

Crop Insurance: Cotton Prevented Planting¹

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Especially in drought conditions, producers may feel it is not feasible to plant. Due to lack of moisture and likely poor germination, producers may delay planting and wait on moisture, decide to plant anyway, or decide to not to plant at all. If a producer feels it is not feasible to plant, he/she can file for “prevented planting” (PP) coverage. The crop insurance adjuster will then determine if the producer is eligible for PP or not.

Planting Deadline and Late Planting Period

The crop insurance Planting Deadline is May 31—this is not the last day to plant but only the last day to plant *without a reduction in yield or revenue Guarantee*. From June 1 through June 15, the Guarantee is reduced 1% per day. This 15-day period is referred to as the Late Planting Period.

The Projected Price for cotton for 2011 is \$1.15 per pound. Suppose a farm has an APH Yield of 800 lbs/acre and elects 70% coverage. The full Yield Guarantee is 560 lbs. If planted on June 10 (10 days late) the Yield Guarantee would be 504 lbs:

$$\begin{aligned} 800 \times 70\% \times 90\% &= 504 \text{ lbs/acre Yield Guarantee} \\ 504 \text{ lbs} \times \$1.15 &= \$579.60 \text{ minimum Revenue Guarantee} \end{aligned}$$

On June 15, the crop insurance Guarantee is 85% of the full Guarantee. If the crop is planted on any date after June 15, the Guarantee is 50% of the full Guarantee:

$$\begin{aligned} 800 \times 70\% \times 50\% &= 280 \text{ lbs/acre Yield Guarantee} \\ 280 \text{ lbs} \times \$1.15 &= \$322 \text{ minimum Revenue Guarantee} \end{aligned}$$

Prevented Planting

Prevented Planting is a “Failure to plant..... due to an insured cause that is general to the surrounding area and that prevents other producers from planting acreage with similar characteristics”. Producers may but are not required to plant after the May 31 planting deadline. After May 31, if a producer feels it is infeasible to plant, he/she can file for Prevented Planting.

The producer must provide the burden of proof that he/she is prevented from planting and that planting under the conditions would not be a recommended management practice. If other producers in the area have planted, that may not be sufficient reason to deny Prevented Planting-- proof could be provided that their characteristics are different and/or their planting was not following recommended good practices.

If the crop insurance adjuster determines the producer is eligible for PP, the producer’s choices are:

- Plant anyway
- Do not plant and collect the PP payment

- Collect a reduced PP payment and plant a second crop such as soybeans or grain sorghum after the June 15 Late Planting Period.

If, however, the adjuster determines the producer is not eligible for PP, the producer's choices are:

- Mediation and/or arbitration
- Plant the crop anyway
- Plant another crop
- Plant nothing

The producer, before doing and deciding anything, should ask for a determination from the crop insurance provider if he/she is eligible for PP. Then, and only then, can he/she decide the best course of action to take.

Eligible for PP

If the producer decides not to plant a second crop, the producer will receive a Prevented Planting Payment of 50% of the full payment Guarantee. Again as an example, if the farm has an 800 lb APH with coverage of 70%, the PP payment if not planting a second crop would be:

$$800 \times 70\% \times \$1.15 \times 50\% = \$322/\text{acre}$$

If the producer decides to plant a second crop, it can only be planted after the Late Planting Period (after June 15 in the case of cotton). The producer will receive 35% of the Prevented Planting Payment or 17.5% of the full payment Guarantee:

$$\$322 \times 35\% = \$112.70/\text{acre}$$

So, if planting a second crop, expected net returns from the second crop should be more than the amount of Payment given up (\$209.30 in this example).

Even if eligible for PP, taking the PP payment and/or planting a second crop may not automatically be the best decision. The producer could still take the risk and plant anyway. What would be the risk and the potential net returns from planting anyway vs. the PP Payment vs. the reduced PP Payment plus second crop net returns?

Planting a Second Crop if PP

The Final Planting Date for soybeans is June 15. There is a 25-day Late Planting Period until July 10 with a 1% reduction per day in payment Guarantee. For this reason (the long/late planting window), soybeans might often be considered a possible second crop if the producer is determined eligible for PP on the first crop.

As illustrated, if planting a second crop, the Prevented Planting Payment is reduced from 50% of the full Guarantee to 17.5% of the Guarantee.

Only if a second crop is planted, this also impacts the farms future APH (Actual Production History) Yield. On the PP acres only, the yield assigned on those acres for the purpose of calculating the farms future APH will be 60% of the farms current APH. If, for example, the farm has an APH yield of 800 lbs/acre and

50 acres of cotton were PP and planted to another crop, the actual yield on those 50 acres would be 480 lbs/ac for the purpose of calculating the farms future APH.

If the farm has a full 10-year production history, this would reduce the APH by only 4% and then only on the acres PP. The less production history and the more acres Prevented Planted relative to the entire crop acres, the greater the impact on APH.

Not Eligible for PP

If determined not eligible for PP, if a crop is then to be planted, the producer must decide the best course of action to take based soil and weather, the date, risks, and expected net returns—plant the original crop, switch to another crop, or plant nothing at all.

1/ Reviewed by USDA Risk Management Agency, Valdosta, GA. Any errors and misinformation are the responsibility of the author. Producers should contact their crop insurance provider for further information.