Illinois Farm Bureau and COUNTRY Financial Webinar on Market Facilitation Program and Prevented Planting (PP)

May 29, 2019

Agenda

Moderator: Chris Magnuson, IFB President's Office

1. Factors to Consider Before Making your final Prevent Plant Decision
   - *Doug Yoder, Crop Agency Manager, COUNTRY Financial*
2. Prevent Plant Options and Rules
   - *Marty McDonald, Sr. Crop Office & Field Claims Adjuster, COUNTRY Financial*
   - *Brenda Dozier, Sr. Crop Underwriting Trainer*
3. Market Facilitation Program/Disaster Assistance Bill
   - *Adam Nielsen, Director of National Legislation & Policy Development, Illinois Farm Bureau*

PP Factors to consider…

Prior to making a final Prevent Plant (PP) decision, numerous factors need to taken into consideration:

- Grain marketing/forward contracting
- Corn/soybean price ratios
- Input expenses already incurred
- Input expenses expected if you switch to a second crop or cover crop
- Additional management if you plant a cover crop
- Enterprise Unit eligibility if part of the unit is PP
- Supplemental Coverage Option and other buy up options
- Market Facilitation Program

Factors Marty will cover

- PP eligibility
- Various PP options and specific rules for each option
- Impact to APH

Market Facilitation Program

Thus far, these are the MFP details we know of:

- ➢ $14.5 billion in direct payments to farmers
- ➢ Payments will be county based, and can vary by county
- ➢ Payments rates have not been announced as of now
- ➢ Payments will be made in three installments;

1. Late July/early August - as soon as practical following FSA July 15 acreage reporting deadline
2. If warranted second payment in November 2019
3. If warranted third payment in early January 2020

Market Facilitation Program

- County payment rates will be announced at a later date based on trade damage and historic plantings
- Each county will have 1 published payment rate based upon the trade damage that county has incurred
- The county payment rate will be the same regardless of which eligible crop you plant
- Eligible crops include:
  Alfalfa hay, barley, canola, <u>corn</u>, crambe, dry peas, extra-long staple cotton, flaxseed, lentils, long grain and medium grain rice, mustard seed, dried beans, oats, peanuts, rapeseed, safflower, sesame seed, small and large chickpeas, sorghum, <u>soybeans</u>, sunflower seed, temperate japonica rice, upland cotton, and wheat

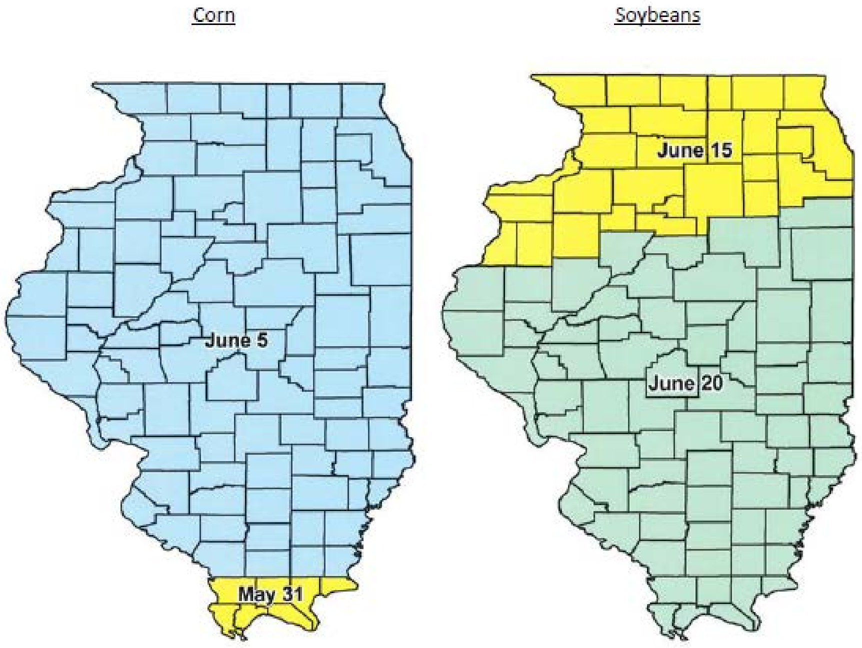
Market Facilitation Program

- Farmers will receive a payment based on their single county rate multiplied by their farm’s total plantings to those crops in aggregate in 2019
- Those per acre payments are not dependent on which of those crops are planted in 2019
- Total payment-eligible plantings cannot exceed total 2018 plantings
- Prevent Plant acres left fallow **will not** be eligible for 2019 MFP payments

Final Planting Date/Late Planting Period (LPP)

Final Planting Date is Crop/County specific

Final Planting Dates



Corn has a 20-day late planting period
Soybeans has a 25-day late planting period
There is a 1% a day reduction in guarantee if planted during late planting period

Submitting A Prevent Plant Claim

A Prevent Plant claim **cannot** be submitted until after the final planting date for the prevented crop in the County

PP claims reporting deadline is 72 hours after the late planting period

Reporting PP acres on Acreage Report does not generate a claim, a timely claim must be submitted.

Submitting A Prevent Plant Claim

Conditions must be general to the area

Must be an insurable cause of loss

The lesser of 20 acres or 20% of the **unit** must be prevented to qualify for an indemnity

Acreage must be available for planting

Prevented Planting Guarantees

Corn PP guarantee is 55% of the timely guarantee

Soybeans PP guarantee is 60% of the timely guarantee

Example for corn: APH 200 bu. X 85% coverage level = 170 bu. timely guarantee.

170 bu. Timely guarantee x 55% = 93.5 bu. prevented planting guarantee.

93.5 bu. PP guarantee X $4.00 = $374.00 @ full PP payment

Full PP payment if no crop planted and the acres are left “black”

Prevented Planting Eligible Acreage

Acreage eligibility is based on past planting history

Eligible acres for PP coverage is based on the highest number of acres planted or prevented in the last four crop years.

Example: 800 total tillable acres in operation

Highest number of corn acres in last 4 years 400

Highest number of soybean acres in last 4 years 400

This operation would be eligible for 400 acres of planted and prevented corn and 400 acres of planted and prevented soybeans

Prevented Planting Eligible Acreage

If additional acreage is added to the operation, the additional acreage is added to your planting history in the same ratio

Final determination of eligible Prevent Plant acres cannot be made until acreage report is submitted.

If producer does not have sufficient eligible acreage for one crop, may be able to use excess eligible acres of another crop.

Example-producer has 400 eligible acres for corn and 400 eligible acres for soybeans

Producer reports 450 planted and PP acres for corn

Prevented Planting Eligible Acreage

Producer reports 350 acres of planted soybeans with no prevent soybean acres

Producer exceeded eligible corn acres by 50 acres but still has 50 acres of unused eligible soybean acreage

In this situation the policy would allow for using the available soybean acres in calculating the Prevent Plant claim

Prevented Planting Options

A second crop can be planted on PP acres after the end of the Late Plant Period for prevented crop and receive 35% PP payment.

If a second crop is planted during the LPP for the prevented crop, PP payment is void.

If insurance coverage is available, second crop acres must be insured.

Guarantee for second crop acreage is determined by plant date

170 bu. X 55% PP guarantee X $4.00 X 35%= $130.88 @ 35% PP claim payment

If 35% payment made then premium will be reduce to 35%

Prevent Planting Options

Cannot plant prevented crop at any time for harvest on PP acres and retain PP payment.

If second crop is a cover crop and planted during LPP for prevented crop and not hayed or grazed before November 1st, retain 100% PP payment. If harvested or grazed before November 1st, PP payment is void.

If second crop is a cover crop and planted after LPP for prevented crop and not hayed or grazed before November 1st, retain 100% PP payment. If harvested or grazed before November 1st, PP payment is reduced to 35%

Prevent Planting Payments

Prevented Planting claims will be paid using the Projected (Spring) Price.

Premium for prevented acres is the same as for timely planted acres.

Standing crop does not constitute a prevented situation unless mature crop cannot be harvested due to an insured peril

If a full PP payment is made, the acres will NOT become part of APH for the following crop year

If a 35% PP payment is made, the acres WILL become part of the APH for the following crop year, and a yield of 60% of the prior years approved yield will be assigned

Late Planting Period (LPP)

The late planting period for Corn is 20 days

The late planting period for Soybeans is 25 days

Guarantee for late planted crop is reduced 1% for each day in the period

Example: Corn is planted 5 days after the final plant date the guarantee would be reduced by 5%

If the timely planted guarantee is 170 planted 5 days late would be 170 X 95%= 161.5 bu.

If crop is planted after its LPP, guarantee will be equal to a PP guarantee

Failed Crop

If a crop has been planted and is damaged to the point it cannot be expected to yield at least 90% of the guarantee for the unit, it is required to be replanted if it is practical.

When it is no longer practical to replant the crop, it becomes a failed crop.

$1^{st}/2^{nd}$ Crop

When crop acreage is damaged and it is NOT practical to replant the damaged acreage, the acreage becomes failed acreage

In this situation, the producer has several different options.

Since there are many options it is best to have these discussions between the producer and the certified adjuster.

How Prevented Acres affect Enterprise Units

To qualify, an Enterprise Unit (EU) must contain all of the insurable acreage of the crop/county and these requirements:

- Two or more sections
- At least two of the sections must each have planted acreage that constitutes at least the lesser of 20 acres or 20% of the insured crop acreage in the enterprise unit. If there is planted acreage in more than two sections, the aggregation of that acreage to form at least two parcels to meet the 20/20 rule can be used.

If it is discovered that the producer did NOT qualify for an EU, basic units will be assigned. And premium will be charged for basic units.

Crop Hail Revisions

If crop hail submitted early, revise acres AFTER producer is done planting.

- Revise crop
- Remove acres if prevented, and we will refund premium

QUESTIONS

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“No didn’t mean no”

- Secretary Perdue told us many times, in many ways that there would not be a second year of the Market Facilitation Program.

- “Last year, you didn’t know what was coming.   This year you plant with full knowledge of the current trade situation.”

- Just days before the China deal blew up, Vice President Pence was in Minnesota putting out the word that there would be another round of MFP.   But he did not share any specifics.

And then this tweet as the China talks broke down

President Trump tweet May 10

....if we bought 15 billion Dollars of Agriculture from our Farmers, far more than China buys now, we would have more than 85 Billion Dollars left over for new Infrastructure, Healthcare, or anything else. China would slow down, and we would automatically speed up!

MFP 2.0 evolves in public

- Contours of the program began to take shape.

- USDA then played the hand it was dealt.

- There were leaks…..

- Which forced a premature announcement before the close of the July 15 crop reporting deadline.

- The messages is essentially "don't let the program announcement influence your planting decisions."

MFP 2.0 – Illinois will get its “fair share” BUT county crop ratios DO matter

Assumptions

- $2.00 bu soybeans; $0.04 bu corn; and $0.17 bu. wheat
- Looked at 2017 and 2018 production – excellent 2018 yields

Three counties with typical crop ratios:

- Carroll (corn-on-corn w/ some beans)
- Champaign (50/50 corn-beans)
- Clinton (50-35-15 soy/corn/wheat)

WARNING: Relative numbers – Please don’t take these to the bank

- Corn-on-corn = **$67 per acre**
- 50-50 =   **$124 per acre**
- Soy-corn-wheat = **$108 per acre**