



United States
Department of
Agriculture

INFORMATIONAL MEMORANDUM: IS-08-004

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/
Deputy Administrator for Insurance Services

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

BACKGROUND:

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 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, which the majority of the acres are 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 to be used for environmental restoration purposes. Additionally, allocations have also been 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 have reduced the availability amount of irrigated water.

For the 2008 crop year, the most recent announcement indicates that south of the Delta allocations for the CVP will be 45 percent of historical contracted allotments. The most recent announcement indicates the 2008 allocation for agricultural lands will be at 35 percent of their Table A allotment. 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.

Recent information from the California Department of Water Resources indicates the reservoir storage statewide is 85 percent of average and snowpack water content is 95 percent of average as of April 1, 2008. For both the CVP and SWP, the Northern Sierra



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

An Equal Opportunity Employer

region is the primary source of water and the Southern Sierra region is the secondary source of water (from the San Joaquin River). The Southern Sierras' snowpack water content is 98 percent of average in addition to the Northern Sierras' snowpack water content being 106 percent of average.

The primary reasons for the reduced allocations are environmental issues involved with the pumping of water out of the Delta to the irrigated lands of the CVP and SWP located south of the Delta. Environmental issues regarding the listing of the Winter Run Salmon and Delta Smelt under the Endangered Species Act have affected the amount of available irrigation water. 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.

ACTION:

Due to the reduced water allocations directed by the CVP and the SWP, there may be expectations that prevented planting payments will be applicable for the 2008 crop year. The primary crops affected by the reduced allocations are cotton and ELS cotton.

The Basic Provisions of Common Crop Insurance Policy states in Section 17 that a prevented planting payment may be made if one is prevented from planting the insured crop by an insured cause that occurs within the insurance period. Since snowpack water content for the state is near average and adverse weather is not the cause of reduced water allocations, then there is no insurable cause of loss occurring within the insurance period to justify prevented planting payments for irrigated agricultural lands located within the CVP or the SWP water delivery areas.

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