



Late Planting Decisions in 2016

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In most areas of the Midwest, planting is very near completion on corn and well along its way for soybeans; however, progress lags in some areas. Weekly progress reports suggest that southern Illinois, Indiana, and Ohio are behind on both corn and soybean plantings. In this article, economic considerations of late plantings are discussed. At this point, soybeans are projected to have higher returns than corn, suggesting that planting soybeans on remaining unplanted acres may be prudent from an economic standpoint. Prevented planting considerations related to crop insurance also are described.

Corn versus Soybeans

Forward contract bids for 2016 fall delivery are near \$3.80 per bushel for corn and \$10.10 per bushel for soybeans. At these prices, soybeans are projected more profitable than corn in all regional budgets contained within the *2016 Illinois Crop Budgets*, even without considering yield reductions associated with late planting of corn. Reducing corn yields in the budgets would further increase the returns advantage of soybeans over corn.

To illustrate, take yields and costs in the central Illinois budget for low-productivity farmland. Corn has a projected yield of 186 bushel per acre and soybeans of 53 bushels per acre. These yields are typical expected yields without factoring in late planting. At a \$3.80 corn price, operator and land return is projected at \$177 per acre for corn (See Table 1). The soybean return is projected to be \$43 per acre higher at \$220 per acre. Again, a lower corn yield results in a lower corn return, increasing the advantage of soybeans over corn.

At this point, planting soybeans on remaining unplanted acres seem economically prudent, particularly if nitrogen for corn has not been applied. Furthermore, hedging the soybean price on some or all of the planted soybean acres also seems prudent. Current fall delivery prices are well above the \$8.85 projected price used for setting crop insurance guarantees on soybeans. Downside price risk for soybeans also seems larger for soybeans than for corn (see *farmdoc daily* May 23, 2016).

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Table 1. 2016 Crop Budget for Low-Productivity Farmland in Central Illinois

	Corn	Soybeans
Yield per acre	186	53
Price per bushel	\$3.80	\$10.10
Crop Revenue	707	535
ARC/PLC	30	30
Gross revenue	\$737	\$565
Direct costs	359	167
Power costs	131	115
Overhead costs	70	63
Total Non-land costs	\$560	\$345
Operator and land return	\$177	\$220

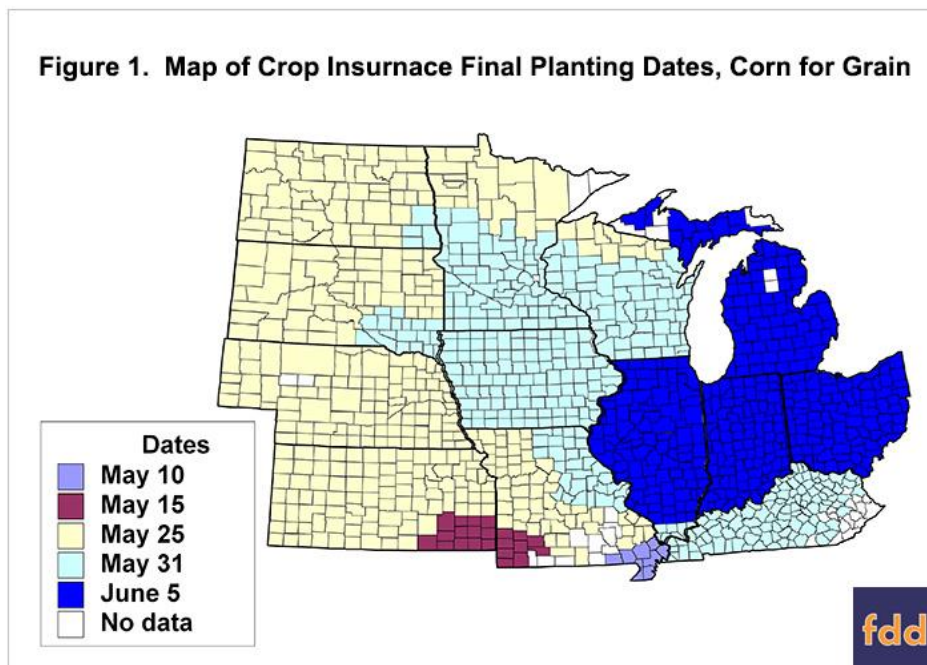
Source: 2016 Illinois Crop Budgets

Prevented Planting on Corn

Prevented planting payments are available from the COMBO crop insurance policy once the “final planting date” has been reached. The COMBO policy includes Revenue Protection (RP), Revenue Protection with the harvest price exclusion, and Yield Protection. Prevented planting payments do not exist for the Area Risk Protection Insurance policy.

Final planting dates for grain corn varies across Midwestern states (see Figure 1). May 31 is the “final planting date” for Iowa, southern Minnesota and Wisconsin, northeastern Missouri, the extreme southern counties of Illinois, and Kentucky. June 5 is the date for most of Illinois, Indiana, Ohio, and Michigan.

Figure 1. Map of Crop Insurance Final Planting Dates, Corn for Grain



Once the final planting date has been reached, a prevented planting payment for corn can be taken if corn is not planted for insurable causes (e.g., wet weather). Unless a 5 or a 10% buy-up has been purchased, the prevented planting payment will be 60% of the guarantee. Take a unit with a 170 bushels per acre guarantee yield, this year's projected price of \$3.86 per bushel, and an 80% coverage level. In this case, the prevented planting payment will be \$314 per acre (170 guarantee yield x \$3.86 projected price x 80% coverage level x .60 prevented payment factor).

Several important notes about prevented planting payments are:

- The crop insurance agent should be contacted before considering prevented planting. Prevented planting considerations can be complicated, with one concern being the number of acres eligible for prevented planting. Maximum eligible acres generally equals maximum acres of corn planting in the last four years, adjusted for acreage changes in the current year. A crop insurance agent can address this and other issues.
- Prevented planting does not have to be taken over the entire insurable unit. However, there are minimum acres on which prevented planting can be taken. Minimums typically equal 20 acres or 20% of the acres in the insurable unit.
- Taking prevented planting will not impact Actual Production History (APH) yields in future years.

More detail on prevented planting is given in a [May 30, 2013 farmdoc daily](#) article.

After the final planting date, a farmer has three options:

- Take the prevented planting payment.
- Plant corn. After the final planting date, the crop insurance guarantee will be reduced one percent per day for each day after the final planting date. This reduction will continue for 25 days. After 25 days, the insurance guarantee will be 60% of the original guarantee.
- Plant soybeans.

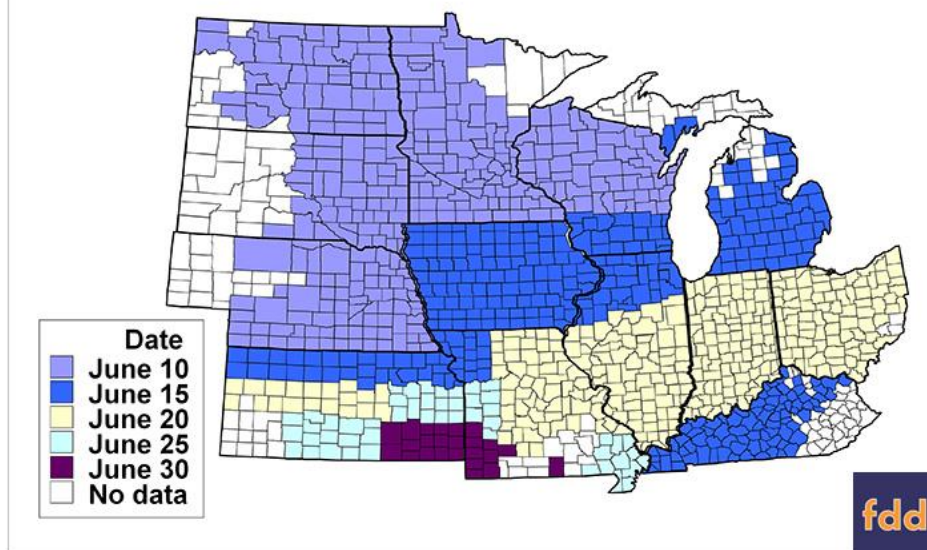
The *Prevented Planting Module* will aid farmers in making the choices by calculating expected returns for the alternatives. The *Prevented Planting Module* is a part of the *Planting Decision Model*, a Microsoft Excel spreadsheet that is part of the *FAST* series available for download [here](#).

Most situations I have evaluated suggest that corn has a lower return than soybeans. Often, the projected returns of taking the prevented planting payment or planting soybeans are near one another, particularly if planting does not occur in mid to late June. Prevented planting payments increase for higher crop insurance coverage levels and the higher 65% and 70% prevented planting payment factors. As a result, prevented planting may have a higher expected returns for these 80% and higher coverage levels, particularly if the prevented planting factor has been bought up.

Prevented Planting for Soybeans

Final planting dates for soybeans differ for corn (see Figure 2). June 15 is the final planting date for Iowa, northern Illinois, Michigan, and Kentucky. June 20 is the final planting date for the southern two-thirds of Illinois, Indiana, and Ohio.

Figure 2. Map of Crop Insurance Final Planting Dates, Soybeans, Not Following Another Crop



More detail on soybean prevented planting payments are available in a [June 18, 2013 *farmdoc daily*](#) article. As of this writing, final planting dates are still a couple of weeks into the future. Hopefully, most acres will be planted by the soybean final planting dates.

Summary

Current prices favor planting soybeans on remaining unplanted acres. Prevented planting will come into play if continued rain and wet soils prevent plantings until the final planting dates have been reached. The alternatives of planting soybeans or taking the prevented planting payment will be near one another, particularly when planting does not occur in mid to late June.

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