Clock Is Ticking On Insurance For Planting Wheat

JONESBORO, ARK.

Arkansas' wheat farmers should review their policies now to ensure they are covered if weather prevents them from planting their 2010 crop, said Scott Stiles instructor of agricultural economics for the University of Arkansas Division of Agriculture.

"The clock is ticking for 'prevented wheat planting' in Arkansas," he said. "If rains return before month's end, wheat growers should be familiar with their crop insurance coverage if they are prevented from planting."

By definition, "prevented planting" is a failure to plant an insured crop with the proper equipment by the final planting date or during the late planting period specified in a crop insurance policy.

For Arkansas, the wheat final planting date for crop insurance is Nov. 30.

"Reaching the final planting date does not mean that wheat cannot be planted," Stiles said.

"There is a five-day late planting period for wheat after the final planting date," he said. "However, insurance guarantees will be lowered 1 percent per day when wheat is planted during the late planting period."

Unplanted wheat due to delayed harvest of other crops will not qualify for coverage, Stiles said. "Wheat plantings must have been prevented because rain and moisture prohibited field work."

Farm-level crop insurance policies, including Actual Production History, APH; Crop Revenue Coverage, CRC; and Revenue Assurance, RA, policies, have late planting and prevented planting provisions.

Group Risk Plan, or GRP, and Group Risk Income Plan, GRIP, policies do not have late or prevented planting provisions. Before GRP and GRIP policies provide coverage, wheat must be planted.

For example, if a farmer has a Crop Revenue Coverage policy at the 75 percent coverage level, a 55-bushel actual production history, and the 2010 Crop Revenue Coverage base price is $5.29 per bushel, before the final plating date, this farmer has an initial guarantee of $218 per acre. This is calculated by his 55-bushel-an-acre production history yield, multiplied by the $5.29 based price, multiplied by the 75 percent coverage level.

"This final guarantee price could be above the initial guarantee if the Crop Revenue Coverage harvest price is above the base price," Stiles said. "Harvest prices won't be known until next year, as this price is the June average for Chicago Mercantile Exchange July soft red winter wheat futures contract."

If planting does not occur before the final planting date, the guarantee will be reduced as shown below:

December 1: $216 per acre ($218 x (1 - .01))
December 2: $214 per acre ($218 x (1 - .02))
December 3: $212 per acre ($218 x (1 - .03))
December 4: $210 per acre ($218 x (1 - .04))
December 5: $208 per acre ($218 x (1 - .05))
After December 5: $131 per acre ($218 x 60 percent)

After the late planting period ends, the final guarantee will be 60 percent of the original unless the farmer purchased higher coverage. The $131 guarantee after Dec. 5 assumes the farmer did not purchase additional prevented planting coverage.

Generally, a claim for prevented planting must be made within 72 hours or three days after the end of the late planting period, Stiles said. Producers should refer to their policy provisions or contact their crop insurance agent for more information.

In 2008, Arkansas growers planted about 1 million acres of winter wheat, which dropped to 430,000 acres in 2009, thanks to a decline in wheat prices and a spike in production costs. Δ