Congressional Research Service
Informing the legislative debate since 1914

Federal Crop Insurance Program (FCIP): Replanting, Delayed Planting, and Prevented Planting

August 12, 2021

Congressional Research Service
https://crsreports.congress.gov
R46874

CRS REPORT
Prepared for Members and
Committees of Congress

Congressional Research Service
Informing the legislative debate since 1914

SUMMARY

R46874

August 12, 2021

Stephanie Rosch
Analyst in Agricultural Policy

Federal Crop Insurance Program (FCIP): Replanting, Delayed Planting, and Prevented Planting

The federal crop insurance program (FCIP) offers farmers the opportunity to purchase insurance coverage against financial losses caused by certain adverse growing and market conditions. FCIP policies provide indemnities for losses on planted acres and payments for replanting acres after losses. In addition, some FCIP policies provide payments for certain situations where planting is not possible. These payments can help farmers manage cash flow and financial risk for their operations.

The FCIP imposes certain production and reporting deadlines that producers must meet in order to maintain eligibility for indemnity payments on their FCIP coverage. These deadlines vary by crop and location. The FCIP has specific rules around replanting, delayed planting, and prevented planting to limit opportunities for waste, fraud, and abuse in the program. Understanding the FCIP rules around planting requirements can explain how policy changes to the program may influence how producers respond to market conditions and weather related setbacks, as well as how the cost of risk is shared between producers and the U.S. government.

The total amount of prevented planting and replanting that occurs each year depends on weather and soil conditions. While total acres insured under the FCIP consistently increased from 2010-2020, total acres replanted and prevented from planting did not always follow the same pattern. Expenditures on replanting payments typically comprise a small share of total FCIP indemnities, while expenditures on prevented planting payments can account for a substantial share of total FCIP indemnities in years with particularly adverse spring planting conditions such as occurred in 2011, 2019, and 2020.

By design, the FCIP limits the amount of coverage available on planted acres so that producers can never earn more money from collecting crop insurance than from harvesting and selling their crops. However, coverage levels for replanting and prevented planting are not bound by the same limits as coverage on planted acres, and the potential exists for farmers to earn better economic returns from collecting prevented planting payments than from crop production. Supplemental payments provided for prevented planting acres in 2019 provided additional economic incentives for farmers to collect prevented planting payments instead of opting to plant their crops late in the season, which could call into question whether prevented planting payments mitigate the need for ad hoc disaster assistance funding—an objective of the FCIP. This experience has renewed interest among industry stakeholders in evaluating whether the FCIP rules on prevented planting may contribute to the moral hazard of the overall program. Additionally, there has been increased congressional interest in how the FCIP's rules impact the incentives for farmers to address broader conservation and environmental goals, as well as the potential cost of the overall program.

This report reviews the connections between crop planting cycles and FCIP policy deadlines, and provides an overview of FCIP rules for replanting, delayed planting, and prevented planting. As part of its ongoing oversight of the FCIP, Congress may wish to consider whether the rules governing delayed planning, replanting, and prevented planting provide consistent risk protection across crops and years; strike the right balance between the cost of replanting and prevented planting payments while providing adequate coverage for producers; provide incentives for farmers to engage in agricultural conservation practices; and whether there are opportunities to reduce waste, fraud, and abuse.

Contents

Figures

Tables

Contacts

Introduction

Producing an agricultural commodity entails risk. In some years, producers may plant and harvest crops with no losses relative to their expected crop production. In other years, producers may plant their crops normally but incur losses after planting. In still other years, weather events may result in conditions that delay or prevent the planting of crops. How farmers respond to production losses resulting from adverse planting conditions may be influenced by the risk management tools available to them, including insurance coverage purchased from the federal crop insurance program (FCIP).

FCIP policies provide indemnities for losses on planted acres. In certain situations, they can provide payments for replanting acres after losses or for situations where planting is not possible. These payments can help farmers manage cash flow and financial risk for their operations. The FCIP has specific rules (including policy conditions and deadlines) for replanting, delayed planting, and prevented planting to limit opportunities for waste, fraud, and abuse in the program. Understanding the FCIP rules around planting requirements can help to reveal how policy changes to the program may influence how producers respond to market conditions and weather related setbacks, as well as how the cost of risk is shared between producers and the U.S. government.

What is the Federal Crop Insurance Program?

The FCIP offers farmers the opportunity to purchase insurance coverage against financial losses caused by certain adverse growing and market conditions. FCIP payments can help farmers manage cash flow and financial risk for their operations. The federal government subsidizes the premiums that farmers pay to private insurers for these insurance policies to encourage farmer participation. Farmers can choose among many types of policies—and within each policy, many coverage options—to customize the coverage to their farm businesses' specific needs. Private-sector companies sell and service the policies, while the U.S. Department of Agriculture (USDA)—through the Risk Management Agency (RMA) and Federal Crop Insurance Corporation (FCIC)—subsidizes, regulates, and reinsures the policies.

The FCIP is permanently authorized under the Agricultural Adjustment Act of 1938 (P.L. 75-430, 52 Stat. 72) and the Federal Crop Insurance Act of 1980 (P.L. 96-365, 7 U.S.C. §§1501 et seq.), as amended, and has permanent, indefinite funding authority.

For more information on the FCIP, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

The total amount of replanting, delayed planting, and prevented planting that occurs each year depends on weather and soil conditions. Generally, delayed and prevented planting is associated with excessive springtime moisture or wet conditions that prevent farmers from getting into their fields by specific planting dates established under the FCIP. In contrast, replanting is usually associated with a late springtime freeze that kills immature crops or an unusually heavy rain that washes out planted crops before their root systems are established.

While total acres insured under the FCIP increased from 2010 to 2020, total acres replanted and prevented from planting did not always follow the same pattern (**Figure 1**).[1] FCIP expenditures on replanting payments typically comprise a small share of total FCIP indemnities, while expenditures on prevented planting payments can account for a substantial share of total FCIP indemnities in years with particularly adverse spring planting conditions (**Figure 2**).[2] For example, adverse spring planting conditions in 2011, 2013, 2019, and 2020 resulted in high levels

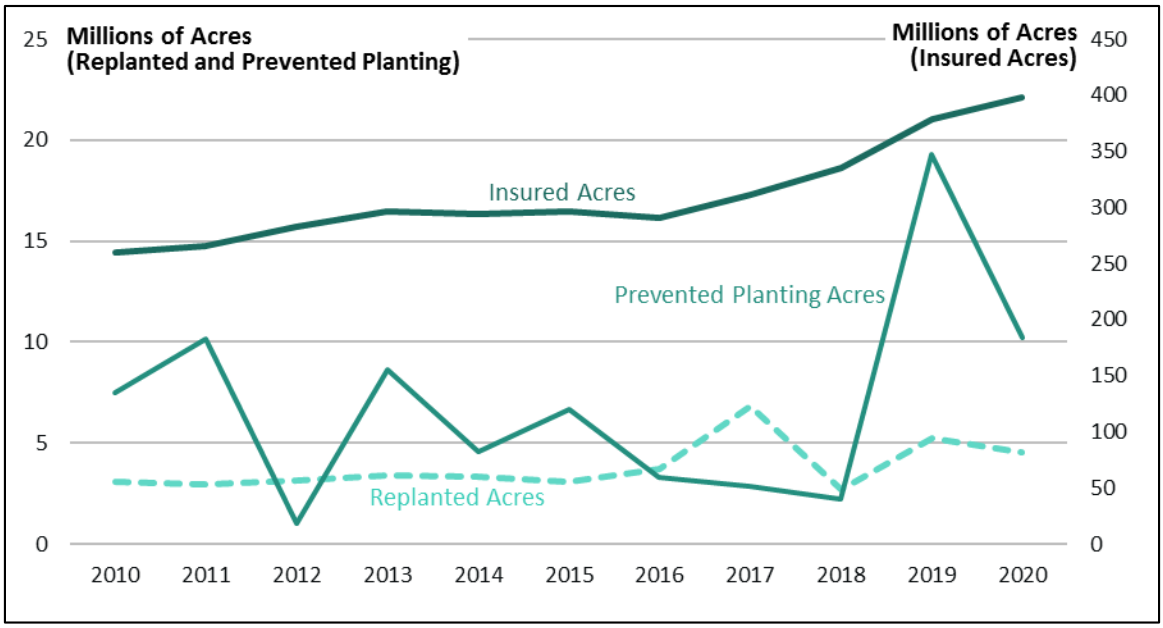
[1] RMA does not publish records on delayed planted acres insured under the FCIP.

[2] The FCIP does not provide prevented planting indemnities for delayed planting. For more information about indemnities available for delayed plantings, see "FCIP Coverage for Delayed Planting."

of prevented plantings. Prevented planting payments accounted for 20% of total indemnities in 2011, 18% of total indemnities in 2013, 47% of total indemnities in 2019, and 25% of total indemnities in 2020.

Figure 1. FCIP Insured, Replanted, and Prevented Planting Acres

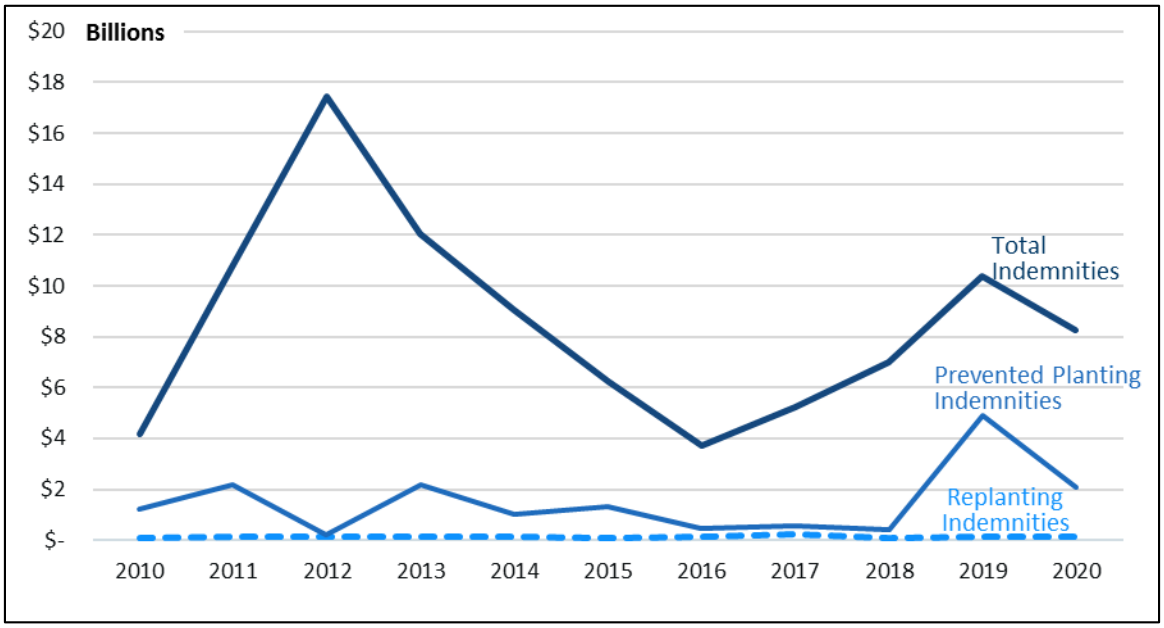
2010-2020 Crop Years



Source: CRS calculations using USDA RMA Cause of Loss data files and Summary of Business database, downloaded on June 14, 2021.

Figure 2. FCIP Total, Replanting, and Prevented Planting Indemnities

2010-2020 Crop Years



Source: CRS calculations using USDA RMA Cause of Loss data files and Summary of Business database, downloaded on June 14, 2021.

Notes: Amounts not adjusted for inflation.

In most years, FCIP expenditures associated with replanting, delayed planting, and prevented planting are a relatively small portion of the overall program cost. However, FCIP rules around these provisions can influence farmers' planting decisions, and thereby aggregate crop production and market prices. By design, the FCIP limits the amount of coverage available on planted acres so that producers can never earn more money from collecting crop insurance than from harvesting and selling their crops. Coverages provided for replanting and prevented planting are not bound by the same limits as coverage on planted acres, and there exists the potential for farmers to earn better economic returns from collecting prevented planting payments than from crop production. Supplemental payments provided for prevented planting acres in 2019 provided additional economic incentives for farmers to collect prevented planting payments instead of opting to plant their crops late in the season, calling into question whether prevented planting payments mitigate the need for ad hoc disaster assistance funding.[3] This has also renewed interest among industry stakeholders in evaluating how the FCIP rules on prevented planting may contribute to the moral hazard of the overall program.[4] Additionally, there has been increased congressional interest in how the FCIP's rules influence the incentives for farmers to address broader conservation and

[3] One of the reasons Congress introduced crop insurance premium subsidies in 1980 was to reduce the need for future ad hoc disaster spending. As participation in the FCIP increased and the risks insurable under the FCIP expanded over the 1990s and 2000s, Congress provided disaster assistance to supplement coverage provided through the FCIP. For additional background on Congress's goals regarding overlap between the FCIP and disaster assistance, see Randall A. Kramer, "Federal Crop Insurance 1938-1982," *Agricultural History*, vol. 57, no. 2 (April 1983), pp. 181-200; and Joseph W. Glauber, "The Growth of the Federal Crop Insurance Program, 1990-2011," *American Journal of Agricultural Economics*, vol. 95, no. 2 (January 2013), pp. 482-488.

[4] *Moral hazard* in the insurance industry refers to the general tendency of an insured party to take on greater risk once insured.

environmental goals,[5] as well as the potential cost of the overall program (see "Issues for Congress").

This report reviews the connections between crop planting cycles and FCIP policy deadlines, and provides an overview of FCIP rules for replanting, delayed planting, and prevented planting. The report also identifies several possible issues for Congress as it carries out its oversight function.

Crop Planting Schedules and Federal Crop Insurance Deadlines

Agricultural production occurs on a specific schedule driven by a region's agro-climatic setting, including latitude, altitude, soil type, and weather patterns. Crops require a certain period of time after planting—uninterrupted by freezing temperatures—to grow to maturity. In addition, different crops require certain weather and climate conditions to support growth, including sufficient precipitation, soil moisture, sunshine, and daily minimum and maximum temperatures. Crops planted too early in the crop year may fail to sprout due to frosts or other cold weather-related conditions. Crops planted too late in the crop year may fail to mature due to an insufficient number of warm, sunny days and/or other climate and weather conditions unsuitable for crop production such as an early freeze in the fall. Crops harvested either too early or too late in the crop year may fail to reach optimum yields.

The start of the growing season varies by crop and by location. Areas with milder winter climates are typically able to begin planting earlier and finish harvesting earlier than areas with more severe winter conditions. Major field work generally begins earlier in southern states and works its way north to the Canadian border through the spring. Additionally, crops with longer maturation periods are typically planted earlier in the year compared to crops with shorter maturation periods. For example, corn and spring wheat planting tends to start in March or April, while soybean and cotton planting tends to start in April or May.[6]

For most crops, early planting will generally produce average or above-average yields, whereas late planting tends to produce below-average yields.[7] Because the timing of planting can impact the likelihood of producing a viable crop, the FCIP imposes certain production and reporting deadlines that producers must meet in order to maintain eligibility for indemnity payments on their FCIP coverage (see text box "Federal Crop Insurance Program Deadlines for Producers"). These deadlines vary by crop and location, but generally correspond to the schedule of crop planting and harvesting for the local area.[8] Because the timing of crop planting depends on the

[5] Congress took action in the 2014 and 2018 farm bills (P.L. 113-79 and P.L. 115-334, respectively) to ensure that the FCIP provides incentives for farmers to conserve wetlands and highly erodible lands and that the FCIP rules allow for land planted with cover crops to maintain eligibility for crop insurance. For additional background, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[6] For details on typical planting dates by location, see USDA, National Agricultural Statistics Service (NASS), *Field Crops: Usual Planting and Harvesting Dates*, Agricultural Handbook No. 628, October 2010.

[7] For example, see Todd Hubbs and Scott Irwin, "The Impact of Late Planting on U.S. Average Corn Yield," *farmdoc daily* (10):88, May 13, 2020, at https://farmdocdaily.illinois.edu/2020/05/the-impact-of-late-planting-on-u-s-average-corn-yield.html; and Hubbs and Irwin, "The Impact of Late Planting on U.S. Average Soybean Yield," *farmdoc daily* (10):93, May 20, 2020, at https://farmdocdaily.illinois.edu/2020/05/the-impact-of-late-planting-on-u-s-average-soybean-yield.html.

[8] RMA publishes the deadlines by crop and region so that producers can be aware of applicable deadlines. These deadlines are available at USDA RMA Actuarial Information Browser, at https://webapp.rma.usda.gov/apps/actuarialinformationbrowser/.

weather and climate conditions, farmers can face certain challenges in meeting FCIP deadlines around planting dates, including replanting after crop damage, delayed planting, and/or prevented planting.[9]

Federal Crop Insurance Program Deadlines for Producers

In order to maintain eligibility for the full benefits under FCIP policies, agricultural producers must adhere to certain deadlines (which vary by crop and location):

- **Sales closing date**. This is the last possible date to apply for a new FCIP policy or make changes in coverage continuing from the previous year. The sales closing date for most spring-planted crops is either February 28 or March 15, before spring planting begins. Farmers must also file their intended acreage report, which specifies the crops and acres they intend to plant, by the sales closing date. The intended acreage report is used to determine eligible prevented planting acres.
- **Earliest planting date.** This is earliest possible date crops become eligible for replanting payments. Replanting payments can defray the cost of replanting acres if the initial plantings fail to grow properly. Acres planted before the earliest planting date can still receive full coverage for yield or revenue losses provided the producer adheres to the FCIP's requirements for good management practices for the specific crop and location.
- **Final planting date.** This is the last possible date to plant crops and receive the full coverage for yield or revenue losses on the acres insured under the FCIP. Acres planted after this date receive less than the full amount of coverage for yield or revenue losses.
- **Late planting period.** The late planting period lasts for up to 25 days after the final planting date, depending on the crop. During the late planting period, the coverage level for yield or revenue losses is reduced 1% per day from the elected coverage level. After the end of the late planting period, the coverage level for yield or revenue losses is fixed at 55% for corn, 60% for soybeans, and at various levels for other crops.
- **Acreage reporting date**. This is the last possible date for a farmer to revise the acreage report that was submitted to the Farm Service Agency (FSA).[10] The FCIP uses acreage reports submitted to FSA to determine the amount of insurance provided and the premium charged for policies. The acreage report contains information about crops and acres planted, acres prevented from planting, ownership shares in acres planted, and other information necessary for determining insurance premiums and coverage. The acreage reporting date for many spring-planted crops is June 15.
- **Billing date**. This is the date that crop insurance premiums are due, which is typically at harvest time. The total premium is payable as soon as the crop is planted, but farmers may pay their share of the total premium up until 30 days past the billing date without incurring interest charges. Interest charges on late premiums accrue at a rate of 1.25% per month.
- **End of insurance period.** This is the last date that the acreage is covered against yield or revenue losses. The end of insurance period will occur on the earliest of (1) the crop being harvested, abandoned, or destroyed; (2) the final adjustment on losses being made; or (3) the final calendar date specified by the FCIP.
- **Date to file notice of crop damage.** This is the last date to report production or quality losses in order to receive an indemnity payment. This date is set at 15 days after the end of the insurance period. However, farmers are required to inform their Approved Insurance Provider within 72 hours of the discovery of damage throughout the insurance period.
- **Policy termination date.** Policies automatically renew for the next year if premiums are paid by this date.

[9] Alejandro Plastina and William Edwards, "Delayed and Prevented Planting Provisions for Multiple Peril Crop Insurance," Iowa State University Extension and Outreach Ag Decision Maker A1-57, updated December 2020, at https://www.extension.iastate.edu/agdm/crops/html/a1-57.html.

[10] Farmers report the same number of planted and prevented planting acres to FSA and to RMA. However, FSA and RMA report separate tallies of planted and prevented planting acres. Not all farms participate in USDA farm programs administered by FSA or buy federal crop insurance. As a result, FSA and RMA tallies may report differences in total acres planted, harvested, and prevented from planting. For additional background on FSA and RMA tallies of prevented planting acres, see Carl Zulauf et al., "Decoding Prevent Plant Acres for Corn and Soybeans," *farmdoc daily*, (9):214, November 13, 2019.

- **Cancellation date.** This is the last date to provide written notice to cancel policy coverage for the next year.
- **Production reporting date.** This is the last date to submit crop production records from the most recent harvest. These records are used to update producers' yield or revenue guarantees for the next year. The production reporting date is usually 45 days after the policy cancellation date.

FCIP Coverage for Replanting

Farmers who purchased FCIP policies and whose crops are damaged by an insurable cause of loss—such as frost, hail, wind, floods, or other natural occurrences—are eligible for FCIP indemnities if the harvested crops' values are below the insured levels. However, if the crops are damaged early enough in the year, producers may prefer to replant those acres in order to earn a better overall return from producing a replanted crop than they would expect to receive from FCIP indemnities plus the reduced harvest on the initially planted crop. Farmers cannot insure the full value of their crops under federal crop insurance. Maximum coverages vary by policy and crop, but generally do not exceed 80% or 85% of the expected outcome. Because the FCIP limits the amount of coverage available, producers can never earn more money from collecting crop insurance than from harvesting and selling their crops; this is meant to reduce the potential for moral hazard in the program.

Farmer Requirements for Replanting Coverage

Producers are not required to replant damaged acres—that is one of the options they can pursue after their Approved Insurance Provider (AIP) assesses the practicality of replanting. Farmers are required to notify their AIP about any crop damage within 72 hours of discovering it. Once notified, the AIP will make a determination if it is practical to replant those acres. An AIP may consider it not practical to replant if replanting is physically impossible, or if the AIP believes there is no chance of seed germination, emergence, and formation of a healthy plant at that point in the season.[11]

If the AIP determines that it is practical to replant, the producer may choose not to replant, choose to replant the same crop, or choose to replant a different crop.

- If the producer chooses not to replant, then no indemnity is provided for the damaged crop and no premium is charged for the policy.
- If the producer chooses to replant the same crop, no indemnity is provided and full insurance coverage continues on the replanted crop just as it was on the initially planted crop. There is no decrease in the yield or revenue guarantee, and the producer receives a replanting payment.
- If the producer chooses to replant a different crop, no indemnity or replanting payments are provided. Coverage is transferred from the initially planted crop to the new crop—provided that all insurability requirements are met for the new crop. If the second crop is planted prior to its final planting date, it will be eligible for full insurance coverage.

If the AIP determines that it is not practical to replant, the producer may choose not to replant or choose to replant and insure a second crop or choose to replant and not insure a second crop.

[11] USDA RMA, *Frequently Asked Questions: Replanting and Final Planting Dates*, updated May 15, 2017.

- If the producer chooses not to replant, the producer will receive 100% of the indemnity on the insured crop. In lieu of replanting the insured crop, farmers may plant a cover crop for haying and grazing without any FCIP restrictions.
- If the producer chooses to replant and insure a second crop, the producer will receive 35% of the original indemnity on the first (damaged) crop. If the second crop does not suffer a loss, the producer can receive the remaining 65% of the indemnity from the first crop. If the second crop suffers a loss, the producer will be eligible to receive an indemnity payment for the second crop in addition to the 35% indemnity on the first crop.
- If the producer chooses to replant and not insure the second crop, the producer will receive an indemnity of 100% of the insured value on the first crop. No insurance coverage will be provided for the second crop.

Hypothetical Examples of Farmers Facing Replanting Decisions

Consider three hypothetical farmers who planted corn in 2019 and incurred losses before the last planting date for corn in their locations. The AIP determined that it was practical for Farmer A to replant her crop, and that it was not practical for Farmer B or Farmer C to replant their crops. Each farmer had an insurable corn yield of 200 bushels per acre and an insurable soybean yield of 70 bushels per acre, and had purchased Revenue Protection insurance for corn at 80% coverage. Assume that RMA projected corn prices at $4.00 per bushel and soybean prices at $9.50 per bushel.

Potential insurance coverages included the following:

- Corn: revenue protection guarantee of 200 bushels x $4.00 per bushel x 80% coverage = $640 per acre.
- Soybeans: revenue protection guarantee of 70 bushels x $9.50 per bushel x 80% coverage = $532 per acre.

Farmer A was not eligible to receive an indemnity payment because the AIP determined that it was still practical for her to replant and harvest her intended crop that year. Farmer A decided to plant soybeans instead. She received no replanting payments and her insurance coverage was transferred to her soybean acres. She harvested 60 bushels of soybeans per acre and earned 60 bushels x $9.50 per bushel = $570 per acre. Although she incurred a loss on her soybean yield, the loss did not trigger an indemnity payment because she earned more than $532 per acre from her soybean production.

Farmer B was eligible to receive an indemnity payment because the AIP determined that it was not practical for him to replant and harvest corn that year. Farmer B decided to plant a cover crop on the land, which he did not hay or graze. He received an indemnity equal to 100% x $640 per acre = $640 per acre.

Farmer C was also eligible to receive an indemnity payment because the AIP determined that it was not practical for her to replant and harvest corn that year. Farmer C decided to plant soybeans on the land and produced 50 bushels of soybeans per acre. She received (1) an indemnity payment for corn equal to 35% x $640 per acre = $224 per acre, (2) revenue from soybean production of 50 bushels x $9.50 per bushel = $475 per acre, and (3) an indemnity payment for soybeans of $532 per acre - $475 per acre = $57 per acre. She earned $224 per acre + $475 per acre + $57 per acre = $756 per acre.

Farmer A and Farmer C both incurred losses on their corn crops and planted soybeans instead. Even though Farmer A produced a higher soybean yield, Farmer C earned more total income because she was eligible to collect an indemnity on her damaged corn crop. Farmer B earned less income than Farmer C because Farmer B had no sales or grazing income from his cover crops, while Farmer C earned income from her soybean production.

Replanting Payments

The amount of the replanting payment is either the actual costs for replanting or an amount specified in the Crop Provisions or Special Provisions attached to the policy—whichever amount is lower.[12] The amount specified in the Crop Provisions or Special Provisions is generally set as a

[12] Most FCIP policies include a combination of basic provisions that are common to all crops insured under that policy,

crop-specific factor multiplied by the projected price for that crop (see **Table 1**).[13] Calculating replanting payments as a multiple of the projected price ensures that incentives to replant increase automatically in years with higher projected crop prices. The crop-specific factor allows USDA to provide replanting payments that correspond with the costs incurred in replanting each crop.[14] In general, the maximum replanting payment per acre is limited and cannot exceed 20% of the insured value.

Table 1. Replanting Payments and Operating Costs per Acre for Selected Crops

For the 2021 Crop Year

Crop	Crop-Specific Factor[a]	2021 Projected Price	Replanting Payment per Acre[b]	2020 Total Operating Cost per Acre[c]	Replanting Payment as Share of Total Operating Cost
Corn for grain	8 bushels	$4.58 per bushel	$36.64	$334.55	11%
Cotton (upland)	N/A	N/A	N/A	$390.57	N/A
Cotton (extra-long staple)	N/A	N/A	N/A	Not available	N/A
Peanuts	N/A	N/A	$95.00	$488.84	19%
Rice	400 pounds	$0.07 per pound	$28.00	$522.72	5%
Sorghum (grain)	7 bushels	$4.40 per bushel	$30.80	$126.34	24%
Soybeans	3 bushels	$11.87 per bushel	$35.61	$185.12	19%
Wheat	4 bushels	$6.53 per bushel	$26.12	$127.88	20%

Sources: CRS, using USDA RMA, "2021 Crop Year (CY) Common Crop Insurance Policy and Area Risk Protection Insurance Projected Prices and Volatility Factors; Malting Barley Endorsement Project Price Component and Volatility Factor, and Hybrid Seed Price Endorsement – Hybrid Seed Corn Prices," Product Management Bulletin PM-21-013, March 01, 2021; USDA FCIC, *Corn Loss Adjustment Standards Handbook*, updated for 2020 and succeeding crop years; USDA FCIC, *AUP & ELS Cotton Loss Adjustment Standards Handbook,* updated for 2020 and succeeding crop years; USDA FCIC, *Peanut Crop Provisions*, released December 2020; USDA FCIC, *Rice Loss Adjustment Standards Handbook*, updated for 2021 and succeeding crop years; USDA FCIC, *Grain Sorghum Loss Adjustment Standards Handbook*, updated for 2019 and succeeding crop years; USDA FCIC, *Soybean Loss Adjustment Standards Handbook*, updated for 2021 and succeeding crop years; USDA FCIC, *Small Grains Loss Adjustment Standards Handbook*, updated for 2016 and succeeding crop years; and USDA Economic Research Service (ERS) Commodity Costs and Returns, updated May 2021.

Notes: N/A = not applicable.

a. RMA calibrates prevented planting payment coverage factors in relation to estimates of the pre-planting costs incurred by farmers in planting the insured crops.

b. Amounts listed as replanting payments per acre are for producers with 100% ownership shares in the crop production; producers who share crop ownership will have their replanting payments adjusted according to

crop-specific provisions that are unique to the specific crop insured, and special provisions that allow for specific coverage options (e.g., using a contracted price in lieu of a market price to establish the insured guarantee). Updated copies of basic and specific provisions are available from RMA at https://www.rma.usda.gov/en/Policy-and-Procedure/General-Policies, and crop-specific provisions are available from RMA at https://www.rma.usda.gov/en/Policy-and-Procedure/Crop-Policies.

[13] For major commodity crops (e.g., corn, soybean, and wheat) planted in the spring, RMA projects the harvest-time price for insurable crops based on the average of daily closing prices for harvest-time futures contracts during the month of February. RMA announces the projected prices in early March. For additional background on prices used in FCIP policies, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[14] RMA calibrates prevented planting payment coverage factors in relation to estimates of the pre-planting costs incurred by farmers in planting the insured crops, as described in "Prevented Planting Payments".

their ownership share in the crop. Replanting payments are not available for upland or extra-long staple cotton. Maximum replant payments for peanuts are fixed at $95.00 per acre.

c. Total operating costs per acre are 2020 estimates by USDA ERS. USDA ERS does not prepare separate estimates of production costs for extra-long staple cotton. Unless otherwise specified, replanting payment per acre is calculated as the crop-specific factor multiplied by the projected price for that crop.

Claims for Replanting Payments

Since 2010, claims for replanting payments have typically impacted less than 4 million insured acres each year (**Figure 1**). The 2017 crop year had the largest number of replanted acres, at 6.8 million, and also the largest expenditure on replanting payments, at $214.4 million (**Figure 2**).

In 2020, the most common reasons for replanting were excess moisture, precipitation, or rain (58% of claims) and cold wet weather (14% of claims).[15] Soybeans were the most commonly replanted crop (48% of claims), and corn was the second most commonly replanted crop (33% of claims); corn and soybeans also accounted for 40% of all acreage policies sold that year.[16] The states with the most replanting claims were Illinois (14%), Indiana (8%), and Missouri (7%); corn and soybeans accounted for the majority of insured acres in these three states in 2020.

FCIP Coverage for Delayed Planting

Farmers may be delayed in planting some or all of their acres for a variety of reasons, such as poor weather, poor soil conditions for planting, impeded access to fields, or other reasons. If the delays are resolved before the final planting date, then there is no modification to the FCIP crop insurance coverage.

When planting is delayed, producers can choose to plant their originally chosen crop, an alternative crop, a cover crop,[17] or not to replant. If farmers plant their originally chosen crop, the yields from those planted acres will be included in future calculations of yield or revenue guarantees under crop insurance.[18] Yields from late planted crops are likely to be lower than yields from crops planted on time, so including them in future calculations could result in lower insurance guarantees in future years. Some farmers may prefer to plant an alternative crop instead of their originally chosen crop so that future calculations of yield or revenue guarantees do not include yields from crops planted late. If planting is delayed but not prevented, the FCIP provides no extra incentives to plant cover crops or an alternative crop.

Not all crops qualify for late planting period coverage. For those crops that do qualify (see **Table 2**), the most commonly purchased yield and revenue policies include provisions that specify a late planting period of up to 25 days (depending on the crop).[19] If the planting delays are resolved after the final planting date but before the end of the late planting period, then FCIP coverage is reduced 1% per day for each day after the final planting date. If the delays are resolved after the

[15] CRS calculations using USDA RMA Cause of Loss data files for the 2020 crop year, downloaded on June 14, 2021.

[16] CRS calculations using USDA RMA Summary of Business, downloaded on June 14, 2021.

[17] A cover crop is a crop planted for erosion control or other purposes related to conservation or soil improvement. Cover crops allowed under the FCIP include grasses, legumes, and forbs. Cover crops must be managed and terminated according to USDA Natural Resources Conservation Service guidelines.

[18] For background on how the FCIP calculates yield and revenue guarantees, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[19] For example, corn has a late planting period of 20 days, soybeans have a late planting period of 25 days, and cotton and wheat have late planting periods of 15 days.

end of the late planting period, then FCIP coverage is reduced to the minimum level specified for each crop. For example, the minimum level is 55% for corn and 60% for soybeans. Producers may be able to increase the minimum level by 5 or 10 percentage points by paying a higher premium (see "Prevented Planting Payments").

Producers may receive regular indemnity payments for insurable losses incurred on delayed plantings.[20] Producers are not eligible for prevented planting indemnity payments if planting occurs before the end of the late planting period. Producers planting after the end of the late planting period may be eligible for prevented planting indemnities (see "FCIP Coverage for Prevented Planting").

Table 2. Crops with Late Planting Period and Prevented Planting Coverage

For the 2021 Crop Year

Crop	Late Planting Period Coverage Available	Prevented Planting Coverage Available
Barley	Yes, except for acres under Winter Coverage Endorsement (a type of Special Provision)	Yes
Buckwheat	Yes	Yes
Canola/Rapeseed	Yes	Yes
Corn (including corn, hybrid seed corn, hybrid sweet corn seed, popcorn, and sweet corn for processing)	Yes for corn and hybrid seed corn; or if allowed by processor and policy Special Provisions for popcorn and sweet corn for processing.	Yes
Cotton (including cotton seed, extra-long staple cotton, and upland cotton)	Yes for extra-long staple and upland cotton	Yes
Dry beans	Yes	Yes
Dry peas	Yes	Yes
Flax	Yes	Yes
Green peas	If allowed by processor and policy Special Provisions	Yes
Millet	Yes	Yes
Mustard	Yes	Yes
Oats	Yes	Yes
Onions	Yes	Yes
Peanuts	Yes	Yes
Potatoes (including Northern, Central, and Southern)	Yes	Yes
Processing beans	If allowed by processor and policy Special Provisions	Yes
Rice	Yes	Yes
Rye	If allowed by processor and policy Special Provisions	Yes
Safflowers	Yes	Yes

[20] USDA does not publish data on regular indemnity payments provided for delayed plantings.

Crop	Late Planting Period Coverage Available	Prevented Planting Coverage Available
Sorghum (including grain sorghum, hybrid sorghum seed, and silage sorghum)	Yes	Yes
Soybeans	Yes	Yes
Sugar beets	Yes, excluding certain counties in California	Yes, excluding certain counties in California
Sunflower seeds	Yes	Yes
Tobacco	Yes	Yes
Triticale	No	Yes
Wheat	Yes, except for acres under Winter Coverage Endorsement	Yes

Sources: CRS, using USDA FCIC, *Loss Adjustment Manual Standards Handbook*, updated for 2021 and succeeding crop years; and USDA FCIC, *Prevented Planting Standards Handbook*, updated for 2021 and succeeding crop years.

Notes: FCIP policies include basic provisions that are common to all crops insured under that policy, crop-specific provisions that are unique to the specific crop insured, and special provisions that allow for specific coverage options (e.g., using a contracted price in lieu of a market price to establish the insured guarantee). The Winter Coverage Endorsement is a type of special provision that allows for FCIP coverage of winter-planted wheat or barley.

Most FCIP policies include a combination of basic provisions that are common to all crops insured under that policy, crop-specific provisions that are unique to the specific crop insured, and special provisions that allow for specific coverage options (e.g., using a contracted price in lieu of a market price to establish the insured guarantee).

FCIP Coverage for Prevented Planting

FCIP defines prevented planting as "the failure to plant an insured crop with the proper equipment by the final planting date or during the late planting period, if applicable."[21] For policies offering prevented planting coverage, any eligible insured acres that cannot be timely planted due to insurable causes of loss can receive a prevented planting payment. The FCIP provides coverage for prevented planting due to insured causes of loss—such as adverse weather conditions, drought, floods, and other natural events—that affect a particular geographic region. Failure to plant a crop by the final planting date due to factors that impact only an individual farm may not qualify for prevented planting payments.

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) required USDA to include prevented planting coverage with basic crop insurance coverage in order to reduce the need for ad hoc disaster assistance for producers who were prevented from planting due to widespread natural events like floods and droughts. Prevented planting coverage is currently available for certain crops (see **Table 2**) and the most commonly purchased policies for these crops. Prevented planting coverage is not available for area-based policies, catastrophic-only coverage, or certain other policies.

[21] USDA RMA, *Prevented Planting Insurance Provisions Drought*, fact sheet, revised July 2020.

Farmer Requirements for Prevented Planting Coverage

In order to be eligible for prevented planting payments, the insured acres must have been planted to a crop, insured, and harvested at least once in the previous four years.[22] From 2012 to 2020, this requirement only applied to the Prairie Pothole region—an area in the upper Midwest prone to wet conditions during spring planting time. Starting in 2021, this requirement applies nationwide. Following a year with a claim of prevented planting, farmers must have two consecutive years of harvests (or losses for causes other than those associated with prevented planting) in order to quality for prevented planting coverage again.[23] A farmer must also have at least 20 acres or 20% of the acres in the insured unit prevented from planting in order to be eligible for prevented planting payments.[24]

Producers are required to notify their AIPs about insured acres that were prevented from planting within 72 hours after the final planting date, or if a late planting period applies, within 72 hours of deciding that they will not be able to plant or do not intend to plant before the end of the late planting period.[25] AIPs make a determination if prevented planting has occurred based on the circumstances impacting the producer submitting the claim as well as the circumstances impacting similar producers in the local area. Producers may be asked to provide weather records, soil moisture indices, written opinions from local experts, and/or other information to verify the cause of loss for prevented planting.

Farmers' options when confronted by prevented planting are similar to the options they have when planting is delayed: the producers can choose to plant their originally chosen crop, an alternative crop, a cover crop, or not to plant.

- If producers choose to plant their originally chosen crop, they will receive no prevented planting payment. Producers have the option to insure the originally chosen crop under the terms that apply to delayed plantings (see "FCIP Coverage for Delayed Planting").
- If producers choose to plant an alternative crop, they will receive a payment equal to 35% of the prevented planting payment for the originally chosen crop. The alternative crop can also be insured, but coverage levels will be reduced by 1% per day for each day of the late planting period for the alternative crop. Yield for the original crop will be assigned as 60% of the regularly expected yield (i.e., actual production history) when calculating future yield or revenue guarantees.
- If producers choose to plant a cover crop, they will receive 100% of the prevented planting payment for the original crop provided that the cover crop is not harvested for grain or seed.[26] No yield will be assigned for the original crop for the purposes of calculating future yield or revenue guarantees.

[22] Acres may also be eligible for prevented planting coverage if at least once in the previous four years the acres were planted to a crop, insured, and not harvested due to an insurable cause of loss unrelated to flood, excess moisture, drought, or another cause of loss specified in the Special Provisions.

[23] This provision is intended to discourage agricultural production on wetlands, soils that have poor drainage, and other types of land that are often unsuitable for cultivation during the regular planting period.

[24] Insured units are groupings of land based on ownership and geographical boundaries for the purpose of providing coverage under the FCIP. For additional information, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[25] USDA RMA, *2021 Prevented Planting Standards Handbook*, FCIC-25370.

[26] USDA announced on July 6, 2021, that producers could hay, graze, or chop cover crops planted on prevented planting acres without restriction and receive the full prevented planting payment. Prior to this announcement, the amount of prevented planting payment depended on how the cover crop was managed. In prior years, if producers had

- If producers choose to plant nothing on the acres, they will receive the full prevented planting payment for their originally chosen crop. No yield will be assigned for the original crop for the purposes of calculating future yield or revenue guarantees.

Prevented Planting Payments

The prevented planting payments associated with a crop insurance policy are calculated as a fixed proportion of the policy's insurance guarantee (i.e., insured liability). The fixed proportion varies by crop (see **Table 3**). Farmers can purchase additional prevented planting coverage, which provides payments based on larger fixed proportions of the insurance guarantee, of either 5% or 10% above the standard guarantee.[27] For example, standard prevented planting payments for corn and soybean Yield Protection and Revenue Protection policies are calculated as 55% of the insurance guarantee for corn and 60% of the insurance guarantee for soybeans. Therefore, the maximum prevented planting coverage that can be purchased is 65% for corn and 70% for soybeans.

Table 3. Prevented Planting Coverage and Total Production Costs for Selected Crops

For the 2020 Crop Year

Crop	Minimum Coverage Factor	Average Liability per Acre for 2020	2020 Average Prevented Planting Coverage per Acre	Estimated Pre-plant Costs per Acre	Average Prevented Planting Coverage as Share of Pre-plant Costs
Corn for grain	55%	$521.49	$286.82	$314.06	91%
Cotton (upland)	50%	$407.61	$203.81	$206.90	99%
Cotton (extra-long staple)	50%	$710.73	$355.37	$506.12	70%
Peanuts	55%	$604.22	$332.32	$325.48	102%
Rice	55%	$704.04	$387.22	$372.15	104%
Sorghum (grain)	60%	$170.66	$102.40	$138.07	74%
Soybeans	60%	$346.42	$207.85	$218.63	95%
Wheat	60%	$165.66	$99.40	$131.41	76%

Sources: CRS, using USDA RMA, *Establishment of Prevented Planting Coverage Factors for the Federal Crop Insurance Program*, updated November 2018; and USDA RMA Summary of Business Database, downloaded on June 14, 2021.

Notes: N/A = not available. Average liability per acre for 2020 calculated as total liabilities divided by total insured acres. Average prevented planting coverage per acre calculated as the coverage factor multiplied by the average liability per acre for 2020. Estimated pre-plant costs per acre are USDA published estimates and are intended to cover a portion of the costs associated with purchase of machinery; land rent; fertilizers and

chosen to hay, graze, or chop their cover crop before November 1, they would have received 35% of the prevented planting payment for the original crop. Producers who had chosen to hay, graze, or chop their cover crop on or after November 1 would have been eligible to receive 100% of the prevented planting payment.

[27] USDA RMA, Common Crop Insurance Policy Basic Provisions 17(b), updated November 2020, at https://www.rma.usda.gov/-/media/RMA/Policies/Basic-Provisions/2021/Basic-Provisions-21-1-BR.ashx?la=en. For the 2019 and 2020 crop years, prevent plant buy-up coverage of 10% was not offered.

pesticides applied prior to planting; actions taken to prepare the land for planting; labor; and repairs. Average prevented planting coverage as share of total production costs calculated as average prevented planting coverage per acre divided by total production costs per acre.

All FCIP coverage for planted acres has a deductible. By statute, FCIP coverage for production losses can only cover a maximum of 85% of a farmers' insured yield or 95% of the area yield (7 U.S.C. §1508(c)(4)).[28] Thus, if farmers incur a loss on planted acres, the loss must exceed 15% of their insured yield (the deductible) in order to receive an indemnity payment. The deductible helps to insure that farmers cannot earn higher returns from collecting insurance indemnities than from producing crops.

In contrast, prevented planting payments do not have a deductible. The statute does not place any limitations on the amount of loss that can be insured under the FCIP when a farmer is prevented from planting a crop, meaning that prevented planting payments can equal or exceed the amount of financial losses incurred when a farmer is prevented from planting a crop.

Although prevented planting payments are calculated as a proportion of insured liabilities, RMA calibrates prevented planting payment coverage factors in relation to estimates of the pre-planting costs incurred by farmers in planting their crops.[29] Under the FCIP, pre-planting costs can include purchase of machinery, land rent, fertilizers and pesticides applied prior to planting, actions taken to prepare the land for planting, labor, and repairs. RMA targets the prevented planting coverage to correspond to varying amounts of these costs by crop, and updates the prevented planting coverage factors on a five-year cycle.[30] For example, USDA includes 100% of land costs, but varying proportions of machinery depreciation and capital recovery costs, in the prevented planting coverage factor for each crop.

Because prevented planting payments are calculated as a proportion of insured liabilities, the value of prevented planting payments depends on market prices for the commodities covered. In years of higher commodity prices, prevented planting payments may account for a larger share of total production costs than in years of lower commodity prices. For example, RMA sets prevented planting payments for corn at 55% of average liabilities, which is intended to be sufficient to offset an approximately equal proportion of pre-plant costs for corn. This formula resulted in prevented planting coverage that varied between 88% and 91% of estimated pre-plant costs during the 2017 to 2020 period (see **Table 4**).

[28] Area-based policies are not eligible for prevented planting payments.

[29] There is no statutory definition of pre-planting costs. In the Congressional Committee notes on H.Rept. 103-649, August 1, 1994, Congress indicated that the amount paid on a prevented planting claim should be proportionally reduced to reflect the out-of-pocket expenses not incurred by producers.

[30] For additional details on USDA's methodology for setting crop-specific prevented planting payments, see USDA RMA, *Establishment of Prevented Planting Coverage Factors for the Federal Crop Insurance Program*, updated November 2018. USDA published its methodology after commissioning an independent evaluation of prevented planting coverage factors prepared by Agralytica Consulting in 2015. This evaluation was commissioned in response to a 2013 report from USDA's Office of the Inspector General, which determined, among other findings, that reforms were needed to make prevented planting coverage more cost effective.

Table 4. Prevented Planting Coverage for Corn, 2017-2020

Crop Year	Average Liability per Acre	Average Prevented Planting Coverage per Acre	Estimated Pre-plant Costs per Acre	Average Prevented Planting Coverage as Share of Pre-plant Costs
2017	$499.79	$274.88	$314.06	88%
2018	$515.98	$283.79	$314.06	90%
2019	$502.25	$276.24	$314.06	88%
2020	$521.49	$286.82	$314.06	91%

Sources: CRS, using USDA RMA, *Establishment of Prevented Planting Coverage Factors for the Federal Crop Insurance Program*, updated November 2018; and USDA RMA Summary of Business Database, downloaded on June 17, 2021.

Notes: Average prevented planting coverage per acre is calculated as 55% of the average liability per acre. Estimated pre-plant costs per acre are USDA published estimates and are intended to cover a portion of the costs associated with purchase of machinery; land rent; fertilizers and pesticides applied prior to planting; actions taken to prepare the land for planting; labor; and repairs. Average prevented planting coverage as a share of pre-plant costs is calculated as the average prevented planting coverage per acre divided by the estimated pre-plant costs per acre.

Additionally, providing higher prevented planting payments in years of higher commodity prices could increase the incentive for farmers to opt for prevented planting payments instead of planting a second crop. In setting prevented planting coverage factors, USDA does not consider the relative profit associated with planting a second crop. If prevented planting payments cover a larger share of farmers' costs in certain years, then choosing not to plant a second crop and collecting the prevented planting payment could be more profitable than what could be earned from planting a late second crop. An analysis by USDA's Office of the Inspector General (OIG) found that more than 99% of prevented planting acres from 2008 to 2011—years of relatively high prices for corn and other agricultural commodities—were not planted to a second crop.[31]

Prevented Planting Claims

Since 2010, claims for prevented planting payments have typically impacted fewer than 10 million insured acres each year out of the 260 million to 398 million acres insured annually over the period 2010-2020 (see **Figure 1**). The years with more than 10 million acres of prevented planting were 2011, 2019, and 2020—all years with widespread, unusually poor spring planting conditions. Expenditures on prevented planting payments ranged from $230 million in 2012 to a high of $4.9 billion in 2019 (see **Figure 2** and discussion below in "Prevented Planting in 2019").

In 2020, the most common reasons for prevented planting were excess moisture, precipitation, or rain (78% of claims) and cold wet weather (12% of claims).[32] The crops with the most prevented planting claims were corn (32%), soybeans (29%), wheat (17%), and cotton (5%); these four crops also accounted for the majority of acreage planted and insured in 2020. The states with the most prevented planting claims were North Dakota (21%), South Dakota (15%), Missouri (7%), and Arkansas (7%); corn, soybeans, and wheat were some of the principal crops insured in these states in 2020.

[31] USDA OIG, *RMA: Controls over Prevented Planting*, Audit Report 05601-001-31, September 2013, at https://www.usda.gov/sites/default/files/05601-0001-31.pdf.

[32] CRS calculations using USDA RMA Cause of Loss data files for the 2020 crop year, downloaded on June 14, 2021.

Prevented Planting in 2019

The 2019 crop year was exceptional in that it marked the highest number of prevented planting acres on record since USDA began reporting on these data in 2007.[33] U.S. agricultural production got off to a late start in 2019 due to prolonged cool, wet springtime conditions throughout the major growing regions, particularly in states across the northern plains and eastern Corn Belt.[34] Other states that were significantly affected included Arkansas, Texas, Mississippi, Louisiana, North Carolina, Tennessee, New York, and Oklahoma. Saturated soils prevented many farmers from planting their intended crops and caused others to delay planting.[35] As of November 1, 2019, USDA reported that farmers were unable to plant 19.6 million acres in 2019—including 11.4 million acres of corn and 4.5 million acres of soybeans.

Farmers who were unable to plant a crop during the spring of 2019 due to natural causes were potentially eligible for multiple payments under federal farm programs. First, federal crop insurance provided $4.3 billion in prevented planting indemnities as part of the standard prevented planting coverage included in FCIP policies sold that year.[36] Second, Congress passed an FY2019 supplemental appropriations bill (P.L. 116-20) that, among other assistance, authorized $3 billion in disaster assistance payments for prevented planting losses in addition to crop insurance indemnities. Producers who claimed prevented planting losses in 2019 were eligible to receive an additional disaster assistance payment equal to either 10% or 15% of their prevented planting indemnity.[37] As of the end of 2020, payments to prevented planting acres from the 2019 supplemental appropriations bill totaled $596 million[38]—thus bringing total 2019 prevented planting indemnities and payments to $4.9 billion. Third, USDA's 2019 Market Facilitation Program—a program that provided assistance in response to trade disruptions—also included payments of $15 per acre for eligible cover crops planted on prevented planted acres.[39] These latter payments were not provided through the FCIP and are not included in the indemnity total.

[33] USDA Farm Service Agency, "Report: Farmers Prevented from Planting Crops on More than 19 Million Acres," August 12, 2019, at https://www.fsa.usda.gov/news-room/news-releases/2019/report-farmers-prevented-from-planting-crops-on-more-than-19-million-acres.

[34] The Corn Belt is a region of the U.S. Midwest where corn and soybeans are the dominant crops planted; it encompasses Indiana, Illinois, Iowa, and regions within adjacent states.

[35] For additional background on planting conditions in 2019, see CRS Report R46180, *Federal Crop Insurance: Record Prevent Plant (PPL) Acres and Payments in 2019*.

[36] For crop-specific indemnities per acre, see CRS Report R46180, *Federal Crop Insurance: Record Prevent Plant (PPL) Acres and Payments in 2019*.

[37] Producers receiving supplemental prevented planting disaster payments were also required to purchase coverage from either the FCIP or the Noninsured Disaster Assistance Program (NAP) for the 2020 and 2021 crop years. For background on this requirement, see USDA RMA, Frequently Asked Questions for Prevented Planting Disaster Payments, updated October 17, 2019, at https://www.rma.usda.gov/News-Room/Frequently-Asked-Questions/Prevented-Planting-Disaster-Payments.

[38] CRS calculations using data from USDA RMA Summary of Business 2019 Prevented Planting Supplemental Payments, downloaded June 14, 2021, at https://www.rma.usda.gov/en/Information-Tools/Summary-of-Business/2019-Prevented-Planting-Supplemental-Payments.

[39] The Market Facilitation Program provided assistance to farmers in 2018 and 2019 in response to trade damage from tariff retaliations and trade disruptions. For additional information about this program, see CRS Report R45310, *Farm Policy: USDA's 2018 Trade Aid Package* and CRS Report R45865, *Farm Policy: USDA's 2019 Trade Aid Package*.

Hypothetical Farmers' 2019 Prevented Planting Payments

Consider three hypothetical farmers who intended to plant corn in 2019: Farmer A planted his corn acres with no losses, Farmer B planted her corn acres with losses, and Farmer C was prevented from planting his corn acres. Each farmer had an insurable yield of 200 bushels per acre, had purchased Revenue Protection insurance at 80% coverage, and had 5% buy-up coverage for prevented planting. Assume that RMA projected corn prices at $4.00 per bushel.

The potential insurance coverages included the following:

- Revenue protection guarantee of 200 bushels x $4.00 per bushel x 80% coverage = $640 per acre.
- Prevented planting payments of (55% + 5%) x $640 per acre = $384 per acre.

Farmer A planted his corn acres on time and incurred no losses. He produced 200 bushels per acre, worth $800 per acre. He incurred the full cost to produce those bushels of $690.35 per acre,[40] and earned a net return of $800 - $690.35 = $109.65 per acre.

Farmer B planted her corn acres on time but had a loss. She produced 150 bushels per acre, worth $600 per acre. Because she had an insurable loss, she received an indemnity payment of $640 - $600 = $40 per acre. She incurred the full cost to produce those bushels of $680.35 per acre, and earned a negative net return of $600 + $40 - $690.35 = -$50.35 per acre.

Farmer C was prevented from planting his acres and did not plant cover crops on the acres. He produced no bushels per acre, earned $384 per acre in prevented planting payments, and 15% x 384 = $57.60 per acre in supplemental disaster assistance payments. Because he was prevented from planting, he incurred only the pre-plant costs to produce his corn of $314.06 per acre. He earned a net return of $384 + $57.60 - $314.06 = $127.54 per acre.

In this example, Farmer A had the highest revenue from crop production, $800. Farmer B earned $600 from crop production, and Farmer C earned $0 from crop production. However, Farmer C earned the highest net return from farming because the prevented planting and supplemental payments more than compensated for the portion of total costs that Farmer C incurred before being prevented from planting for the year.

Support for Cover Crops on Prevented Planting Acres in 2021

Producers who planted cover crops during the 2021 crop year, including on acres that were prevented from planting their intended crop, were eligible for additional crop insurance premium subsidies through the Pandemic Cover Crop Program (PCCP). The PCCP provided a one-time increase of up to $5 per acre in federal crop insurance premium subsidies for acres planted with a qualifying cover crop by June 15, 2021. Insured acres that were prevented from planting and subsequently planted with a cover crop were also eligible to receive the supplemental premium subsidies.[41] PCCP premium subsidy payments could not exceed the amount of premium owed.

USDA created the PCCP to provide support to producers who planted cover crops amid ongoing financial challenges caused by the COVID-19 pandemic.[42] USDA established the PCCP using the authorities of the Federal Crop Insurance Corporation and funding provided by Division N of the Consolidated Appropriations Act, 2021 (P.L. 116-260).[43]

[40] USDA ERS Commodity Costs and Returns estimated the 2019 total per acre costs for corn as $690.35.

[41] USDA, Pandemic Cover Crop Program FAQ, at https://www.farmers.gov/pandemic-assistance/cover-crops/pccp-faq.

[42] USDA, Pandemic Cover Crop Program FAQ, at https://www.farmers.gov/pandemic-assistance/cover-crops/pccp-faq. For additional information on the impact of the COVID-19 pandemic on U.S. producers, see CRS Report R46347, *COVID-19, U.S. Agriculture, and USDA's Coronavirus Food Assistance Program (CFAP)*; CRS Report R46395, *USDA's Coronavirus Food Assistance Program: Round One (CFAP-1)*; CRS Report R46645, *USDA's Coronavirus Food Assistance Program: Round Two (CFAP-2)*; and CRS In Focus IF11764, *U.S. Agricultural Aid in Response to COVID-19*.

[43] USDA FCIC and USDA RMA, Notice of Funding Availability; Pandemic Cover Crop Program, 86 *Federal Register* 29553, June 02, 2021, at https://www.federalregister.gov/documents/2021/06/02/2021-11603/notice-of-funding-availability-pandemic-cover-crop-program.

The June 15 deadline to report cover crop acres was before the end of the late planting period for many spring crops. The additional premium subsidy provided under the PCCP could have incentivized some farmers to claim prevented planting and plant cover crops on acres that they would have otherwise chosen to late plant to a cash crop. However, USDA announced the creation of the PCCP on June 1, 2021. Because of the short time frame between the program announcement and the June 15 deadline to report cover crop planted acres, farmers had limited opportunity to change their planting decisions and plant cover crops specifically to benefit from the additional premium subsidy provided by the PCCP.

Issues for Congress

Congress authorized FCIP replanting and prevented planting payments to help mitigate the financial losses caused by adverse weather and planting conditions, as well as to reduce the demand for ad hoc disaster assistance funding. However, Congress provided supplemental prevented planting payments in 2019 in response to the abnormally severe, widespread spring flooding that occurred that year. USDA's method of calculating replanting and prevented planting payments relies on projected crop prices, which may not provide the same degree of financial compensation for crop losses each year and across crops. A 2015 external examination of prevented planting coverage commissioned by USDA considered multiple approaches for ensuring consistent relationships between prevented planting payments and pre-planting costs but noted the challenges faced by USDA in establishing prevented planting payments that do not exceed actual costs incurred by farmers while providing loss coverage perceived as reasonable by farmers.[44] One option Congress could consider would be to establish explicit goals for loss coverage for replanting and prevented planting payments to ensure that these payments provide a consistent amount of cost reimbursement across crops and on a year-to-year basis. Congress could also consider whether the portion of the risk of financial loss that falls to farmers from replanting and prevented planting is at an appropriate level to reduce the potential for moral hazard associated with these payments.[45]

Congress could also consider whether proposals to reduce expenditures on prevented planting payments as a means of lowering the total cost of the FCIP would strike the right public policy balance between its objectives for the program and its cost to taxpayers. For example, the President's budgets for FY2016 and FY2017 included proposals to eliminate buy-up coverage for prevented planting and to assign a 60% yield for the year to any acres that received prevented planting payments. The proposals were expected to save $1.1 billion over 10 years. Other proposals to reduce expenditures on prevented planting payments include further limiting the number of consecutive years for which a farmer can file for prevented planting coverage, requiring a successful harvest more frequently than one in four years to qualify for prevented planting coverage, and providing prevented planting coverage as an unsubsidized, stand-alone policy option.[46] For their part, farmers rely on FCIP coverage to help manage their farm financial

[44] Agralytica Consulting, *Evaluation of Prevented Planting Program*, 2015, at https://www.rma.usda.gov/-/media/RMA/Publications/ppevaluation-Jan-2015.ashx?la=en.

[45] For additional information on moral hazard in prevented planting payments, see Zulauf et al., "Prevent Plant as Land Diversion Policy," *farmdoc daily* (9): 119, at https://farmdocdaily.illinois.edu/2019/06/prevent-plant-as-land-diversion-policy.html.

[46] For example, see National Sustainable Agriculture Coalition, "A Small Step Toward Crop Insurance Modernization: Modifying the Prevented Planting Policy," December 13, 2017, at https://sustainableagriculture.net/blog/prevented-planting-update-2017/; and Environmental Working Group (EWG), *Boondoggle: "Prevented Planting" Insurance Plows up Wetlands, Wastes $Billions*, April 28, 2015, at https://www.ewg.org/research/boondoggle.

risk and in recent testimony before Congress, stated their opposition to FCIP reforms that would reduce the amount of risk coverage available from FCIP policies.[47]

In addition, Congress could consider how FCIP replanting and prevented planting provisions align with its goals for incentivizing farmers to engage in agricultural conservation practices and participate in such programs. The following are examples:

- USDA's Inspector General found that in some years and locations, the prevented planting payment might exceed per-acre payments available from conservation programs such as the Conservation Reserve Program, which removes environmentally sensitive land from production.[48] The inspector general concluded that prevented planting payments could be disincentivizing some producers from enrolling cropland in the Conservation Reserve Program in certain areas.
- The Environmental Working Group, a major environmental interest group, has suggested that the one-in-four-year harvest requirement incentivizes farmers to cultivate seasonal wetlands.[49] It is unclear what overall impact an expansion of the one-in-four requirement would have if applied on a national basis because prior to 2021, the requirement was limited to the Prairie Pothole region of North Dakota and South Dakota.
- Using the FCIP to incentivize the use of cover crops to promote conservation goals has received increased interest in recent years. For example, a bipartisan group of U.S. Senators introduced the Cover Crop Flexibility Act of 2021 (S. 1458 in the 117th Congress), which would remove the haying and grazing date restriction for cover crops on prevented planted acres and allow USDA to include the costs of planting cover crops in calculating prevented planting coverage factors.[50] This bill could incentivize the use of cover crops by allowing farmers to collect the full amount of prevented planting indemnities and receive the financial benefits of allowing livestock to graze the land in the same season.
- Other ways that replanting and prevented planting coverage could be used to promote the use of cover crops include providing replanting payments for planting cover crops on acres deemed not practical to replant with a first crop or reducing prevented planting payments on acres not planted with cover crops. USDA's approach of providing additional crop insurance premium subsidies for acres planted to cover crops could provide incentives for farmers to plant cover crops provided that subsidies are announced sufficiently in advance of farmers

[47] For example, see witness testimony in U.S. Congress, House Committee on Agriculture, Subcommittee on General Farm Commodities and Risk Management, *A Hearing to Review the Efficacy of the Farm Safety Net*, June 23, 2021.

[48] USDA OIG, *RMA: Controls over Prevented Planting*, Audit Report 05601-001-31, September 2013. The Conservation Reserve Program allows farmers to reserve land for use in certain conservation activities in exchange for payments based on the agricultural rental value of the land. For additional information about this program, see CRS Report R42783, *Conservation Reserve Program (CRP): Status and Issues*.

[49] The EWG has alleged that the "one in four" rule for prevented planting payments encourages growers to cultivate wetlands in the Prairie Pothole region of North and South Dakota; for more information, see EWG, *Boondoggle: Prevented Planting Insurance Plows Up Wetlands, Wastes $Billions*, April 2015, at https://www.ewg.org/research/boondoggle. The EWG is an NGO focused on the interaction of federal policy, society, and the environment. The EWG website is at https://www.ewg.org/.

[50] On July 6, 2020, USDA took administrative action to remove the haying and grazing date restriction for cover crops on prevented planting acres. This change applies to the 2021 and future crop years.

planting decisions.[51] However, it is an open question whether an additional $5 per acre in crop insurance premium subsidies, as some states have offered, would induce many farmers to adopt cover crops given the financial costs, technical constraints, and managerial burdens involved in adding cover crops into farmers' existing crop rotations.[52]

USDA's Inspector General has identified two additional issues that may be of interest for Congress in performing oversight of FCIP operations. First, the current rules on assigning yields for late plantings on replanted or prevented planted acres may deter farmers from planting a second crop. In the 2014 farm bill, Congress directed USDA to develop FCIP coverage that would allow producers to exclude certain years with severe county losses from calculations of future insurance guarantees. Congress could consider whether USDA may establish a similar type of yield exclusion coverage for years with delayed plantings.

Second, in 2013, the USDA Inspector General found that RMA was not holding private sector insurers accountable for properly establishing and documenting eligibility to receive prevented planting payments. The Inspector General found that RMA's guidance for determining whether acres were available for planting was impractical to implement and administer, and "too subjective for loss adjusters to apply in a uniform manner." Congress may wish to know what changes RMA has made to clarify the requirements for how private sector insurers should determine and document prevented planting eligibility, and how effective these changes have been in reducing opportunities for waste, fraud, and abuse in the FCIP prevented planting provisions.

Author Information

Stephanie Rosch
Analyst in Agricultural Policy

[51] State pilot programs in Iowa, Illinois, and Indiana are also offering $5 per acre FCIP premium subsidy reductions for farmers planting cover crops on their land. For additional information, see Cleanwater Iowa, Crop Insurance Discount Program, at https://www.cleanwateriowa.org/cropinsurancediscount; Illinois Department of Agriculture, Cover Crops Premium Discount Program, at https://www2.illinois.gov/sites/agr/Resources/LandWater/Pages/Cover-Crops-Premium-Discount-Program.aspx; and Indiana State Department of Agriculture, Cover Crop Premium Discount Program, at https://www.in.gov/isda/divisions/soil-conservation/cover-crop-premium-discount-program/.

[52] For example, researchers estimate that Illinois corn and soybean producers would need to spend in the range of $10 to $28 per acre to establish a cover crop. See Swanson et al., "Understanding Budget Implications of Cover Crops," *farmdoc daily* (8):119, June 28, 2018, available at https://farmdocdaily.illinois.edu/2018/06/understanding-budget-implications-of-cover-crops.html.

Disclaimer