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Overstated Late Planting Reduction¹

Dear Art,

I think the late planting reduction is 1% of the guarantee per day not 1% of the coverage.

10 days late example.

*180 bushels \$6.00 = \$1080.00 * level of coverage 65%=\$702.00*

10% reduction in the guarantee= \$70.20

New guarantee \$631.80

I do not think it is 1% of the coverage per day.

Thought you would like to know.

Crop Agent

¹Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, June 1, 2011, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

Dear Agent,

If I understand the rule correctly, then the percent reduction is being applied after the deductible. With a 10% reduction for planting 10 days late a 75% APH contract does not become a 65% contract, it is a 67.5% APH contract.

Clearly the late planting reduction is less than the amount I had calculated but this will just reinforce my argument that it pays to plant late up to 10 days. After 10 days one may want to rethink their alternatives. Because there are so many fine details, I would encourage farmers faced with prevented planting contact their agent to make sure they understand all of the rules and alternatives for prevent planting before making any final decisions.

Thanks for sending me a note on the error.

Art