

MINUTES OF MEETING
DIVERSION AUTHORITY AGRICULTURAL POLICY SUBCOMMITTEE
CASS COUNTY HIGHWAY DEPARTMENT
WEST FARGO, NORTH DAKOTA
MARCH 12, 2014

The Diversion Authority Agricultural Policy Subcommittee met on March 12, 2014, at 7:00 p.m. at the Cass County Highway Department, West Fargo, North Dakota.

Present were those whose names appear on the attached roster.

Chairman Rodger Olson called the meeting to order and introductions were made.

Approval of agenda order

It was moved by Jon Evert, seconded by Matt Ness, and unanimously carried to approve the agenda, as presented.

Crop Insurance Options Study

Alex Offerdahl of Watts and Associates, Inc. distributed a draft Evaluation of Agricultural Risk Management Options for the Metro Flood Diversion Project. Mr. Offerdahl reviewed a brief summary of 6 available options for mitigating risk or for providing potential specific approaches to compensation for agricultural production within the staging area of the Metro Flood Diversion Project. Mr. Offerdahl reviewed the pros and cons, an expected timeline of implementation and an estimated cost of each option.

The first option reviewed was the use of a private insurance product. Mr. Offerdahl explained that the development of a private insurance product would likely result in a rider policy that would attach to a Multi-Peril Crop Insurance Federal Crop Insurance product. Mr. Offerdahl discussed potential costs of developing a private insurance product, and said the maintenance cost would vary annually. He estimated this product would be developed in one to two years, but could be expedited.

The next option discussed by Mr. Offerdahl was the development of a federal insurance product, which could offer highly subsidized coverage for a wide variety of risks for most crops planted, but he reminded the Subcommittee that losses from intentional or man-made flooding are specifically excluded from current federal coverage. Mr. Offerdahl said a product submission could be made to the Federal Crop Insurance Corporation (FCIC) to include intentional diversion of water during times of regional flooding onto insured land as an insurable peril in this tightly defined area. In this case, farmers in the affected area would be offered the option of buying special coverage, with the premium rates determined by the risk classification applicable to their fields. This would add coverage of intentional flooding to their main crop insurance policy, subject to the same

deductibles and indemnification policies. He explained the benefit to this approach is that the product would be designed specifically for the staging area, thus accounting for the unique risks associated with crop production in the staging area as impacted by managed flooding, and it would be delivered through the Federal Crop Insurance program. Mr. Offerdahl reviewed the costs of development and speculated it would take approximately 3 to 5 years to develop the crop insurance product.

The use of flowage easements was discussed. Mr. Offerdahl said flowage easements are well established in many regions of the United States. A flowage easement provides for compensation to landowners in the event flooding from the project requires staging of water on their land. Development and administration of flowage easements would be an ongoing project due to changes in land rental, land ownership, land valuation and crop enterprise profitability.

Next, Mr. Offerdahl discussed the option of purchasing land. Purchasing components of the staging area or the entire staging area provides a degree of flexibility in allowing the Diversion Authority to manage the staging area for flood control, and could allow opportunities for renting the land back to area farmers, thus generating revenue back to the Diversion Authority. This approach may be of minimal feasibility / acceptability. No practical timeline could be provided.

Subsidized installation of tile drainage systems was discussed. This has the potential to reduce the effect of inundation and could decrease the cost of flowage easements. Crop insurance could be tailored to offer lower premiums on tiled land.

The Diversion Authority could offer its own self-insurance coverage to affected growers, which could have a number of advantages. A self-insurance program can have a lower cost than partnering with an existing private insurance company for administration. Self-insurance can also be flexible. However, Mr. Offerdahl said the Diversion Authority would take on the responsibilities that are normally covered by insurance companies and they would have to contract with skilled loss adjusters to determine individual losses. Mr. Offerdahl discussed potential costs of implementing a self-insurance program and said it could be set up very quickly.

Mr. Offerdahl said preliminary analysis suggests that a combination of solutions should be considered to develop a comprehensive risk management plan for the Metro Flood Diversion Project.

The Subcommittee discussed the special circumstances of organic farming. Mark Askegaard reviewed concerns he has as an organic farmer in the staging area and explained how an organic farm can lose certification. Mr. Offerdahl said something could be put together to address that, but incentives need to be set up appropriately. He will look into the matter further.

Eric Dodds asked the Subcommittee for input on the matter. Matt Ness and Mark Askegaard said a combination of the options would work well. The cost of drain tile is a big factor. Mark Bittner said the lowest cost may be acquisition of the property. Mr. Dodds said the next step will be to look at the costs involved.

Minutes

It was moved by Mark Ottis, seconded by Jon Evert and unanimously carried to approve the minutes of the December 9, 2013, meeting.

Adjournment

There being no further business for the Subcommittee to consider, the meeting adjourned without objection.

APPROVED:

Rodger Olson
Chairman

ATTEST:

Carol Harbeke Lewis
Cass County Joint Water Resource District
Secretary-Treasurer