

# WHY CHOOSE MCO?



## SIMPLER, COMBINED PROTECTION

MCO uses a unique combination of area coverage with a margin-based trigger.



## HIGHER COVERAGE BAND

MCO offers a band of protection from 86% up to 90 or 95 % of your expected crop value.



## STAX-FRIENDLY

When combined with the Stacked Income Protection Plan (STAX) at the 90% area loss trigger, MCO covers a band from 90-95%.

## AVAILABILITY

MCO is available for corn, cotton, grain sorghum, rice, soybeans, and spring wheat in select counties in the following states:

### States Available (In Select Counties)

CORN & SOYBEANS	IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI
COTTON & GRAIN SORGHUM	TX, OK, KS
RICE	AR, CA, LA, MS, MO, TX
SPRING WHEAT	CA, ID, MN, MT, ND, OR, SD, WA



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Insurance Company of Iowa



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**MCO**  
**MARGIN**  
COVERAGE OPTION

## MARGIN COVERAGE OPTION

Margin Coverage Option (MCO) is a federal crop insurance product that provides area-based coverage against an unexpected decrease in operating margin caused by:

- Reduced county yields
- Reduced commodity prices
- Increased prices of certain inputs
- Any combination of these perils

MCO covers a portion of your underlying policy's deductible similar to other area products like the Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) but with a margin-based trigger like Margin Protection (MP).

### How Does It Work?

- MCO is purchased as an endorsement to your underlying federal crop insurance policy: YP, RP, RP-HPE or APH.
- You may choose any coverage level available for each crop and irrigated or non-irrigated practice, but coverage levels cannot vary by type.
- MCO covers a band from 86% up to 90 or 95% of expected crop value. The value is based on USDA-established expected and final area yields.

## COVERAGE ELECTIONS

**Coverage Level:** Choose a coverage level of 90 or 95% of your expected crop yield.

**Coverage Percentage:** Producers can elect a coverage percentage from 100% down to as little as 50%.

**Subsidy:** The federal government pays an 80% subsidy for all MCO policies.

## MCO COVERAGE RANGE EXAMPLES

### EXAMPLE 1: 95% MCO TRIGGER

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

### EXAMPLE 2: 95% MCO TRIGGER WITH 90% STAX

Deductible (no coverage)	100-95%
MCO Coverage Range	5%
STAX Coverage Range	90-75%
MPCI Policy Coverage Range	75%

## LOSS PAYMENT

A payment is possible when the harvest margin for the county is lower than the trigger margin from a decrease in revenue and/or an increase in input costs. Depending on which MCO trigger you select, MCO begins to pay when area margin falls below 90 or 95% of the expected margin.

## PAYMENT CALCULATIONS

### CALCULATE THE TRIGGER MARGIN

Expected Area Margin - (Deductible x Expected Area Revenue) = Trigger Margin

### DETERMINE THE LOSS

Trigger Margin - Harvest Margin = Area Margin Loss

### DETERMINE THE PAYMENT FACTOR

Amount of Area Margin Loss ÷ Band of Area Coverage = Payment Factor *(The Payment Factor ranges from 0.50 to 1.00)*

### CALCULATE THE INDEMNITY PAYMENT

MCO Protection x Payment Factor = Indemnity Amount

## DETERMINING THE MARGIN

When determining the margin calculation for a loss payment, the following inputs are included for most crops, except soybeans, which do not factor urea.

- **CORN | COTTON | GRAIN SORGHUM | RICE | WHEAT:** Diesel, natural gas (irrigated crops), diammonium phosphate, urea, and potash.
- **SOYBEANS:** Diesel, diammonium phosphate, and potash.

## ELIGIBILITY AND RESTRICTIONS

- 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.
- MCO must be purchased with the same agent and Approved Insurance Provider (AIP) as your underlying federal policy.
- MCO can't be purchased with Area Risk Plan Insurance (ARPI), Hurricane Insurance Protection - Wind Index Endorsement (HIP-WI), or Margin Protection.

## IMPORTANT DATES

Sales Closing Dates (SCD)



**CORN, SOYBEANS, COTTON, GRAIN SORGHUM & WHEAT:**

September 30

**RICE:** Varies by state & area; aligns with area's spring MPCI Sales Closing Date of January 31 or February 28

## PAYMENTS

Any indemnities owed are paid when final county yields are available in the summer of the following year.