

IS PRODUCTION COST INSURANCE RIGHT FOR MY OPERATION?

Production Cost Insurance (PCI) is 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.

PCI is especially beneficial for progressive farmers who would like to make larger investments in their crop. PCI eases the financial pressure on producers by allowing them the latitude to fully invest in their crops as they strive to attain higher yields by diversifying their operation, purchasing improved seed varieties, or applying specialized ag chemicals.

CONTACT AN ARMTECH AGENT

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

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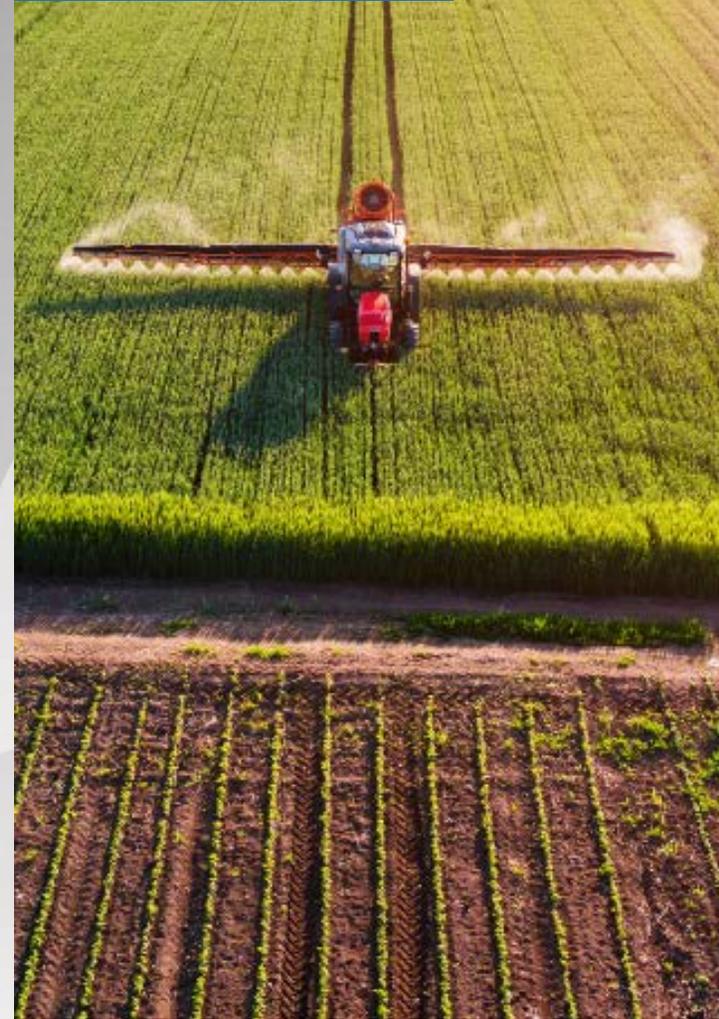
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PCI PRODUCTION COST INSURANCE



ARMtech Insurance Services, Inc. is an equal opportunity provider.





PRODUCTION COST INSURANCE EXAMPLE

A farmer's financial history indicates his variable input costs averaged \$300 per acre. 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.

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 crop for only \$5.25 million. His PCI policy pays the \$1,000,000 necessary to meet his insured revenue of \$6.25 million.

FCIC Nonreinsured Supplemental policy review pending



PRODUCTION COST INSURANCE (PCI) PROVIDES GUARANTEED FARM REVENUE

Farming is a high risk business, and often volatile price movements in seed, chemical, fertilizer, and commodities make it difficult to predict farm revenue from year to year. PCI alleviates these concerns by providing a predictable annual revenue stream above defined, direct input costs.

PCI is a reliable, predictable risk management tool that not only underpins the cost of production in challenging growing seasons, but one that 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 agronomy decisions.

WITH A PCI 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.

HOW IT WORKS

- Based on the analysis of a five-year financial history, producers may have the option to choose a margin-based coverage level in \$25 increments.
- PCI input cost coverage is calculated by averaging the cost of seed, chemical, and fertilizer based on the five year financial history of your farm. PCI covers the ACTUAL costs of fertilizer, seed, and chemical.
- If input costs surge higher over the growing season, PCI coverage may increase by exactly the same amount, dollar per dollar, with no increase in premium; therefore, the margin of risk always remains the same.
- PCI is written on a whole-farm crop basis, so virtually any crop can be insured.
- A PCI policy can stand alone or be combined with other crop insurance plans.

WANT TO KNOW MORE?

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