

Risk Management Agency

Facing Drought Challenges

Irrigation and Prevented
Planting for 2003 Crop Year



February 28, 2003

Prevented Planting Coverage for Drought Stricken Areas

- ◆ The drought that many areas have experienced and continue to experience has been devastating to agricultural producers. This presentation is designed to support and help clarify existing policy provisions and procedures.



Prevented Planting Coverage General Understandings

- Under drought conditions, requirements for prevented planting may be met, yet some growers may anticipate a return of average precipitation and still plant. When both cases are considered to be good farming practices, RMA recognizes both planted and prevented planting acreage may exist in the same area.



Prevented Planting Coverage General Understandings

(Continued)

- Conditions can vary significantly between farms, geographic areas; irrigation districts, etc. Insurance providers must make loss determinations based on each producer's circumstances and in accordance with the policy and procedural guidelines.
- A continued drought from one year to the next clearly has major components of insurable causes of loss occurring during the current crop year (refer to illustration slides 14 and 15 of this presentation).

Prevented Planting Coverage General Understandings

(Continued)

- ◆ RMA Prevented Planting Policy Provisions, Prevented Planting Handbook, Final Agency Determination's FAD-008 and FAD-012 and Manager Bulletins MGR-01-017 and MGR-02-013 together and in their entirety provide meaningful guidance and should be used accordingly.
- ◆ All available on RMA's website at: www.rma.usda.gov



Prevented Planting Coverage - Some Misconceptions

- ◆ Misconception – Once a prevented planting payment is made for any acreage, payment cannot be made on the same acreage in a succeeding year.
- ◆ Fact – Prevented planting coverage is provided against insured perils occurring within the insurance period. Producers may be eligible for prevented planting if the drought conditions continue into the next crop year.



Prevented Planting Coverage - Some Misconceptions

(Continued)

- ◆ Misconception – If a producer is prevented from planting on an irrigated basis, he or she must try to plant on a non-irrigated basis.
- ◆ Fact – There is no requirement to plant a non-irrigated crop in this circumstance. However, if the producer plants a non-irrigated crop on the acreage, no prevented planting payment can be made.

What Can Insured's Do Without Adequate Water?

- ◆ Plant fewer irrigated acres
- ◆ Plant and insure acreage for which adequate water is not available under a non-irrigated practice (if available), or
- ◆ Report acreage as prevented planting (if available), provided all prevented planting policy provisions are met.
- ◆ Plant and not insure acreage if a non-irrigated practice is not available.



Prevented Planting and Irrigation Water Supply

- Failure of the irrigation water supply is covered only to the extent that the failure was due to an insured cause of loss that occurs within the insurance period.



Cause of Loss Period – Carryover Policyholders

- Carryover policyholders are eligible for prevented planting payments if the insured cause of loss that caused the failure of the irrigation water supply occurred after the sales closing date for the previous crop year, provided insurance has been in force continuously since that date, and all other requirements for prevented planting have been met.



Cause of Loss Period – Carryover Policyholders

(Continued)

For example:

Corn sales closing date on March 15 – cause of loss occurs on or after March 15, 2002, could be eligible for a prevented planting guarantee for the 2003 crop year.



Cause of Loss Period – New Policyholders

- ◆ New policyholders are eligible for prevented planting payments if the insured cause of loss that caused the failure of the irrigation water supply occurred after the sales closing date for the current crop year and all other requirements for prevented planting have been met.



Cause of Loss Period – New Policyholders

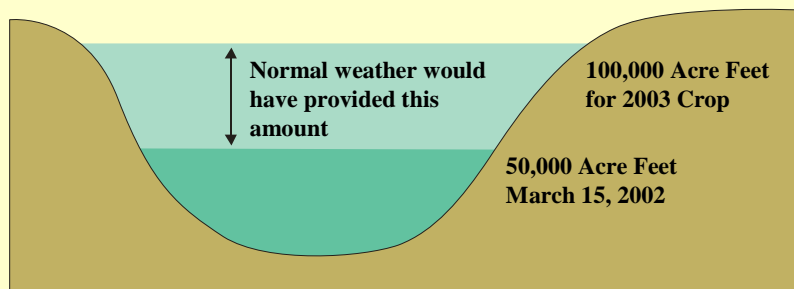
(Continued)

For example:

Corn sales closing date on March 15 – cause of loss occurs on or after March 15, 2003, could be eligible for a prevented planting guarantee for the 2003 crop year.

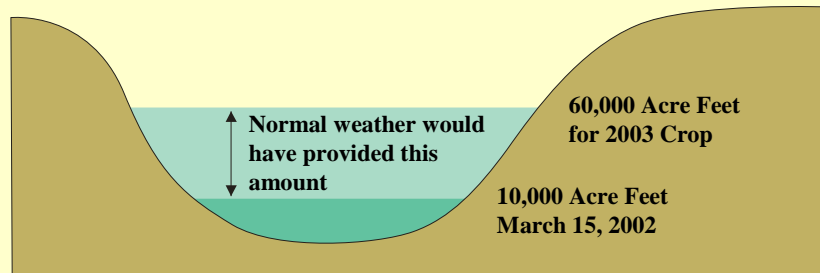


Irrigated Prevented Planting Coverage



If a reservoir level of 100,000 acre feet would supply 100 percent of needed water for a producer who normally plants 100 irrigated acres, the producer would have full prevented planting coverage for the 100 acres.

Irrigated Prevented Planting Coverage



If a reservoir level of 60,000 acre feet would supply 60 percent of needed water and allow the same producer to irrigate 60 acres, then prevented planting coverage would be provided if the water supply is reduced so less than 60 acres can be planted.

Determining Irrigation Water Supply

- Local irrigation authorities may provide information indicating what irrigation water supply levels would have been if normal weather (average snowpack/precipitation) had occurred during the prevented planting insurance period.
- Local irrigation authorities may include the Bureau of Reclamation, the Corp of Engineers, Cooperative State Research, Education and Extension Service, (CREES), the Natural Resources Conservation Service (NRCS) or other sources responsible for water allocations.

Planting and Irrigation Water Supply

- ◆ Policy States: If you elect to plant, **only** acreage for which there exists adequate facilities and adequate water at the time insurance attaches, or the reasonable expectation of receiving adequate water at the time coverage begins to carry out a good irrigation practice is insurable under an irrigated practice



Irrigation Water Supply

- ◆ Reduced water allocations resulting from drought during the insurance period (e.g., March 15, 2002, through planting season of 2003) **IS** an insured cause of loss for prevented planting.



Irrigation Water Supply

- Decreased water allocation resulting from the diversion of water for environmental reasons or other causes not covered under the policy **IS NOT** an insurable cause of loss. (Refer to the Prevented Planting Handbook for examples).



Reasonable Expectation is the Key

- Producers who know or have reason to know prior to the time insurance attaches that the water supply may be reduced before coverage begins or cut off during the irrigation season, have no reasonable expectation of adequate irrigation water



Adequacy of Water

Will be based on:

- The water available at the time insurance attaches from the irrigation water supply, soil moisture levels, and as applicable, snow pack storage levels; and
- Precipitation which would normally be received, after insurance attaches, during the period that a good irrigation practice is normally carried out.



Insured's Responsibilities and Coverage Limitation

• Consistent with the policy provisions:

- It is the insured's responsibility to establish the cause and amount of loss and cooperate with insurance providers in the settlement of any claim including **providing records of available water**, etc.
- Insured producers can not increase their prevented planting coverage level if there is a cause of loss that will or could prevent planting at the time the request for increased coverage is made.

