

Prevent Plant Considerations for Soybeans

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Hierarchy of Decisions

1. Intended corn acre
 - a) Take prevent plant payment on corn
 - b) Plant corn
2. Intended soybean acre
 - a) Before final planting date (June 15, June 20)
 - Plant soybeans if fit
 - b) After final planting date
 - i. Take prevent plant payment on soybeans
 - ii. Plant soybeans
3. Intended corn acre, not planted to corn (from 1)
 - a) Prevent plant corn
 - b) Plant soybeans
 - c) 35% prevent planting corn payment, plant soybeans after late plant period (June 25 in most counties, June 20 in southern seven counties)

Talk to crop insurance agent earlier rather than later

Can claim prevent plant on corn because past final planting date

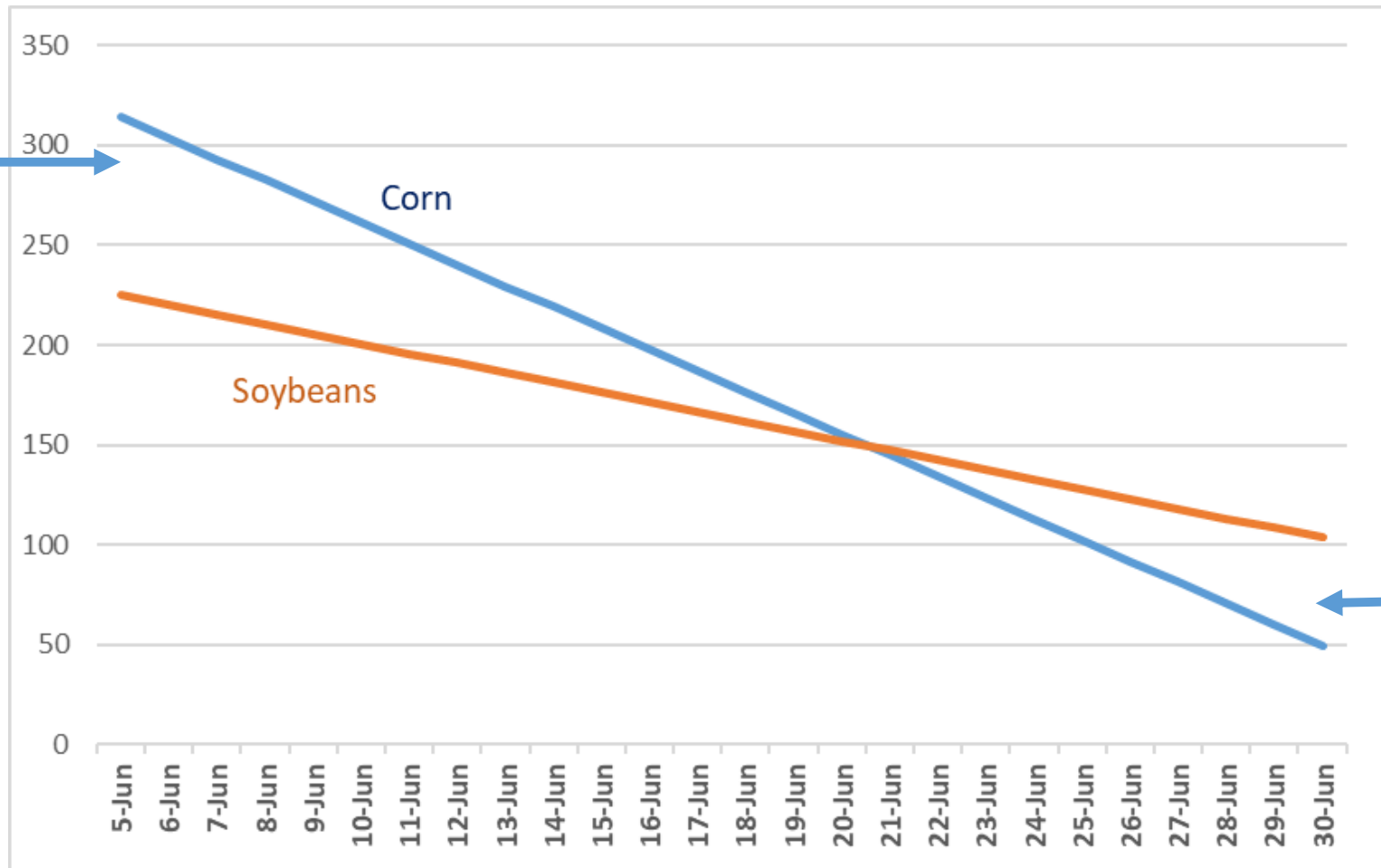
Can not claim prevent plant on soybeans till final planting date

Have till 72 hours after late planting period to file claim



Net Returns: Corn and Soybeans (No land and overhead cost, **No Insurance**)

185 bu corn
55 bu soybeans



\$4.25 corn price
\$9.00 soybean price

122 bu corn
41 bu soybeans



2019 MFP Payment

- Payment will be made **per planted acre**
- Standard rate per acre per county
\$50 would have been 2018 payment across Illinois counties (\$30 to \$80)
- Paid in three tranches:
July, November, and January
- Reduces incentives of taking prevented planting

CROPS

- | | |
|------------------------------------|-----------------------------|
| • Alfalfa hay | • Oats |
| • Barley | • Peanuts |
| • Canola | • Rapeseed |
| • Corn | • Safflower |
| • Crambe | • Sesame seed |
| • Dry peas | • Small and large chickpeas |
| • Extra-long staple cotton | • Sorghum |
| • Flaxseed | • Soybeans |
| • Lentils | • Sunflower seed |
| • Long grain and medium grain rice | • Temperate japonica rice |
| • Mustard seed | • Upland cotton |
| • Dried beans | • Wheat |



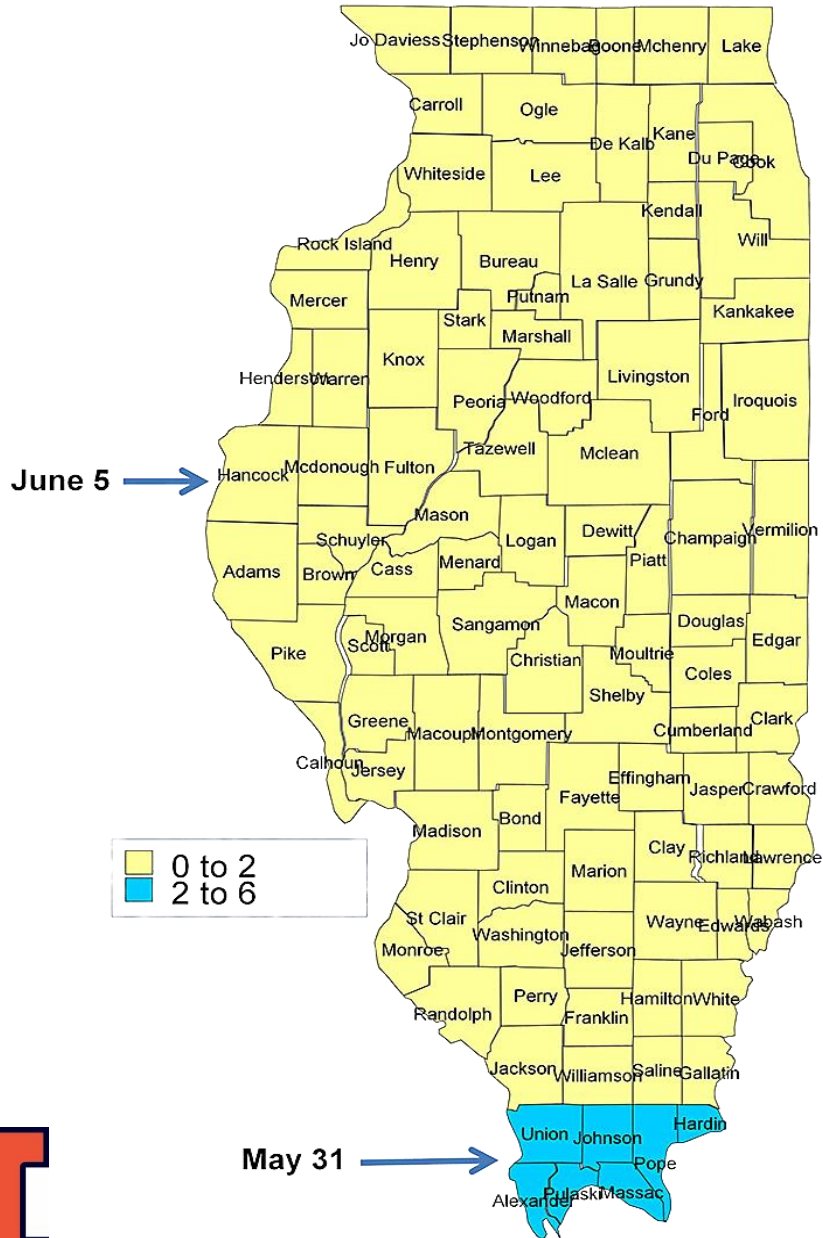
Disaster assistance package

- Passed Congress, **not signed by Trump**, regulations not determined by USDA
- **Provisions to:**
 - Increase prevent payment factor from (55% on corn, 60% on soybeans) to 90% at discretion of Secretary of USDA
 - Use the higher of the projected or harvest price in calculations
- Our reading says that this does not apply to most Illinois counties, but could be otherwise
- If applied, likely result in about the same payment as 2019 MFP payment



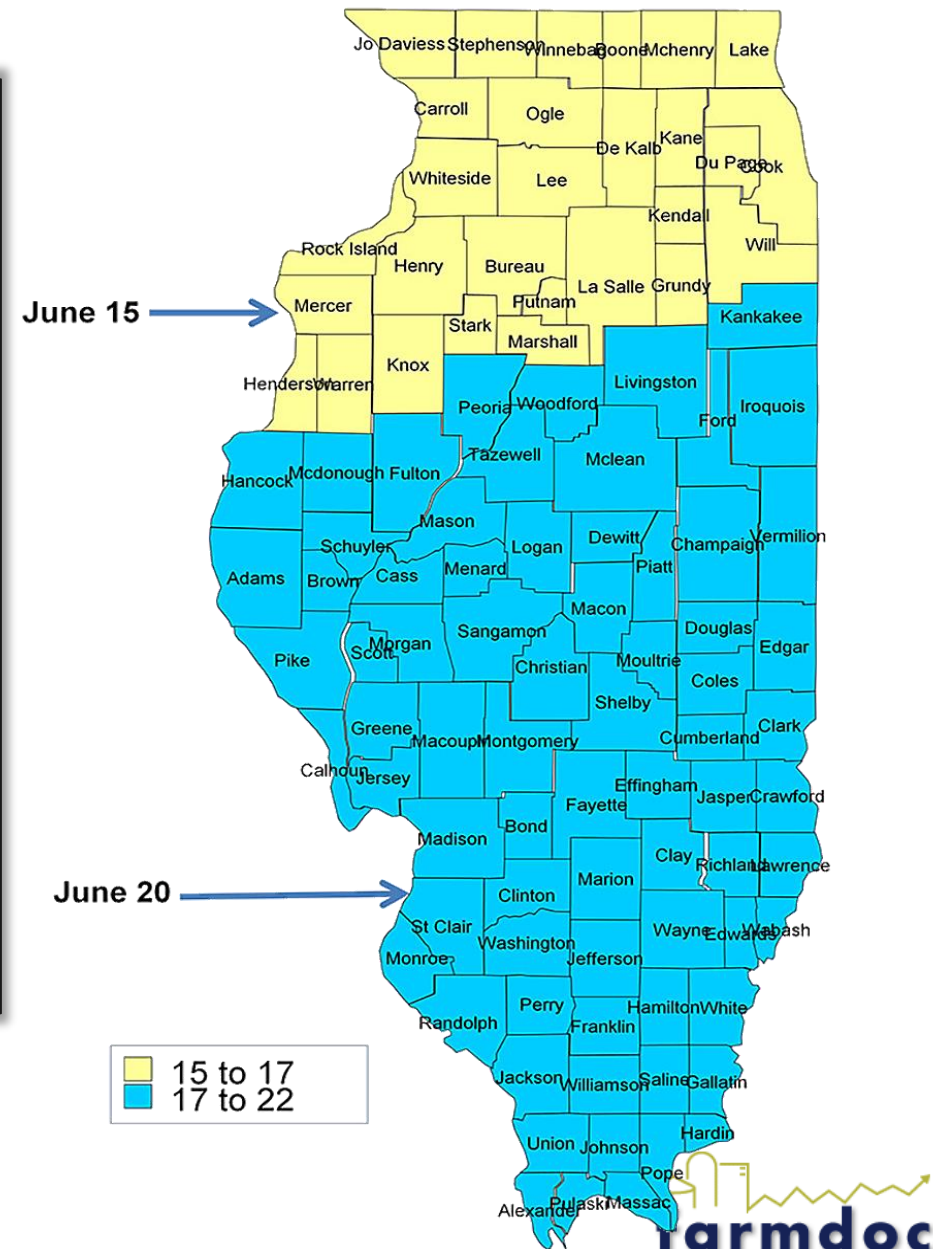
Final Planting Date Corn

Final Planting Date Soybean



Final Planting Dates

- Date you can take a prevented planting payment for crop
- Can plant after it, but guarantee is reduced
 - ▶ 1% per day during late planting period
 - ▶ 60% of initial guarantee after late planting period



Crop Insurance Dates and Guarantee

- **Final planting date:**
 - Date after which you can take prevented planting
- **Late planting period:**
 - 20 day after final planting period for corn, 25 days for soybeans
 - Can plant, but crop insurance guarantee goes down 1% per day
- **After late planting period:**
 - Insurance guarantee is 60% of original
 - Can plant another crop for harvest, but prevented planting payment is 35% of original amount



Eligibility and Prevented Planting Payment

Prevented planting payments on COMBO product	Payment equals	PP factor
<ul style="list-style-type: none"> • PP paid on Revenue Protection (RP), Yield Protection (YP), RP with harvest price exclusion • Not on SCO • Not on ARPI (ARP, AYP, ARP with harvest price exclusion) 	<p>PP payment factor x coverage level x TA-APH yield x projected price</p>	<ul style="list-style-type: none"> • 55% for corn (could have bought up to 60%) • 60% for soybeans (could have both up to 65%)
<p>Note: Some farmers have private add-ons that increase prevented planting coverage to 90% and 95%</p>		



Acre intended for corn

Late planting period

- June 5: June 6 to June 25 or
- May 31: June 1 to June 20

Following options in late planting period:

1. Prevent payment on corn
2. Plant corn
3. **Plant soybeans (first plant all intended soybean acres to soybeans)**

After late planting period

1. **Take 35% corn prevent planting payment/plant soybeans after late planting period**

Acre intended for soybeans

Late Planting period

- June 15: June 16 to July 10 (north) or
- June 20: June 21 to July 15 (central/south)

Following options in late planting period:

1. Prevent planting payment on soybeans
2. **Plant soybeans**



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 - Plant soybeans if fit (June 15, July 20)
- b) After final planting date
 - i. Take prevent plant payment on soybeans
 - ii. Plant soybeans

3. Intended corn acre, not planted to corn

- a) Prevent plant corn
- b) plant soybeans
- c) 35% prevent planting corn payment, plant soybeans after late plant period (June 25 in most counties, June 20 in southern seven counties)

Make sure you have eligible corn and soybean acres for prevent planting payments

Eligibility

- Highest acreage in last four years adjusted for acre increases in 2019
- Have to have planted in one in three years



Example I will use (most of the time)

- Corn 85% RP at 220 bushel TA-APH
 - Prevent planting payment at 55% prevent plant factor (60% was available)
 - \$411 per acre = .55 prevent plant factor x 85 cl x \$4.00 projected price x 220 TA-APH
 - \$371 net return = \$411 - \$40 costs (weed control and crop insurance premium)
- Soybeans: 85% RP at 65 bushel TA-APH
 - Prevent planting payment at 60% prevent plant factor (65% was available)
 - \$316 per acre = .60 prevent plant factor x .85 cl x \$9.54 projected price x 65 TA-APH
 - \$276 net return = \$316 - \$40 costs (weed control and crop insurance premium)
- NOTE: Soybean prevent planting payment can not be taken until final planting date for soybeans has arrived
- **Corn payment usually higher than soybean, make sure that is the case on your farm**



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 - b) After final planting date
 - i. Take prevent plant payment on soybeans, or
 - ii. Plant soybeans
3. Intended corn acre, not planted to corn
 - a) Prevent plant corn, or
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Full costs yet to be incurred
 \$470 per acre for corn
 \$260 per acre for soybeans

Partial costs yet to be incurred
 \$350 per acre on corn

\$50 MFP payment



85% RP, 220 TA-APH, Full Cost to Incur (\$470)

Prevent Plant Corn

- \$371 net return
- Certain payment
- No impact on APH

Plant Corn

Will impact APH

Break-even under full costs

\$841 revenue (\$371 PP + \$470 corn costs)

- \$50 MFP

\$791 in revenue from crop sales or crop insurance

\$4.00 cash corn price: 197 bushels per acre

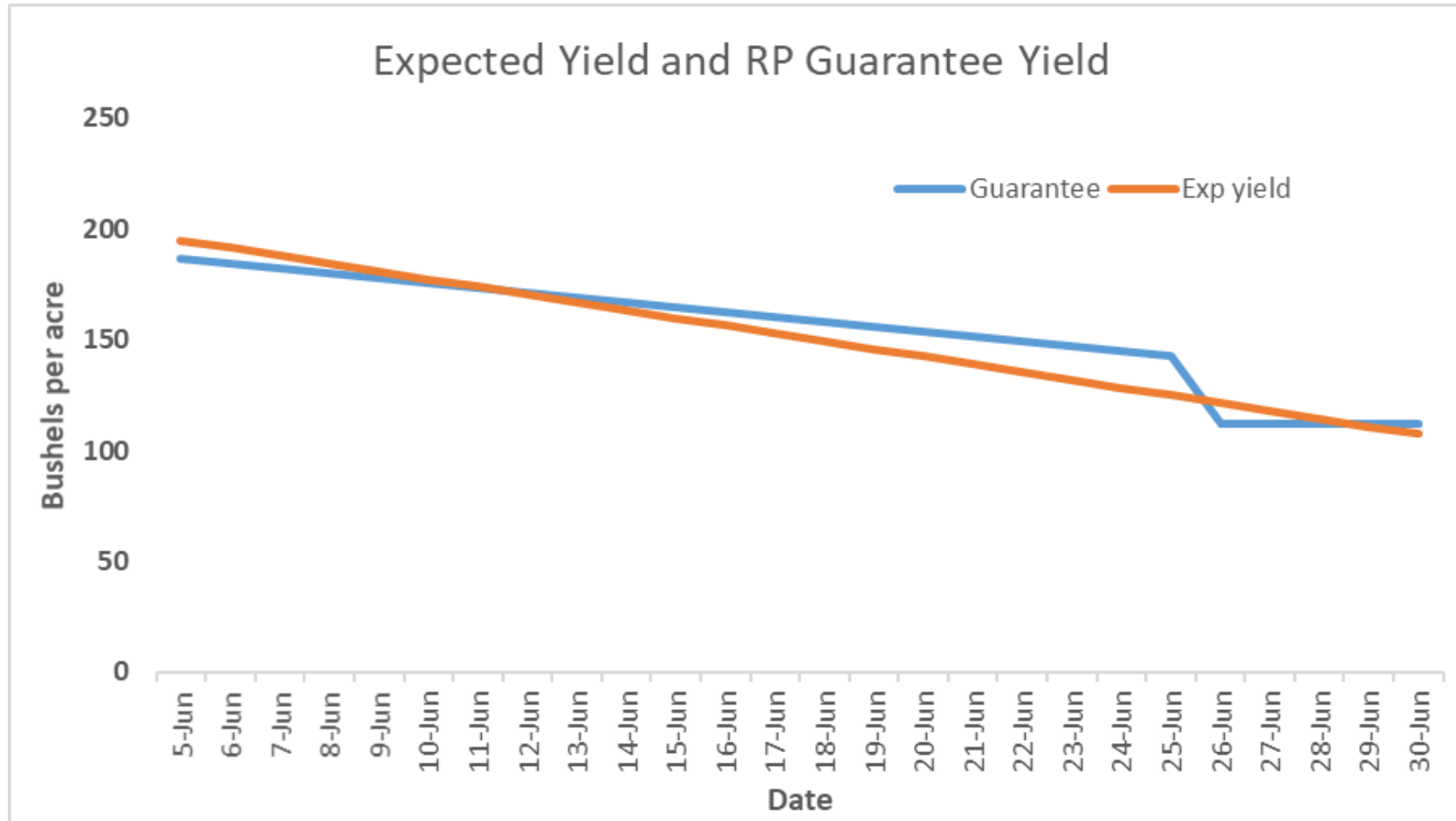
\$4.50 corn price: 175 bushels per acre ****

\$5.00 corn price: 158 bushels per acre *****

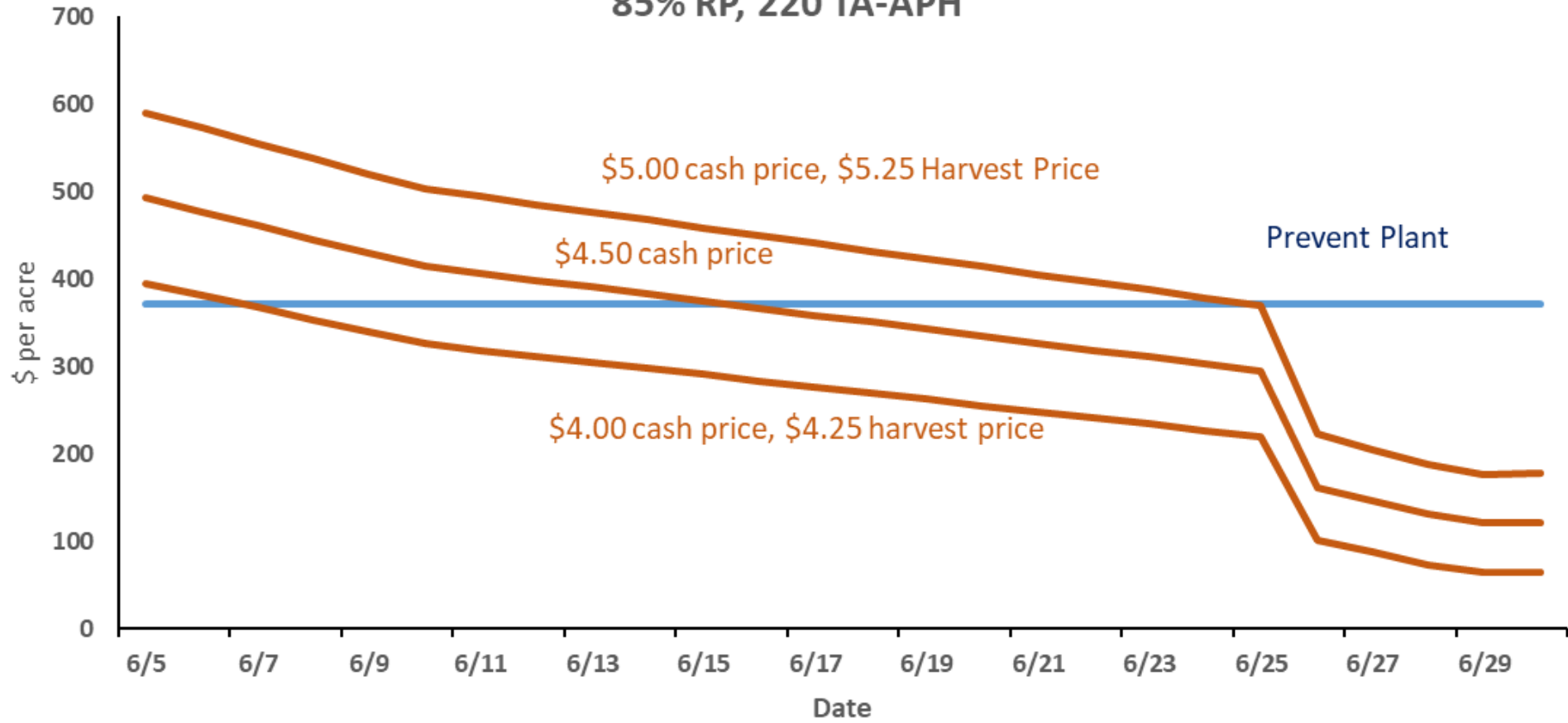
**** Does not include crop insurance payments, could generate payments



Impact on 85% RP Yield Guarantee (220 APH)



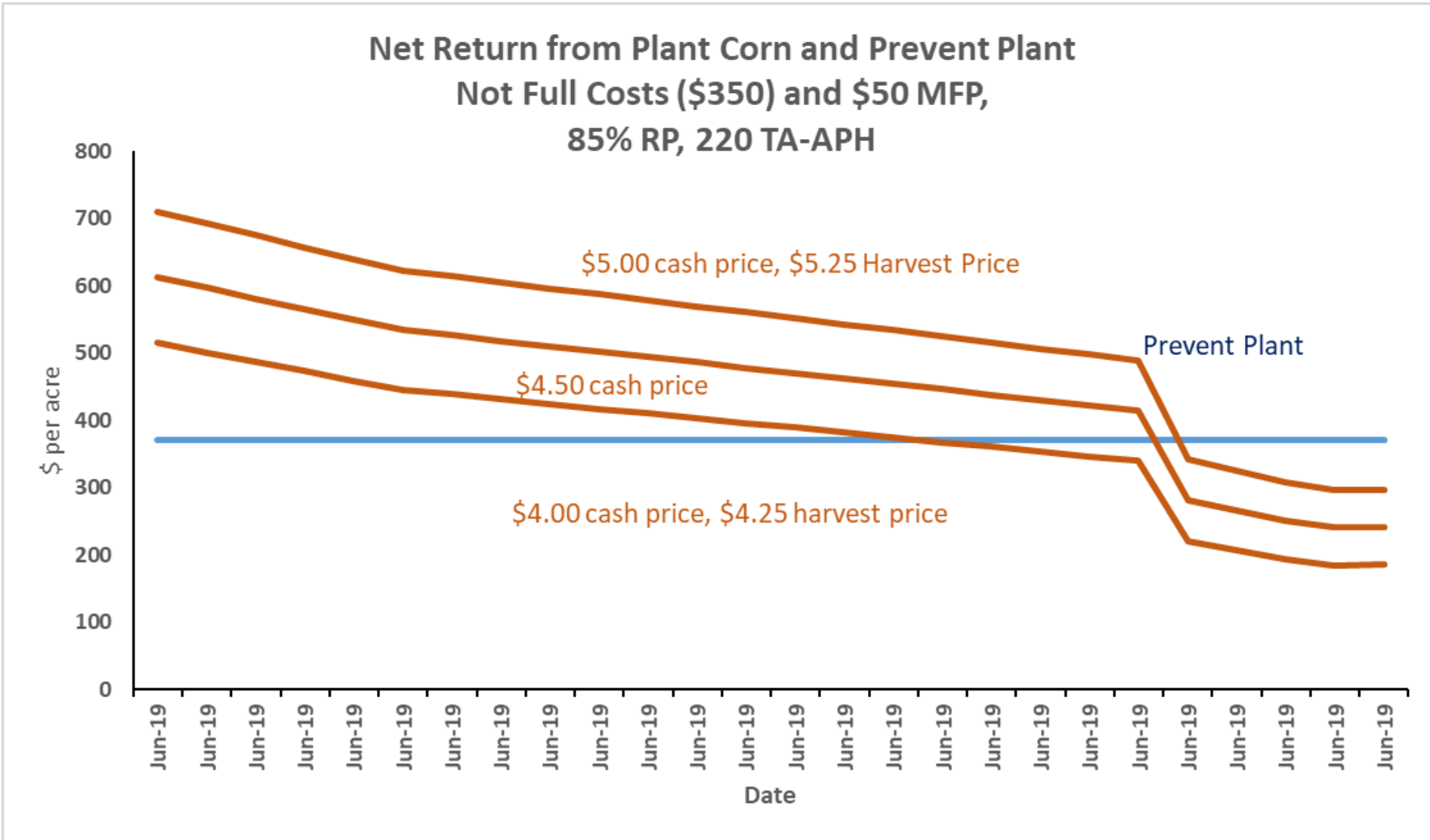
Net Return from Plant Corn and Prevent Plant Full Costs (\$470) and \$50 MFP, 85% RP, 220 TA-APH



Upside: Plant Corn Net Return Minus Prevent Plant Net Return					Difference in returns given prices and yields in this block given plant date above
APH Yield	Coverage Level			Expected Yield	
	85%	75%	65%		
	\$/acre	\$/acre	\$/acre	Bu/acre	
220	\$44	\$92	\$141	184.5	Cash Price \$4.50
200	\$7	\$51	\$95	168.1	basis (\$0.25)
180	-\$23	\$16	\$56	153.0	Harvest Price \$4.75
160	-\$58	-\$23	\$12	136.9	

\$470 costs, \$45 net return





Hierarchy of Decisions

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 - Plant soybeans if fit
- b) After final planting date
 - i. Take prevent plant payment on soybeans, or
 - ii. Plant soybeans

3. Intended corn acre, not planted to corn

- a) Prevent plant corn, or
- b) Plant soybeans, or
- c) 35% prevent planting corn payment, plant soybeans after late plant period (June 25 in most counties, June 20 in southern seven counties)

All intended corn acres planted
 * Good
 * No: Wait to step (3) to decide whether to plant soybeans

Go to intended soybean acres

File a corn prevent plant claim



Intended Soybean Acre

- Before **Final Planting Date** (June 15, June 20)
 - Plant it from an economic and insurance standpoint

- After **Final Planting Date** (June 15, June 20)

Options are:

 - Take prevent planting payment
 - Continue to plant soybeans



85% RP, 65 TA-APH, Full Cost to Incur (\$260)

Plant Soybeans

Will impact APH

Break-even under Full Costs

\$536 revenue (\$276 PP + \$260 soybean costs)

- \$50 MFP

\$486 in revenue from crop sales or crop insurance

Prevent Plant soybeans

- \$276 net return

- Certain payment
- No impact on APH

\$8.00 cash price: 60 bushels per acre ****

\$8.50 cash price: 57 bushels per acre ****

\$9.00 cash price: 54 bushels per acre ****

**** Does not include crop insurance payments, could generate payments



Net Return – One day after final plant date

Yield	55	55	55	45	45	45
Harvest price	\$8.50	\$9.00	\$9.50	\$8.50	\$9.00	\$9.50
Cash Price	\$8.10	\$8.60	\$9.10	\$8.10	\$8.60	\$9.10
Crop Revenue	446	473	501	365	387	409
Crop insurance	54	27	0	139	117	94
MFP	50	50	50	50	50	50
- costs	260	260	260	260	260	260
Net return	290	290	291	294	294	293

Net return from Soybean prevent plant = \$276

65 TA-APH

Soybean return exceeds prevent plant until 8 days after final plant date



For Soybean Decisions (Compare net returns from prevent plant to insurance guarantee)

- **\$276 net return from prevent planting**

- Cash price guarantee

$\$9.54$ projected price - $\$.40$ basis = $\$9.14$ cash price

- Yield guarantee

65 TA-APH x $.85$ coverage level x $(1-.02)$ = 54

- Cash insurance guarantee

$\$9.14$ x 54 = $\$494$

- Net return

$\$494$ cash insurance guarantee + $\$50$ MFP - $\$260$ net costs = $\$283$

Goes down 1% per day during late planting period



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 - i. Take prevent plant payment on soybeans, or
 - ii. Plant soybeans

Only plant soybeans on corn intended acre if all soybean acres get planted

Very cautious of planting soybeans on corn prevent plant acre before late planting period is over

3. Intended corn acre, not planted to corn
 - a) Prevent plant corn, or
 - b) Plant soybeans, or
 - c) 35% prevent planting corn payment, plant soybeans after late plant period (June 25 in most counties, June 20 in southern seven counties)



85% RP, 65 TA-APH, Full Cost to Incur (\$260)

~~Prevent Plant Soybeans~~

- \$276 net return

Prevent Plant Corn

- \$371 net return

- Certain payment
- No impact on APH

Plant Soybeans

Will impact APH

Break-even under Full Costs

\$631 revenue (\$371 PP + \$260 soybean costs)

- \$50 MFP

\$581 in revenue from crop sale or crop insurance

\$8.00 cash corn price: 72 bushels per acre

\$8.50 corn price: 68 bushels per acre ****

\$9.00 corn price: 64 bushels per acre ****

**** Does not include crop insurance payments, could generate payments



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This one comes in because MFP is only eligible on planted acres

Need to see if what the disaster assistance program looks like



Take 35% of corn prevented planting payment, plant soybean after late planting period (after June 25 in most of Illinois)

- Have to plant soybeans after late planting period
- Only get 35% of prevented planting payment and pay 35% of corn premium **unless there is a double-crop soybeans history**
- Assumes that MFP is available on corn prevent plant farmland

$$\begin{aligned}
 & \$144 \text{ prevented planting payment} \\
 & + \$50 \text{ MFP payment} \\
 & + \$324 \text{ soybeans revenue} \\
 & \quad (40 \text{ bushels} \times \$8.10 \text{ price}) \\
 & + \$125 \text{ crop insurance payment} \\
 & - \$256 \text{ in soybean costs} \\
 & = \$387 \text{ net return}
 \end{aligned}$$

APH of corn – 60% of approved yield for 2019 yield

APH for soybeans – actual yield enters history



Information

- Articles appear on farmdocDaily (www.farmdocDaily.Illinois.edu)
- Webinars will be conducted each of then next three Wednesdays
 - June 12 (8:00 am)
 - June 19 (8:00 am)
 - June 26 (8:00 am)
- Signup for email list on farmdocDaily



Prevented Planting Model

- FAST spreadsheet available on farmdoc
- Compares returns and costs
- Use this to look at the alternatives

Net returns on plant corn or soybeans	<u>Corn</u>	<u>Soybeans</u>
Planting date	6/6	6/6
Insurance guarantee	805	527
Maximum yield (bu. / acre)	225	65
Percent of max	74%	91%
Expected yield	190	50
Expected harvest price	\$4.35	\$8.80
Basis	-\$0.25	-\$0.40
Expected cash price (\$ /bu.)	\$4.10	\$8.40
Crop revenue	\$779	\$420
Crop insurance payment	0	87
2019 MFP payment	25	25
Revenue (\$ per acre)	\$804	\$532
Direct costs (\$ per acre)		
Fertilizers	145	46
Pesticides	75	39
Seed	114	73
Drying	18	1
Storage	15	8
Crop insurance	18	15
Power costs (\$ per acre)		
Machine hire	13	14
Field cultivate	9	9
Plant	12	12
Spray	3	3
Combine	35	30
Trucking	12	6
Costs yet to be incurred	\$469	\$256
Expected net returns (\$ per acre)	\$335	\$276



Thank you
and
questions



Eligible acres

- Complicated rules, but eligible acres based on highest plantings in last 4 years
- Example
 - 100 acre unit that is same size each year
 - maximum plantings in last four years were 75 acres of corn, and 75 acres of soybeans
 - Eligible prevent planting acres: 75 acres corn, 75 acres soybeans, can't have more prevent plant acres than are in unit
 - Plant 50 acres corn, 25 acres are eligible for a corn prevent plant payment



Impact on Actual Production History (TA-APH) Yield

- Prevented planting does not impact APH
- No planting in unit: missing year, nothing happens
- If plant some acres, then yield history is based on what is planted

- Example
 - 500 acres
 - take prevented planting on 400 acres
 - plant 100 acres and get 150 bushels per acre on 100 planted
 - yield for 2019 for that unit is 150 bushels per acre



Worst Case: Plant corn net return - Prevent Plant Net Return

APH Yield	RP Coverage Level		
	85%	75%	65%
	\$/acre	\$/acre	\$/acre
220	-\$97	-\$130	-\$164
200	-\$123	-\$153	-\$183
180	-\$149	-\$176	-\$203
160	-\$174	-\$199	-\$223

Worst case occurs at harvest prices below projected price and yields at or below yield guarantee give a \$-0.25basis and planting date given above.

Upside: Plant Corn Net Return Minus Prevent Plant Net Return

APH Yield	Coverage Level			Expected Yield
	85%	75%	65%	
	\$/acre	\$/acre	\$/acre	Bu/acre
220	\$22	\$71	\$119	191.5
200	-\$12	\$32	\$76	174.7
180	-\$41	-\$1	\$38	159.0
160	-\$74	-\$39	-\$4	142.3

Difference in returns given prices and yields in this block given plant date above

Cash Price **\$4.25**
 basis **(\$0.25)**
 Harvest Price **\$4.50**



Owned, Cash, and Share Rent Farmland

- Owned and cash rent -- I don't see any difference between owned and cash rent farmland, Choose the highest alternative
- Variable cash rent – Does the lease include prevented planting payments?
- Share rent lease – Share rent land owner gets no payment if they don't have insurance. Economics may say don't plant (incurring 100% machinery costs for half the revenue). In most cases, want to do right by these land owners



Thank You and Questions

