Flooding And Crop Insurance

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Fifty four counties have had major crop damage due to rain, flooding and cold this year.

One of the keys to understanding how crop insurance will treat the crops adversely affected by weather is to know the final planting date and late planting period for each crop. The maps show the final planting dates for corn and soybeans. For rice production in Missouri the final planting date is May 25; for cotton, it is May 20. The late planting period begins the day after the final planting date and lasts 20 days for corn; 25 days for soybeans; 15 days for both rice and cotton.

Flooded fields of insured crops are treated differently depending on whether the crop was never planted (prevented planting) or planted and subsequently damaged. To illustrate the options available to farmers, we will use the following illustration. Corn is the original crop that was planted or intended to be planted on the field. Revenue Protection was purchased at the 75 percent coverage level on land with a 150 bushel/acre production history (APH). Under this crop insurance the revenue guarantee is $676/acre ($676 = 150 bushel APH X $6.01 corn insurance price X 75 percent coverage level).

Prevented Planting is when the crop cannot be initially planted before the final planting date. Options that exist are:

Option 1. Corn is declared prevented planting and field is left idle. If nothing is planted, a prevented planting indemnity will be made of 60 percent of the Revenue Guarantee, or $406 ($406 = $676/acre X 60%). Your APH yield for the next crop year does not change. (Note: prevented planting payment is 60 percent of revenue guarantee for soybeans; 50 percent for cotton; 45 percent for rice.)

Option 2. Corn is initially planted after the final planting date and before the end of the late planting period. Any acres initially planted during the late planting period will receive a lower revenue guarantee than those acres planted earlier. The coverage is reduced 1 percent per day for each of the next 20 days. There is no prevented planting payment under this option.

In the bootheel, where the final planting date is May 10, if corn is initially planted on May 20, the revenue guarantee will be reduced 10 percent to $608 ($608 = $676/acre - 10 days X 1% per day).

Option 3. Corn is initially planted after the last day of the late planting period. The Revenue Guarantee is reduced to 60 percent, or $406 ($406 = $676/acre X 60%) of the initial revenue guarantee. There is no prevented planting payment under this option.

Option 4. Corn is declared prevented planting but another crop is planted after the last day of the late planting period. An indemnity payment for the corn will be made equal to 35 percent of the prevented planting payment, or $142 ($142 = $676/acre X 60% X 35%) in this example. This indemnity is the final payment from crop insurance for that crop. A yield equal to 60 percent of the approved yield for the prevented planting corn acreage would be entered into the 2012 APH.

Option 5. Corn is declared prevented planting but a cover crop is planted after the Final Planting Date. A prevented planting payment of 60 percent of the Revenue Guarantee, or $406 ($406 = $676/acre X 60%) will be paid to the producer. Your APH yield for the next crop year does not change.

Damaged Crop is when the crop was planted but is severely damaged by the flooding. Options that exist are:

Option 1. The corn crop is destroyed or released and nothing is planted back. In this situation the crop insurance company projects a 100 percent loss, that it is not practical to replant and allows the corn crop to be destroyed. A 100 percent indemnity payment will be made of $676/acre (150 bushel APH X $6.01 corn price X 75% coverage level).

Option 2. Leave the crop and harvest as is. The Revenue Guarantee will be $676/acre ($676 = 150 bushel APH X $6.01 corn price X 75% coverage level). If the yield is severely damaged, an indemnity payment will be made if the fall harvest revenue is below $676/acre.

Option 3. Replant the crop and collect a replant payment after your insurance company has determined it practical to replant. If the corn crop is projected to produce less than 90 percent of the guarantee yield, the producer can receive a payment equal to the projected price of $6.01 X 8 bushels of corn, or $48.08. (Note: the 2011 replanting payment for soybeans is 3 bushels x $13.49; for grain sorghum, 7 bushels x $5.87; for rice, 400 lbs. x $.161. There is no cotton replant payment.) In this example with a 150 APH and 75 percent coverage level, the projected corn yield would need to be less than 101 bu/acre (101 bu/acre = 150 bu X 75% X 90%) to receive a replant payment.

Option 4. Plant a second uninsured crop. In this situation the crop insurance company projects a substantial loss and allows the corn crop to be destroyed.

A 100 percent indemnity payment will be made based on the estimated yield loss on the corn. If corn is estimated as a 100 percent loss, indemnity payment is $676/acre ($676 = 150 bushel APH X $6.01 corn price X 75% coverage level).

Option 5. Plant a second insured crop. In this situation the crop insurance company projects a substantial loss and allows the corn crop to be destroyed. The producer will first receive 35 percent of loss payment of the corn, or $237 ($237 = 150 bushel APH X $6.01 corn price X 75% coverage level X 35%). If the second insured crop planted does not have a loss, the other 65 percent of the indemnity, or $439 acre ($439 = 150 bushel APH X $6.01 corn price X 75% coverage level X 65%) will be paid at harvest. If the second insured crop does have a revenue loss, the producer can choose to take the second 65% corn payment or the second insured crop indemnity, whichever is greater.

Whatever happens, do not make decisions on the planting, replanting or abandoning of crops without first consulting your crop insurance agent. There are many rules and regulations that need to be followed so it is important that you stay in close contact with your crop insurance agent. Each crop and insurance product has its own special rules and regulations that need to be followed. Δ

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