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Margin Coverage Option (MCO) Historical Analysis

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The Margin Coverage Option (MCO) is a new area-based crop insurance endorsement. In Illinois, corn and soybeans are eligible for MCO coverage. The sales closing date for MCO coverage for the 2026 crop year is September 30th, 2025, and is approaching quickly. This article provides some perspective on MCO by comparing it to the Enhanced Coverage Option (ECO).

Program Description Recap

MCO is an area-based product protecting against declines in an operating margin index. The MCO margin is the difference between area revenue and a cost index. Projected prices for MCO revenue and the cost component are set based on futures prices from August 15th to September 30th compared with the February discovery period used for existing products. Harvest or final input prices for the cost index are then set during April with the harvest price for the crop set in October like existing products. The margin can fall below guarantee levels due to declining output prices, area yield losses, and/or rising prices for the inputs includes in MCO's cost component.

Producers have the option of choosing MCO with a 90% or 95% coverage level, and a protection factor that can range from 50% to 100%. For 2026, MCO covers a band of the margin index from the coverage level down to 86%. Premiums will be subsidized at a rate of 80%, the same subsidy rate that will be provided for ECO and the Supplemental Coverage Option (SCO) for 2026.

Like ECO and SCO, MCO coverage requires the producer use an underlying COMBO product – either Revenue Protection (RP), Revenue Protection with the Harvest Price Exclusion (RP-HPE), or Yield Protection (YP). If MCO is used with an underlying RP policy, the MCO endorsement will also have the harvest price guarantee increase. MCO can be used with SCO, but MCO and ECO cannot be combined as they are considered to provide overlapping coverage.

A previous farmdoc article discussed in more details the program description, and how payments are calculated (see *farmdoc daily* September 16, 2025).

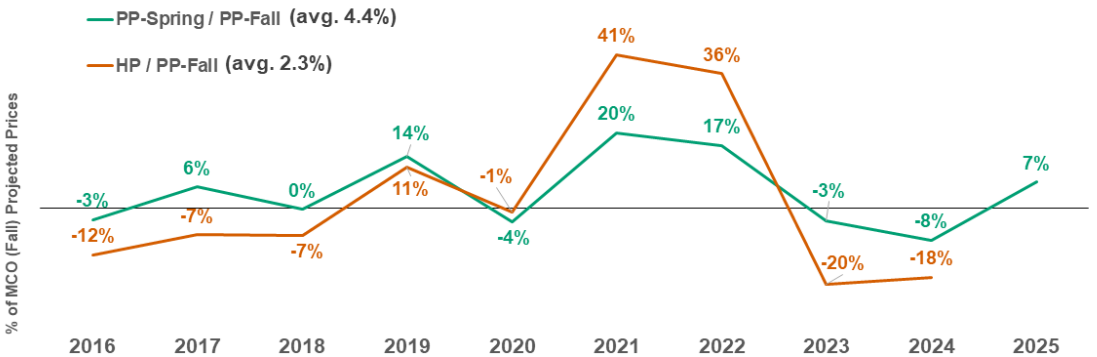
Historical Analysis of MCO

We analyze historical performance of MCO as if it had existing over the past 10 years (since 2016), providing comparisons with ECO since producers will need to choose between the two if they want to have supplemental area coverage at the 90% or 95% coverage level.

In terms of coverage, there are two major differences between MCO and ECO. First, crop projected prices for MCO are set in the fall (Aug 15th to Sept 14th) and ECO projected prices are set on the spring (average of February). Harvest price is the same for both policies and is set in October. Both are based on the December and November futures contract, for corn and soybeans, respectively. The expected and final crops yields will also be the same for MCO and ECO. Thus, the revenue portion of the MCO's coverage will differ from that of MCO based on the different time periods used to set projected crop prices (prior fall for MCO vs spring for ECO).

Figure 1 compares the MCO project price (PP-Fall) to the ECO projected price (PP-Spring) and harvest prices (HP). The ECO projected price (spring) has been above the MCO projected price (prior fall) in half of the years (5 out of past 10 years) while the opposite has been true in the other half. On average, the spring projected price has been larger than the fall projected price due to larger increases in 2019, 2021, and 2022.

Figure 1. % Changes from Projected Fall Crop Prices (for MCO) to Spring Projected Prices and Harvest Prices, Corn, 2016-2025



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PP-Fall	$3.98	$3.75	$3.97	$3.52	$4.03	$3.82	$5.06	$6.11	$5.09	$4.40
PP-Spring	$3.86	$3.96	$3.96	$4.00	$3.88	$4.58	$5.90	$5.91	$4.66	$4.70
HP	$3.49	$3.49	$3.68	$3.90	$3.99	$5.37	$6.86	$4.88	$4.16	

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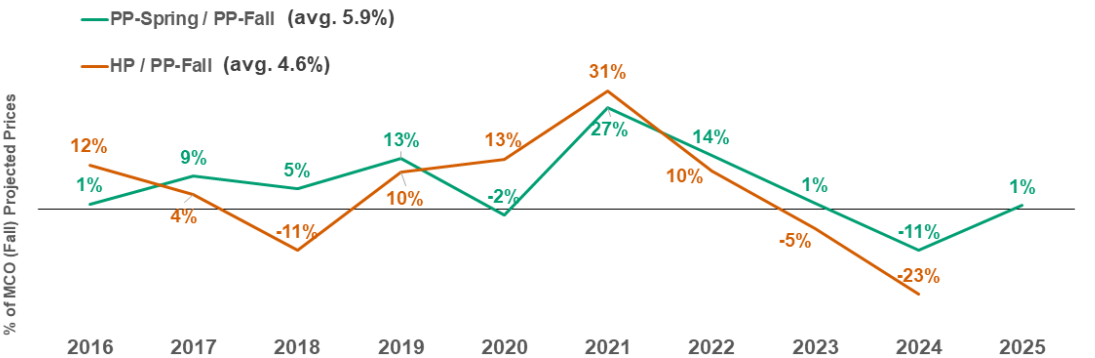
Figure 2 provides a similar comparison of the projected prices for soybeans. The spring projected price exceeded the fall projected price in 8 of the 10 years since 2016. The spring projected price was well above the fall projected price for soybeans in 2019, 2021, and 2022.

Higher projected prices result in a higher revenue guarantee for ECO and a larger revenue component in the margin calculation for MCO. Note that if RP is the underlying policy, the revenue guarantee for either MCO or ECO would increase if the harvest price is above the projected price.

Figure 2. % Changes from Projected Fall Crop Prices (for MCO) to Spring Projected Prices and Harvest Prices, Soybean, 2016-2025



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PP-Fall	$8.73	$9.38	$9.65	$8.42	$9.32	$9.37	$12.56	$13.56	$12.95	$10.43
PP-Spring	$8.85	$10.19	$10.16	$9.54	$9.17	$11.87	$14.33	$13.76	$11.55	$10.54
HP	$9.75	$9.75	$8.60	$9.25	$10.55	$12.30	$13.81	$12.84	$10.03	

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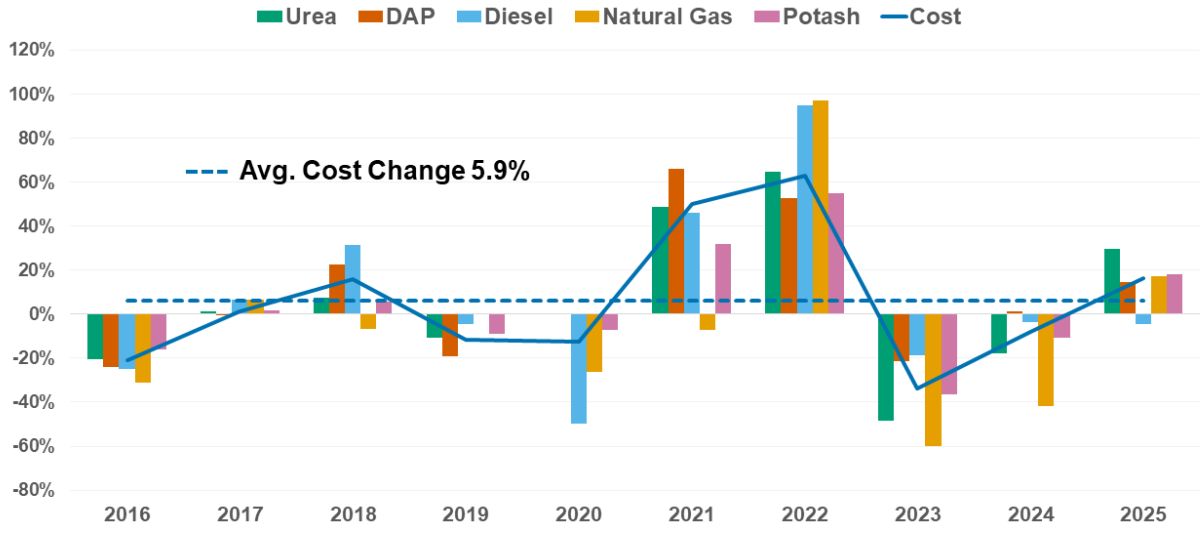
Figure 3 compares the projected and final/harvest prices for the input that go into MCO's cost index. Since 2016, the harvest costs have been higher than projected in 4 out of 10 years, with particularly large cost increases occurring for 2021 and 2022 when input prices were increasing rapidly (see *farmdoc daily* December 14, 2021). An increase in input prices from fall to spring will tend to decrease the MCO margin index, increasing the likelihood of triggering a payment for MCO.

Figure 3. Change from Projected (fall) to Final (spring) input prices and cost, 2016-2025

Note: Cost based on corn non-irrigated quantities



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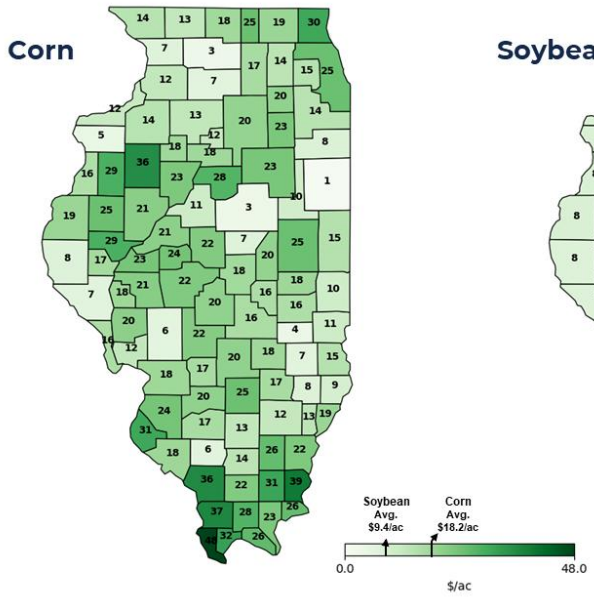
Utilizing historical prices and yields, we calculated historical indemnity payments for 95% MCO (MCO-95) coverage with a 100% protection factor for non-irrigated corn and soybeans in Illinois counties. We assumed an underlying RP policy. Figure 4 shows average MCO payments by county, from 2016 to 2024. MCO payments averaged $18.20/ac for corn and $9.40/ac for soybeans.

Figure 4. Estimated average historical MCO-95 payments, 2016-2024
Note: using 2026 input quantities, and historical prices and yields and RP as underlying policy



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MCO vs. ECO Payments

Finally, the decision on purchasing MCO should take ECO into consideration. MCO may be considered and preferred for producers who want some protection against increasing costs and/or prefers to set projected crop prices in the previous fall rather than in the spring for their supplemental coverage.

To analyze this trade-off, historical MCO payments are decomposed into the portion due to cost (input prices) movements and the portion due to revenue movements. Positive payments due to cost mean that in that year, costs increased from fall projections to the final or harvest period in the spring, decreasing the margin. Likewise, a negative payment due to cost means that although there was a payment, costs decreased, reducing that payment.

Table 1 illustrates the decomposition for MCO-95 payments on non-irrigated corn in DeKalb County, Illinois (with a protection factor of 100% and underlying RP coverage). Historical ECO-95 payments are also provided for comparison.

Table 1. ECO and MCO Historical Payments for DeKalb County, IL. Corn, Non-irrigated, 2016-2024

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average
ECO Payment	$ -	$67.2	$17.7	$37.0	$10.9	$ -	$ -	$47.5	$ -	$20.0
MCO Total Payment	$ -	$42.3	$32.0	$6.4	$7.3	$ -	$ -	$15.5	$ -	$16.9
MCO Payment (due to cost)	$ -	$1.1	$12.5	($12.3)	($11.1)	$ -	$ -	($70.0)	$ -	($10.1)
MCO Payment (due to revenue)	$ -	$41.3	$19.6	$18.7	$18.4	$ -	$ -	$85.5	$ -	$27.0

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ECO-95 payments were triggered in multiple years for corn in Dekalb county, averaging $20 per acre since 2016. For MCO, payments were triggered in the same years, but the average was $16.85/ac. Cost increases contributed to (increased) MCO-95 payments in 2017 and 2018, but lowered payments in the other years when MCO was triggered. On average, cost movements reduced MCO payments by $10 per acre across the 9 years considered.

Figures 5 (corn) and 6 (soybean) compares ECO-95 and MCO-95 payments averaged across all IL counties each year from 2016 to 2024. Again, the payments are based on a 100% protection factor and underlying RP coverage.

On average, MCO-95 payments were nearly always triggered by revenue declines. Exceptions are relatively small average MCO-95 payments for corn in 2021 and 2022, and soybeans in 2018 and 2022. For other years, costs movements increased margins (reducing payments when triggered).

Both MCO and ECO would have triggered large payments in 2023, which increased the average payment levels over the 9-year period. From 2016 to 2024, MCO-95 had greater average payments when compared to ECO-95, though by $2.1/ac and $1.8/ac for corn and soybeans, respectively.

Figure 5. Historical Estimated MCO-95 and ECO-95, All IL counties , non-irrigated corn, 2016-2024

Note: MCO Payment = MCO payment (due to cost) + MCO payment (due to revenue)

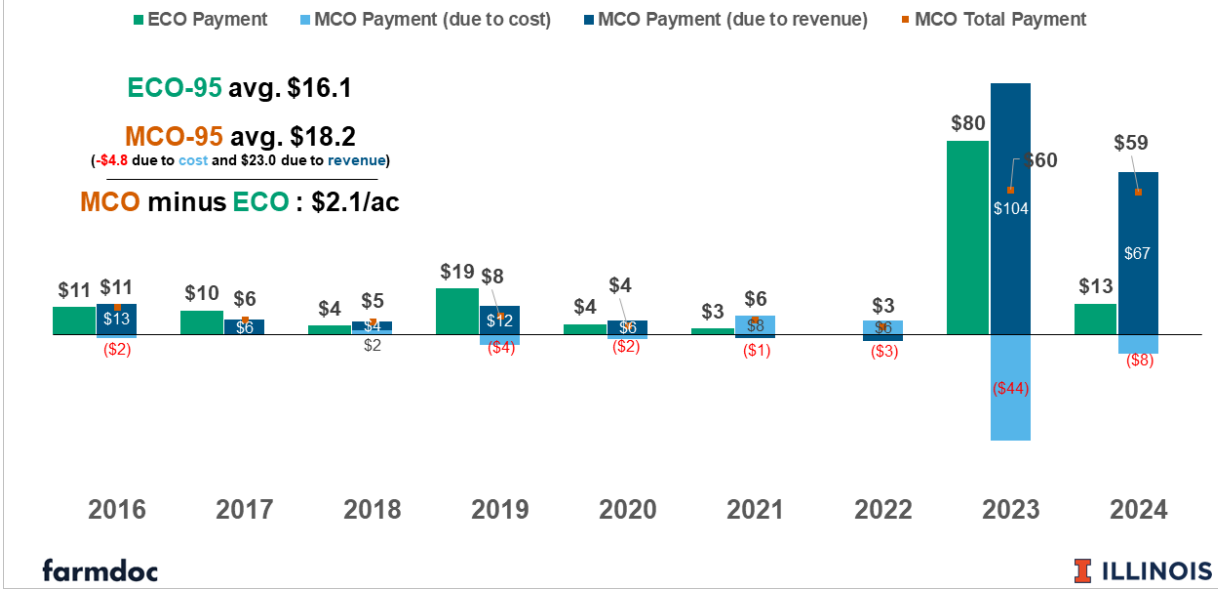
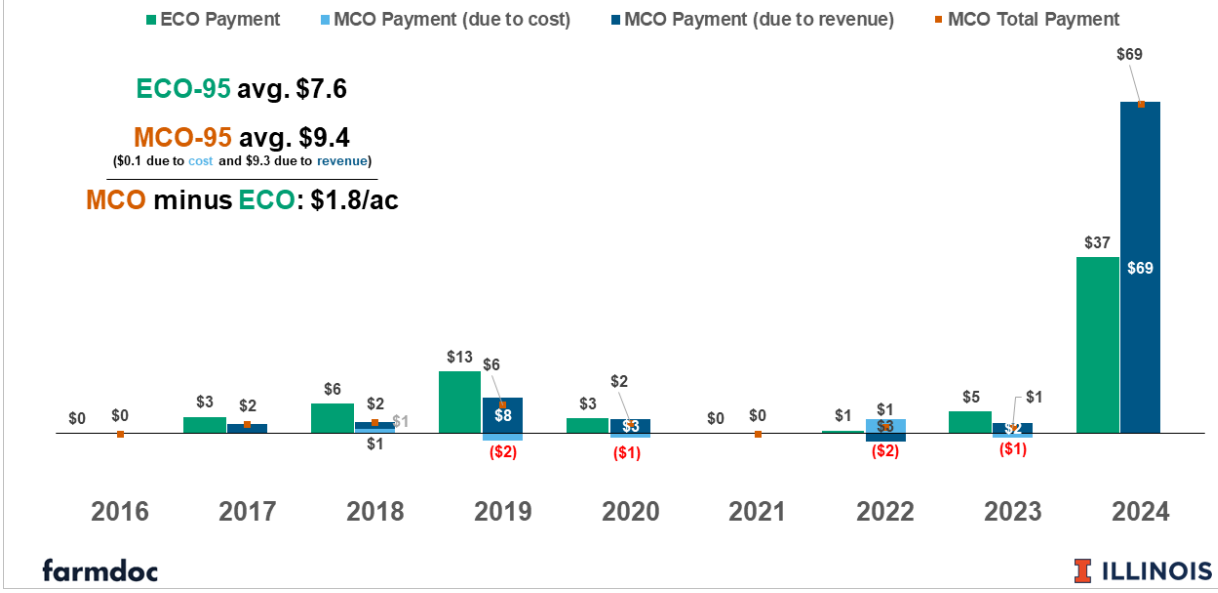


Figure 6. Historical Estimated MCO-95 and ECO-95, All IL counties , non-irrigated soybean, 2016-2024

Note: MCO Payment = MCO payment (due to cost) + MCO payment (due to revenue)



Discussion

MCO is a supplemental index product option that is available for corn and soybeans in Illinois for 2026. MCO will likely be viewed by many as an alternative to ECO since the products cannot be used together. In Illinois, MCO purchase decision must be made by September 30th, whereas ECO decisions will be made in the spring. Purchasing MCO for 2026 now will mean you are not eligible to consider ECO in the spring.

With MCO, crop projected prices are determined in the fall, which differs from existing COMBO (RP, RP-HPE, and YP) and supplemental coverage (SCO, ECO) products. Historically, spring projected prices tend to be higher than fall prices, though this varies by year. When harvest prices rise above both fall and spring projected levels, MCO and ECO provide the same revenue guarantee (with RP). However, when harvest prices fall below projected prices, the difference between spring and fall prices will impact which product offers the larger revenue guarantee.

Although MCO includes both revenue and cost components, historical payments since 2016 would have been triggered by revenue declines (lower yields and/or prices) rather than cost increases in most years. On average, the inclusion of the cost index has reduced payments relative to a revenue-only product with projected prices determined in the previous fall. Exceptions occurred in 2021 and 2022, when sharp cost increases accounted for a larger share of payouts—highlighting the correlation between input costs and commodity prices and their relative impact on the magnitude of payments.

Across the nine years analyzed, both ECO and MCO triggered payments in only two to three years for most counties, with the largest payments occurring in 2019, 2023, and 2024. On average, MCO payments were marginally higher than ECO payments. The relative net benefit ultimately depends on farmer-paid premiums. For ECO, historical net benefits in Illinois have been negative, as indemnities did not offset premiums (see *farmdoc daily* July 23, 2024). Given both products are relatively new, future outcomes could shift net benefits quickly. This is particularly true given the 80% subsidy rate that will apply to MCO, ECO, and SCO for 2026.

In summary, MCO would have performed similarly to ECO in the past in terms of the years it would have triggered payments and the average payment levels. While it explicitly incorporates input costs, revenue was the dominant driver of historical MCO payouts. Finally, farmers should also consider how MCO and ECO interacts with other insurance choices, and Title I programs when evaluating its value.

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