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Weekly Farm Economics: Cover Crops and Prevent Planting in 2019

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June 25, 2019

***farmdoc daily* (9): 117**

Recommended citation format: Schnitkey, G., K. Swanson, C. Zulauf, J. Coppess, and R. Batts. "Cover Crops and Prevent Planting in 2019." *farmdoc daily* (9): 117, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 25, 2019.

Permalink: https://farmdocdaily.illinois.edu/2019/06/cover-crops-and-prevent-planting-in-2019.html

Many farmers will soon be considering whether to plant cover crops on prevent plant acres. If prevent planting payments are received through crop insurance, there are species selection and forage use requirements associated with cover crops. The crop insurance issues related to cover crops and prevent planting are explored in this article. Then, other policy issues associated with cover crops are detailed. Finally, the decision to plant a cover crop where the cover crop is not used for forage is discussed. In general, planting cover crops will increase costs of maintaining prevent planting acres, with possible benefits accruing next year. First, we begin with policy modifications made this year related to cover crops and prevent planting.

Policy Innovations in 2019

Several policy modifications have been made this year relative to prevent planting and cover crops due to wet weather and late planting:

1. RMA typically allows haying and grazing on prevent planting acres which have been seeded to cover crop on or after November 1. The November 1 date has been moved up to September 1. In addition, cover crop acres can be made into baleage, silage, and haylage after September 1. Typically, harvesting cover crops in these manners are not allowed.
2. As originally announced, the Market Facilitation Program (MFP) program would not make payments in 2019 to prevent planting acres. In a recent news release, USDA indicated that minimal MFP payments may be made on cover crops that have the potential to be harvested.
3. Recently passed ad hoc disaster assistance legislation may provide additional payments on prevent planting acres in counties declared disaster areas and possibly other areas on a case-by-case basis. The extent and size of these payments are not known.

4. USDA announced that the Environmental Quality Incentives Program (EQIP) program administered by the National Resources Conservation Service (NRCS) will hold special signups for cover crops on prevent plant acres in certain states.

Cover Crops on Prevent Plant Acres: Crop Insurance Issues

Crop insurance regulations relating to cover crops on prevent planting acres revolve around species selection, planting practices, and uses of cover crops. If cover crops will not be used as forages or otherwise harvested, there are few concerns in planting cover crops on prevent planting acres, except for the choices of cover crop species and practices used in planting the cover crops. If forage will be taken off — either through grazing, haying, silage, or baleage — date of grazing or harvest becomes important. Stipulations for species, practices in planting cover crops, and use are covered in the following sub-sections.

Species of Cover Crops: The Risk Management Agency (RMA) does not have a list of approved cover crops. A specific species can be used as a cover crop if local experts recognize that species as being appropriate for use as a cover crop. Cereal rye, clovers, and radishes have been used as cover crops and generally would be acceptable species from a crop insurance perspective. Also, crops that traditionally are harvested as grains can be used as cover crops including soybeans, corn, wheat, and oats (see Nafziger, June 17, 2019, and June 20, 2019 letter from Nafziger and Bowman).

Farmers may consider using soybeans as a cover crop, particularly those who purchased treated soybean seed that is not returnable and would have reduced germ if stored until next year. From a crop insurance perspective, soybeans can be used as a cover crop. Similarly, corn also can be used as a cover crop, and in some respects serves well as a cover crop (see June 20, 2019 letter).

Special loss adjusting concerns exist if soybeans or corn is used as a cover crop, however. Soybeans and corn planted as a cover crop appear very much like corn and soybeans planted for harvest. Moreover, production practices may differ when corn and soybeans are planted as a cover crop as compared to those crops harvested for grain. Insurance companies may have requirements if corn and soybeans are planted as cover crops that differ from those for grain production. As always, farmers need to communicate with their crop insurance agents and loss adjustors under prevent planting situations. Those needs increase when corn and soybeans are planted as a cover crop.

Practices for Planting Cover Crops: Cover crops, including corn and soybeans, need to be planted as cover crops, and production practices for cover crops may differ from those for grain crops. RMA does not have a list of planting requirements, instead relying on opinions of agricultural experts. NRCS cover crop guidelines can play a role in determining good farming practices for cover crops. In addition, RMA has provided some guidance on qualified experts for making good farming determinations (RMA, Good Farming Practices Determinations Handbook). Approved experts by RMA include individuals who are:

1. employed by Cooperative Extension Service or USDA National Institute of Food and Agriculture (NIFA), formerly Cooperative State Research, Education, and Extension Service (CSREES);
2. employed by the agricultural departments of universities;
3. certified by the American Society of Agronomy (ASA) as Certified Crop Advisers and Certified Professional Agronomists, https://www.agronomy.org/;
4. certified by the National Alliance of Independent Crop Consultants (NAICC) as Certified Professional Crop Consultants, http://naicc.org/;
5. certified by the American Society for Horticultural Sciences as Certified Professional Horticulturists; or
6. certified by the International Society of Arboriculture as Certified Arborists.

Use of Cover Crop: There are additional regulations associated with cover crops when those cover crops will be used as a forage. Timing is important when the cover crop will be hayed, grazed, or made into silage or baleage.

September 1 and Grazing or Harvest in 2019: In a typical year, grazing and haying can occur on or after November 1. For 2019, however, the Risk Management Agency moved the date from November 1

to September 1 and cover crops can be grazed or hayed, as well as made into baleage or silage, if these actions occur after September 1. Making corn silage from a corn cover crop is allowed. Moreover, RMA allowed cover crops to be harvested as haylage or baleage in 2019 (RMA Press Release, June 20, 2019).

Cover crops cannot be harvested for grain in 2019, or any other year. Harvesting grain from a cover crop causes the cover crop to be treated as a harvestable crop for crop insurance purposes and will result in a reduction in the prevent planting payment. If the crop was planted in the late planting period, the prevent planting payment will be eliminated. If the crop was planted after the late planting period, the payment and insurance premium will be reduced to 35% of the original amount.

Cover crops cannot be hayed or grazed before September 1 without impacting the prevent planting payment. Even if the cover crop is planted after the late planting period, the prevent planting payment will be reduced to 35% of the original if hayed or grazed before September 1. If the cover crop is planted during the late planting period, the prevent planting payment will be eliminated (see Figure 1).

Cover Crops Planted before the Final Planting Date: Some cover crops may have been planted before the final planting date. For example, cereal rye may have been planted as a cover crop during the fall of 2018. Planting may have been planned for 2019, but now due to weather conditions these acres may be prevented from planting. The cover crop can be left as is on these prevent planting acres. Once the late planting period has ended, cover crops cannot be grazed, hayed, or otherwise harvested as forage without impacting the prevent planting payment, except after September 1st (see Figure 1).

Figure 1. Prevent Planting Guidelines for Receiving Different Percentages of Prevent Planting Payment

Cover Crop Planted	Disposition	Pay 100%	Pay 35%	Pay 0%
*Before Final Planting Date (FPD) of the Prevented Crop***	Hayed/Grazed/Cut for silage during or before the end of the LPP	X		
	Hayed/Grazed/Cut for silage after the LPP, but before Sept 1		X*	
	Hayed/Grazed/Cut for silage on or after Sept 1	X		
	Harvested for grain or seed at any time			X
During Late Planting Period (LPP) of the Prevented Crop	Hayed/Grazed/Cut for Silage before Sept 1			X
	Hayed/Grazed/Cut for silage on or after Sept 1	X		
	Harvested for grain or seed at any time			X
After Late Planting Period of the Prevented Crop	Hayed/Grazed/Cut for silage before Sept 1		X	
	Hayed/Grazed/Cut for silage on or after Sept 1	X		
	Harvested for grain or seed at any time		X*	

**Provided the crop claimed as a cover crop is not the prevented crop and all other policy provisions are met.*
***Example: Fall-Planted Cover Crop; Spring PP Crop*

Source: Risk Management Agency, https://www.rma.usda.gov/en/News-Room/Frequently-Asked-Questions/Prevented-Planting-Flooding

Other Regulations Impacting Cover Crops

Two other sets of regulations can have impacts on the use of species as cover crops. The first is the Market Facilitation Program for 2019. Originally, MFP payments in 2019 were only going to be made on planted acres. Prevent plant acres were not to receive payments. In a June 10 press release, USDA announced that there may be "minimal" MFP payments on cover crop acres that have "the potential to be harvested." To date, USDA has provided no further clarification about the definitions for "minimal" or "potential to be harvested" nor has USDA provided any further guidance on these matters. Importantly, the possibility of MFP payments does not impact the crop insurance regulations related to prevent planting payments listed above.

The second set of regulations relates to the corn and soybean seed used for cover crops. Using "bin-run" corn and soybean seed potentially raises issues if those seeds include traits. Most corn and soybean

seed is under patent and planting seed not purchased as seed raises patent infringement issues. Corn and soybean seed purchased as seed does not raise patent infringement issues.

The Economics of Cover Crops in Grain Systems

In most situations, cover crops will not be harvested as forages on prevent planting acres. In these situations, crop insurance does not require planting a cover crop, but there are environmental and farm benefits to planting a cover crop, including protecting soils from erosion, controlling weeds on prevent plant soils and sequestering nitrogen so nitrogen does not enter water bodies. Growing a cover crop this year may also prevent "fallow syndrome" in which yields next year suffer because of wet soils and no crop this year (Nafziger, June 17, 2019).

Prevent planting farmland likely will have expenses including tillage passes, pesticide applications, and mowing. University of Illinois *Costs of Operation* publications indicate a field cultivating pass has a cost of $9.80 per acre and mowing is over $20 per acre. One pesticide application likely has around $15 per acre in costs. Without the use of cover crops, at least two passes may be needed, placing weed maintenance costs over $20 per acre.

Costs of cover crops include the initial seed costs and planting costs. Seed costs usually are at least $15 per acre and can easily exceed $20 per acre. Planting costs are typically between $13 and $18 per acre (see Cost of Machinery Operations), leading to total costs for a cover crop in the $25 to $40 per acre range. Use of bin-run seed, if allowed by patent considerations, could reduce those total costs. However, cover crop seed planting costs could increase if a pesticide application or tillage application is needed to control weeds before planting the cover crop.

Compared to non-use of cover crops, use of cover crops likely will increase the costs of maintaining prevent planting farmland. Those costs can be lowered if planting the cover crop can substitute for another field pass later in the season. The additional costs associated with cover crops may provide benefits next year, with the possibility for a minimal MFP payment for cover crops and/or possible EQIP funding for cover crop seed reducing the cost increase from planting cover crops. Farmers who are not under time pressures to plant cover crops could consider waiting to make a cover crop decision for a few weeks to see if there is additional guidance from USDA on which cover crops will quality tor a minimal MFP payment or wait and see the details of additional EQUIP funding.

The Economics of Cover Crops as Forages

Needs for forages by livestock farms will likely dictate management practices and choice of cover crop species. Note that corn can be used as a cover crop, and corn can be harvested for silage after September 1 while receiving the full prevent planting payments in 2019.

Summary

Grain operations who will not harvest forages from cover crops face few crop insurance concerns when planting cover crops on prevent plant acres after the late planting period, other than species selection issues. Cover crops can be planted at any time and existing cover crops may remain on prevent planting acres. Costs likely will be higher if cover crops are planted than if cover crops are not planted, leading to concerns for economic benefits in the future. Low returns likely for this year could exasperate those concerns.

Those farmers who will hay or graze cover crops need to wait until September 1, otherwise prevent planting payments will be reduced or eliminated.

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