

Enhanced Coverage Option (ECO) versus Margin Coverage Option (MCO)

There is a new crop insurance product for 2026 and it's called Margin Coverage Option (MCO). This endorsement pays if the county's harvest margin falls below 95% of the expected margin and it pays until the harvest margin reaches 86% of the expected margin.

The expected margin is the result of expected revenue (expected county yield X projected price) minus the expected costs of urea, diammonium phosphate (DAP), potash, and diesel for corn. The projected prices in this equation are determined from August 15 to September 14 and MCO has a sales closing date of September 30. The next page shows these amounts and more for corn in the counties that I write in.

Obviously, the costs that MCO uses do not represent all of a corn producer's input costs. They are the costs which have underlying prices that can be tracked on an open market. As stated earlier, the expected prices are determined from August 15 to September 14 and the harvest input prices are determined from next April 1 to April 30. You will notice that the costs vary somewhat from county to county. This is because the formula uses the county's expected yield. Consequently, the higher the expected yield, the higher the input costs.

There are a couple of more items to discuss on the next page. The 95% Trigger Margin is calculated by subtracting 5% of the Expected Revenue from the Expected Margin. Now look at the premium and the Total Liability. The Total Liability is the most you could be paid on this endorsement which amounts to your APH X Projected Price X 9% (.95-.86). In this example, I used a 210 APH for each county. Consequently, the most that producer could be paid is \$85.62/acre in this example. To get this much coverage for less than \$10/acre seems like a pretty good deal.

The soybean data follows the corn. The inputs for soybeans include all the inputs for corn except for urea. The amount needed is once again based on a formula which includes the expected county yield. The soybean ratios are even a little higher than the corn ratios.

Corn-2026									
	Expected	Projected	Expected	Expected	Expected	95% Trigger	Producer Premium	Total	
County	Yield	Price*	Revenue	Costs	Margin	Margin	@210APH	Liability	Ratio
Boone	217.50	4.56	991.80	158.85	832.95	783.36	7.96	86.18	10.83 :1
Bureau	233.90	4.56	1,066.58	170.41	896.17	842.84	9.05	86.18	9.52 :1
Dekalb	226.70	4.56	1,033.75	165.34	868.42	816.73	9.76	86.18	8.83 :1
Kane	218.10	4.56	994.54	159.27	835.27	785.54	9.40	86.18	9.17 :1
Lake	165.60	4.56	755.14	122.24	632.89	595.14	9.54	86.18	9.03 :1
Lasalle	231.50	4.56	1,055.64	168.72	886.92	834.14	9.87	86.18	8.73 :1
Lee	222.50	4.56	1,014.60	162.37	852.23	801.50	9.54	86.18	9.03 :1
McHenry	204.20	4.56	931.15	149.47	781.68	735.12	7.84	86.18	10.99 :1
Ogle	225.30	4.56	1,027.37	164.35	863.02	811.65	9.02	86.18	9.55 :1
Walworth	199.80	4.56	911.09	146.36	764.73	719.18	8.17	86.18	10.55 :1

Soybeans									
	Expected	Projected	Expected	Expected	Expected	95% Trigger	Producer Premium	Total	
County	Yield	Price*	Revenue	Costs	Margin	Margin	@63APH	Liability	Ratio
Boone	62	10.73	665.26	86.18	579.08	545.82	6.54	60.84	9.30 :1
Bureau	69	10.73	740.37	95.29	645.08	608.06	4.61	60.84	13.20 :1
Dekalb	67	10.73	718.91	92.69	626.22	590.27	5.95	60.84	10.23 :1
Kane	62.2	10.73	667.41	86.44	580.97	547.60	6.34	60.84	9.60 :1
Lake	50	10.73	536.50	70.55	465.95	439.13	6.51	60.84	9.35 :1
Lasalle	67.2	10.73	721.06	92.95	628.11	592.05	5.51	60.84	11.04 :1
Lee	66.8	10.73	716.76	92.43	624.33	588.50	5.50	60.84	11.06 :1
McHenry	58.8	10.73	630.92	82.01	548.91	517.37	6.40	60.84	9.51 :1
Ogle	66.8	10.73	716.76	92.43	624.33	588.50	6.05	60.84	10.06 :1
Walworth	58.6	10.73	628.78	81.75	547.03	515.59	6.71	60.84	9.07 :1

You may recall that the Enhanced Coverage Option (ECO) endorsement pays when actual county revenue drops below 95% of expected county revenue and pays down to 86%. Many of you purchased that product for 2025 and you will not be able to buy both MCO and ECO on the same acres in 2026.

How does MCO differ from ECO? The obvious difference is that MCO incorporates input costs into the coverage. Another difference is that MCO's projected price is determined now and ECO's projected price is determined during February. Both MCO and ECO use the same harvest price (calculated in October), both MCO and ECO use the same expected county yields, and both MCO and ECO will be subsidized 80% in 2026.

ECO was subsidized 65% for 2025, so what will happen to the premiums producers pay with the bigger subsidy? When looking at corn, my 2025 business showed that the average premium paid by customers who purchased the 95% trigger with the 100% payout was \$14.87/acre with average coverage of \$83.91/acre. If producers had received an 80%

subsidy, the average premium would have been \$8.50 with a coverage ratio of 9.9:1. The average premium paid by soybean producers who purchased 95-100 ECO was \$9.06/acre with average coverage of \$57.29/acre. This year's 80% subsidy would lower that average premium to \$5.17/acre for a coverage ratio of 11.1:1. These adjusted premiums for ECO look very similar to the MCO premiums shown on the previous two pages.

So how does a producer decide whether to take MCO now or wait until March 15 to take ECO? If you look at the last 9 years for corn, the February price was just slightly higher, on average, than the September price (\$4.62 versus \$4.46) and the February price was higher 5 times out of those 9 years. For soybeans, the February price looks a little better, on average (\$11.23 versus \$10.69), and that February price was higher 7 times out of those 9 years.

Selected input costs are also part of the MCO equation. These costs can significantly influence the outcome. For example, corn input costs increased over \$100 in 2022, which if repeated today would narrow the margin by well over 10%. I have noticed, however, that input costs and the corn and soybean prices are highly correlated.

Spring Minus Fall Input Costs and Projected Prices				
	Corn	Corn	Sbean	Sbean
	Input Cost	Price	Input Cost	Price
2021	35.77	0.76	15.58	2.51
2022	120.61	0.84	93.45	1.77
2023	-70.22	-0.2	-33.1	0.2
2024	-10.19	-0.43	-3.66	-1.4
2025	28.59	0.3	7.16	0.12

The input costs are based on this year's McHenry County expected yield. Notice that most of the time, when input costs are higher in the spring, so is the projected price. When that happens, the MCO margin will narrow (which would favor MCO), but the ECO projected price will be higher (which would favor ECO).

Conversely, notice that when input costs are lower in the spring, so is the projected price. When that happens, the MCO margin will widen (which favors ECO) and the MCO projected price is higher (which would favor MCO).

Of course, if producers choose Revenue Protection and the harvest price is higher than the projected price, it doesn't matter which projected price was higher because the final guarantee will be based on the harvest price. Over the last 8 years, the harvest price has been higher than both projected prices just twice for both corn and soybeans.

The bottom line is that I don't think there is a good way to predict whether MCO or ECO is a better choice. A better idea might be that a producer should think about which product best fits their management decisions. If you are selling next year's crop right now, MCO should be your choice. If you usually buy fertilizer and diesel in the spring and you think those costs are on the rise, you should buy MCO. If you are not selling next year's crop right now and you don't usually buy fertilizer and diesel in the spring, wait and buy ECO.

One final approach could be to buy MCO on some of your operation and ECO on the rest. You could buy MCO on soybeans and ECO on corn, or, if you are in multiple counties, you could buy MCO in one county and ECO in another.

I would also encourage you to check out the University of Illinois' Farmdoc website and their analysis of MCO that was just published yesterday. The link for it is <https://farmdocdaily.illinois.edu/2025/09/a-new-area-based-crop-insurance-product-mco-margin-coverage-option.html>

If you are interested in an MCO quote for your operation, please email me at jcalvert@jccrop.com.