Margin Coverage Option (MCO)

Fact Sheet

Margin Coverage Option

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 harvest prices as Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) but covers a band from 90 percent (where SCO coverage triggers) up to 95 percent of expected crop value. 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**: California, 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) plan of insurance under the Common Crop Insurance Policy (CCIP), Basic Provisions.

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 90 percent and coverage level of 95 percent.

Loss Payments

MCO begins to pay (triggers) when area margin falls below 95 percent of the expected margin.

The trigger margin is calculated by subtracting the deductible of 5 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 0.00 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 vary by type.

Where to Buy Crop Insurance

Contact a crop insurance agent to see how Federal crop insurance can meet the specific needs of your operation. Crop insurance is sold and delivered solely through private crop insurance agents. A list of crop insurance agents is available online at rma.usda.gov/agent-locator.

More Information

Producers can learn more about crop insurance and the modern farm safety net at rma.usda.gov or by contacting their RMA Regional Office.

RMA fact sheets give only a general overview of Federal crop insurance programs, not complete policies. For further information and an evaluation of your risk management needs, contact a crop insurance agent.