

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

There was a new crop insurance product for 2026 and it was 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 90% 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 5% (.95-.90). In this example, I used a 210 APH for each county. Consequently, the most that producer could be paid is \$55.13/acre in this example. To get this much coverage for less than \$8/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-2027									
	Expected	Projected	Expected	Expected	Expected	95% Trigger	Producer Premium	Total	
County	Yield	Price*	Revenue	Costs	Margin	Margin	@210APH	Liability	Ratio
Boone	219.50	5.25	1,152.38	185.84	966.53	908.91	6.14	55.13	8.98 :1
Bureau	236.80	5.25	1,243.20	199.79	1,043.41	981.25	7.21	55.13	7.65 :1
Dekalb	230.00	5.25	1,207.50	194.31	1,013.19	952.82	7.29	55.13	7.56 :1
Kane	221.60	5.25	1,163.40	187.54	975.86	917.69	6.91	55.13	7.98 :1
Lake	169.50	5.25	889.88	145.54	744.33	699.84	6.93	55.13	7.95 :1
Lasalle	233.80	5.25	1,227.45	197.37	1,030.08	968.71	7.69	55.13	7.17 :1
Lee	229.20	5.25	1,203.30	193.66	1,009.64	949.47	7.14	55.13	7.72 :1
McHenry	205.20	5.25	1,077.30	174.32	781.68	727.82	6.03	55.13	9.14 :1
Ogle	232.10	5.25	1,218.53	196.00	1,022.53	961.60	7.00	55.13	7.88 :1
Walworth	204.70	5.25	1,074.68	173.92	764.73	711.00	6.43	55.13	8.57 :1

Soybeans-2027									
	Expected	Projected	Expected	Expected	Expected	95% Trigger	Producer Premium	Total	
County	Yield	Price*	Revenue	Costs	Margin	Margin	@63APH	Liability	Ratio
Boone	63.5	12.33	782.96	103.29	679.67	640.52	5.07	38.84	7.66 :1
Bureau	70.2	12.33	865.57	113.24	752.32	709.05	3.73	38.84	10.41 :1
Dekalb	67.3	12.33	829.81	108.93	720.88	679.39	4.71	38.84	8.25 :1
Kane	64.1	12.33	790.35	104.18	686.18	646.66	5.07	38.84	7.66 :1
Lake	51.5	12.33	635.00	85.45	549.54	517.79	4.89	38.84	7.94 :1
Lasalle	68.2	12.33	840.91	110.27	730.64	688.59	4.41	38.84	8.81 :1
Lee	67.9	12.33	837.21	109.82	727.38	685.52	4.65	38.84	8.35 :1
McHenry	59.9	12.33	738.57	97.94	640.63	603.70	4.91	38.84	7.91 :1
Ogle	68.3	12.33	842.14	110.42	731.72	689.61	4.72	38.84	8.23 :1
Walworth	58.7	12.33	723.77	96.15	627.62	591.43	4.83	38.84	8.04 :1

The Enhanced Coverage Option (ECO) endorsement pays when actual county revenue drops below 95% of expected county revenue and, starting in 2027, pays down to 90%. Many of you purchased that product for 2026 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 2027.

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 10 years for corn, the February price was just slightly higher, on average, than the September price (\$4.62 versus \$4.47) and the February price was higher 6 times out of those 10 years. For soybeans, the February price looks a little better, on

average (\$11.22 versus \$10.73), and that February price was higher 7 times out of those 10 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 \$80/acre in 2022, which if repeated today would narrow the margin by well over 5%. I have noticed, however, that input costs and the corn and soybean prices are highly correlated from fall to spring.

Harvest Minus Projected Input Costs				
Projected ECO Price Minus Projected MCO Price				
		Changes in:		
	Corn	Corn	Sbean	Sbean
	Input Cost	Price	Input Cost	Price
2020	(10.53)	(0.15)	(9.52)	(0.15)
2021	37.54	0.76	22.10	2.51
2022	83.55	0.84	47.62	1.77
2023	(62.47)	(0.20)	(27.60)	0.20
2024	(7.64)	(0.43)	(2.21)	(1.40)
2025	19.31	0.30	8.03	0.12
2026	62.76	0.06	28.44	-

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. For example, in 2022 for corn, input cost rose \$83.55/acre from fall (projected) to spring (harvest) and the price of corn rose \$.84/bushel from fall (projected MCO) to spring (projected ECO). When that happens, the MCO margin will narrow (which would suggest MCO is the better choice), but the higher ECO projected price would suggest that ECO is the better choice.

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 would suggest ECO is the better choice), but the higher MCO projected price would suggest that MCO is the better choice.

Of course, if producers choose Revenue Protection and the harvest price is higher than both projected prices, it doesn't matter which projected price was higher because the final guarantee will be based on the harvest price. It is very likely that will happen in 2026.

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 whether MCO fits their input buying decisions. If you usually buy the bulk of your fertilizer and diesel in the

spring and you think those costs are on the rise, you should buy MCO. If you don't usually buy the bulk of your 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. Remember also that MCO and ECO are only covering 5% of county expected revenue instead of 9% this year. Consequently, the impact of your decision is not as great as it used to be.

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.