IS PCI COMPLETE RIGHT FOR MY OPERATION?

Production Cost Insurance (PCI) and PCI Complete are ideal for the producer with an operation committed to maintaining detailed and accurate records. An in-depth understanding of the operation's farming practices and finances is essential to getting the most out of a PCI policy.

To be eligible for PCI Complete, 95% of the expected revenue from the operation must be produced by crops for which MPCI Revenue Protection is available, and all of the operation's insurable crops must carry some form of underlying MPCI policy. The underlying policy is not required to be Revenue Protection (RP).

CONTACT AN ARMTECH AGENT

Find out about PCI availability in your area and request a quote.

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PCI COMPLETE

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WHAT IS PCI?

Production Cost Insurance (PCI) is a reliable, predictable, risk management tool that not only underpins the cost of production in challenging growing seasons, but also promotes best farm management practices each and every day, across virtually all aspects of the operation. When adversity strikes at any phase of the crop production cycle, PCI supports producer confidence and empowers them to make optimal management and agronomic decisions.

PCI works by covering a specific amount of a farm's gross margin in addition to the actual costs of major inputs (fertilizer, seed, and chemical). When farmers know their inputs are being covered, they experience the freedom to give their farm exactly the care it needs—resulting in higher production and a more successful operation. Additionally, producers gain complete confidence when hedging and marketing, since the actual revenue the farmer receives upon sale is used for PCI calculations (meaning the basis risk of price is covered) and margin calls are counted as expenses for the purposes of the PCI indemnity.

WHAT IS PCI COMPLETE?

PCI Complete is an endorsement to PCI, which works in tandem with the farmer's underlying MPCI coverage to provide a complete range of gross margin protection.

PCI Complete differs from the traditional PCI plan in two ways: first, the producer will receive a premium discount when PCI Complete is selected. Second, regardless of their actual MPCI coverage, the PCI Complete indemnity will be reduced by the amount of indemnity which would be due under a simulated Revenue Protection policy with enterprise units and a coverage level of 75%. The policy is otherwise quoted and underwritten with the same rules as traditional PCI.

WITH A PCI COMPLETE POLICY:

- Three major inputs (fertilizer, seed, and chemical) are covered, plus a specific amount of gross margin per acre.
- Farmers often use this insurance as collateral with major banks, and borrow against it.
- As input costs rise over the crop year, coverage may increase as well - without added premium.
- PCI Complete premium is discounted from the usual PCI rate.
- Payments calculated for a simulated MPCI policy are counted as revenue when determining PCI Complete indemnity.

PCI COMPLETE EXAMPLE

A farmer's financial history indicates his variable input costs averaged $300 per ace. This amount is automatically covered by his basic PCI policy.

He expects his fixed costs for the crop year to total $350 per acre, and he chooses a Fixed Cost Margin Coverage (FCMC) level of $300 per acre.

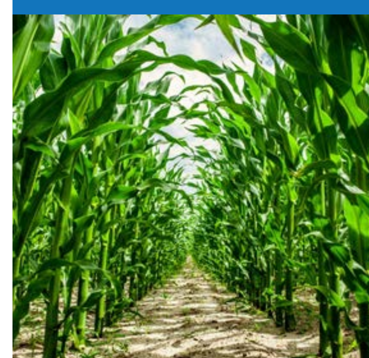
His total PCI coverage is $600 per acre, and his PCI policy ensured $6 million of insured revenue for his 10,000-acre farm. He also has a Revenue Protection (RP) policy with enterprise units and a coverage level of 75%*.

During the course of the growing season, insects infest the farmer's crop. He decides to spend an additional $25 per acre on insecticide, pushing his input costs to $325 per acre. As a result, his PCI coverage may increase to $625 per acre - $6.25 million total revenue - without an increase in premium.

Due to lower than expected yields, the farmer sells his crops for only $5.25 million, leaving him $1 million short of his guaranteed $6.25 million. His RP policy pays $350,000, which is subtracted from the $1 million owed. Therefore, his PCI Complete payment is $650,000.

*Even if the insured has a different form of MPCI coverage, the PCI Complete payment will always be calculated as if the underlying policy were an RP policy with enterprise units, a coverage level of 75%, and a 100% share, where available; if RP is not available for a commodity, an APH policy will be used instead.

FCIC Nonreinsured Supplemental policy review pending



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