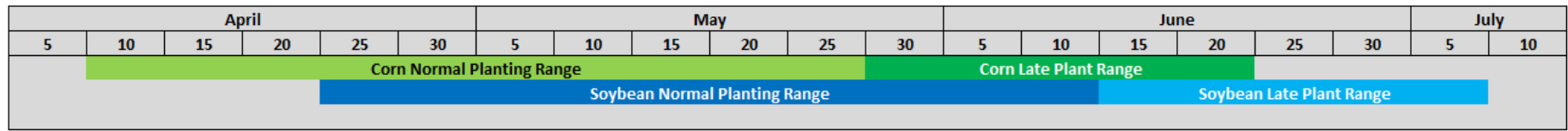


Crop Insurance Options After Damaging Weather Events

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Know Your Dates

- Final planting date for RMA corn is **May 25th**
- Final planning date for RMA soybean is **June 10th**



When You Qualify for Replant

- A weather event has occurred
- The appraised yield on the crop must be less than 90% of your insurance guarantee
 - Field TA-APH x coverage level
 - If field has an TA-APH of 150 bpa and the selected coverage level is 70%, guarantee is:
 - $150\text{bpa} \times .70 = 105\text{bpa} \times .90 = \sim 95\text{bpa}$
- The affected area must be the lesser of
 - 20 acres or 20% of the total field area

When You Qualify for Replant

- The moment an event occurs:
 - **CONTACT YOUR INSURANCE PROVIDER IMMEDIATELY!**
 - You must have an appraisal done to ensure you have enough affected area and you are below your 90% insurance guarantee
 - Your provider must release the acres for replant

Examples

- Corn field has an TA-APH of 150 bpa with an RMA spring price of \$4.62; selected COMBO of 75%
- Coverage is $150 \text{ bpa} \times .75 \times \$4.62 = \sim \$520 \text{ pa}$
- Field is hit with hail
 - Loss trigger for replant is $112 \times .90 = \sim 100$
 - Adjuster determines loss at 40% or 90 bpa

Now What

- **Decide what you want to do**
 - **What is the cost of the replant?**
 - **What resources are available?**
 - **What is the cost of taking the crop to harvest?**
 - **What is the potential insurance payout to take the crop through?**
 - **Does it make financial sense to replant at this time?**

Option 1 – Do Nothing

- Let the crop go and see what happens
- Harvest as usual and take payment on loss
- Must care for the crop using accepted agronomic practices – cannot abandon the crop
- If yields are very low, take the insurance payment
- Consider though
 - Low yields *may* affect your insurance TA-APH
 - Fed programs give at least 70% of county average for calculating payments
 - Insurance uses 60% of county average

Do Nothing

- Original plant cost @ \$4.05/bu at 150 bpa = **\$608**
- Corn final harvest yield is 90 bpa with a fall price equal to spring price (\$4.62)
- Recall guarantee was \$520 per acre
- Final harvest is $\$4.62 \times 90 \text{ bpa} = \416 per acre
- Indemnity payment of **\$104** per acre
- Marketing income of $90 \times \$4.65 = \mathbf{\$419}$
- Net of **-\$85**

Option 2 – Replant Corn

- Replant payment is $8 \text{ bpa} \times \$4.62 = \36.96 pa
- Recall, you lose 1% guarantee for each day past May 25th...if you plant today, 16% loss
 - $150 \text{ bpa} \times .75 = 112 \text{ bpa} \times \$4.62 = \$520$
 - $150 \times .75 \times .84 = \sim 95 \text{ bpa} \times \$4.62 = \sim \$437$
 - After June 18th, only 60% guarantee
 - $150 \times .60 \times .75 \times \$4.62 = \sim \$312$
- After late plant deadline, if you added prevent plant, get 60% (or buy-up) of original and could plant a cover crop to field
 - Seed acres limited to 50% of original (buy-up to 55% or 60%)
 - If plant after an area is declared prevent, may lose more payment (down to 30%)

Replant Corn

- Original planting cost @ \$4.05/bu at 150 bpa = **\$608**
- Replant cost @ \$1.50/bu at 150 bpa = **\$225**
- Replant payment = **\$37**
- New insurance guarantee is \$437 (16% late plant)
- End of season, field does 120 bpa x \$4.62 = \$554
- No crop insurance payment
- Marketing income of 120 x \$4.65 = **\$558**
- Net **-\$238** per acre

Option 3 – Plant Beans

- If the corn is in prevent plant (past June 18th), but in late plant for beans (up to July 5th)
- Can take 35% prevent payment on corn
 - $150 \text{ bpa} \times .75 \times .60 \text{ (PP)} \times .35 \times \$4.62 = \sim \$109 \text{ per acre}$
 - Receive 85% of bean insurance coverage
 - Beans must be covered in original policy
- If corn is in delay plant, bean crop simply replaces corn crop coverage
- If beans are not covered in original policy, receive 100% of corn indemnity

Plant Beans Inside of Late Plant Date

- Original plant cost @ \$4.05/bu at 150 bpa = **\$608**
- Replant cost of \$3.27/bu at 45 bu = **\$147**
- Assume beans are covered in original policy
- Adjusted to 90 bpa (original guarantee was 112) or 22 bushel loss
 - Indemnity payment 150 bpa x .75 x .60 (PP) x .35 x \$4.62 = **~\$109** per acre
 - Premium payment is only 35% on policy
- Bean policy at 75% = 45bu x .75 x \$11.36 x .85 = \$326
- At harvest, beans yield 35 bpa @ \$13.10 = \$459
- No insurance indemnity payment
- Marketing income 35 bpa x \$13.25 = **\$464**
- Additional 65% of corn loss payment = **\$338**
- Net **\$156**

Option 4 – Prevent Plant

- **Corn is past late plant date, may take prevent plant option, must have been an added purchase on the policy**
- **Must control weeds, make premium payments, and/or plant to a cover crop**
- **Take a 60% prevent plant payment factor, can buy up to 65% or 70%**

Prevent Plant Corn

- Original plant cost @ \$4.05/bu at 150 bpa = **\$608**
- TA-APH yield of 150 bpa x \$4.62 x .75 x .60 = **\$311.85**
- Net **-\$296** per acre

Rules for Beans

- Similar to those for corn – options same
 - Keep the crop and harvest as is
 - Replant beans – at what cost?
 - Payment is only 3 bpa x 11.36 per acre or \$34.08 per acre
 - Late plant reductions to guarantees
 - Declare prevent plant
 - Past July 5th, 60% of original guarantee paid out

Other Considerations

- **Agronomics**
 - **Herbicide residuals**
 - **Insect problems**
 - **Disease issues**
 - **Fertility problems**
 - **Seed range (maturity)**
 - **Crop need (livestock feed, silage, seed, etc.)**
- **Do your partial budgeting to determine if the cost of replant is exceeded by potential returns**

Farm Bill Affect

- Consider that your acres are currently covered by the 2014 Farm Bill, even if we don't know what the rules are
- Shallow loss program that affect your final returns
 - Pays from 86% of historic revenues to 76% of historic revenues
 - Payment will depend on your election of ARC-ID, ARC-CO, or PLC
- More on these programs to come

Questions



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