

What's New in Supplemental Coverage for 2027: SCO, ECO, and MCO



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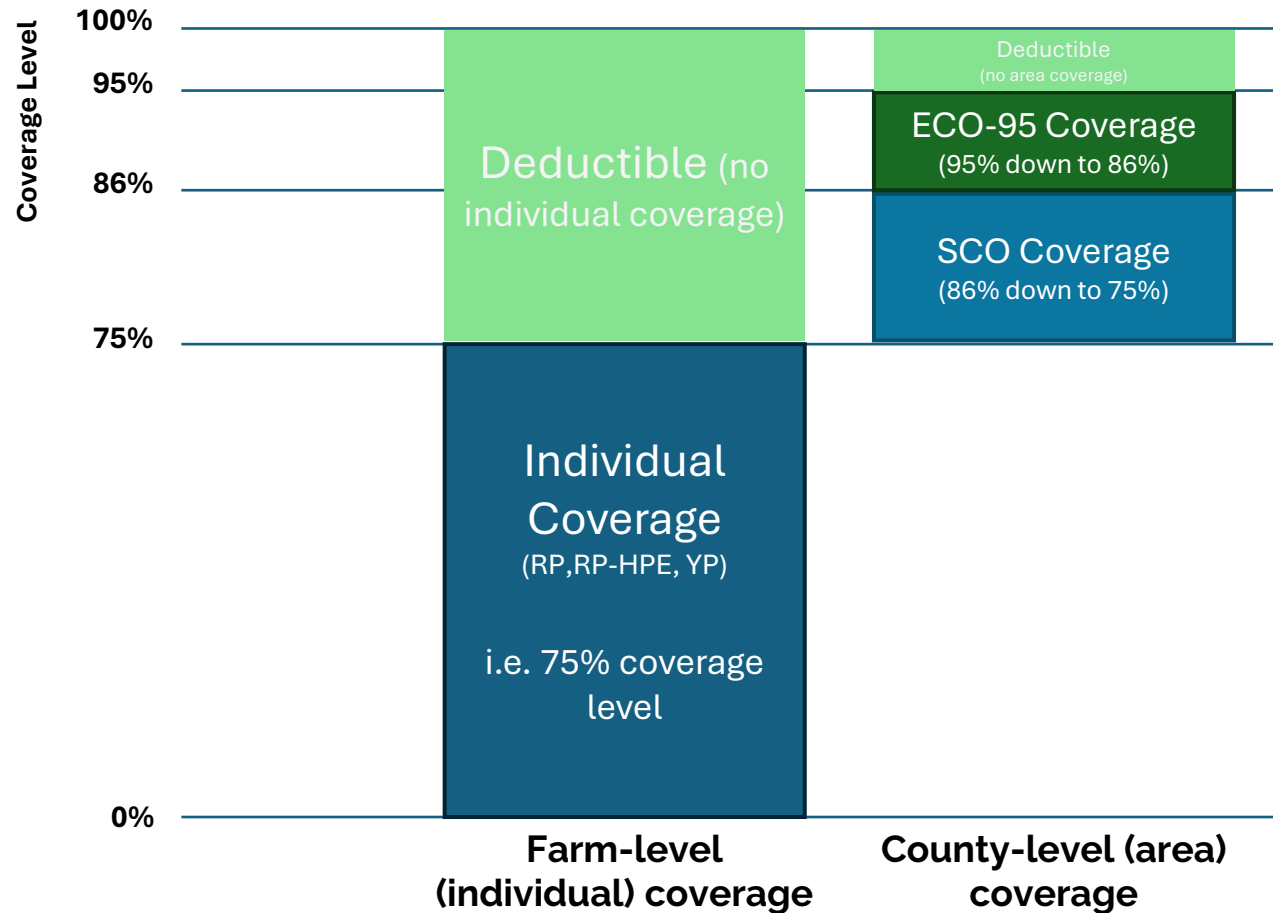
Agenda / what to expect

- SCO and ECO recap + what's new
- Implications of SCO and ECO changes
- How MCO works
- 2026 crop year MCO example

SCO and ECO recap

- Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO)
- Endorsements to a COMBO policy (RP/YP/RP-HPE)
- Mimics underlying coverage at the county level

Area based insurance recap



- ECO/SCO Basis Risk
- Typical coverage level of RP/YP varies

Key changes in ECO, SCO

	2025 Pre-OBBBA
SCO	Covers from 86% down to underlying Cannot be purchased with ARC 65% subsidy
ECO	Covers from 90/95% down to 86% No ARC/PLC restrictions 65% subsidy (up from 44/51% in 2024)

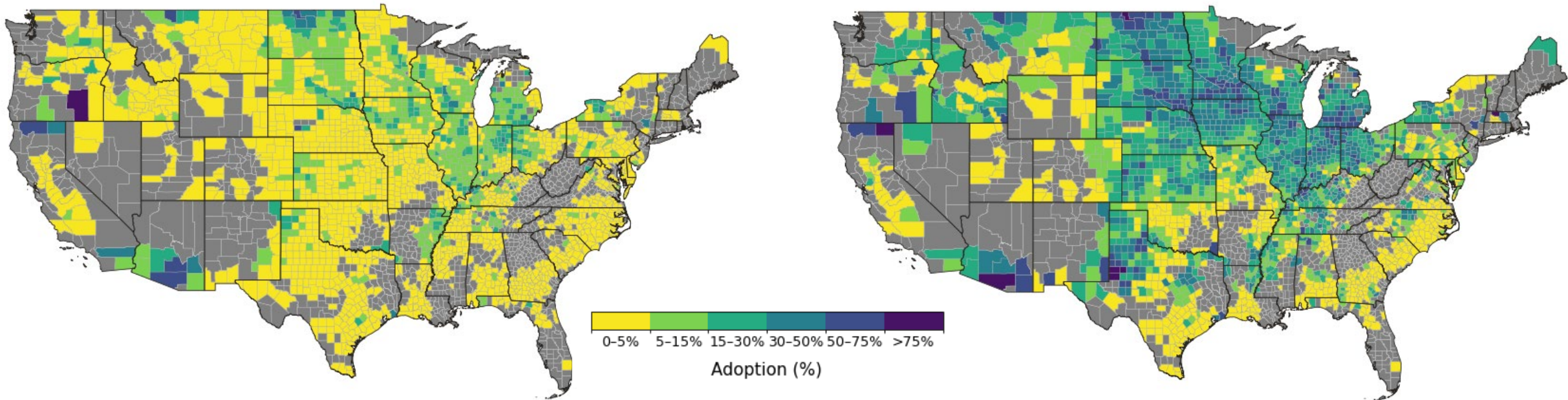


Response in ECO-95 adoption

% of eligible acres

2024

2025



Subsidy
Rate:

51% (YP/APH)
44% (RP/RP-HPE)

65% (YP/APH/ RP/RP-HPE)

Source: USDA Summary of Business; Includes: barley, corn, cotton, grain sorghum, oats, peanuts, rice, soybeans, wheat.

Key changes in ECO, SCO

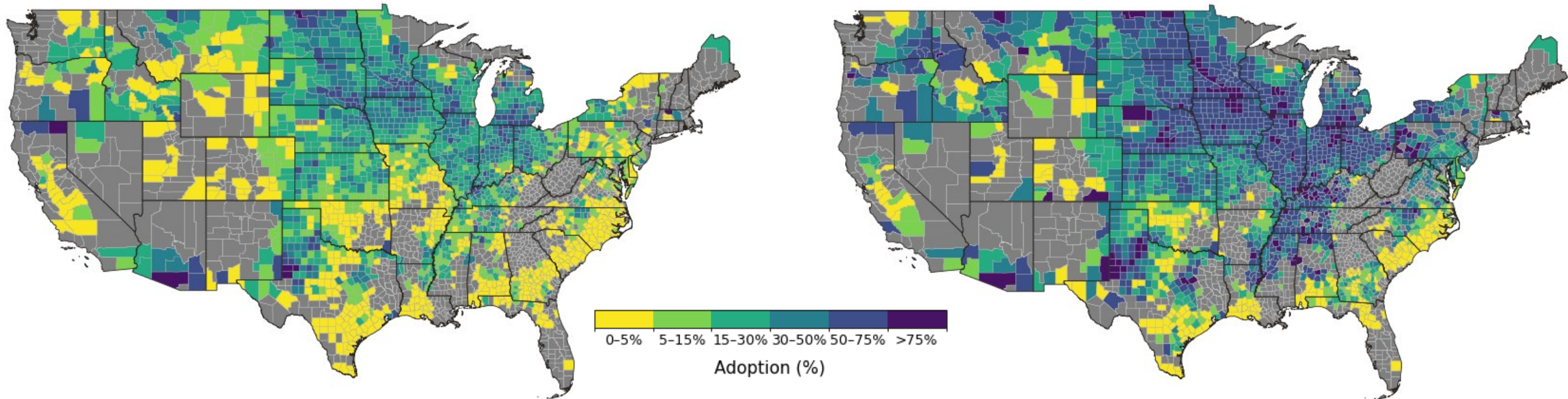
	2025 Pre-OBBBA	2026 Post-OBBBA
SCO	Covers from 86% down to underlying Cannot be purchased with ARC 65% subsidy	Covers from 86% down to underlying Can be purchased with ARC/PLC 80% subsidy
ECO	Covers from 90/95% down to 86% No ARC/PLC restrictions 65% subsidy	Covers from 90/95% down to 86% No ARC/PLC restrictions 80% subsidy

Response in ECO-95 adoption

% of eligible acres

2025

2026



Subsidy
Rate:

65% (YP/APH/ RP/RP-HPE)

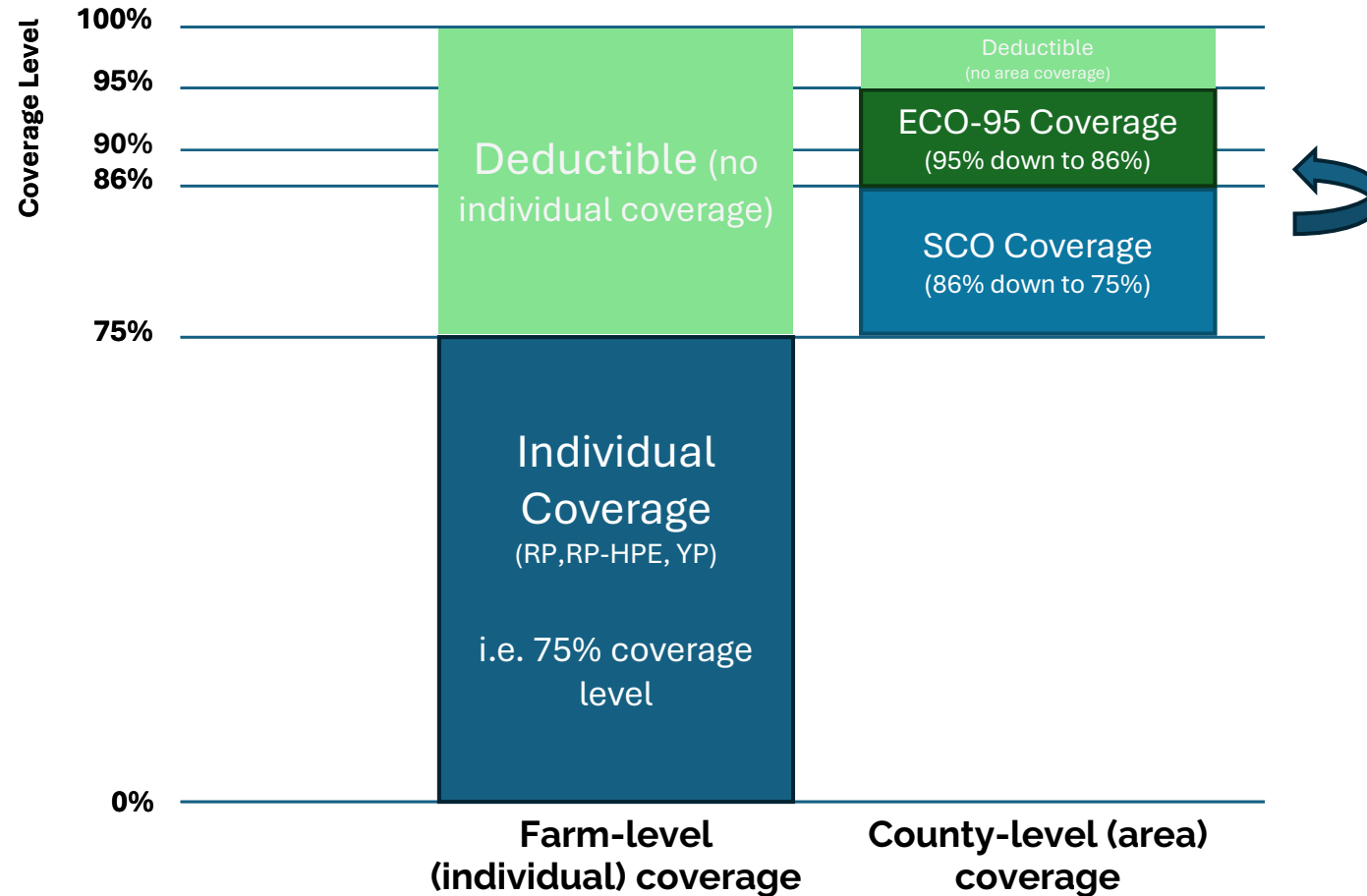
80% (YP/APH/ RP/RP-HPE)

Source: USDA Summary of Business; Includes: barley, corn, cotton, grain sorghum, oats, peanuts, rice, soybeans, wheat.

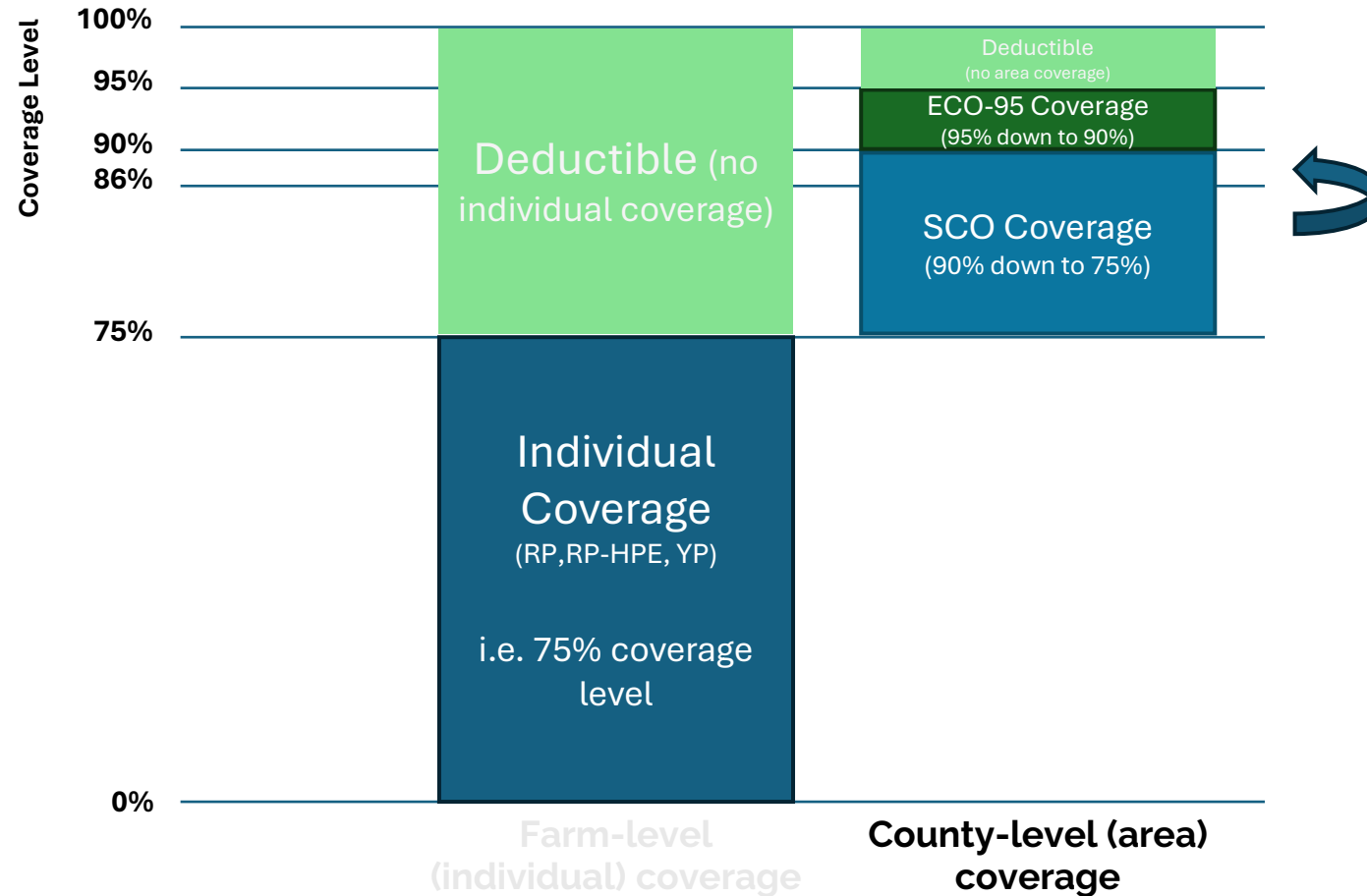
Key changes in ECO, SCO

	2025 Pre-OBBBA	2026 Post-OBBBA	2027
SCO	Covers from 86% down to underlying Cannot be purchased with ARC 65% subsidy	Covers from 86% down to underlying Can be purchased with ARC/PLC 80% subsidy	Covers from 90% down to underlying Can be purchased with ARC/PLC 80% subsidy
ECO	Covers from 90/95% down to 86% No ARC/PLC restrictions 65% subsidy	Covers from 90/95% down to 86% No ARC/PLC restrictions 80% subsidy	Covers from 95% to 90% No ARC/PLC restrictions 80% subsidy

Area based coverage band change in 2027



Area based coverage band change in 2027



In essence,
SCO replaces
(incorporates)
ECO-90

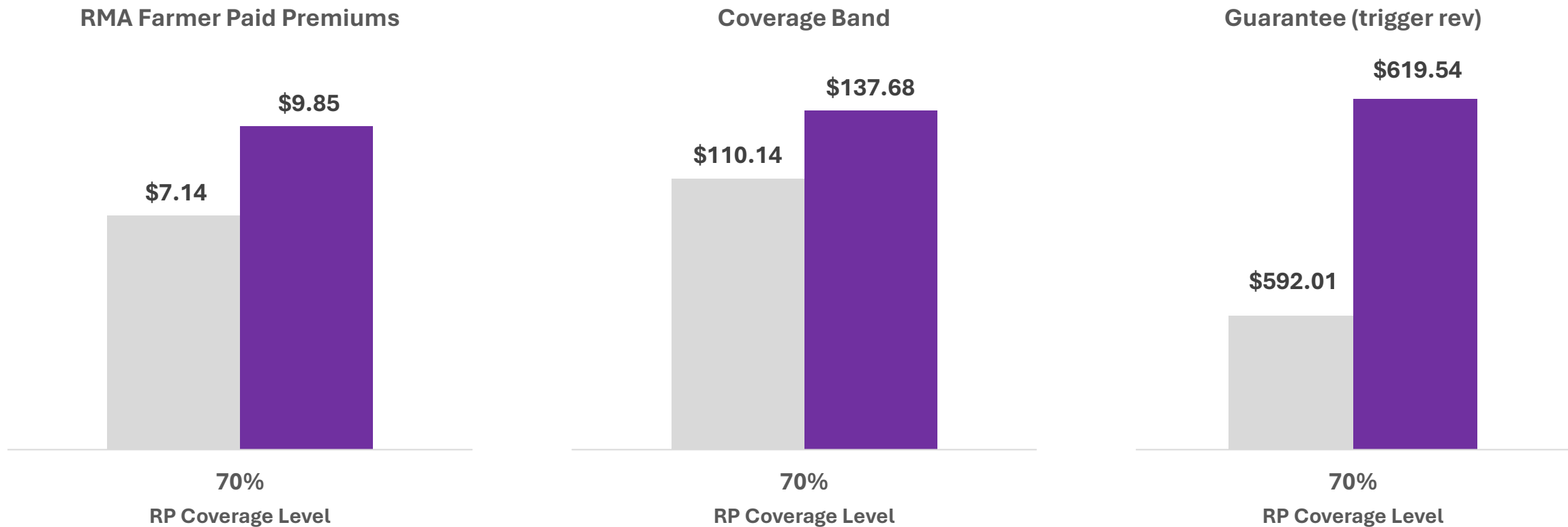
Impacts from the coverage band change

	Premium	Trigger	Maximum payout
ECO	↓ Lower	Same: 5% revenue loss	↓ Lower
SCO	↑ Higher	More likely: 10% vs. 14% loss	↑ Higher

Example for SCO premiums, Nemaha County, KS

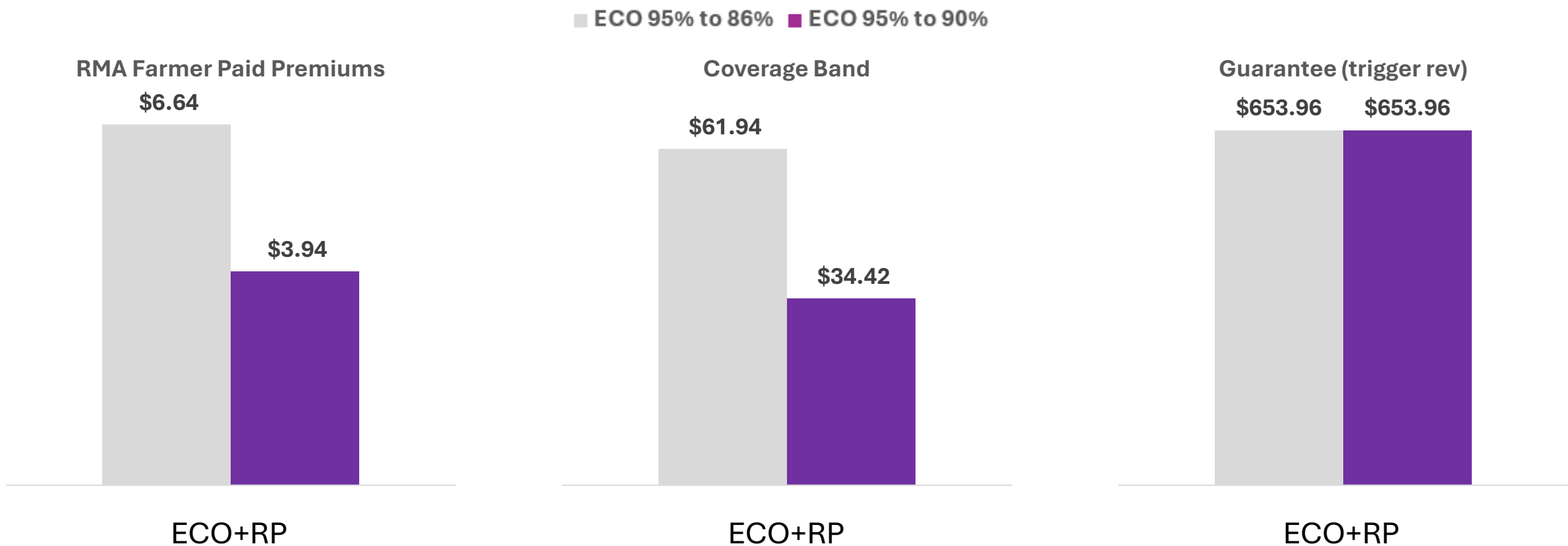
Corn, Non Irrigated, APH = 149 bu/ac

■ SCO 86% to cov ■ SCO 90% to cov



Example ECO changes, Nemaha County, KS

Corn, Non Irrigated, APH = 149 bu/ac

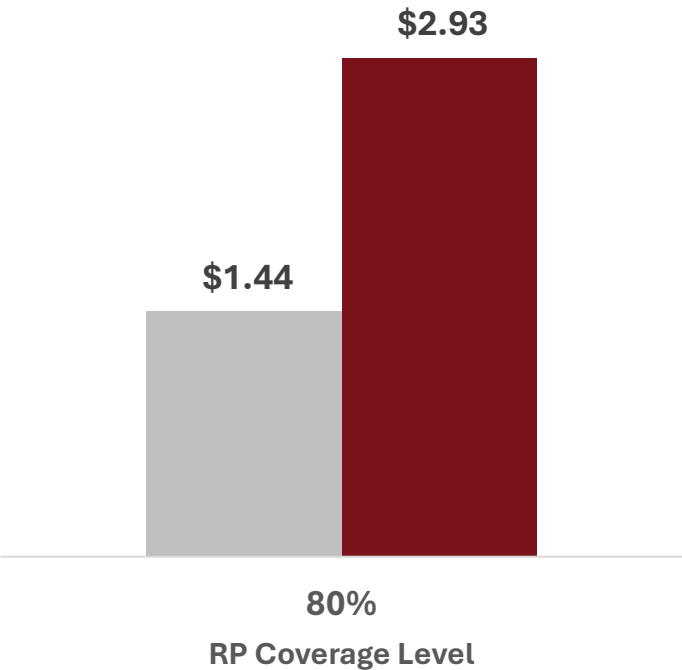


Example SCO changes, Redwood County, MN

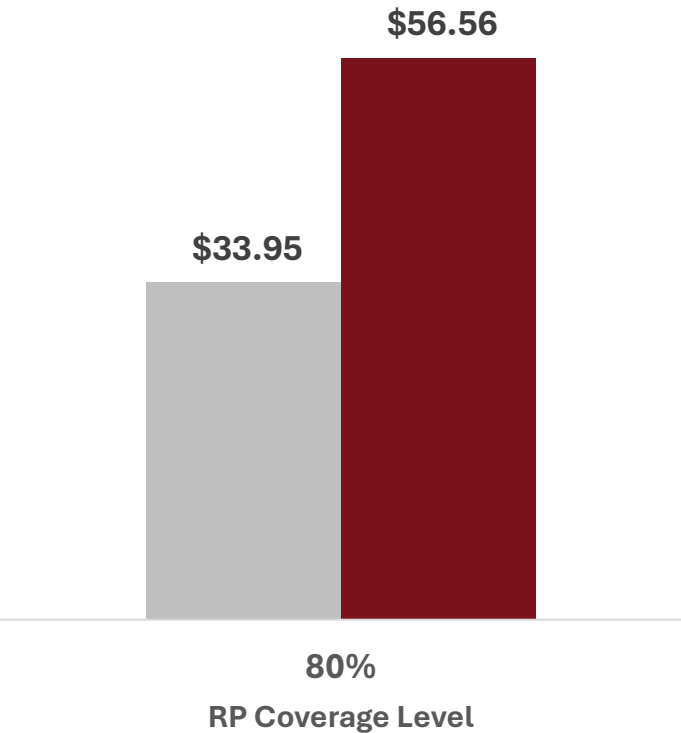
Soybean, Non Irrigated, APH = 51 bu/ac

■ SCO 86% to cov ■ SCO 90% to cov

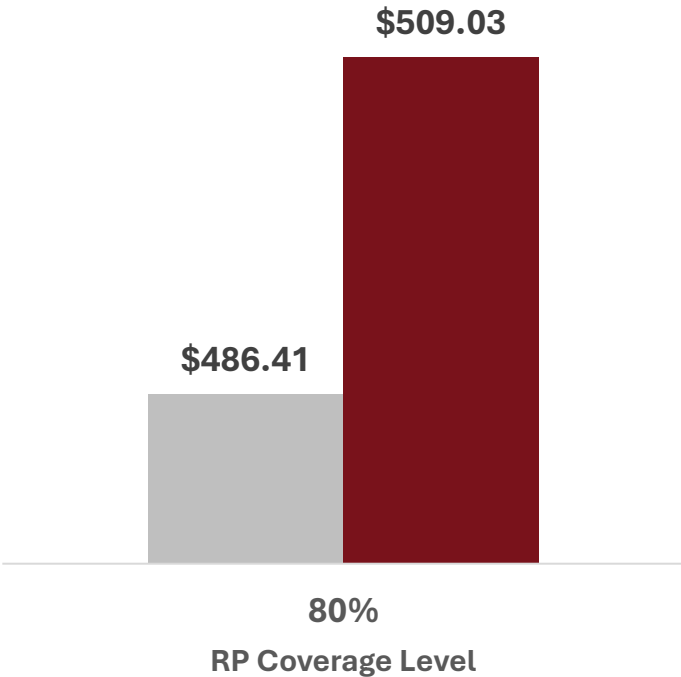
RMA Farmer Paid Premiums



Coverage Band



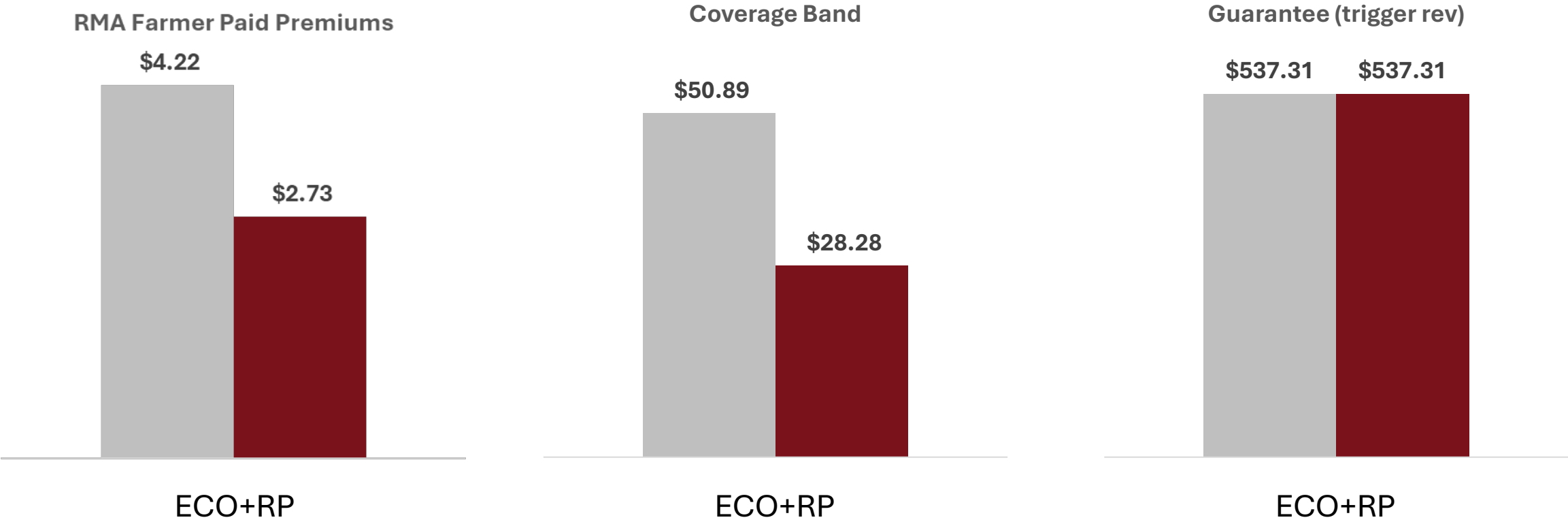
Guarantee (trigger rev)



Example ECO changes, Redwood County, MN

Soybean, Non Irrigated, APH = 51 bu/ac

ECO 95% to 86% ECO 95% to 90%



ECO vs. SCO in 2027

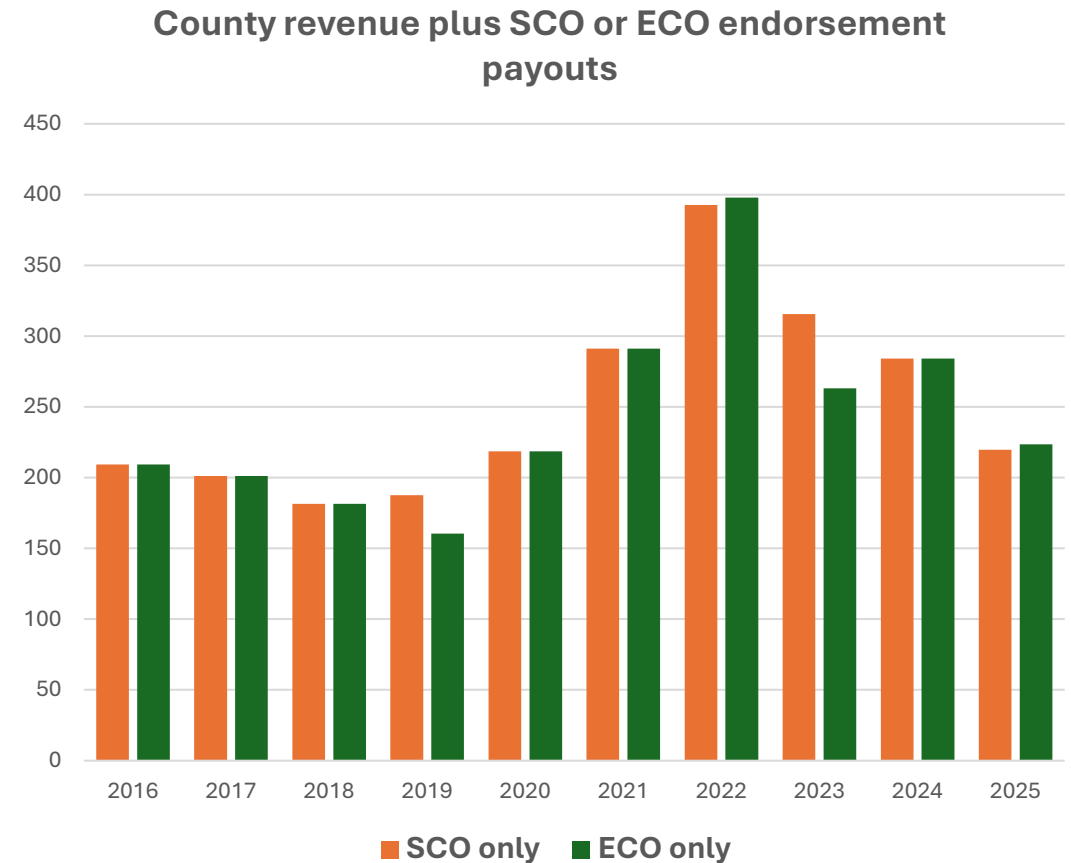
- Some producers may choose to select ECO (MCO) *or* SCO, but not both, for budget or other reasons
 - **ECO:** smaller payouts, more often
 - **SCO:** higher payouts in worse years

Tradeoff: More frequent modest payouts or larger payouts during bad years



SCO and ECO, Sumner County, KS, Winter wheat

- County revenue = Crop insurance county actual revenue (harvest price times actual yield) plus payouts under a 70% RP policy
- 2019: modest yield and price declines
 - SCO \$38, ECO \$10
- 2022: small yield decline, price increase
 - ECO \$5
- 2023: large yield decline, modest price decline
 - SCO \$70, ECO \$18
- 2025: nearly average yield, modest price decline
 - ECO \$4



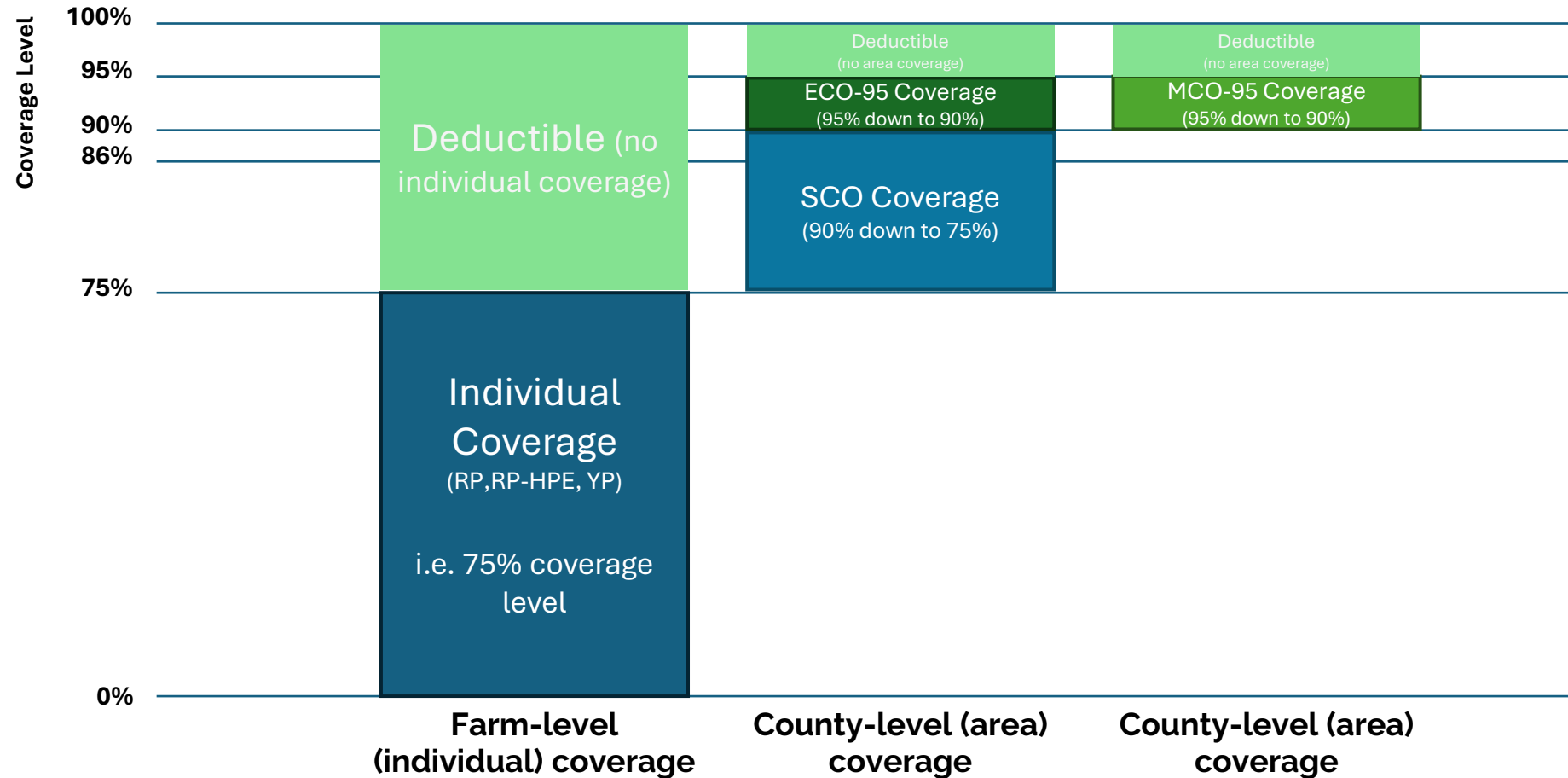
SCO vs ECO: considerations

- Outcomes can vary widely over time and county
- Producers with 80% coverage levels: smaller difference between SCO and ECO coverage bands or guarantee
- Producers with 75% or lower coverage levels: larger difference between coverage bands
- SCO only: payouts may feel infrequent
- ECO only: larger deductible has more “bite” when actual revenue declines substantially from expected

The Margin Coverage Option (MCO)

- County-level operating margin coverage
 - Similar, but different from Margin Protection (MP)
- Triggers if harvest margin goes below the trigger margin
 - Revenue drop (yield, price or combination)
 - Cost increase (input prices increase)
- Crop and *selected* costs are based on futures prices
- Revenue side mimics underlying coverage (RP/YP/RP-HPE)
- Can be paired with SCO but not ECO
- Independent of commodity title election
- Adoption in Crop Year 2026 was modest

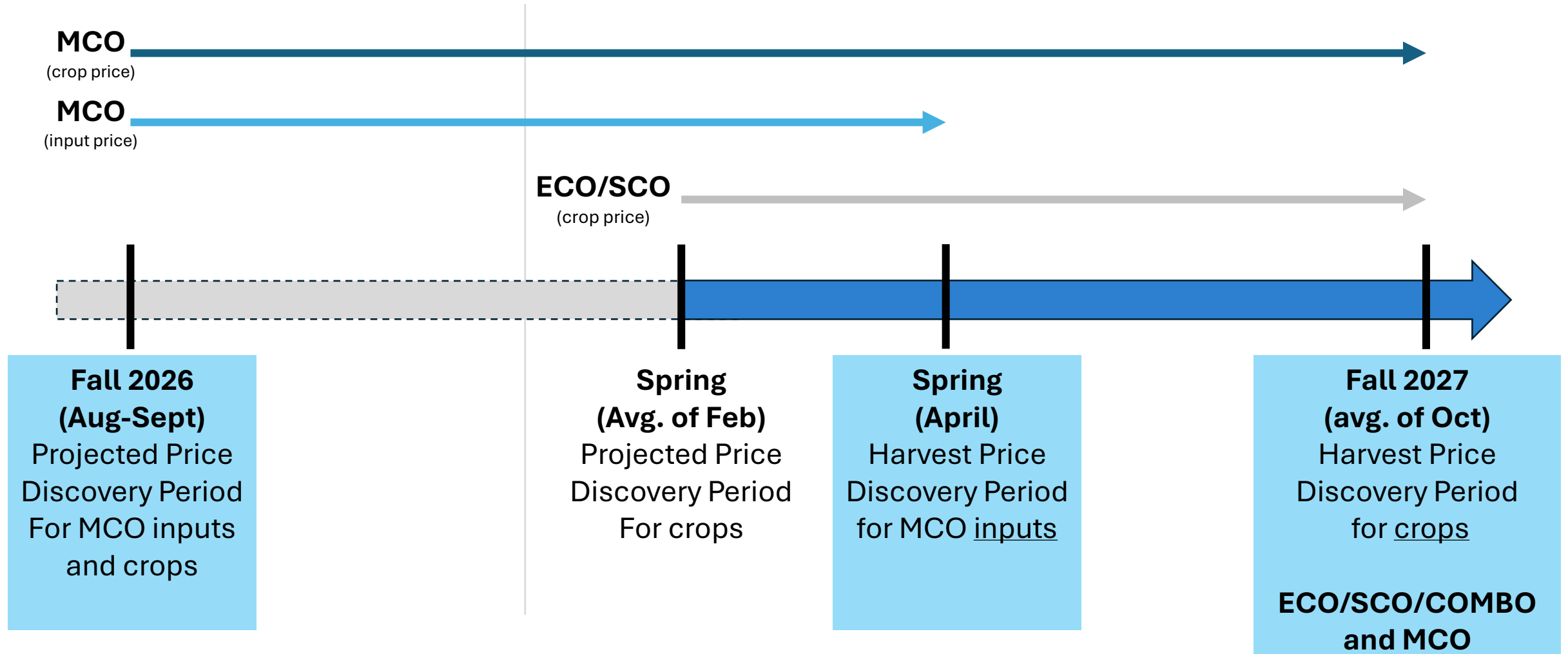
MCO Coverage band for 2027



Key differences

	ECO	MCO
Subsidy	80%	80%
Coverage Band and Type	95% down to 90% of county revenue	95% down to 90% of county margin
Crop PP Discovery Price	February (spring)	August 15 th – Sept 15 th (previous fall)
Decision deadline	March 15th (spring)	Sept 30th (previous fall)

MCO timeline for crop year 2027



Futures Contracts Used for Projected and Harvest Prices

	Corn	Soybeans	Spring Wheat
Crop Price	December Futures Contract	November Futures Contract	September Futures Contract
Input Price	May Futures Price*		

*Potash is an index of Urea, DAP and Natural Gas

Costs component

- Input quantities are based on county expected yields
- Quantity does not vary from expected to harvest

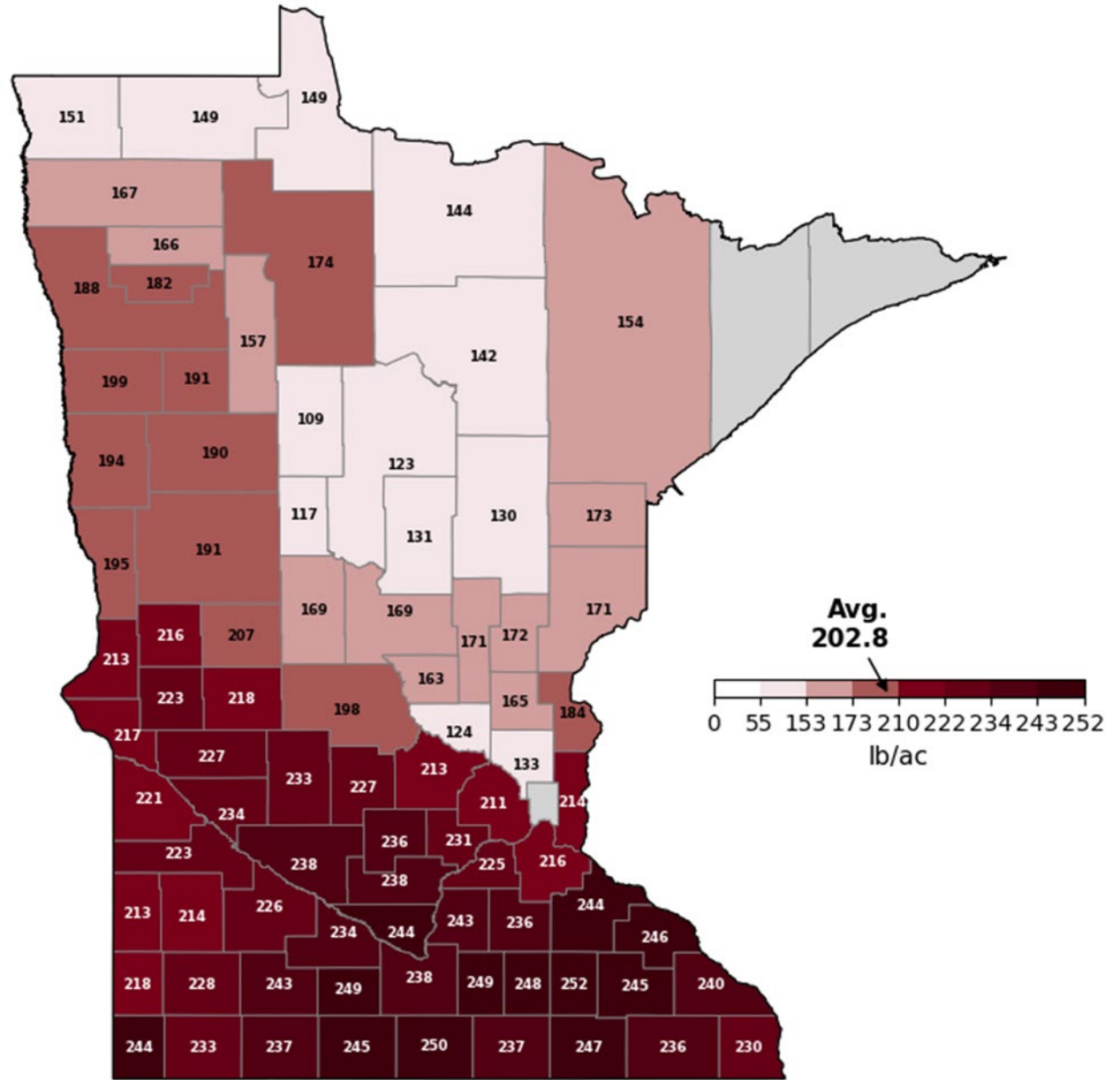
Input	Corn Non-Irrigated	Soybeans Non-Irrigated	Spring Wheat Non-irrigated
Urea (lbs/ac)	$(ExpY \times 0.53) / 0.46$	0	$(ExpY \times 1.28) / 0.46$
DAP (lbs/ac)	$(ExpY \times 0.35) / 0.46$	$(ExpY \times 0.73) / 0.46$	$(ExpY \times 0.57) / 0.46$
Potash (lbs/ac)	$(ExpY \times 0.25) / 0.6$	$(ExpY \times 1.1) / 0.6$	$(ExpY \times 0.33) / 0.6$
Diesel (gal/ac)	$(ExpY \times 0.04) + 2.5$	$(ExpY \times 0.10) + 2.5$	$(ExpY \times 0.054) + 2.0$

ExpY = Exp. County Yield; Natural Gas (in MMBtu/ac) is an additional input for irrigated crops.

Corn: $(ExpY \times .04)$, Soybeans: $(ExpY \times .14)$ and Spring Wheat: $(ExpY \times 0.06)$

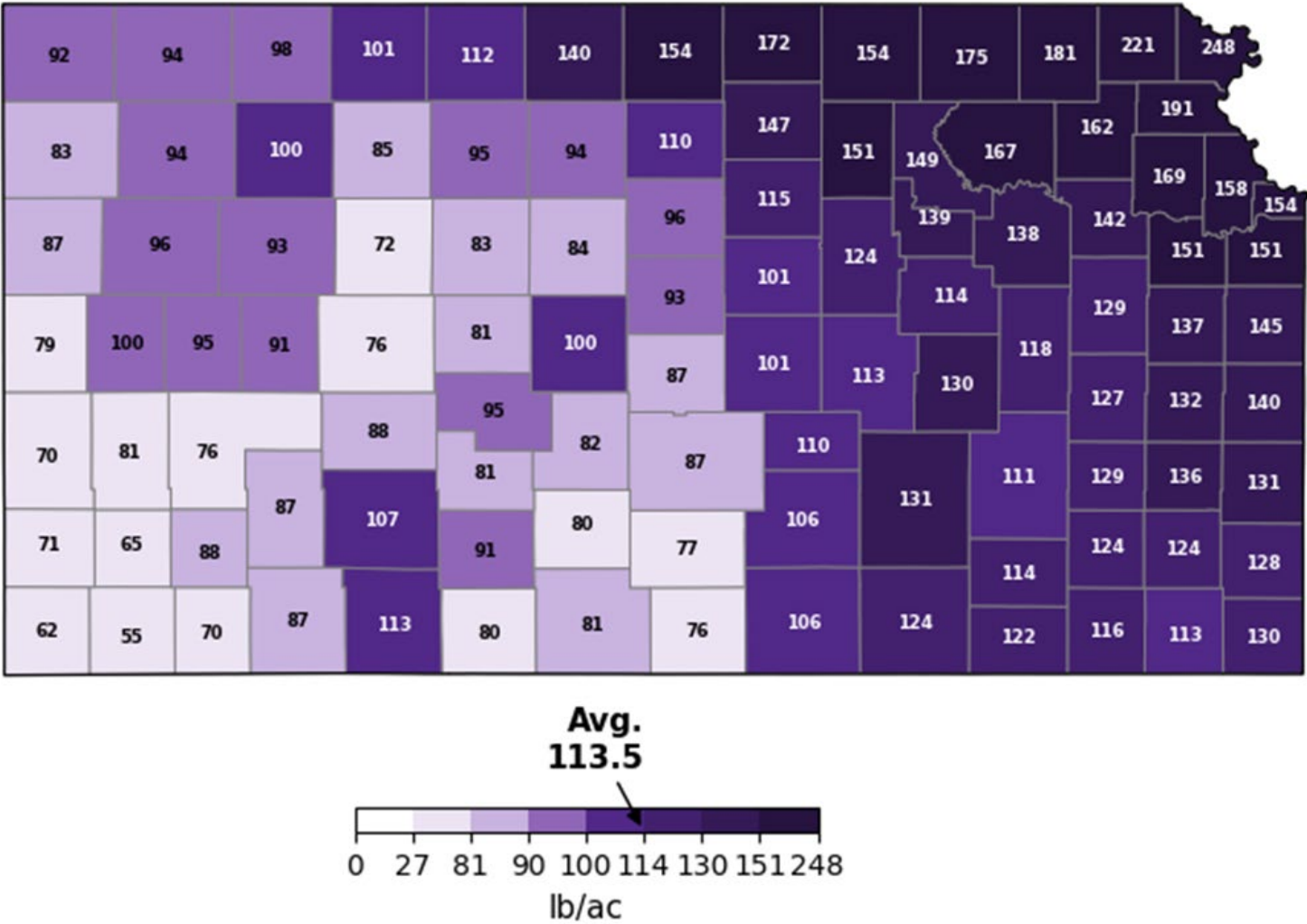


MN corn urea quantity per county



Note: map uses expected yields from 2025

KS corn urea quantity per county



How MCO payment works

1. RMA releases projected and trigger margin

- Fall projected crop and input prices based on futures
 - Input quantities vary with Expected Yield (set by RMA)

2. Futures and county yields determine the harvest margin

- Based on harvest *input* prices from April (same input quantity)
- Based on harvest *crop* prices and yields (same as SCO/ECO)

3. If the harvest margin falls below the trigger margin (effectively a 5% expected-revenue deductible), a payment is made

MCO Example, 2026 Corn

Yield/Price	Expected Margin		
	Qty	Price/unit	Qty x Price
	200	\$4.56	\$912.00
	Expected Revenue (Crop Value*)		\$912.00

** 2026 example with 2027 coverage band (MCO from 90% to 95%)

MCO Example, 2026 Corn

Yield/Price	Expected Margin		
	Qty	Price/unit	Qty x Price
Yield/Price	200	\$4.56	\$912.00
Expected Revenue (Crop Value*)			\$912.00
Urea (lbs/ac)	230	\$0.20	\$46.85
DAP (lbs/ac)	152	\$0.34	\$52.26
Diesel (gal/ac)	10.5	\$2.18	\$22.89
Potash (lbs/ac)	83	\$0.29	\$24.50
Expected Costs			\$146.51

** 2026 example with 2027 coverage band (MCO from 90% to 95%)



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MCO Example, 2026 Corn

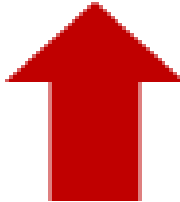
Yield/Price	Expected Margin		
	Qty	Price/unit	Qty x Price
	200	\$4.56	\$912.00
	Expected Revenue (Crop Value*)		\$912.00
	Expected Costs		\$146.51
	Expected Margin		\$765.49
	Trigger Margin		\$719.89

Trigger margin = Expected Margin – (0.05 X Expected Revenue)

Example assumes 100% Protection Factor

** 2026 example with 2027 coverage band (MCO from 90% to 95%)

MCO Example, 2026 Corn Costs (final)

Urea (lbs/ac)	230	\$0.20	\$46.85	230		\$0.34	\$77.46
DAP (lbs/ac)	152	\$0.34	\$52.26	152		\$0.38	\$57.43
Diesel (gal/ac)	10.5	\$2.18	\$22.89	10.5		\$3.92	\$41.16
Potash (lbs/ac)	83	\$0.29	\$24.50	83		\$0.38	\$32.05
Expected Costs		\$146.51		Actual Costs		\$208.10	

2026 harvest price discovery is completed for input costs; actual costs were \$61 per acre higher than expected in this example

** 2026 example with 2027 coverage band (MCO from 90% to 95%)

MCO Example, 2026 Corn

Yield/Price	Expected Margin			Actual Margin		
	Qty	Price/unit	Qty x Price	Qty	Price/unit	Qty x Price
	200	↑ \$5.37	\$1,074.00	200	↑ \$5.37	\$1,074.00
	Expected Revenue (Crop Value*)		\$1,074.00	Actual Revenue		\$1,074.00
	Expected Costs		\$146.51	Actual Costs		↑ \$208.10
	Expected Margin		\$927.49	Actual Margin		\$865.90
	Trigger Margin		\$873.79	Area Margin Loss (below trigger)		\$7.90
				Payment (max of 5% of crop value)		\$7.90

Average yield, current Dec futures (trigger margin resets with the higher harvest price under RP)

MCO Example, 2026 Corn

	Expected Margin			Actual Margin		
	Qty	Price/unit	Qty x Price	Qty	Price/unit	Qty x Price
Yield/Price	200	↑ \$5.37	\$1,074.00	210	↑ \$5.37	\$1,127.70
	Expected Revenue (Crop Value*)		\$1,074.00	Actual Revenue		\$1,127.70
Urea (lbs/ac)	230	\$0.20	\$46.85	230	\$0.34	\$77.46
DAP (lbs/ac)	152	\$0.34	\$52.26	152	\$0.38	\$57.43
Diesel (gal/ac)	10.5	\$2.18	\$22.89	10.5	\$3.92	\$41.16
Potash (lbs/ac)	83	\$0.29	\$24.50	83	\$0.38	\$32.05
	Expected Costs		\$146.51	Actual Costs		\$208.10 ↑
	Expected Margin		\$927.49	Actual Margin		\$919.60
	Trigger Margin		\$873.79	Area Margin Loss (below trigger)		\$0.00
				Payment (max of 5% of crop value)		\$0.00

Higher yield, current Dec futures (trigger margin resets with the higher harvest price under RP)

MCO Example, 2026 Corn

Yield/Price	Expected Margin			Actual Margin		
	Qty	Price/unit	Qty x Price	Qty	Price/unit	Qty x Price
	200	\$5.37	\$1,074.00	190	\$5.37	\$1,020.30
	Expected Revenue (Crop Value*)		\$1,074.00	Actual Revenue		\$1,020.30
Urea (lbs/ac)	230	\$0.20	\$46.85	230	\$0.34	\$77.46
DAP (lbs/ac)	152	\$0.34	\$52.26	152	\$0.38	\$57.43
Diesel (gal/ac)	10.5	\$2.18	\$22.89	10.5	\$3.92	\$41.16
Potash (lbs/ac)	83	\$0.29	\$24.50	83	\$0.38	\$32.05
	Expected Costs		\$146.51	Actual Costs		\$208.10
	Expected Margin		\$927.49	Actual Margin		\$812.20
	Trigger Margin		\$873.79	Area Margin Loss (below trigger)		\$61.60
				Payment (max of 5% of crop value)		\$53.70

Lower yield, current Dec futures (trigger margin resets with the higher harvest price under RP)

MCO Example, 2026 Corn

Lower yield

Actual = expected price

Actual Margin		
Qty	Price/unit	Qty x Price
190	\$4.56	\$866.40
Actual Revenue		\$866.40
230	\$0.34	\$77.46
152	\$0.38	\$57.43
10.5	\$3.92	\$41.16
83	\$0.38	\$32.05
Actual Costs		\$208.10
Actual Margin		\$658.30
Area Margin Loss (below trigger)		\$61.60
Payment (max of 5% of crop value)		\$45.60



MCO Example, 2026 Corn

Higher yield

Actual price = expected price

Actual Margin		
Qty	Price/unit	Qty x Price
210	\$4.56	\$957.60
Actual Revenue		\$957.60
230	\$0.34	\$77.46
152	\$0.38	\$57.43
10.5	\$3.92	\$41.16
83	\$0.38	\$32.05
Actual Costs		\$208.10
Actual Margin		\$749.50
Area Margin Loss (below trigger)		\$0.00
Payment (max of 5% of crop value)		\$0.00

MCO Example, 2026 Corn

Actual Margin		
Qty	Price/unit	Qty x Price
210	\$4.25	\$892.50
Actual Revenue		\$892.50
230	\$0.34	\$77.46
152	\$0.38	\$57.43
10.5	\$3.92	\$41.16
83	\$0.38	\$32.05
Actual Costs		\$208.10
Actual Margin		\$684.40
Area Margin Loss (below trigger)		\$35.50
Payment (max of 5% of crop value)		\$35.50

Higher yield, substantial price decline

Recap: why consider these add-on policies?

Pros

- *More* predictable coverage of shallow losses
- Farmers are *highly likely* to come out ahead *in the long run*
 - *High* subsidy rate

Cons

- Payouts *still* may not always match actual farm-level losses
- Payouts *still* are made around June of the *subsequent* crop year
- Premiums *still* increase
- More frequent payouts over time, but multiple years can *still* go without a payout

MCO short term important dates for eligible spring-planted crops

- **Aug 15, 2026 to Sept 15, 2026:** Projected Price Discovery Period (crop and inputs)
- **Sept 30, 2026:** Decision deadline

MCO short term important dates for eligible spring-planted crops

- **Aug 15, 2026 to Sept 15, 2026:** Projected Price Discovery Period (crop and inputs)
- **Sept 18, 2026: Webinar - MCO analysis and decision**
- **Sept 30, 2026:** Decision deadline

Next webinar highlights

- How often have input costs increased and triggered payouts?
- Role of price vs yield vs input costs in triggering payouts
- Historic ECO vs MCO payouts
- Role of fall versus spring price discovery
- Does “diversifying” across ECO and MCO make sense?

Register here: https://kstate.qualtrics.com/jfe/form/SV_9GDo2GDTKe81t66

Questions?

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Additional resources

AgManager.info:

<https://agmanager.info/crop-insurance/kansas-crop-insurance-maps>

<https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/kansas-yield-correlation-tool>

Margin Coverage Option:

<https://www.rma.usda.gov/margin-coverage-option>

<https://www.margincoverageoption.com/>

<https://farmdocdaily.illinois.edu/2025/09/a-new-area-based-crop-insurance-product-mco-margin-coverage-option.html>

<https://farmdocdaily.illinois.edu/2026/05/margin-coverage-option-mco-2026-input-harvest-prices.html>