



INFORMATIONAL MEMORANDUM: IS-08-004.1

United States
Department of
Agriculture

Risk
Management
Agency

1400 Independence
Avenue, SW
Stop 0801
Washington, DC
20250-0801

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: William J. Murphy /s/ *William J. Murphy* 6/19/2008
Deputy Administrator for Insurance Services

SUBJECT: Updated Claims Alert - Prevented Planting and Reduced Irrigation Water
Allocations for California for 2008 Crop Year

BACKGROUND:

On April 15, 2008, the Risk Management Agency (RMA) issued IS-08-004. However due to the drastic changes in California's statewide precipitation levels and reduction in stream flows to provide runoff water for irrigation, RMA is updating the Claims Alert for the state.

The Central Valley Project (CVP) and the State Water Project (SWP) are two water delivery systems in the State of California that provide irrigation water to over 1.6 million acres of farmland. The U.S. Bureau of Reclamation's CVP provides water to agricultural land located south of the Sacramento River Delta (Delta) along the west side of the Central Valley in the counties of San Joaquin, Stanislaus, Merced, Fresno, Kings, Santa Clara, and San Benito. The California Department of Water Resources' SWP provides water to irrigated farmland, the majority of which is located in the San Joaquin Valley counties of Kern, Kings, and Tulare.

The Central Valley Improvement Act of 1992 reallocated water on an annual basis for environmental restoration purposes. Additionally, allocations are mandated for wildlife refuges on an annual basis. These allocations, plus the listing of the Winter Run Salmon and Delta Smelt under the Endangered Species Act in the early 1990's has reduced the availability of water for irrigation. These environmental curtailments in addition to dry conditions are the reasons for reduced allocations, which limit the pumping of water out of the Delta to provide water for the irrigated lands of the CVP and SWP located south of the Delta. Additionally, a Federal judge's decision in December of 2007 about the CVP and SWP has further reduced the pumping of water available to agricultural producers out of the Delta to meet additional requirements of the Endangered Species Act for the Delta Smelt.

The record-dry weather will result in reduced pumping to the San Luis Reservoir for water storage and will impact both water projects. In addition, the balance of the Delta's environmental requirements will be affected.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

An Equal Opportunity Employer

On June 2, 2008, the Bureau of Reclamation announced that south of the Delta allocations for the CVP will be at 40 percent of historical contracted allotments. Given normal conditions, the CVP allocation for south of the Delta agricultural contractors would have been 55 percent. Because of high water usage needed for spring planted crops in the months of June through August, the Bureau of Reclamation is urging contract water users to ration their water usage for the next three months.

The SWP 2008 allocation for contract water users is at 35 percent of their Table A allotment. Given normal conditions, the SWP allocation would have been 53 percent. Table A water is used by the SWP and is defined as the maximum amount of water delivered to each contractor if water is available and if the contractors request their full allotments. Table A also identifies the maximum amount of Table A water that can be pumped out of the Delta and is used as a tool in an allocation process that defines an individual contractor's portion of the entire SWP water supply.

ACTION:

Due to the reduced water allocations directed by the CVP and the SWP, there may be expectations of prevented planting payments and production losses for the 2008 crop year due to the failure of irrigation water supply caused by adverse weather conditions. The primary crops affected by the reduced allocations are cotton, tomatoes, and ELS cotton.

The Basic Provisions of the Common Crop Insurance Policy state in section 17 that failure of the irrigation water supply is an insurable cause of loss for the purposes of prevented planting if on the final planting date (or within the late planting period if the producer elects to try to plant the crop), there is not a reasonable expectation of having adequate water to carry out an irrigated practice. The California drought situation will be considered an insurable cause of loss occurring within the insurance period, which may justify prevented planting payments or production losses for irrigated agricultural lands located within the CVP or the SWP water delivery areas.

For the purpose of prevented planting and information provided in this document, the water allocations for the CVP and the SWP are expected to be 40 percent and 35 percent, respectively, of their contracted water allotments. Further reduced water allocation amounts directed by the CVP and SWP may be used if further reductions are directed by said projects and are due to the drought situation. This information may be helpful to approved insurance providers when adjusting prevented planting claims.

An example of reduced allocation is as follows: an insured is contracted with a CVP allotment of 10,000 acre-ft, but the expected long-term average allotment is only 65 percent. Due to environmental curtailments for this water year, the expected allocation is at 55 percent for an expected average allotment of 5,500 acre-ft. However, due to dry conditions, the insured only

receives 4,000 acre-ft, which is 1,500 acre-ft less than their expected allotment. If their normal
INFORMATIONAL MEMORANDUM: IS-08-004.1 **Page 3**

farming practice/water budget takes 3 acre-ft of water to produce a cotton crop, then the producer may be eligible for prevented planting on 500 acres (1,500 acre-ft short/ 3 acre-ft) as long as all other terms of the policy are met.

If you have questions, please contact the Davis Regional Office.

DISPOSAL DATE:

This Claims Alert transmits information and expires when 2008 California claims are complete.