Margin Coverage Option (MCO)

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Margin Coverage Option (MCO) provides area-based coverage against an unexpected 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. Because MCO is area-based (average for an area), it may not reflect your individual experience. It uses the same expected and final area yields, and projected and harvest prices as Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO), but covers a band from 86 percent (where SCO coverage triggers) up to 90 or 95 percent of expected crop value. When combined with the Stacked Income Protection Plan (STAX) at the 90 percent area loss trigger MCO covers a band from 90 to 95 percent. Like SCO and ECO, MCO is based on your underlying policy plan of insurance. A payment may be made when the harvest margin for the county is lower than the trigger margin due to a decrease in revenue and/or an increase in input costs.

Coverage Availability

MCO is available in select counties for corn, cotton, grain sorghum, rice, soybeans, and spring wheat in states listed below.

- **Corn and Soybeans:** Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.
- **Cotton:** Kansas, Oklahoma, Texas.
- **Grain Sorghum:** Kansas, Oklahoma, Texas.
- **Rice:** Arkansas, California, Louisiana, Mississippi, Missouri, Texas.
- **Spring Wheat:** Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, Washington.

Eligible Insurance Plans

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

Important Dates

Sales Closing Date:

- **Corn, Cotton, Grain Sorghum, Soybeans, and Spring Wheat:** September 30
- **Rice:** Varies by State and County

Coverage Levels MCO provides a band of coverage that is based on floor of 86 percent or 90 percent and coverage level of 90 percent or 95 percent.

Loss Payments

MCO begins to pay (triggers) when area margin falls below 90 or 95 percent of the expected margin 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 0.50 to 1.00. The MCO protection is then multiplied by the payment factor to get the indemnity.

Determining the Margin

When determining the margin, the following inputs are included:

- **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.
- **Wheat:** diesel, natural gas, urea, diammonium phosphate, potash.

Payments

Any indemnities owed will be paid when final county yields are available, in the spring of the following year.

Insurable Types and Practices

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

Where to Buy Crop Insurance

All Federal reinsured crop insurance policies, including MCO policies, are available from authorized crop insurance agents. The purchase must be made before the MCO sales closing date, which for most MCO crops is earlier than traditional spring crop insurance policy sales closing dates. A list of crop insurance agents is available at all USDA service centers and on the RMA website at: www.rma.usda.gov/tools-reports/agent-locator

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