Margin Coverage Option

What is the Margin Coverage Option (MCO)?

MCO is a multiple peril crop insurance (MPCI) option that provides area-based coverage against a decrease in operating margin (revenue minus input costs), caused by reduced county yields, reduced commodity prices, increased prices of certain inputs, or any combination of these perils. MCO covers a portion of your underlying policy's deductible in a manner similar to the Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) but with a margin-based trigger like Margin Protection (MP). It uses the same expected and final area yields, and harvest prices as SCO and ECO, but covers a band from 86 percent (where SCO coverage triggers) up to 90 or 95 percent of expected crop value. Like SCO and ECO, MCO is based on your underlying policy plan of insurance. When MCO is purchased with Stacked Income Protection Policy (STAX) at the 90 percent level the coverage band is from 90 percent to 95 percent.

What is required to purchase MCO?

MCO must be purchased as an endorsement to the Yield Protection (YP), Revenue Protection (RP), Revenue Protection with the Harvest Price Exclusion (RP-HPE), or Actual Production History (APH) policy.

Where is MCO available?

MCO is available for corn, cotton, grain sorghum, rice, soybeans, and wheat in select states and counties, as follows:

- Corn and soybeans: Select counties in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin;
- Cotton and grain sorghum: Select counties in Texas, Oklahoma, and Kansas;
- Rice: Select counties in Arkansas, California, Louisiana, Mississippi, Missouri, and Texas; and
- Wheat: Select counties in California, Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington (spring wheat) only.

What are the sales closing dates for MCO?

The MCO sales closing date for corn, cotton, grain sorghum, soybeans and spring wheat is September 30 of the calendar year prior to the insured crop year. The MCO sales closing date for rice is January 31 of the crop year in some areas and February 28 in other areas. The MCO sales closing date for rice is generally the same as the sales closing date for other rice policies.

How does MCO work compared to other crop insurance policies?

MCO follows the coverage of your underlying policy. If you choose APH, YP or RP-HPE, then MCO protection is static. If you choose RP, then MCO protection can increase at harvest.

The amount of MCO protection depends on the expected crop value. However, MCO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays a loss on an individual unit basis and an indemnity is triggered when you have an individual loss in yield or revenue. MCO pays
a loss on an area basis (generally county), and an indemnity is triggered when there is an area-level loss in expected margin.

When does a loss become payable under MCO?

MCO begins to pay (triggers) when area margin falls below 90 or 95 percent of the expected level depending on which MCO trigger you select. The trigger margin is calculated by subtracting the deductible of 5 or 10 percent of the expected area revenue from the expected area margin. The amount of area margin loss is calculated by subtracting the harvest margin from the trigger margin. A payment factor is calculated by dividing the amount of area margin loss by the band of area coverage value. The payment factor ranges from 0.0 to 1.00. The MCO protection is then multiplied by the payment factor to get the indemnity. The following table demonstrates coverage ranges when you chose the 75 percent coverage level for the underlying policy.

Example 1: 95% MCO Trigger

Deductible (no coverage)	100-95%
MCO coverage range	9%
SCO or ARC coverage range	86-75%
MPCI coverage range	75%

Example 2: 90% MCO Trigger

Deductible (no coverage)	100-90%
MCO coverage range	4%
SCO or ARC coverage range	86-75%
MPCI coverage range	75%

Example 3: 95% MCO Trigger w/90% STAX

Deductible (no coverage)	100-95%
MCO coverage range	5%
STAX coverage range	90-75%
MPCI coverage range	75%

Must there be a loss on my underlying policy before I can collect an MCO indemnity?

MCO payments are determined only by area margin and are not affected by whether you receive a payment from your underlying policy. It is possible to experience an individual loss, but not receive an MCO payment, or vice-versa.

How does MCO coverage work?

MCO coverage provides additional area-based protection above your underlying individual coverage. For example, suppose you purchase RP for a corn crop with a 75 percent coverage level and you have also elected MCO. This crop has an expected crop value of $765.00 per acre (there was no increase in the harvest price), thus the liability on the underlying policy is $573.75 per acre ($765.00 × 0.75). This underlying policy leaves 25 percent (or $191.25) uncovered as a deductible. The MCO protection is based on the trigger level you that you select. In this example, there are 9 percentage points of coverage (from 95 percent to 86 percent). Nine percent of the expected crop value is $68.85 (or 9 percent × $765.00). MCO may cover up to $68.85 of the $191.25 deductible amount not covered by your underlying policy. You may purchase SCO coverage for a portion of the remaining $122.40 of deductible.

How much does MCO cost?

The exact premium cost depends on the crop, county, type of coverage you choose (such as Yield Protection or Revenue Protection), the price discovered for your commodity and associated inputs, the volatility of the market in the last five days of the projected price discovery period (for revenue-based plans) and the trigger level of 90 or 95 percent. The Federal Government pays 65 percent subsidy for all MCO policies. As a general rule of thumb, the premiums for MCO will be similar to other area plans sold at the same coverage levels in your county. You should talk with your crop insurance agent for more information.

Do I have to pay a separate administrative fee for MCO and for the underlying policy?

Yes. An administrative fee for the crop covered by each MCO Endorsement will be due in addition to any administrative fee(s) for the underlying policy. However, waiver of the MCO administrative fee is applicable for insureds who qualify as a limited resource farmer, or a beginning farmer or rancher, or veteran farmer or rancher.

What happens if I select MCO and also sign up for Agriculture Risk Coverage (ARC)?

Your choice of ARC has no impact of your eligibility for MCO. If you elect MCO and ARC for the same crop on a farm, your MCO coverage for that crop on that farm will be unaffected.

Can coverage levels vary by type and practice?

You may choose any coverage level shown on the actuarial documents for each crop and irrigation practice. Coverage levels cannot be varied by type.

Are organic practices insurable under MCO?

MCO is currently not available for organic production due to the input factors being based off conventional production methods.

Do I have to purchase MCO and my underlying coverage from the same Approved Insurance Provider (AIP)?

Yes. MCO is treated as an endorsement to your underlying individual coverage and therefore must be purchased from the same AIP.

May I purchase MCO with an Area-Based Plan of Insurance?

No. Farmers who buy MCO may not buy Area Risk Protection Insurance (ARPI), Hurricane Insurance Protection – Wind Index Endorsement (HIP-WI), or MP on the same acre in the same year. Producers may choose to purchase SCO on acres that are insured under MCO but are not required to do so. MCO and SCO are not mutually exclusive because their bands of coverage do not overlap.

Can I buy MCO and still buy other private crop insurance policies not reinsured by the Federal Crop Insurance Corporation (FCIC)?

Yes. MCO does not restrict you from purchasing any private crop insurance policy that FCIC does not reinsure such as crop-hail, a non-reinsured supplemental policy, or similar non-Federal offerings.

When can I expect indemnities to be paid for MCO?

MCO indemnities are based, in part, on final county yields. These yields are calculated by RMA based on producer Acreage and Production Reports. Similar to SCO and other area plans, final yield data are typically not available until the summer of the year following harvest. Final reporting dates for production from the preceding crop year vary by crop and county.

How does MCO interact with the High-Risk Land Exclusion Option (HRLEO)?

Any high-risk acreage excluded from an underlying policy under the HRLEO and insured under a CAT policy is not insured under MCO for that policy. When high-risk acreage is insured under a separate policy in accordance with the Basic Provisions, MCO must be elected on the HRLEO acreage when the insured elects MCO on the underlying policy.

Can I adjust the amount of MCO coverage I buy to reduce my premiums?

Yes. MCO offers farmers two ways of electing variants of coverage with lower premiums. First, you may elect a 90% coverage level, which will generally have a premium substantially less than the premium of the 95% coverage level. Second, you may elect a coverage percentage that is less than 100% down to as little as 50%. In effect, you are prorating the amount of indemnity that will be received in the event of a loss and prorating the amount of premium due. Coverage percentage does not change the chosen MCO trigger level.

I presently have an RP (or YP) policy with one Approved Insurance Provider (AIP) but I will purchase MCO from another AIP. When must the underlying policy be transferred to the AIP who issues the MCO endorsement?

You must complete the proper documentation to transfer your underlying policy on or before the sales closing date for MCO. The transfer needs to be effective for the same crop year as your MCO policy. For example, assume you have an RP policy issued by AIP A on your corn crop for the 2025 crop year. You purchase MCO from AIP B for the 2026 crop year on or before the MCO sales closing date, which is September 30, 2025. The MCO endorsement will be effective for the 2026 crop year. You must complete the form to transfer your Revenue Protection policy to the new AIP B on or before September 30, 2025. The transfer will be effective for the 2026 crop year. AIP A will continue to service your corn policy for the 2025 crop year, and you will still be bound by the terms of that policy (claims process, production reporting, etc.) with AIP A through the life of the 2025 policy.

What are the inputs used to determine MCO coverage and losses? How are they determined?

Inputs may include diesel fuel, natural gas, and certain fertilizers for which projected and harvest prices can be obtained from third-party markets. Price changes for these inputs, along with area yield changes and changes in the price of the commodity, determine whether an indemnity is paid. Inputs by crop are:

- Corn - diesel, natural gas, diammonium phosphate, urea, potash;
- Cotton - diesel, natural gas, diammonium phosphate, urea, potash;
- Grain Sorghum - diesel, natural gas, diammonium phosphate, urea, potash;
- Soybeans - diesel, natural gas, diammonium phosphate, potash;
- Rice - diesel, natural gas, urea, diammonium phosphate, potash; and
- Wheat - diesel, natural gas, urea, diammonium phosphate, potash.

The determination of these values is dictated by the terms of the MCO Price Provisions.

I presently have a STAX policy with an area loss trigger of 90 percent. What are my options with MCO?

If you plan to continue your 90 percent STAX policy for the applicable crop year, then you may only elect the 95 percent trigger level on MCO.