THE OHIO STATE UNIVERSITY
COLLEGE OF FOOD, AGRICULTURAL, AND ENVIRONMENTAL SCIENCES

Hardin County Extension News Release

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Prevented Planting Options

Hardin County – Wet conditions in Ohio and the Eastern Corn Belt has slowed or halted planting progress for Ohio producers. According to the May 20th Crop Progress Report by USDA National Ag Statistics Service, Ohio had only 9% corn planted. Surprisingly that was 'double' what was planted the week before and well behind the 5-year average of 62% planted. In 2018, Ohio was 69% planted by this report date.

Certainly, the Prevented Planting (PP) crop insurance tool has become a hot topic this year. Many farmers have had the chance to attend PP meetings or speak with their crop insurance agent. If not, we will try to briefly summarize options and strongly suggest farmers talk to their crop insurance agent or utilize one of the calculators that can be found at corn.osu.edu to determine which option may best suit a particular farm operation.

The first option is to plant the corn crop by June 5, the final plant date for corn (or June 20 for soybeans). Up until the final plant date, insured growers are eligible for their full guarantee at the level that has been selected. For example, 80% coverage x 170 bushels per acre (bu/ac) actual production history yield (APH) x $4.00 = $544/acre. If growers elect to plant corn after June 5, they will incur a 1% reduction in the guarantee up through June 25, at which time they can choose not to insure their corn crop or can insure for the same guarantee as their prevented plant amount. For example, if corn is planted on June 8, the guarantee formula (170 APH, 80% coverage) would be: 80% x 170 bu/ac x $4.00 x 97% = $528/acre. Planting dates need to be recorded, as these rules apply on field-by-field and acre-by-acre basis.

The second option is to elect to switch intended corn acres to soybean acres. In this case, farmers will not have the option to file a PP claim (unless they arrive at June 20 unable to plant soybeans). They will be charged for the soybean insurance premium, not the corn premium. The decision tool referenced earlier will be helpful here as this is not an easy decision. June weather (local and regional), supply and demand economics, trade policy and input options increase the complexity.

The last option is to file for PP, assuming the grower did not get corn planted by June 5. The mechanics of PP deserve a review to ensure understanding. PP covers Yield Protection (YP), Revenue Protection (RP) and Revenue Protection with Harvest Price Option policies and references the February new crop corn pricing period (projected price). The projected price for 2019 corn is $4.00/bu and $9.54/bu for soybeans. A corn policy has a 55% PP guarantee (buy-up available to 60%) and soybeans a 60% guarantee (with buy-up available to 65%). In order to further be eligible for PP, at least 20 acres or 20% of that unit must not get planted (the lesser of the two). PP does not affect yield history as long as a second crop is not planted. So a quick example: (80% coverage, 170 bu/ac APH) for prevented plant corn would be: 80% x 170 bu/ac x $4.00 x 55% = $299/acre.

To be sure, there are costs besides the premium that are associated with PP. Are there 'restocking fees' associated with returned seed or other inputs? What are the year-long weed control costs? If utilizing cover crops, what will their cost be? What are land costs or how are these addressed? Will labor & management costs need to paid even though the land wasn't 'farmed'? And finally, are there opportunity costs (marketing) missed because of taking PP? There is not enough space in this article to address these, but they are things to be considering.

The reporting of PP acres, if a grower elects that option is quite simple. First, the total acres of PP corn that are filed in 2019 can be no greater that the greatest number of acres of corn reported in any of the previous four years (2015-2018). To report Prevented Plant acres, a farmer would first need to turn in a notice (starting June 6) to their crop insurance agent. Then report their PP to the USDA Farm Service Agency to get it on their acreage report. Then they will need to work with their adjuster to finalize the claim, which will generally be paid within 30 days.

Prevented planting insurance payments can qualify for a 1-year deferral for inclusion in income tax. In order to qualify, the following criteria must be met:

-the cash method of accounting is used.
-crop insurance proceeds are received in the same tax year the crops are damaged.
-it can be shown that under normal business practice the farmer would have included income from the damaged crops in any tax year following the year the damage occurred.

The third criteria is sometimes the problem. Most can meet the criteria, although if reasonable audit protection is desired, growers should have records showing the normal practice of deferring sales of grain produced and harvested in year 1 subsequently stored and sold in the following year.

Article written by Eric Richer, OSU Extension-Fulton County and Chris Bruynis, OSU Extension-Ross County. Edited by Mark Badertscher, OSU Extension-Hardin County.