

TIMELY INFORMATION

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2007 Drought Crop Insurance Update

Bob Goodman, Extension Economist

When I was to be interviewed about the drought a couple of weeks ago, I took the reporter out look at the Old Rotation to see the difference between the irrigated crops and the dryland crops. The difference was very dramatic. The irrigated corn, while not all that great, was going to make some grain. The dryland corn was 12 inches high, twisted badly and the bottom leaves were fired up – a total loss. The cotton was just the same. The irrigated cotton was up and getting ready to bloom, while not a single plant on the dryland plots had emerged. However, on Tuesday June 19 we received a shower of rain. It was just a shower, but enough, apparently, to germinate that long-planted cotton seed. This week, I went by the Old Rotation and all that dryland cotton is up to a stand. That cotton was planted five weeks before it emerged. The question now is does that young cotton have a chance to mature and produce lint.

The consensus opinion seems to be that it has very little chance north of Montgomery. It is going to green up and grow, square, bloom and set bolls, but they will run out of season before they mature. The further north you go with cotton this late, the less likely it is to make cotton, even with a short season variety.

There is a lot of cotton like this in the state. The fields are up and down, some cotton going to bloom soon and some yet to reach the first true leaf stage. If you are a grower in north Alabama and you are looking for some relief from this situation from crop insurance, you are probably not going to be happy with what they tell you. They are going to count those small plants and you are not going to get a very good payment offer.

In fact, the way I understand the stand count method is if you have a plant every 14 inches you will have a 100% stand estimate – 0% stand loss. So under this method even if you only have about a third of what is normal in terms of plant population, it is theoretically possible to have a 0% stand loss count.

Even if you do have a significant stand reduction, the way the payment is calculated makes it unlikely you will want to accept the offer and terminate your crop. I am not the crop insurance expert, and you should get your adjuster to explain this to you, but this is my understanding of the loss calculation. Say you have an 800 pound farm yield at the 75% coverage level and the adjuster says you have a 50% stand. Fifty percent of 800 pounds is 400 pounds. At 75% coverage your payment yield is 600. The 400 pound loss is subtracted from your 600 payment yield, leaving a 200 pound per acre loss. That's only about \$100 per acre. Instead of getting half the payment you would have received for a total loss, you only get a third in this example.

Also, based on what farmers have told me, the 4-row strip option is out, so you either take the stand-loss offer or take the cotton to harvest.

Even if you didn't have to spend a lot of money from here on out, keeping that cotton in the field will probably mean you can't get a wheat crop in this fall until well up into November. With June 08 wheat over \$5, the delay could be expensive, and having to pay the tech fees on that late, skippy, sorry cotton just adds insult to injury.