

RMA



RISK MANAGEMENT AGENCY

United States Department of Agriculture

Facing Drought Challenges

Irrigation and Prevented Planting

Topeka Regional Office

November 29, 2012

What Is the Risk Management Agency?

- USDA agency –created in 1996 to operate and manage the Federal Crop Insurance Corporation.
- FCIC was founded in 1938
- RMA, via the FCIC provides crop insurance to American producers.



What is Crop Insurance?

- Federal crop insurance protects farmers against production or revenue losses.
- What perils are covered? Natural disasters, drought, excess water, freeze, hail, plant disease, wind, flood, insects and loss of revenue..
- What is not covered? Poor Management and poor farming practices, chemical drift, negligence, wrongdoing..



Types of Drought-Related Losses Covered

Drought-related Causes

- Drought
- Heat
- Failure of Irrigation Supply
- Hot Winds

Drought-related Payments

- **Prevented Planting**
 - Prevented Planting Guarantee Payment
- **Replant Payments**
- **Production/Revenue Losses**
 - Indemnity Payment



Drought Coverage

- This presentation is designed to support and help clarify existing policy provisions and procedures.
- This presentation does not replace or supersede any procedures or modify any provisions contained in the complete insurance policies.



Prevented Planting Coverage

General Understandings

- 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.



Definition of Irrigated Practice

- **Federal Crop Insurance Act** *(As Amended Through P.L. 111–80, Effective October 21, 2009)*
- **Crop Insurance Policy, Basic Provisions** *(11-br)*
- **Crop Insurance Handbook** *(FCIC-18010)*
- **Irrigated Practice Guidelines**
 - **Document and Supplemental Standards Handbook** *(FCIC 24040)*
- **Prevented Planting Loss Adjustment Standards** *(FCIC 25370)*
- **Loss Adjustment Manual** *(FCIC 25010)*



Policy Definition of an Irrigated Practice

- A method of producing a crop by which water is artificially applied during the growing season by appropriate systems and at the proper times, with the intention of providing the quantity of water needed to produce **at least the yield used to establish the irrigated production guarantee or amount of insurance** on the irrigated acreage planted to the insured crop.



What is the Yield Upon Which the Production Guarantee Is Based?

- Approved APH Yield
- APH Yield - Actual Production History
 - The APH yield for a producer is a simple average of the per-acre production when at least 4 years of yield history are provided.
 - When less than 4 years of production records are available, Transitional Yields are used to complete the 4-year period.
 - Self-certification program. Supporting records must be maintained.



Section 9(b) Of the Common Crop Insurance Policy

You must report as irrigated only that acreage for which you have adequate facilities and adequate water, or the **reasonable expectation** of receiving adequate water at the time coverage begins, to carry out a good irrigation practice. **If you knew or had reason to know that your water may be reduced before coverage begins, no reasonable expectation exists.**



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: or
 - Report acreage as prevented planting (if available), provided all prevented planting policy provisions are met.



Nebraska Corn - Prevented Planting

- Payment is 60% (for most crops) of the production guarantee

– 65% or 70% if options were selected...

EXAMPLE

- Payments are based on the Projected Price on both Yield & Revenue plans and CAT.

180	bu APH Corn
70%	Coverage Level
126	Prod Guar
\$5.68	Proj Price
\$716.00	Guarantee
60%	PP Guarantee
\$430.00	PP Pmt/Acre



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 insurable event that occurs within the prevented planting insurance period.



Common Questions

- What is an “insurable event”?
 - Drought, flood, or other natural disaster (as determined by the Secretary) *Sec. 508 (a) of the Federal Crop Insurance Act.*
- What is the Prevented Planting Insurance Period?
 - For Carryover Insureds, the sales closing date (March 15 for spring crops) of the previous crop year until planting of the current year.
 - For New Insureds, the sales closing date of the current year until planting of the current year.



When the same cause of loss prevents planting even with normal weather

When available information indicates that the effects of drought occurring prior to the insurance period for the current crop year are such that normal weather within the insurance period would still not allow crop production, the loss would be attributable to events occurring outside the insurance period for the current year and no PP payment could be made on such acreage.



Documentation Needs



- Data to determine whether cause of loss incurred during the prevented planting insurance period

Local irrigation authorities may provide information indicating what irrigation water supply levels would have been if normal weather (average snow-pack/precipitation) had occurred during the prevented planting insurance period.

Determining Irrigation Water Supply

- Local irrigation authorities may include the Bureau of Reclamation, Corp of Engineers, Cooperative Extension Service, (CES), Natural Resources Conservation Service (NRCS), Nebraska Department of Natural Resources.

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.

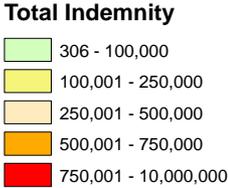
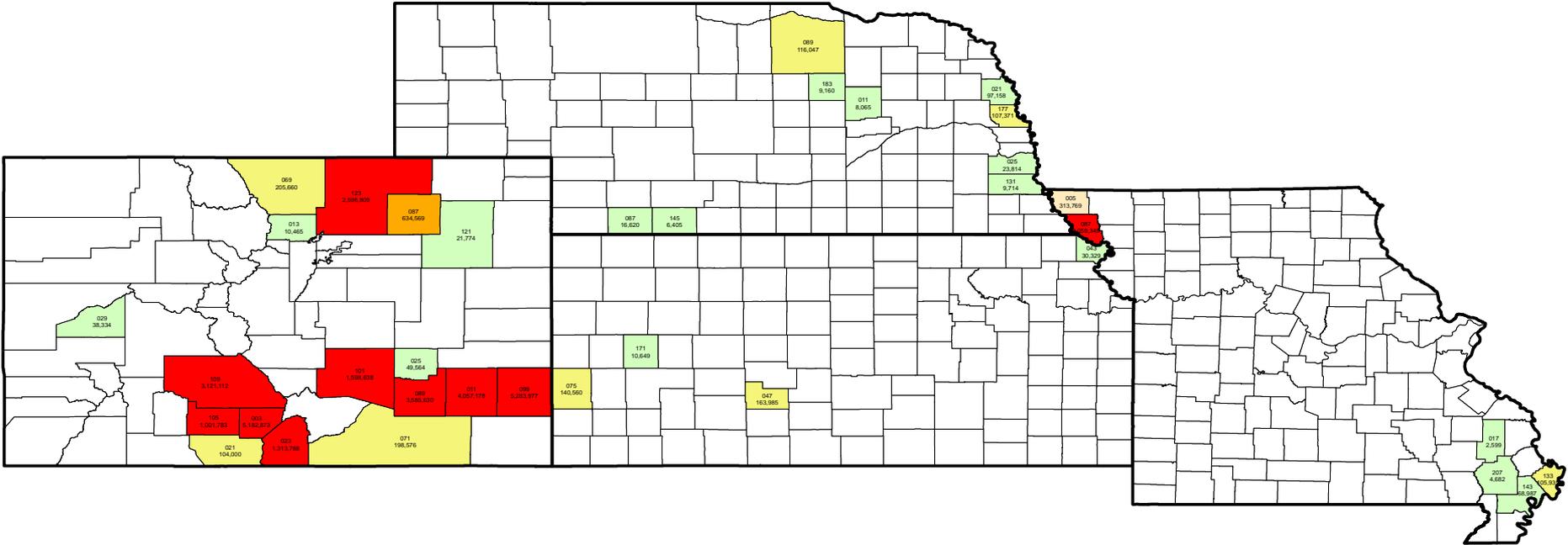


2013 Drought Questions?

- Claims Alert – Farm Service Agency Reports and Prevented Planting Determinations
 - <http://www.rma.usda.gov/bulletins/info/2009/is-09-009.pdf>
- 2012 Drought Questions and Answers
 - <http://www.rma.usda.gov/help/faq/drought2012.html>
- 2012 Irrigation Assessment
 - http://www.rma.usda.gov/fields/ks_rso/irrigation/2012irrigationassessment.pdf
- Prevented Planting – Irrigated Cropland Eligibility and Drought
 - <http://www.rma.usda.gov/help/faq/ksirrigated.html>
 - <http://www.rma.usda.gov/help/faq/irrigatedcropland.html>



2012 Irrigated Prevent Plant Indemnity All Crops, All PP Stage Codes



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Thank you

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