybean acreage would be insured at the "late planting" coverage level on the date that the soybeans are planted and added to the total soybean acreage for that farm "unit". There would be no "replant" crop insurance indemnity payment on these corn acres and there would be an added premium charge for the extra soybean acreage. The producer does not have to insure the second crop.

If the producer insures the second crop, they can elect to accept 35% of the loss on the first crop. If, later in the year, there is no loss to the second crop, the producer can collect the remainder – up to 100% of the loss on the first crop.

If the second crop fails, the producer can collect 100% of the loss on the second crop and also keep the 35% loss on the first crop. This decision must be made at the time of the loss on the first crop.

**Remember:** due to changes in the 1<sup>st</sup> Crop – 2<sup>nd</sup> Crop provisions for 2004, a producer can collect a total maximum indemnity of 135% for losses on both crops combined (35% indemnity on 1<sup>st</sup> crop – 100% indemnity on 2<sup>nd</sup> crop).

This can be a complex situation for a producer so check with your crop insurance agent for more details if this issue affects your farm operation.

**Example:** A producer has 100 acres of corn in a "farm unit" with an APH of 140 bushels per acre, insured with a 75% RA-HPO policy. In mid June, heavy rains have destroyed 25 acres of the corn and the producer decides to replant to soybeans on June 25<sup>th</sup>. The producer does not receive a "replant" indemnity payment, because there was a switch from corn to soybeans. The original guarantee on the corn was 105 bushels per acre (140 bu.APH x .75) or 10,500 bushels on 100 acres of corn. The 10,500 bushels will remain the guarantee, but only 75 acres of production will remain to be harvested. The added 25 acres of soybeans, planted on June 25<sup>th</sup>, could be insured at 85 % of the original maximum soybean guarantee on other soybean acreage in that farm "unit". Final production and potential indemnity payments will be based on the total soybean acres on a farm "unit", including the added replant acres. There will be an extra crop insurance premium charge for the 25 acres of soybeans added due to replanting.

**Note:** check with your crop insurance agent if this is an issue on your farm.

## **SUMMARY:**

It is extremely important to check with your crop insurance agent when making late planting or prevented planting decisions after the final planting dates of May 15 for spring wheat, May 31<sup>st</sup> for corn and June 10<sup>th</sup> for soybeans. It is also very important to consult with them regarding replant coverage following damage to planted crops or any other issues that may affect your farm operation.

## **Some things to consider and check with your crop insurance agent:**

- Prevented planting and late planting coverage and provisions on MPCCI and CRC/RA/RA-HPO insurance policies, including provisions for switching crops.
- Make sure that you understand the "20/20 Rule" for prevented planting and replant coverage for MPCCI and CRC/RA/RA-HPO insurance policies.
- If there are acres that can not be planted to any crop, find out the provisions and planting options surrounding the collection of prevented planting on "partial units" and provisions for remaining crop acreage in the "unit".
- If alternative crops other than corn or soybeans are being considered as late planting options, find out the crop insurance impacts of switching to those crops. There can be severe penalties if haying, chopping, etc. of a cover crop occurs. **Note:** there can also be penalties for switching to alternative crops regarding the FSA Direct/Counter Cyclical Payment (DCP) Program as well so check with your FSA Office staff.
- Find out procedures and options of replant coverage with MPCCI and CRC/RA/RA-HPO insurance policies, before making replant decisions.
- Do not destroy any crop acres or replant any crop acreage following crop damage before getting approval from the crop insurance adjuster.
- If original corn acreage will be planted to soybeans, check on insurance coverage (1<sup>st</sup> Crop – 2<sup>nd</sup> Crop provisions) for both the corn and soybeans, potential indemnity payments, and additional insurance premiums.
- For crops other than corn or soybeans that are under some type of crop insurance policy, check on late planting and prevented planting and replanting insurance provisions, before making any final planting decisions.
- There are many situations with various levels of MPCCI and CRC/RA/RA-HPO insurance coverage, cropping history, etc. that are unique to individual farms and special provisions included with the insurance policies of various companies that are best dealt with by a local crop insurance agent.