The MCO decision for 2027

Jenny Ifft
Kansas State University

Henrique Monaco
University of Minnesota

AgManager.info

Kansas State University Agricultural Economics

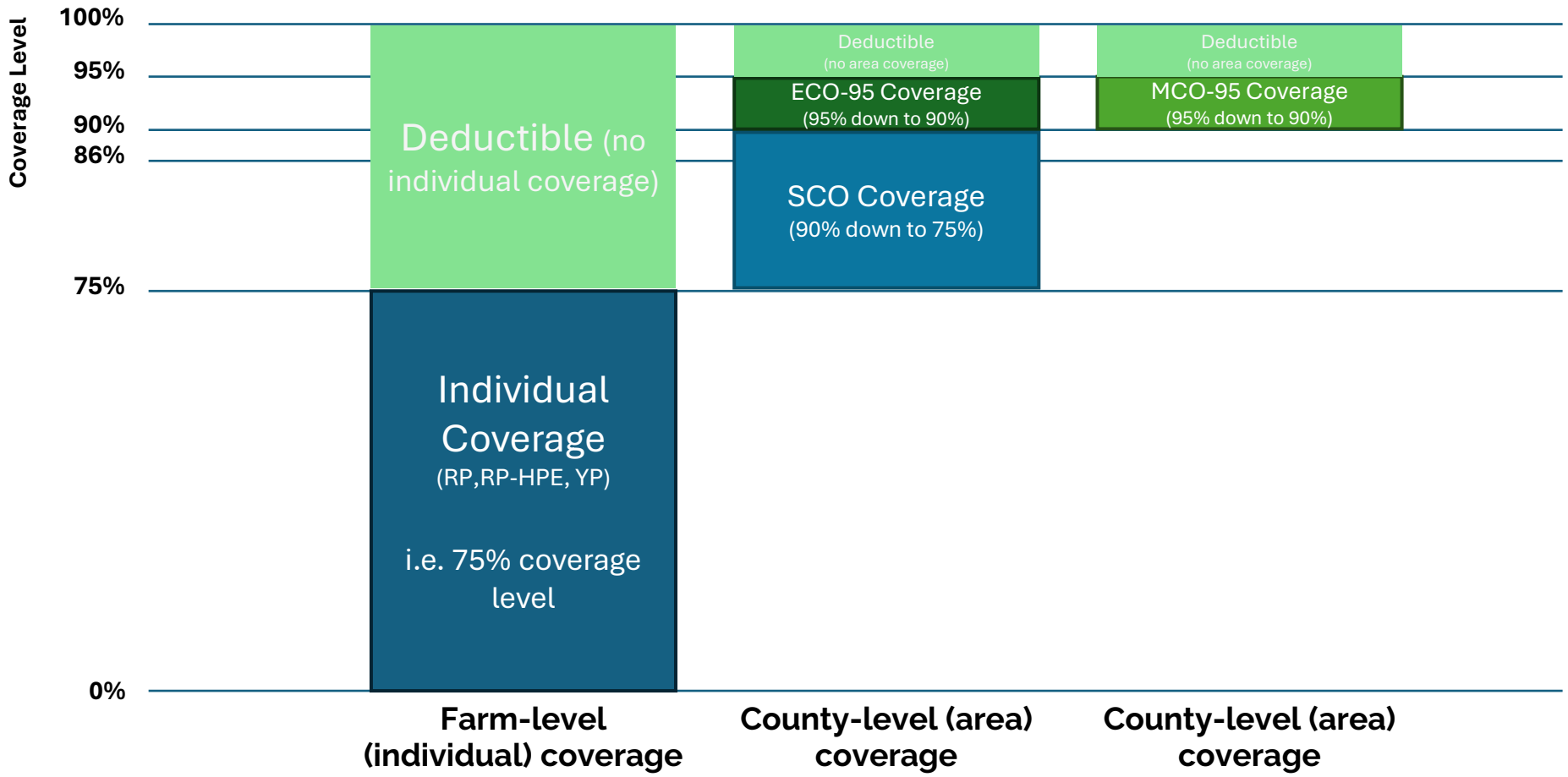
CFANS College of Food, Agricultural and Natural Resource Sciences

University of Minnesota Extension

What to expect

- MCO Recap
- Revenue and cost components
- Average payouts over time and space
  - Relative to ECO

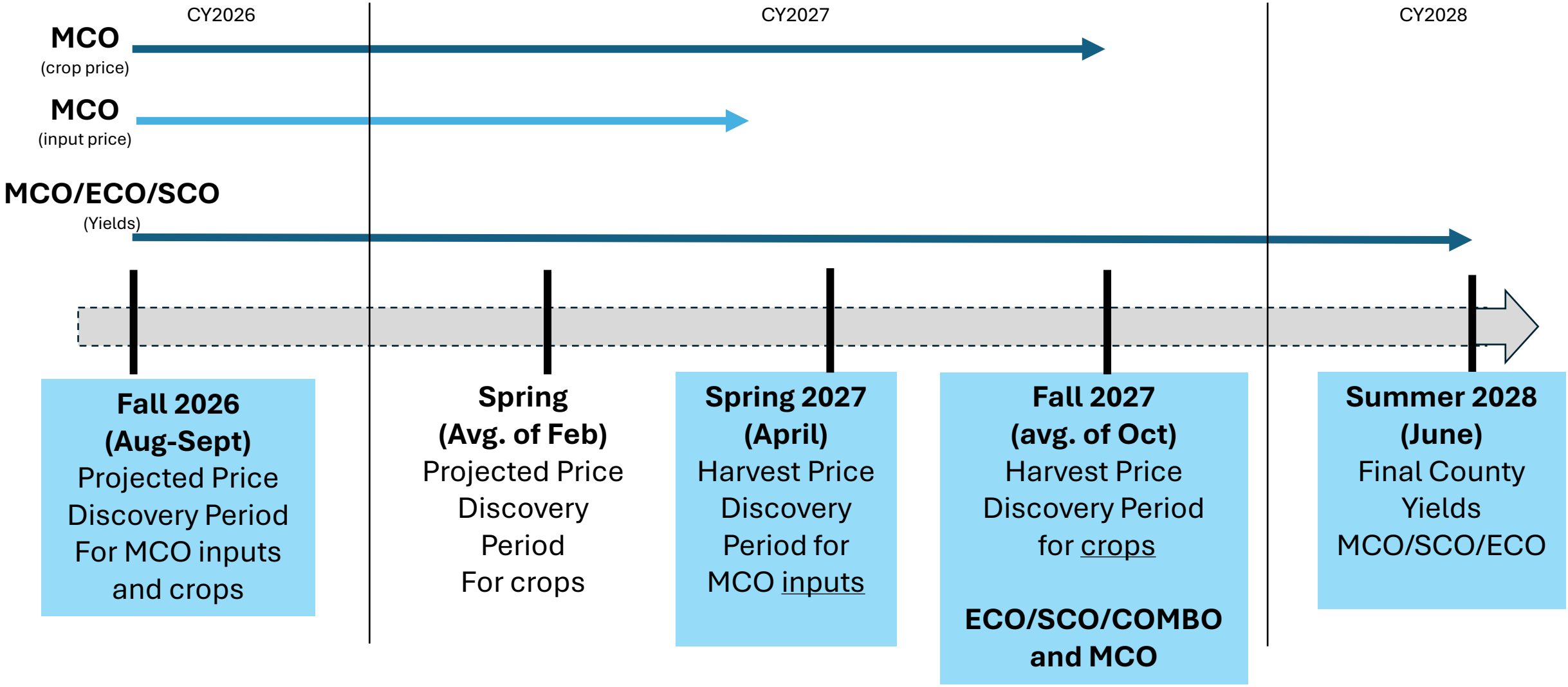
MCO Coverage band for 2027



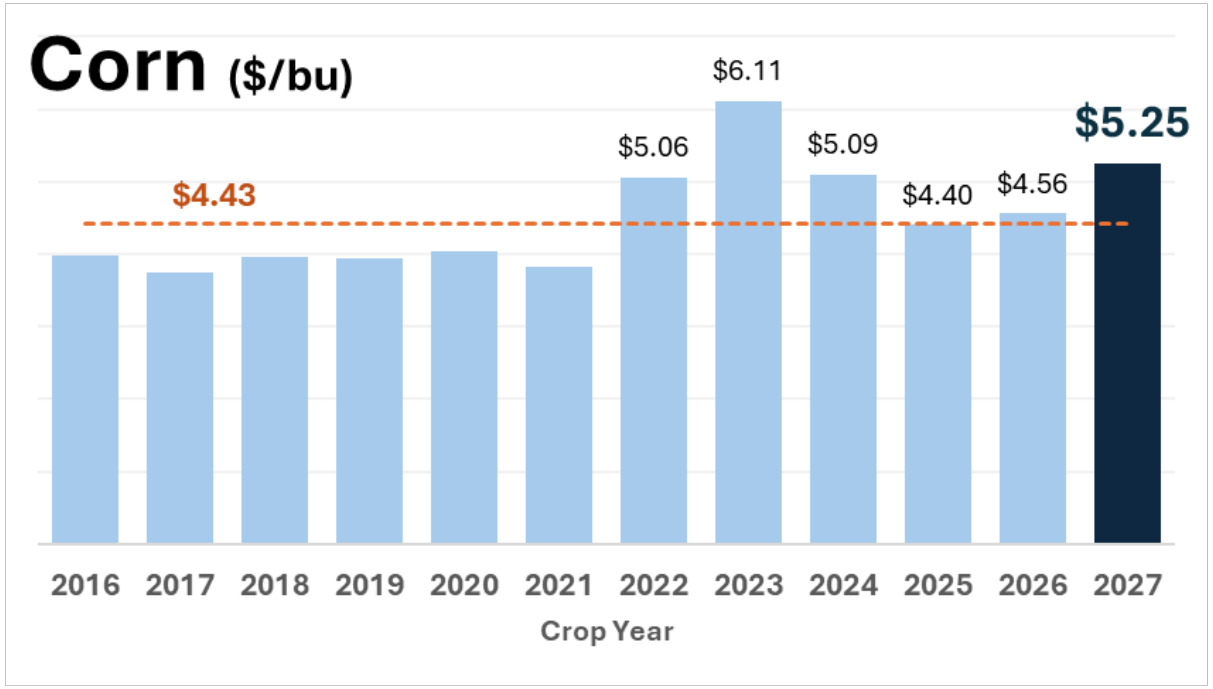
Key tradeoff: MCO vs. ECO

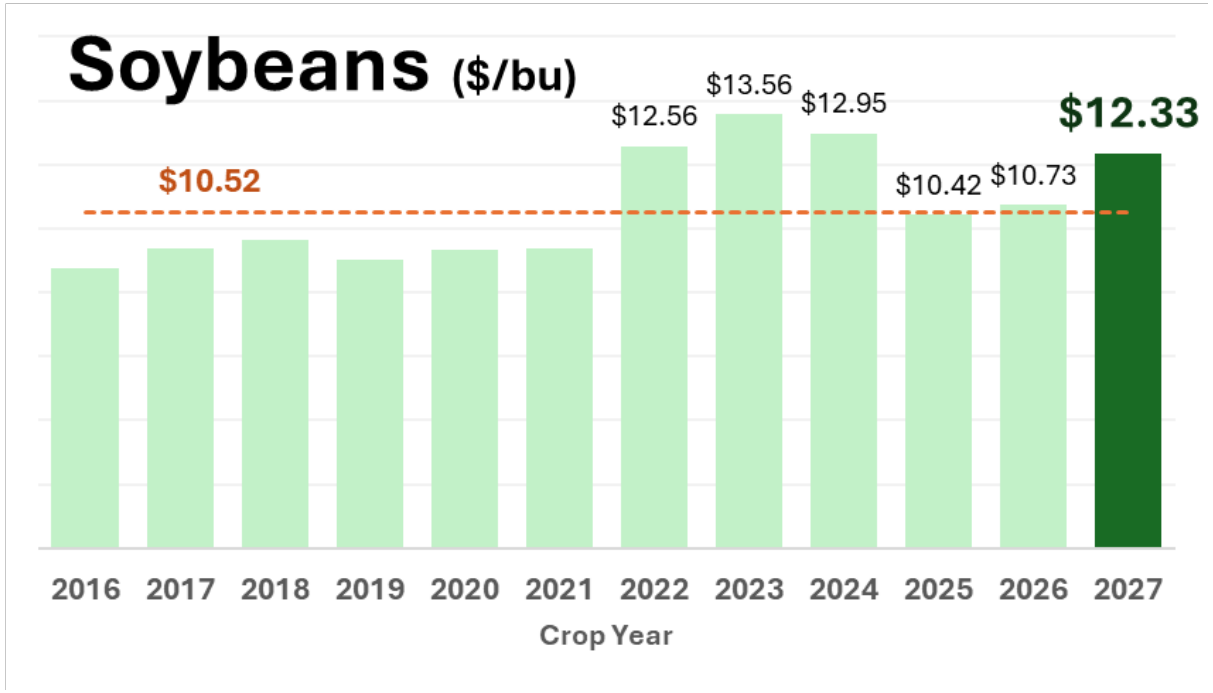
	ECO	MCO
Subsidy	80%	80%
Coverage Band and Type	95% down to 90% of county **revenue**	95% down to 90% of county **margin**
Crop PP Discovery Price	February (spring)	August 15th – Sept 14th (previous fall)
Decision deadline	**March 15th** (spring)	**Sept 30th** (previous fall)

MCO timeline for crop year 2027



2027 and Historical Crop Fall Projected Prices





https://farmdocdaily.illinois.edu/2026/09/the-2027-margin-coverage-option-mco-decision.html

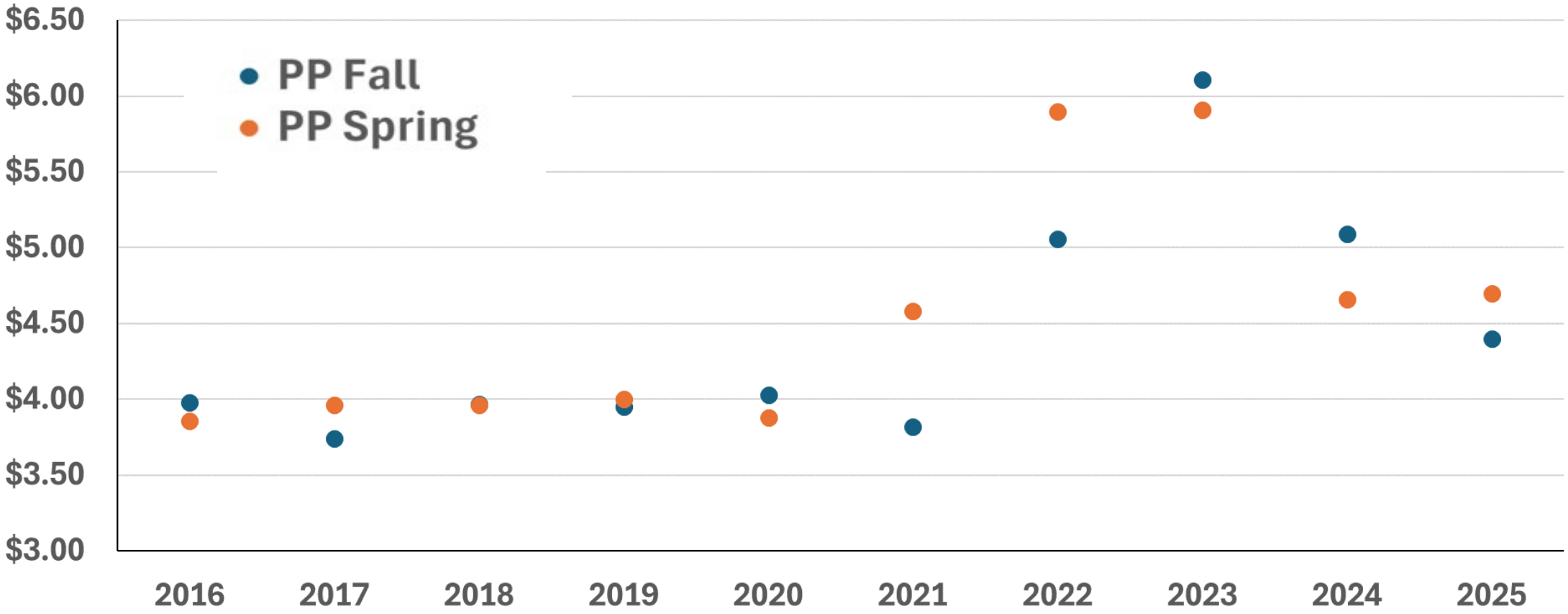
AgManager.info | Kansas State University Agricultural Economics | CFANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

Crop Prices

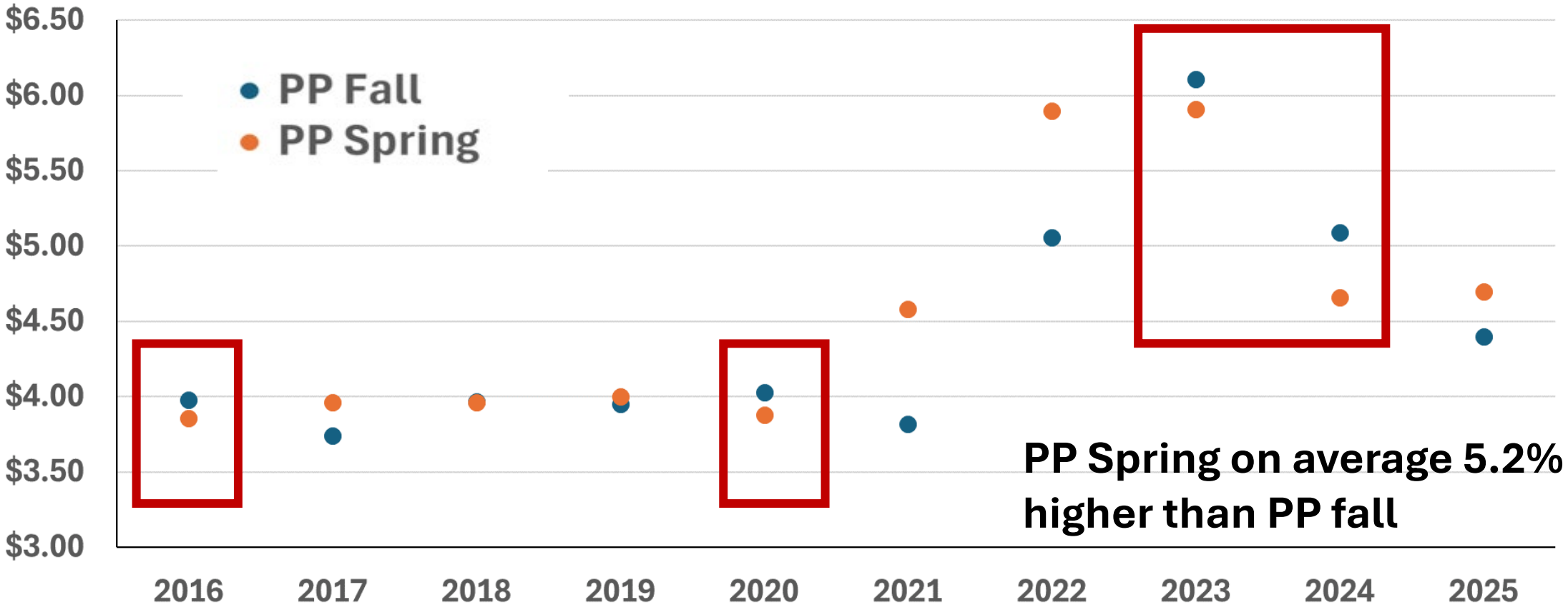
- Does ‘locking in’ prices in the fall make sense?
  - Current uncertainty about 2027 prices, weather, and other conditions when planting decisions will be made
  - Historically about 10% of the corn is priced by Jan 1
- Weaker natural hedge with yields (i.e. less of a negative correlation, or more independent movements)
- Historically, in most years fall prices are close to spring prices, but some years have large shifts
- What is believed about current prices

https://farmdocdaily.illinois.edu/2018/05/pre-harvest-hedging-revenue-protection.html

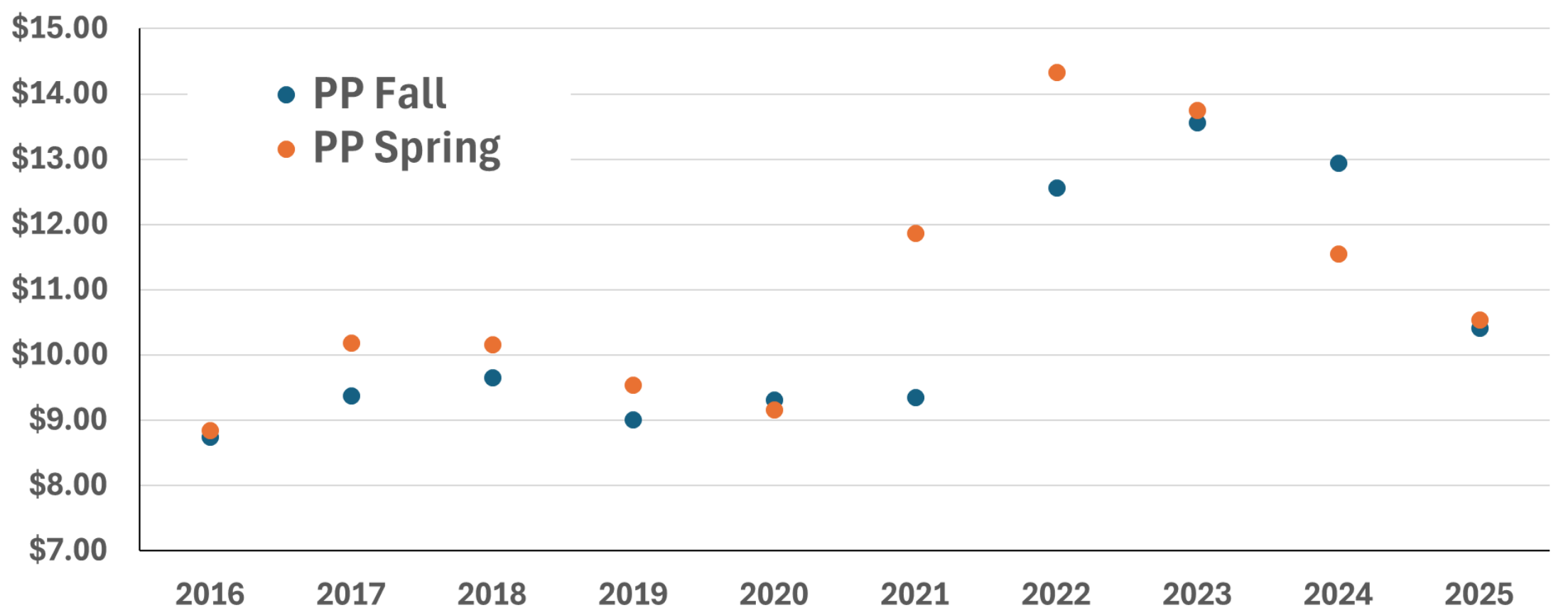
Fall vs. Spring Projected Prices, Corn



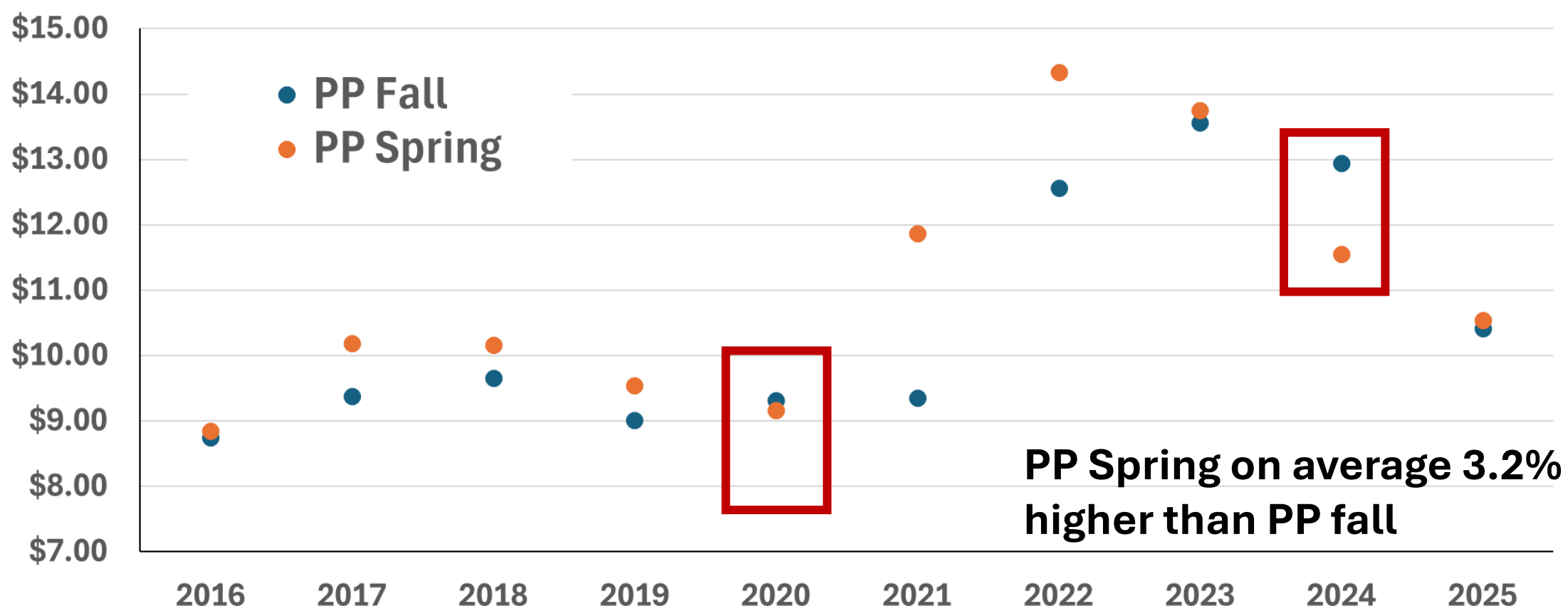
Fall vs. Spring Projected Prices, Corn



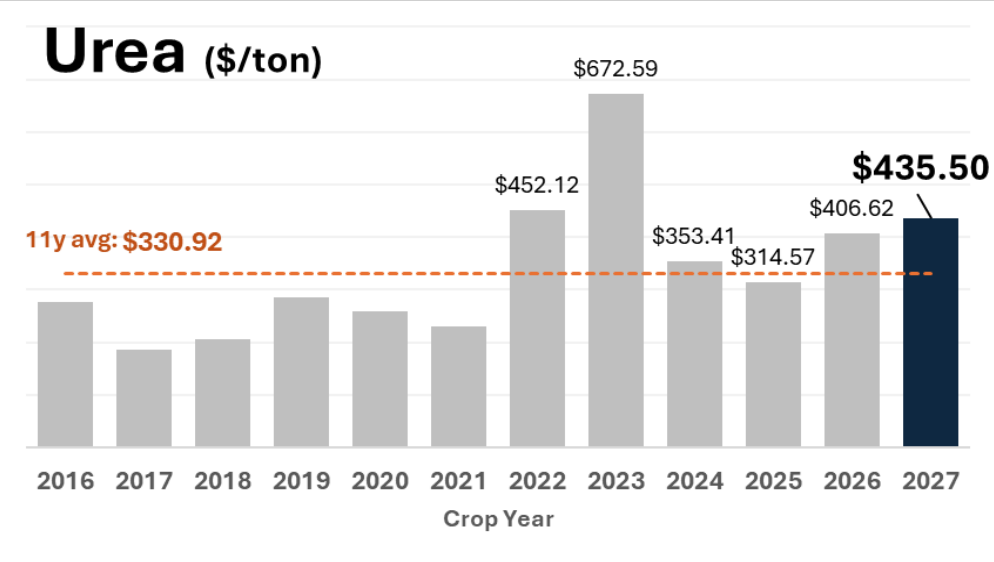
Fall vs. Spring Projected Prices, Soybean

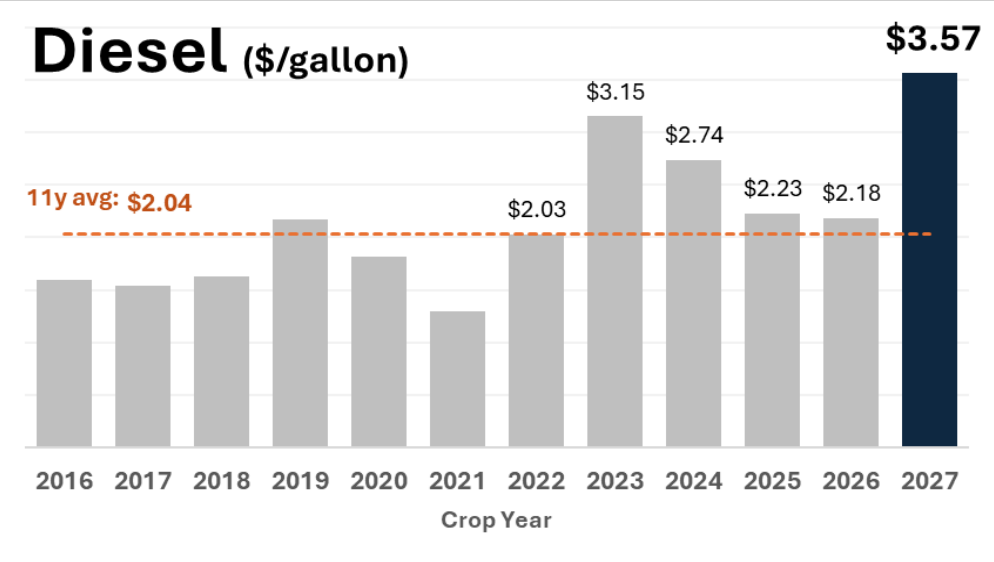


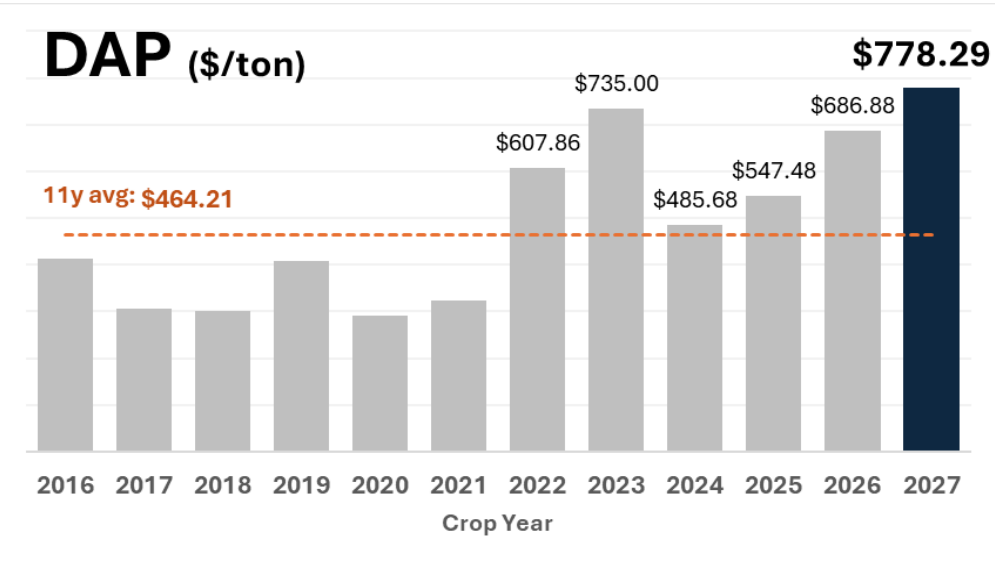
Fall vs. Spring Projected Prices, Soybean

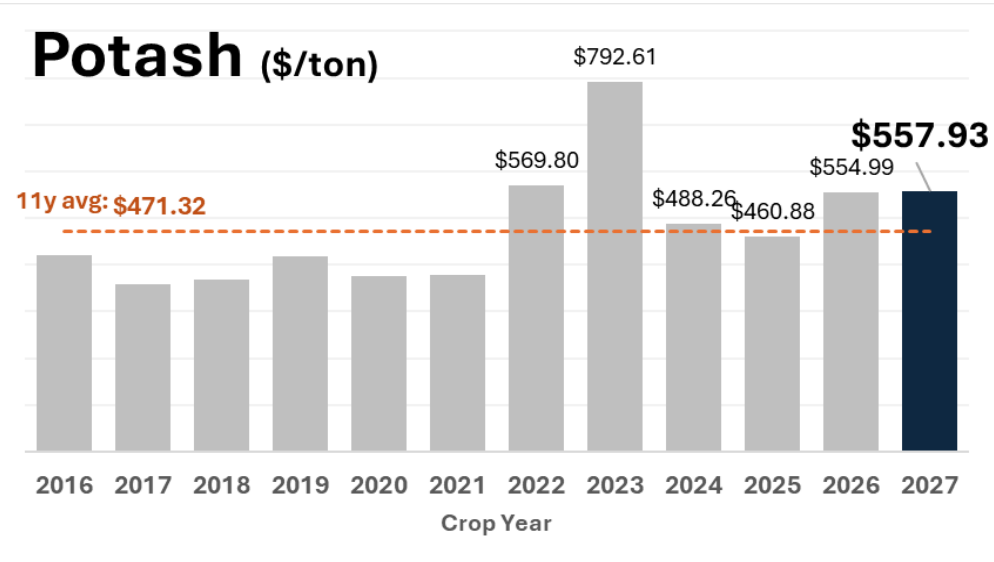


2027 and Historical Inputs Fall Projected Prices







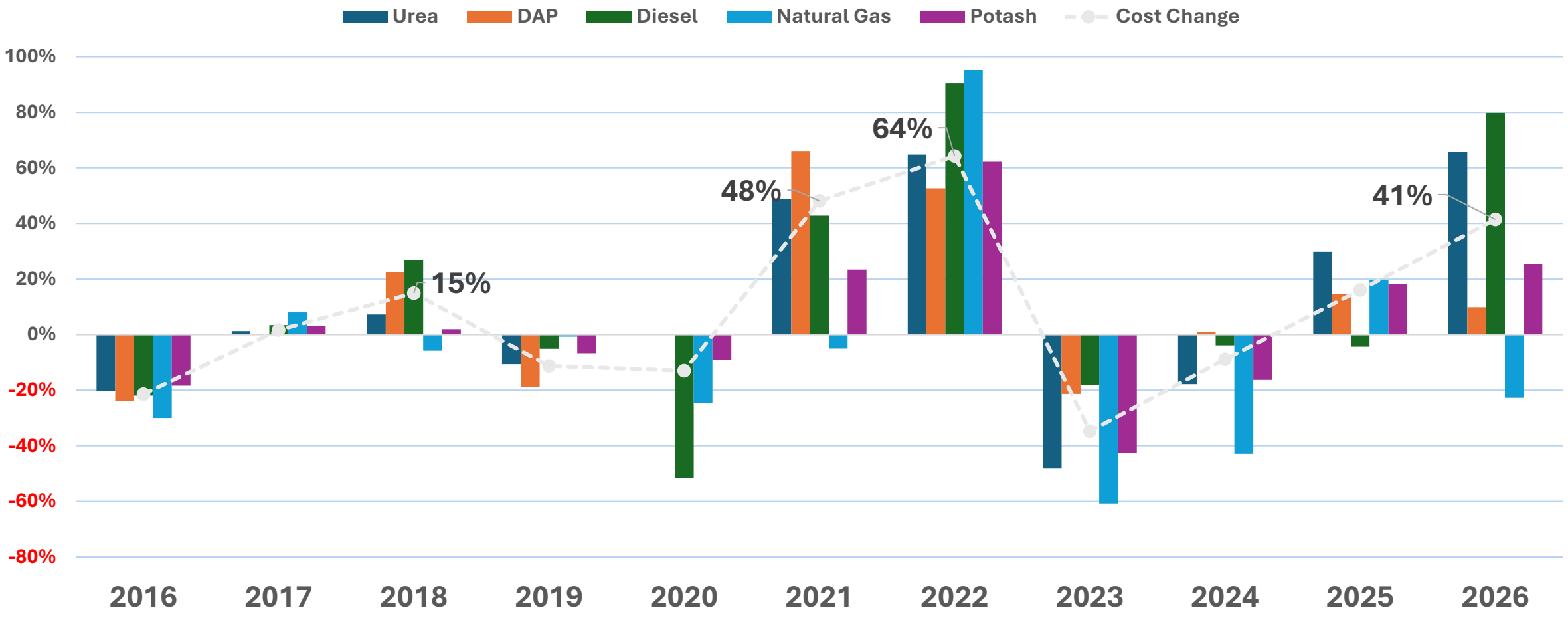


AgManager.info | Kansas State University Agricultural Economics

CHANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

Input Prices Change (Harvest/Projected), %

Corn, Non-Irrigated, Expected Yield of 200bu/ac



AgManager.info

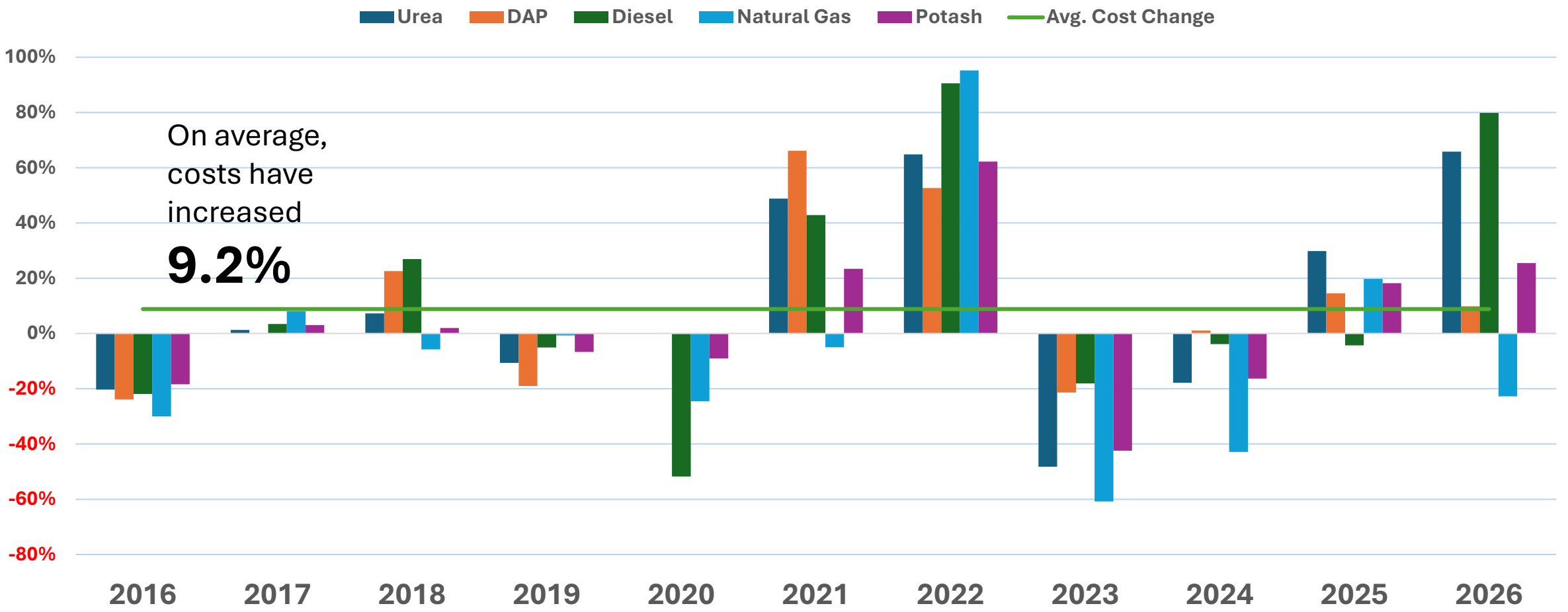
Kansas State University Agricultural Economics

CFANS College of Food, Agricultural and Natural Resource Sciences

University of Minnesota Extension

Input Prices Change (Harvest/Projected), %

Corn, Non-Irrigated, Expected Yield of 200bu/ac



AgManager.info

Kansas State University Agricultural Economics

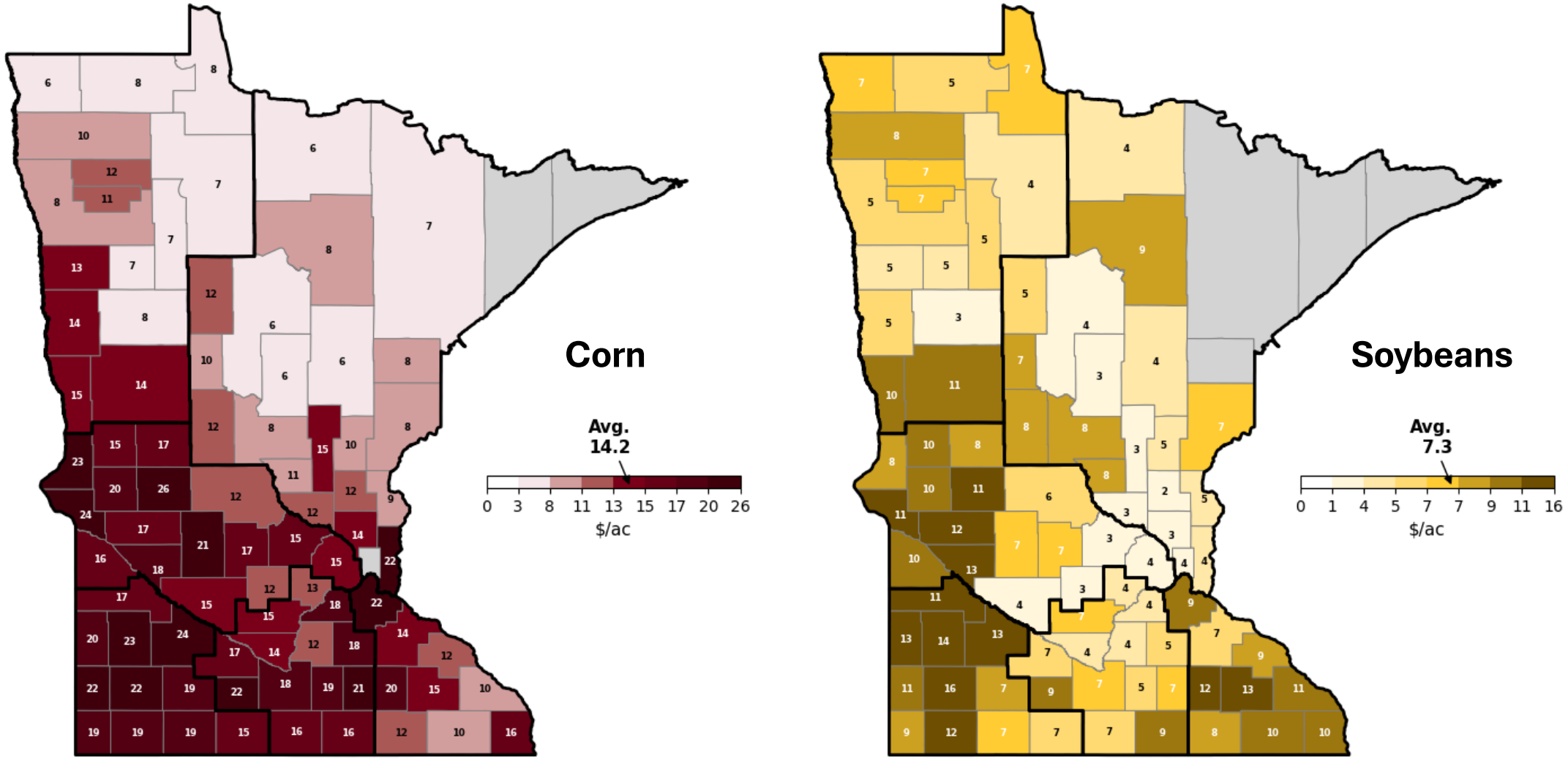
CFANS College of Food, Agricultural and Natural Resource Sciences

University of Minnesota Extension

A Historical Look at Payments

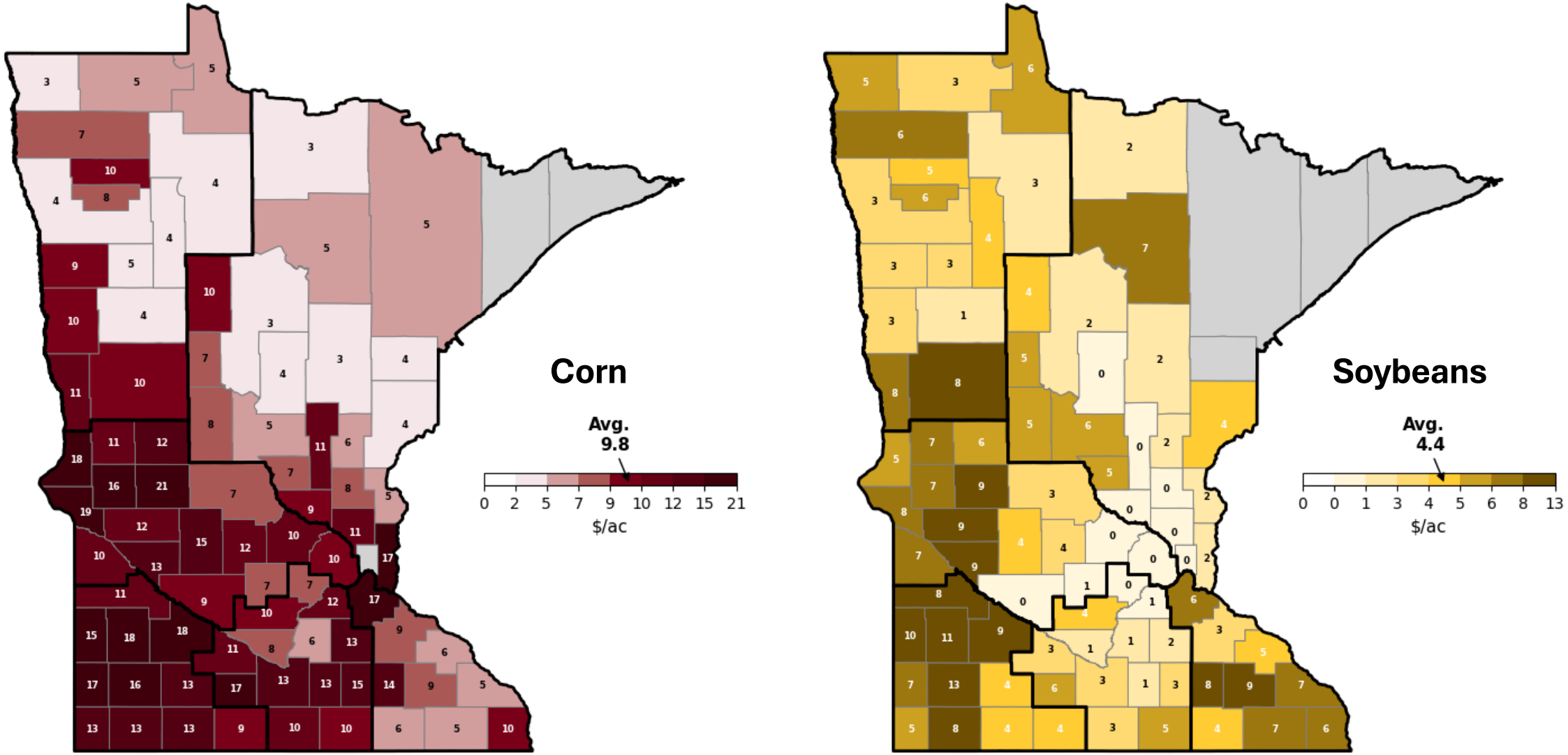
- Assume MCO existed since 2015
- **2027 Coverage Band**
  - From 90% to 95%
- Historical Fall Projected Prices and Harvest Prices

“Historical” MCO Payments, $/ac



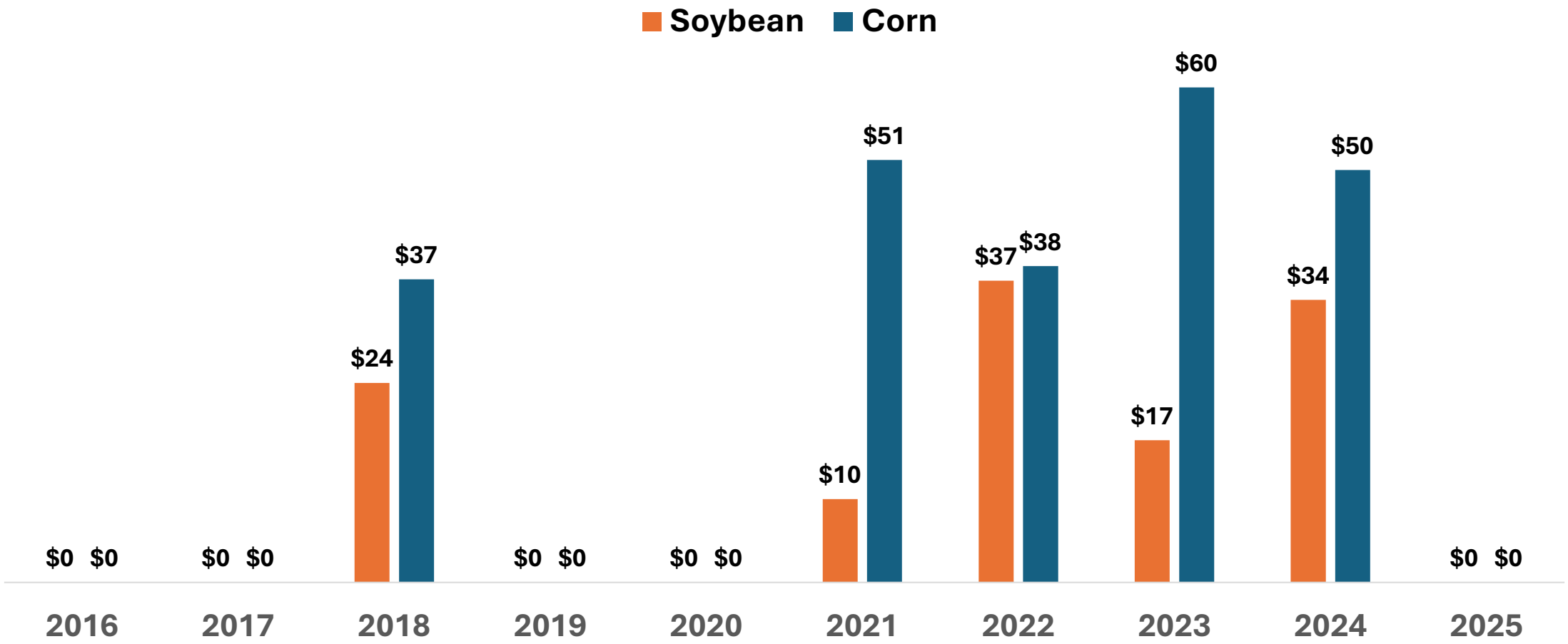
AgManager.info
Kansas State University Agricultural Economics
CFANS College of Food, Agricultural and Natural Resource Sciences
University of Minnesota Extension

“Historical” MCO Net Payments*, $/ac

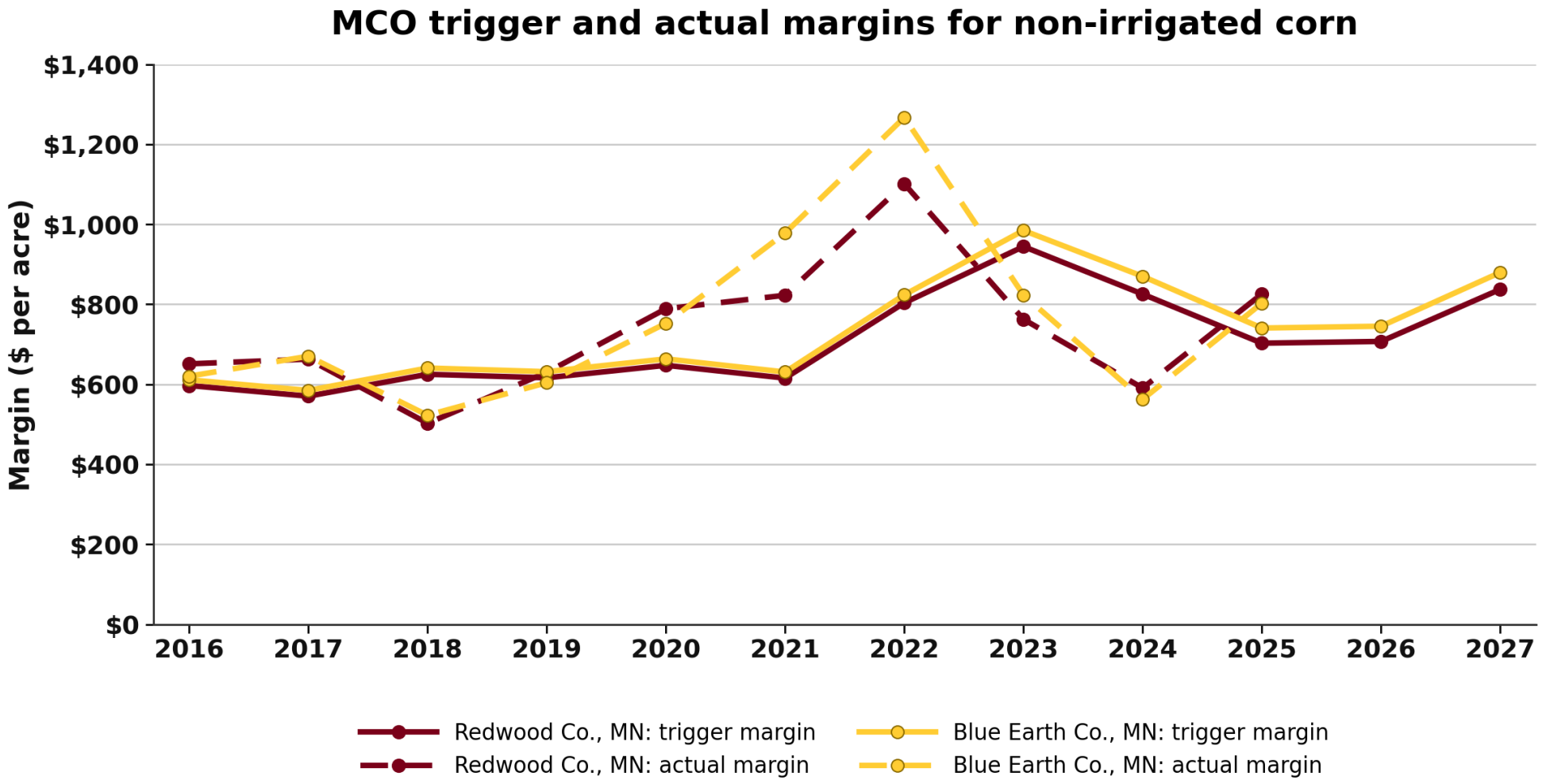


*MCO-RP; FPP with 80% subsidy, base rates from 2027, 95%-90%, and year specific projected prices.

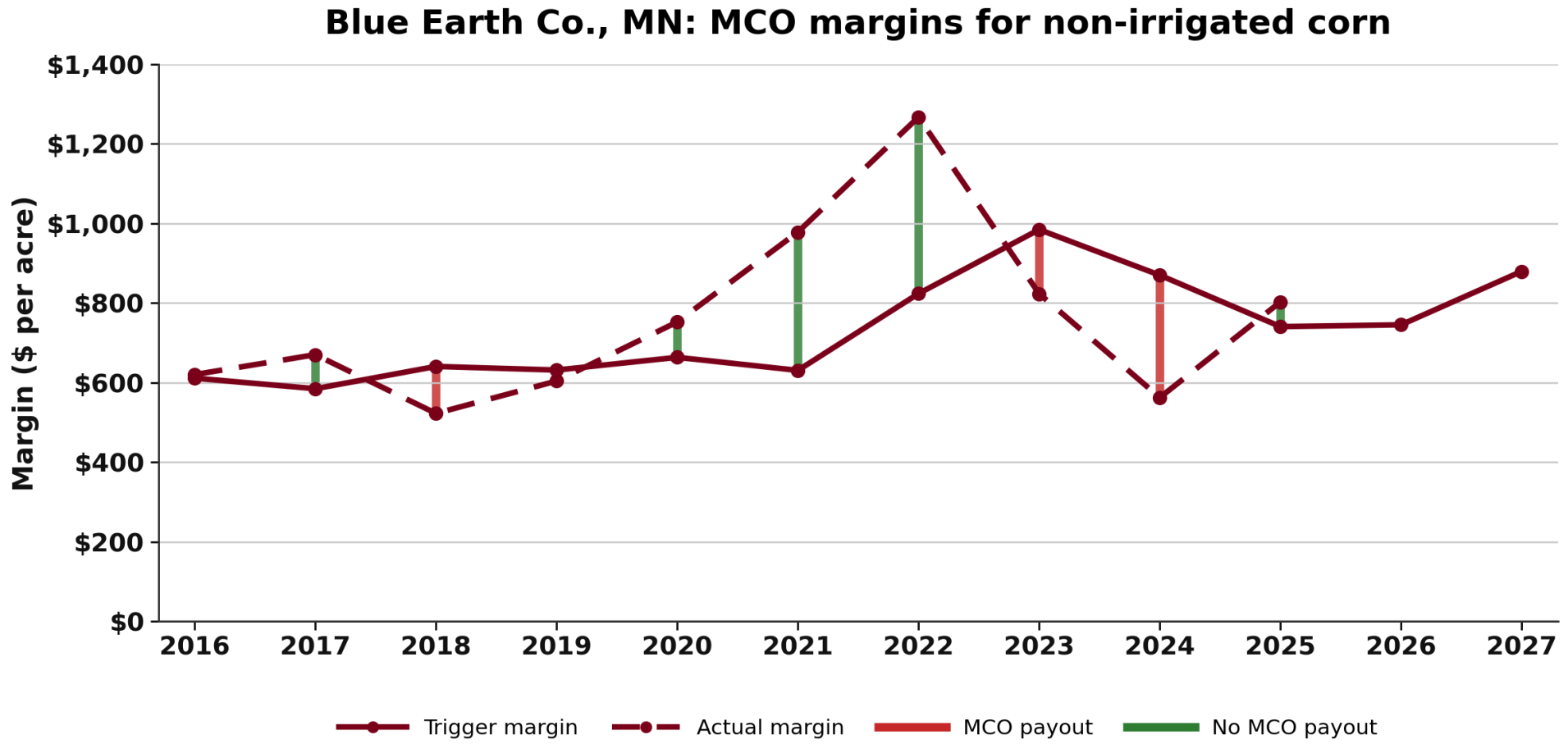
“Historical” MCO Payments, Redwood County



"Historical" Margins

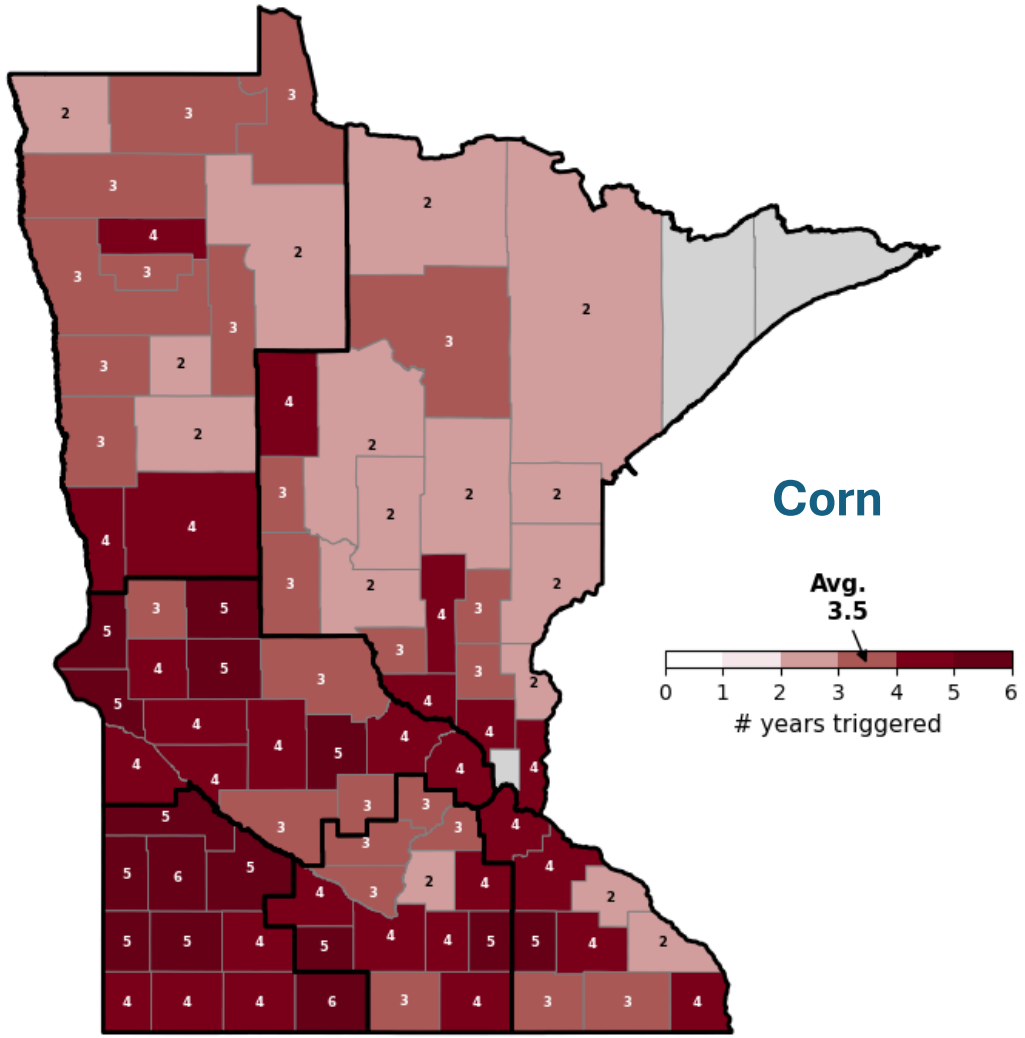


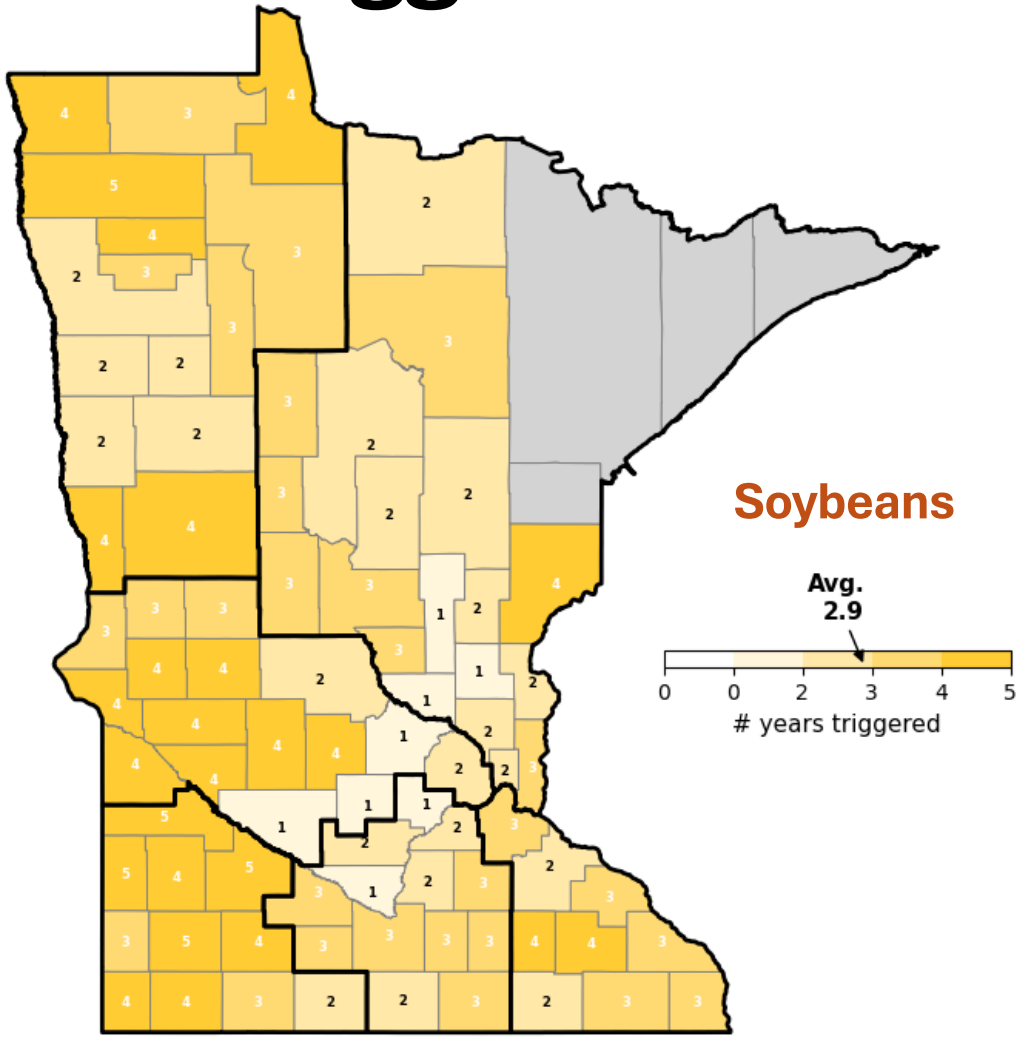
"Historical" Margins



Note: a red line indicates a payout was made, not the total amount of the payout, which is limited to the guarantee

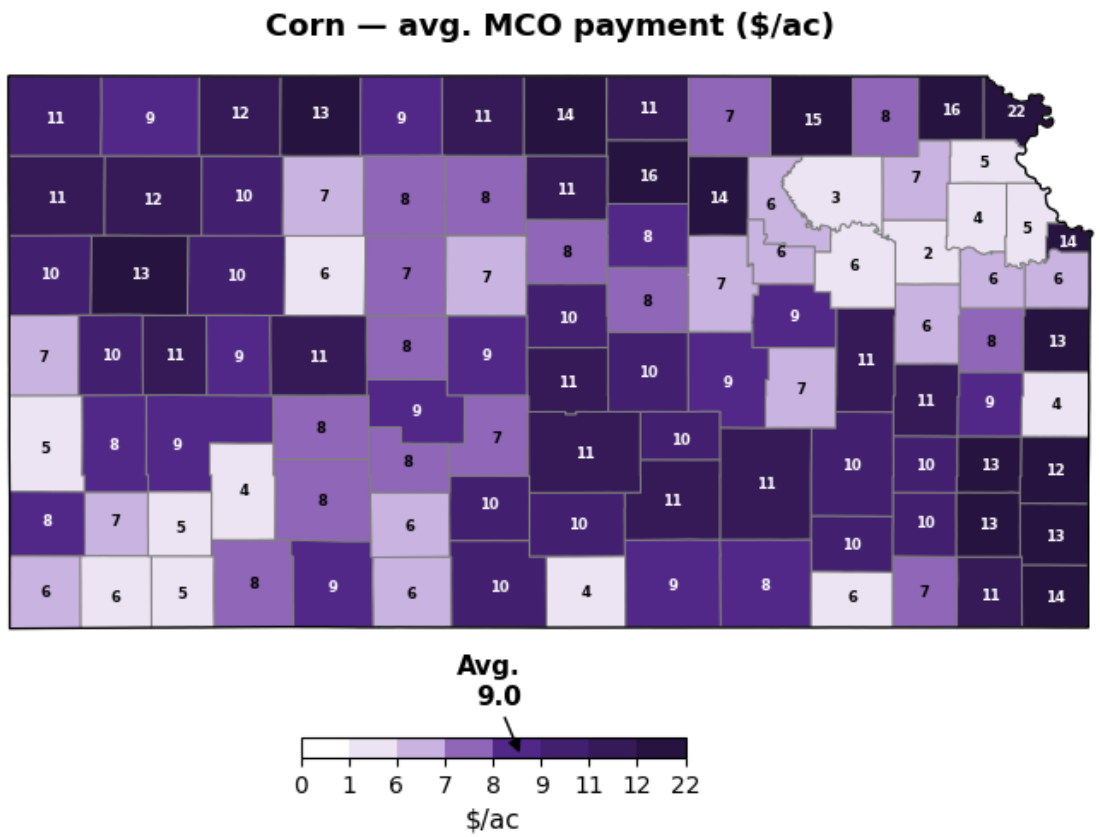
Number of Years* that MCO triggered

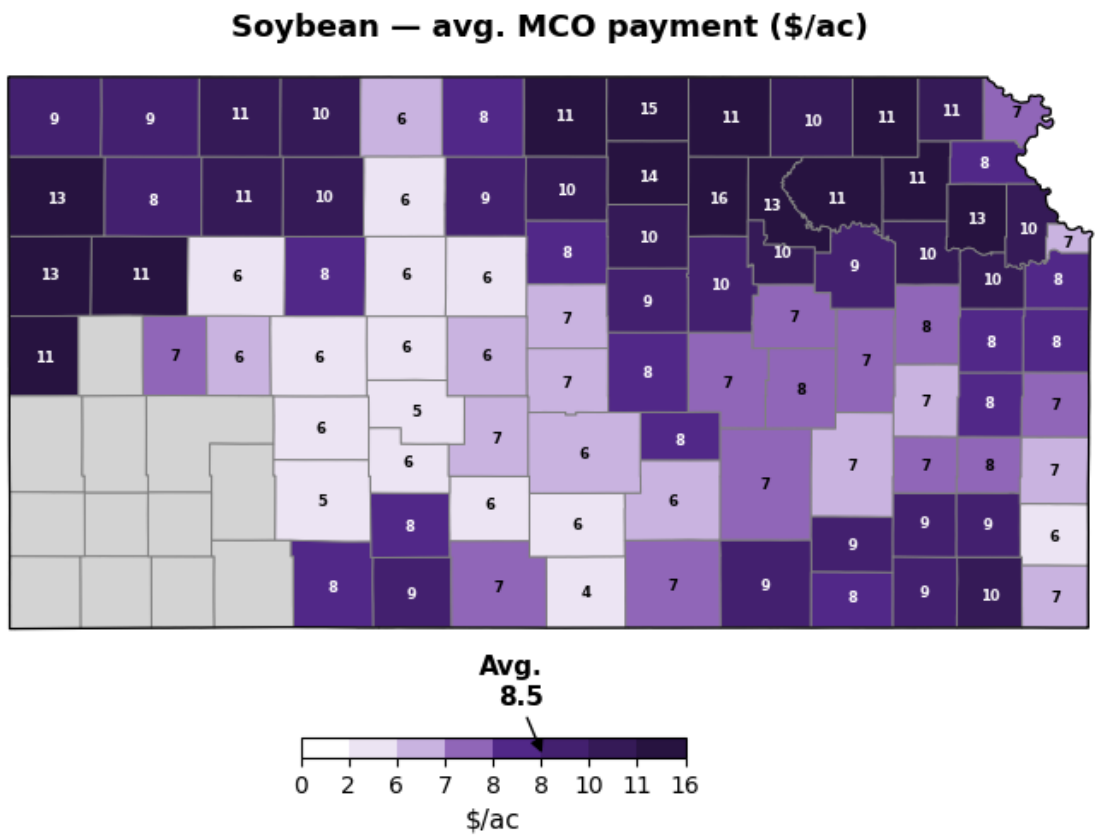




*Number of years out of 10

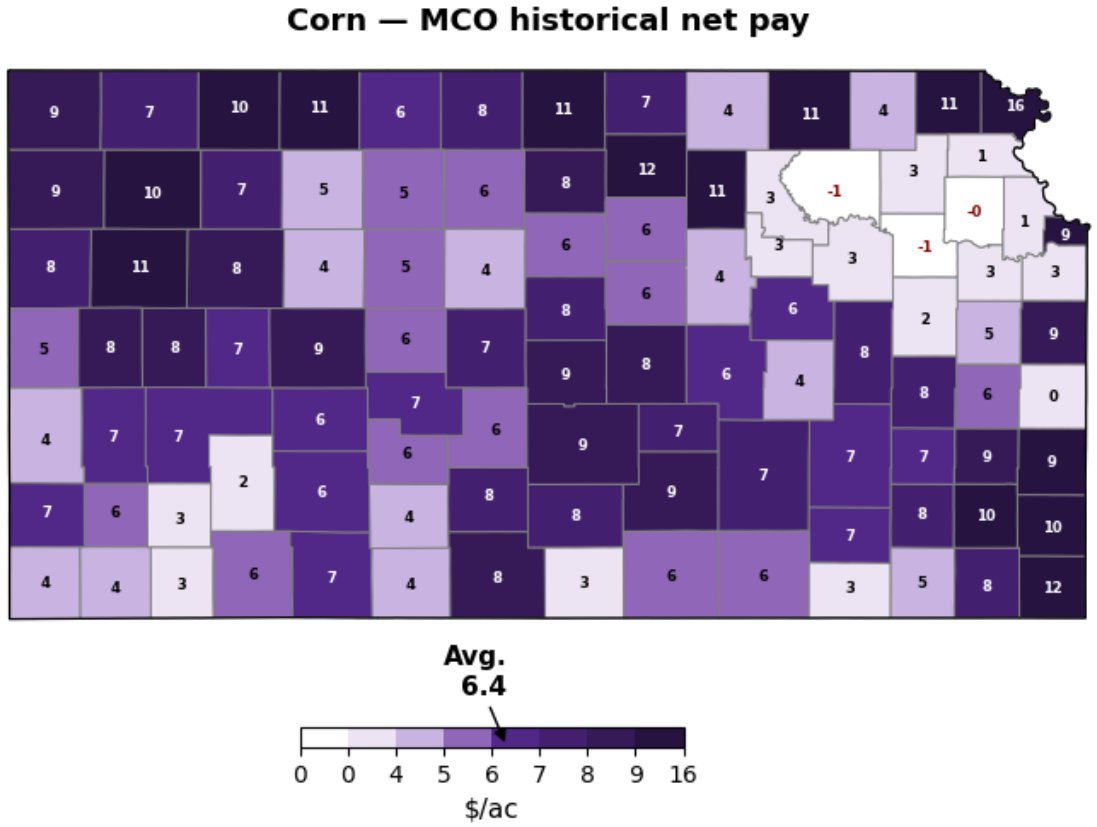
“Historical” MCO Payments, $/ac

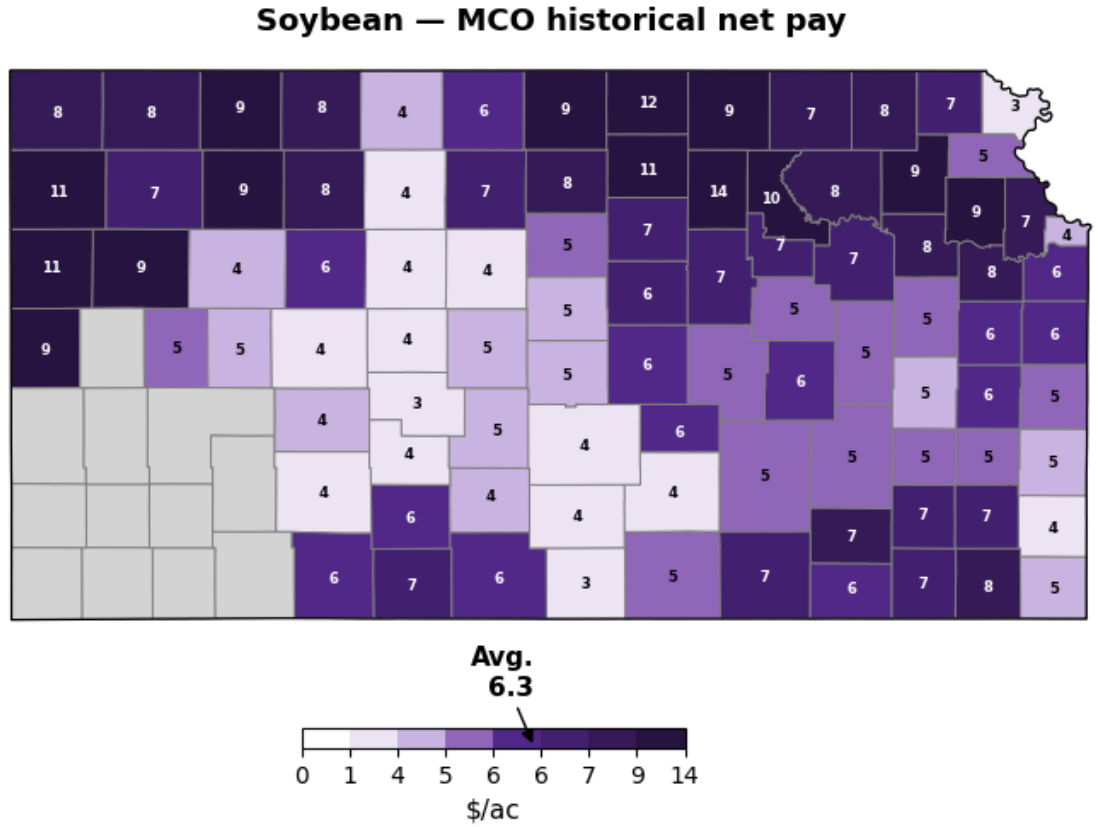




AgManager.info
Kansas State University Agricultural Economics
CFANS College of Food, Agricultural and Natural Resource Sciences
University of Minnesota Extension

“Historical” MCO Net Payments*, $/ac

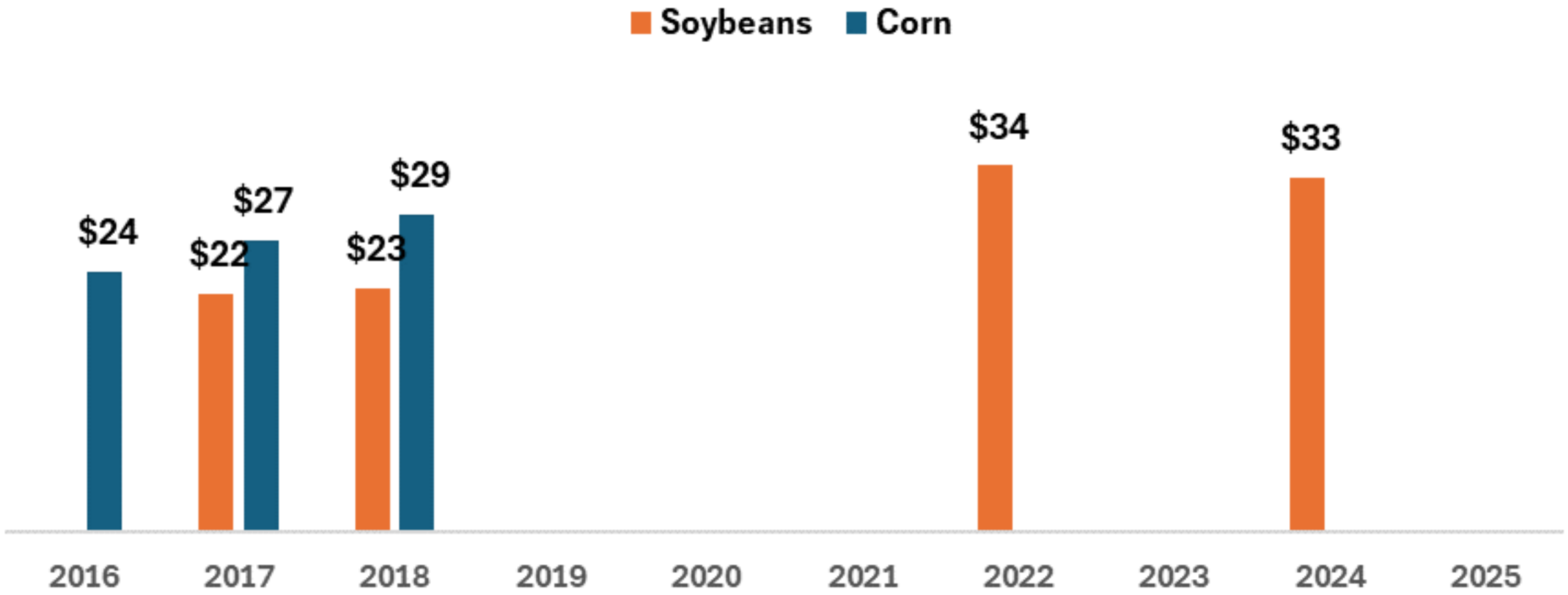




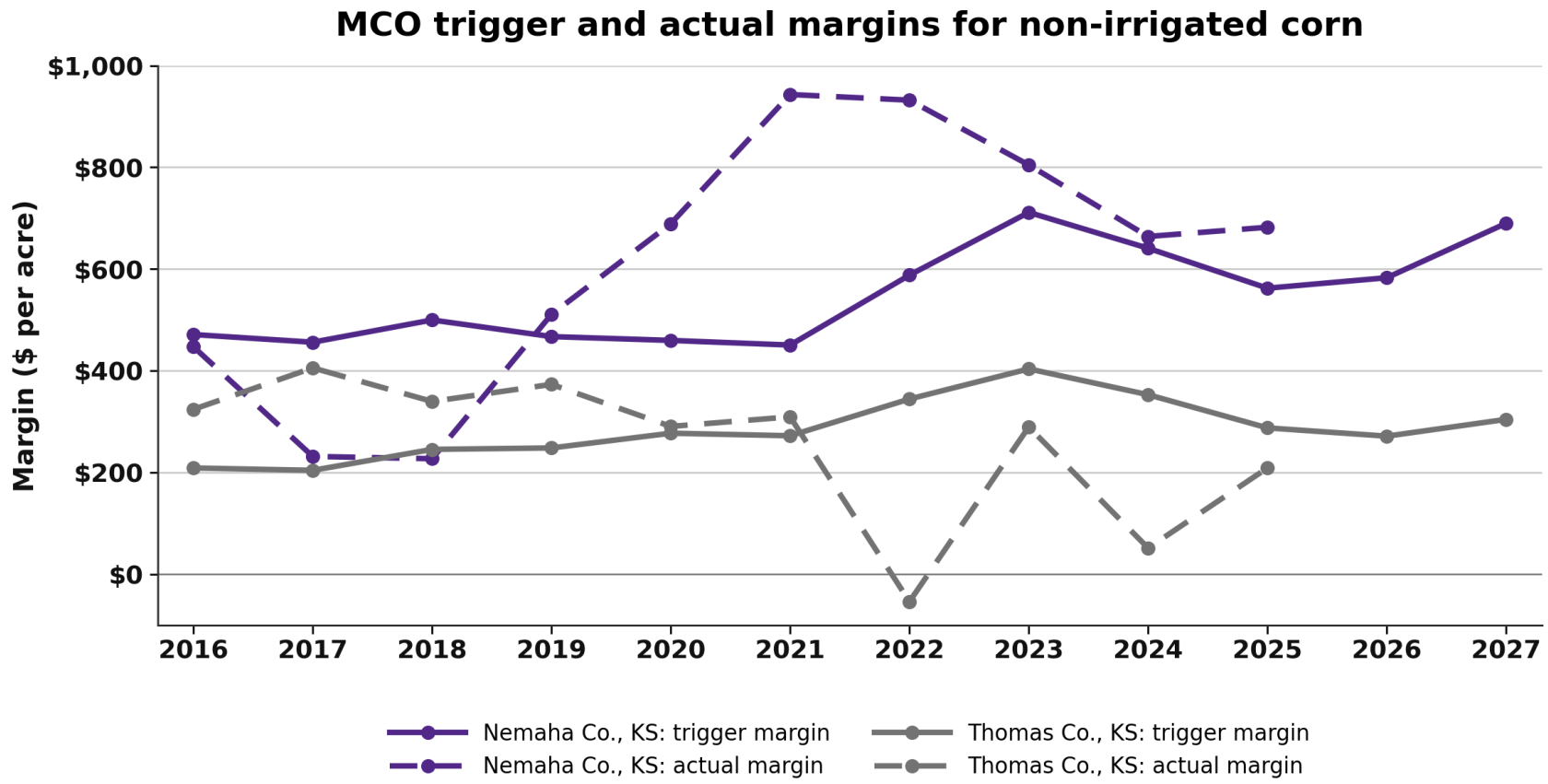
*MCO-RP; FPP with 80% subsidy, base rates from 2027, 95%-90%, and year specific projected prices.

AgManager.info | Kansas State University Agricultural Economics | CFANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

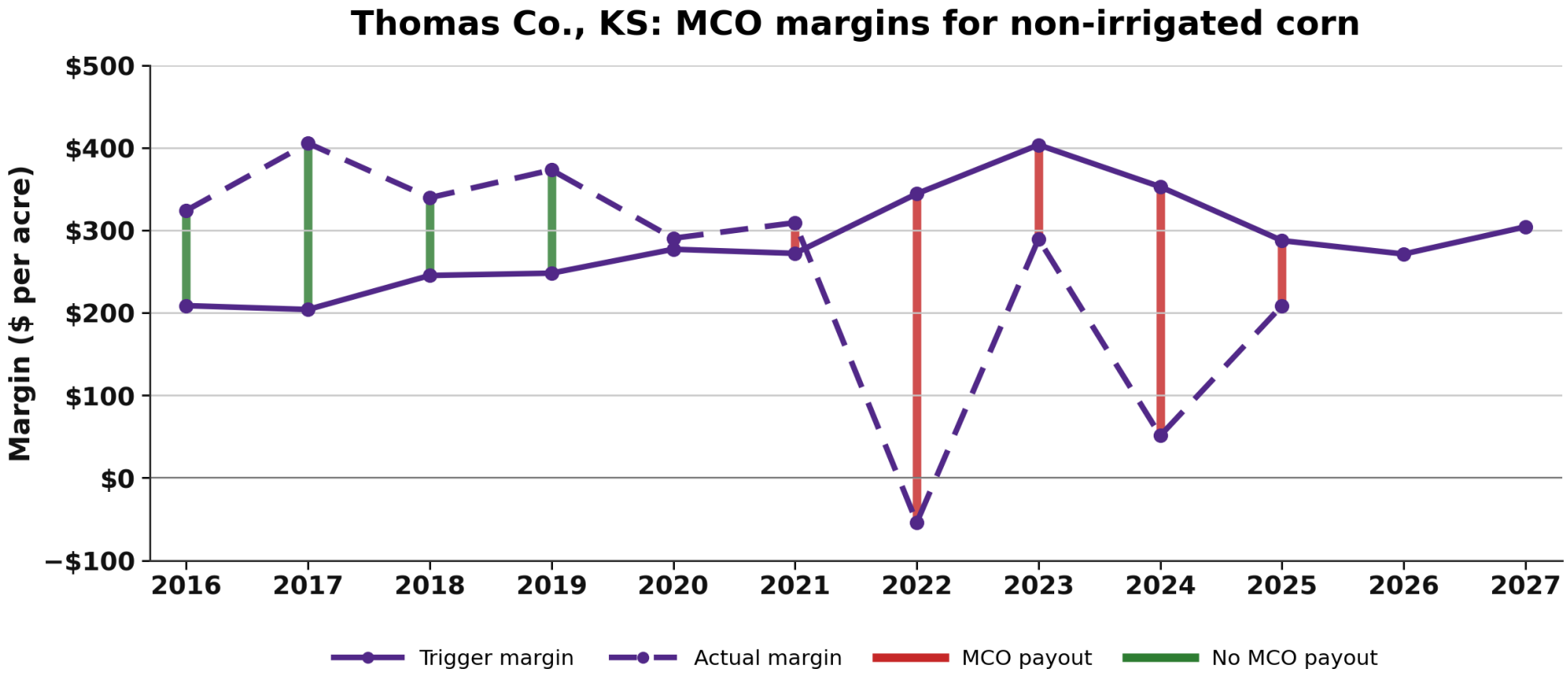
“Historical” MCO Payments, Nemaha County



"Historical" Margins



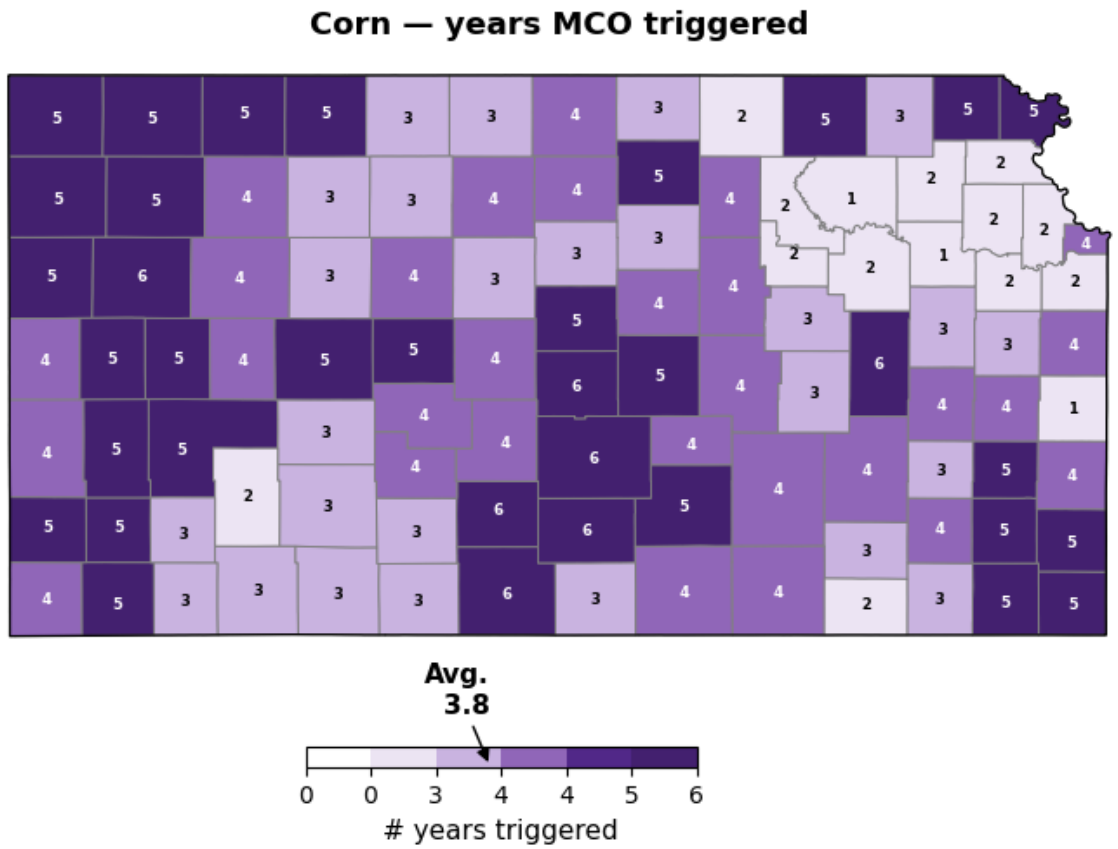
"Historical" Margins

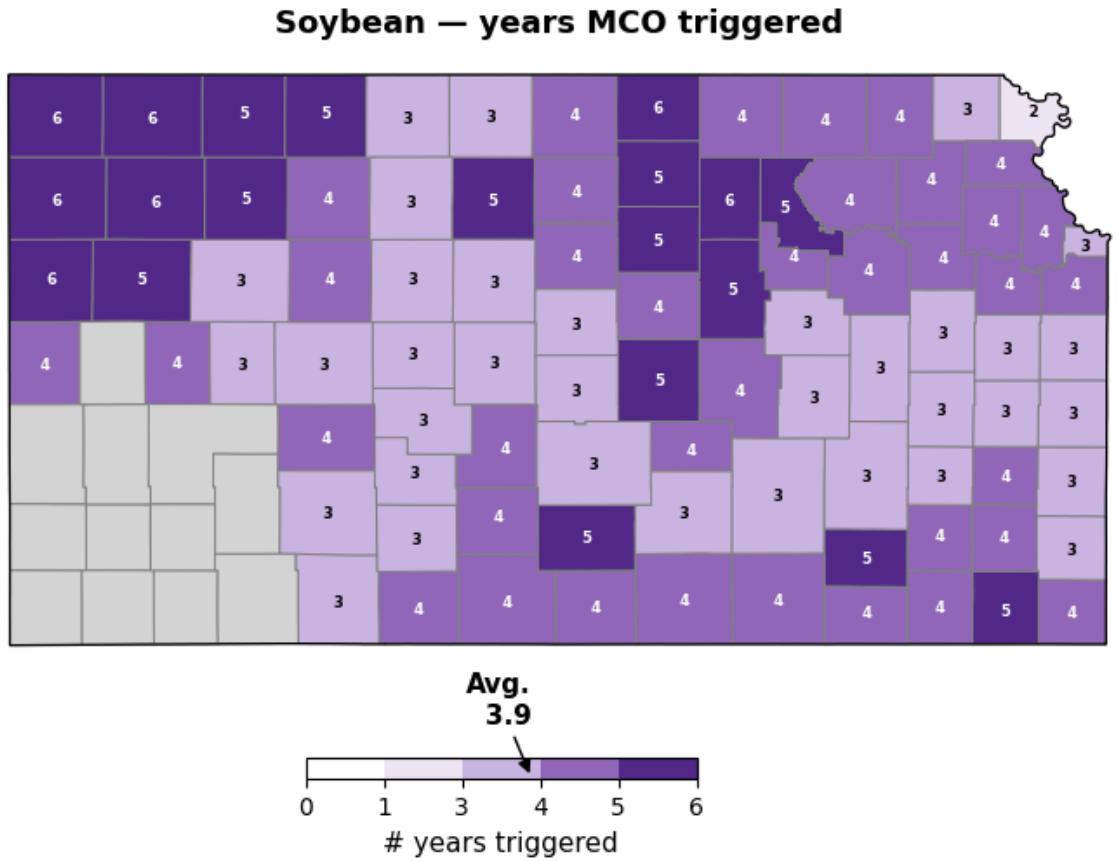


Note: A payout can occur even when actual margin exceeds the purchase-time trigger because the trigger increases when the harvest price exceeds the projected price (2021).

Note: a red line indicates a payout was made, not the total amount of the payout, which is limited to the guarantee

Number of Years that MCO triggered

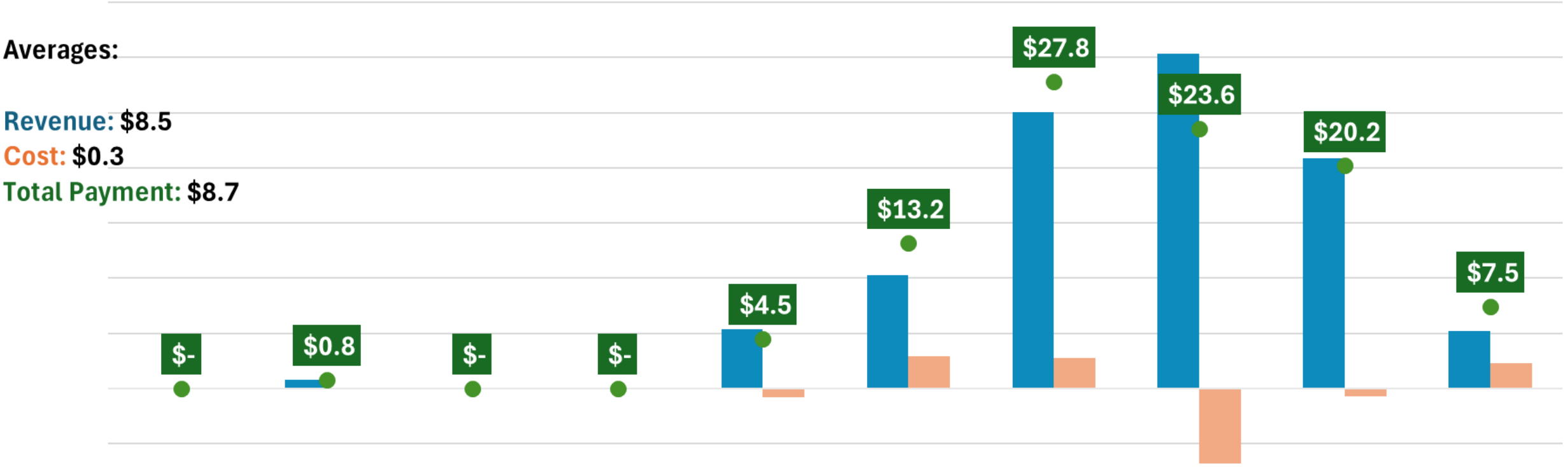




*Number of years out of 10

Does revenue or cost drive MCO payments? Corn

Northwest KS

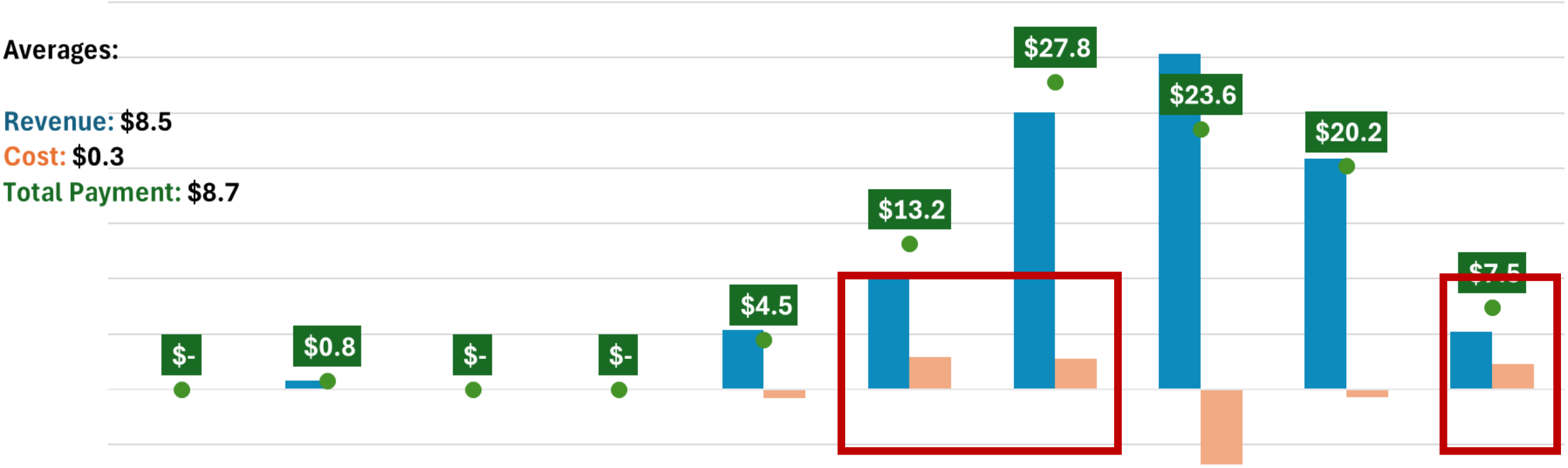


	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$-	$0.8	$-	$-	$5.3	$10.3	$25.1	$30.4	$20.9	$5.2
Cost	$-	$0.0	$-	$-	$(0.8)	$2.9	$2.8	$(6.8)	$(0.7)	$2.3
Total	$-	$0.8	$-	$-	$4.5	$13.2	$27.8	$23.6	$20.2	$7.5

AgManager.info | Kansas State University Agricultural Economics | CFANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

Does revenue or cost drive MCO payments? Corn

Northwest KS



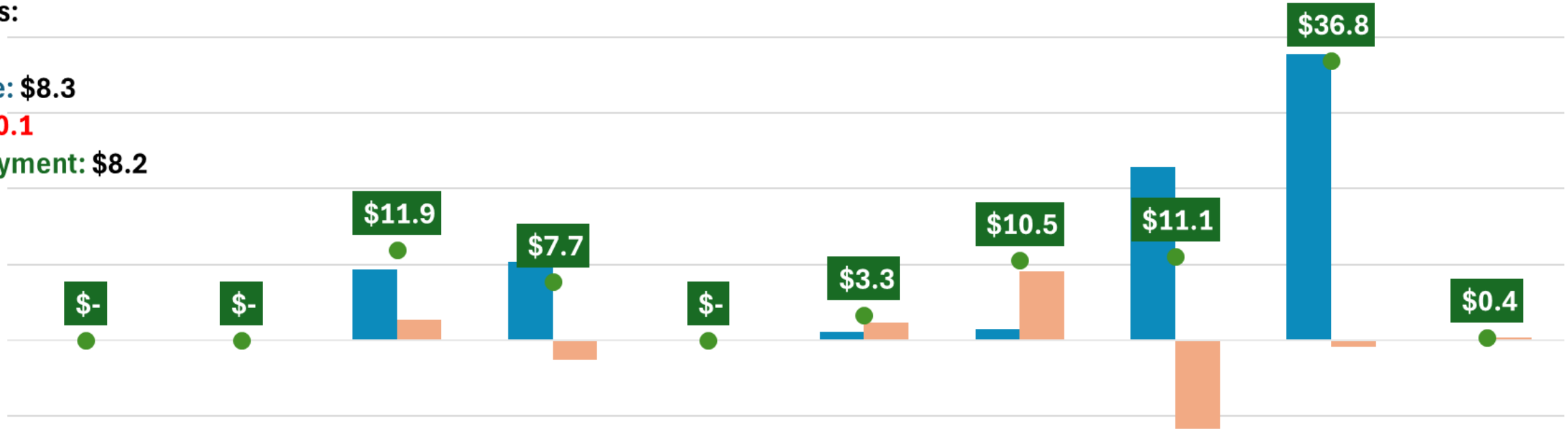
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$-	$0.8	$-	$-	$5.3	$10.3	$25.1	$30.4	$20.9	$5.2
Cost	$-	$0.0	$-	$-	$(0.8)	$2.9	$2.8	$(6.8)	$(0.7)	$2.3
Total	$-	$0.8	$-	$-	$4.5	$13.2	$27.8	$23.6	$20.2	$7.5

Does revenue or cost drive MCO payments? Soybean

Southwest and South-Central MN

Averages:

Revenue: $8.3
Cost: $-0.1
Total Payment: $8.2



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$-	$-	$9.3	$10.3	$-	$1.0	$1.5	$22.8	$37.7	$0.1
Cost	$-	$-	$2.6	$(2.7)	$-	$2.3	$9.1	$(11.8)	$(0.9)	$0.3
Total	$-	$-	$11.9	$7.7	$-	$3.3	$10.5	$11.1	$36.8	$0.4

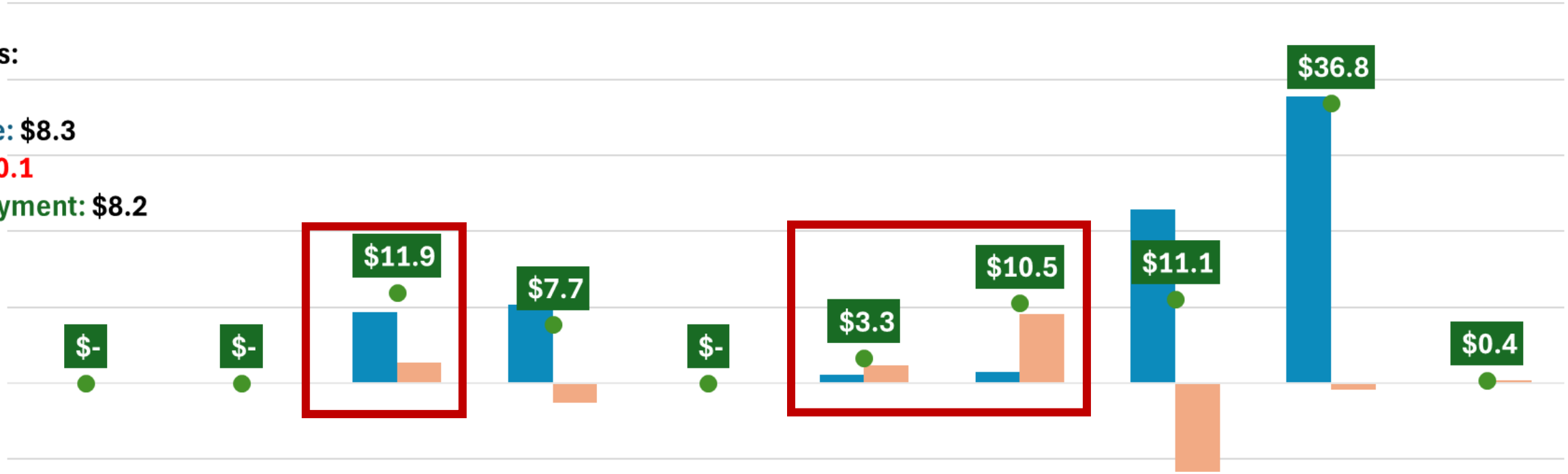
AgManager.info
Kansas State University Agricultural Economics
CFANS College of Food, Agricultural and Natural Resource Sciences
University of Minnesota Extension

Does revenue or cost drive MCO payments? Soybean

Southwest and South-Central MN

Averages:

Revenue: $8.3
Cost: $-0.1
Total Payment: $8.2

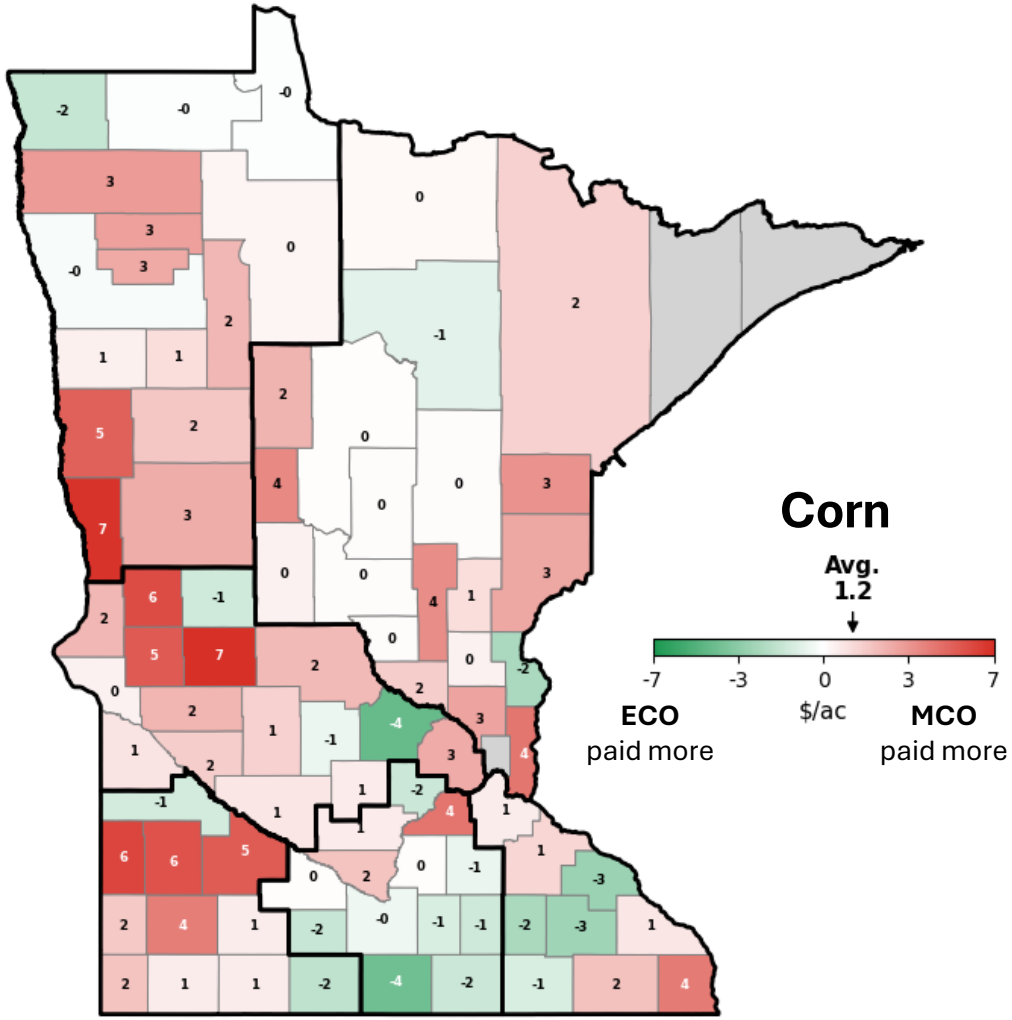


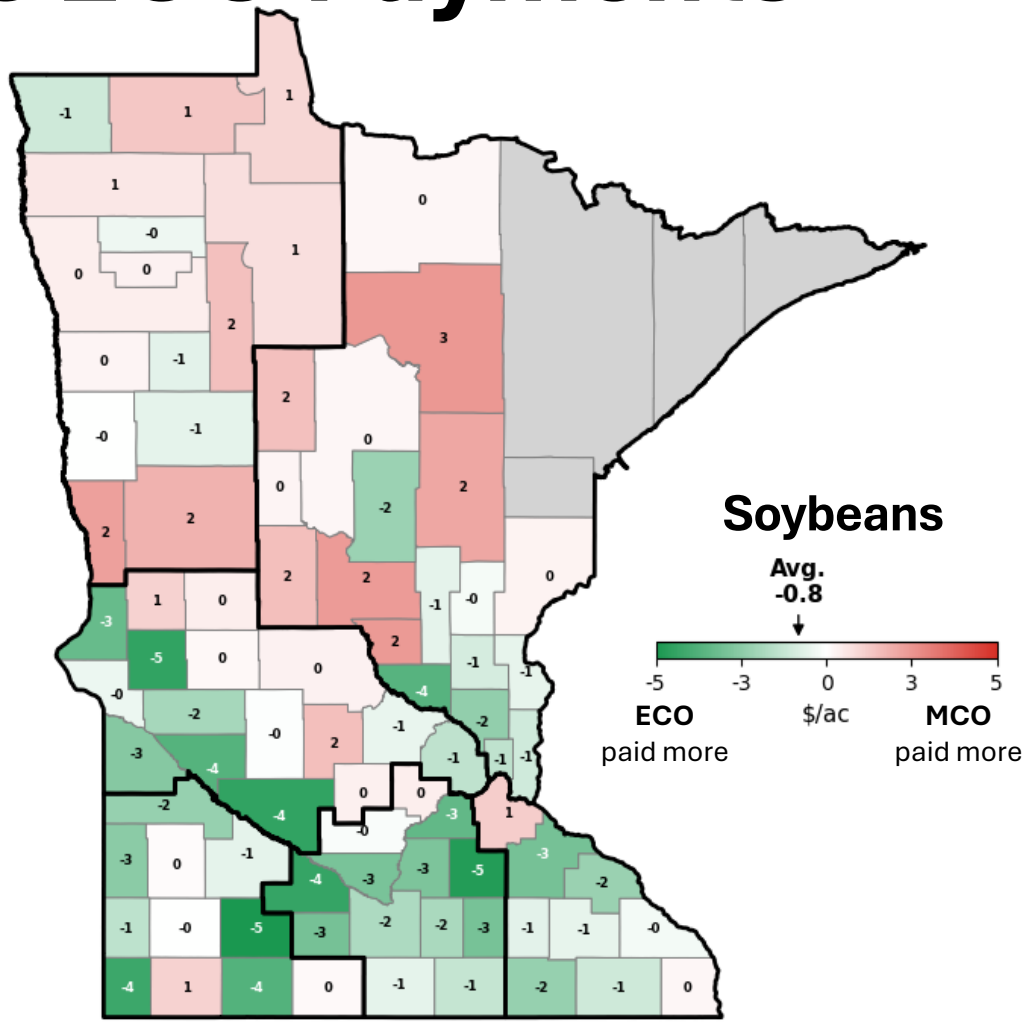
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$-	$-	$9.3	$10.3	$-	$1.0	$1.5	$22.8	$37.7	$0.1
Cost	$-	$-	$2.6	$(2.7)	$-	$2.3	$9.1	$(11.8)	$(0.9)	$0.3
Total	$-	$-	$11.9	$7.7	$-	$3.3	$10.5	$11.1	$36.8	$0.4

AgManager.info | Kansas State University Agricultural Economics | CFANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

MCO vs ECO Trade-off

“Historical” MCO minus ECO Payments*



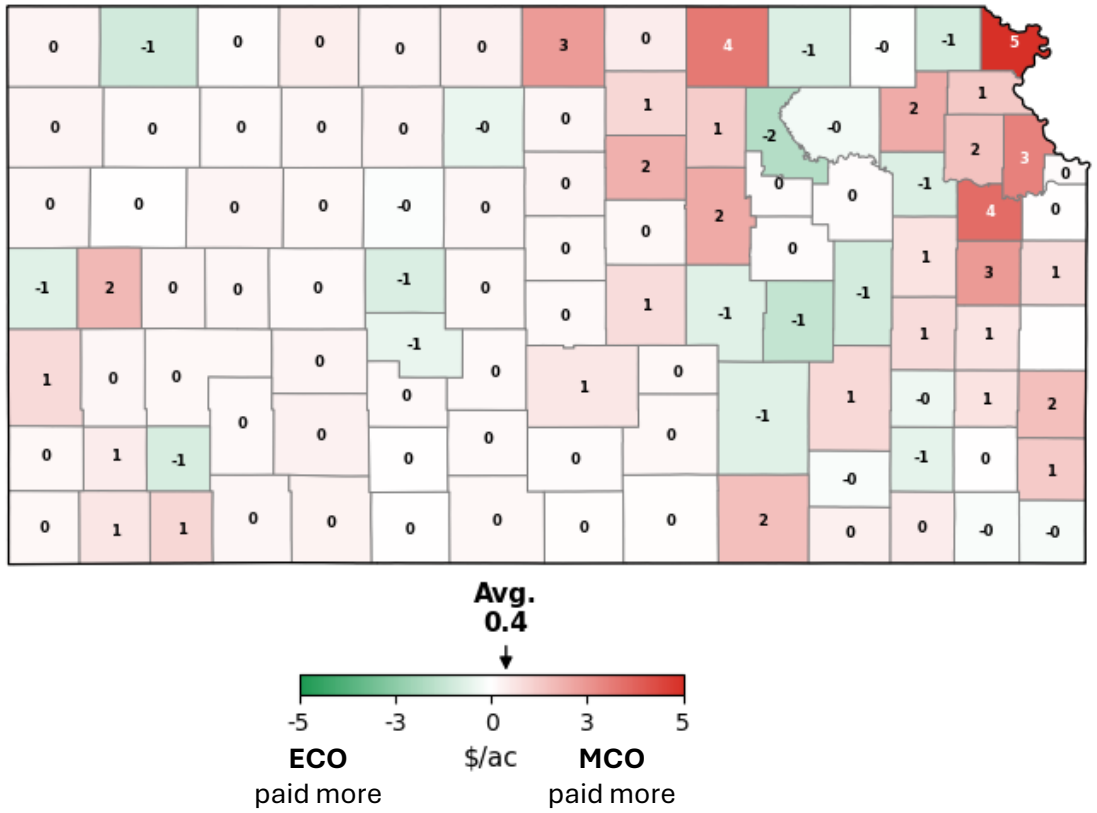


*Payments only, does not include premiums

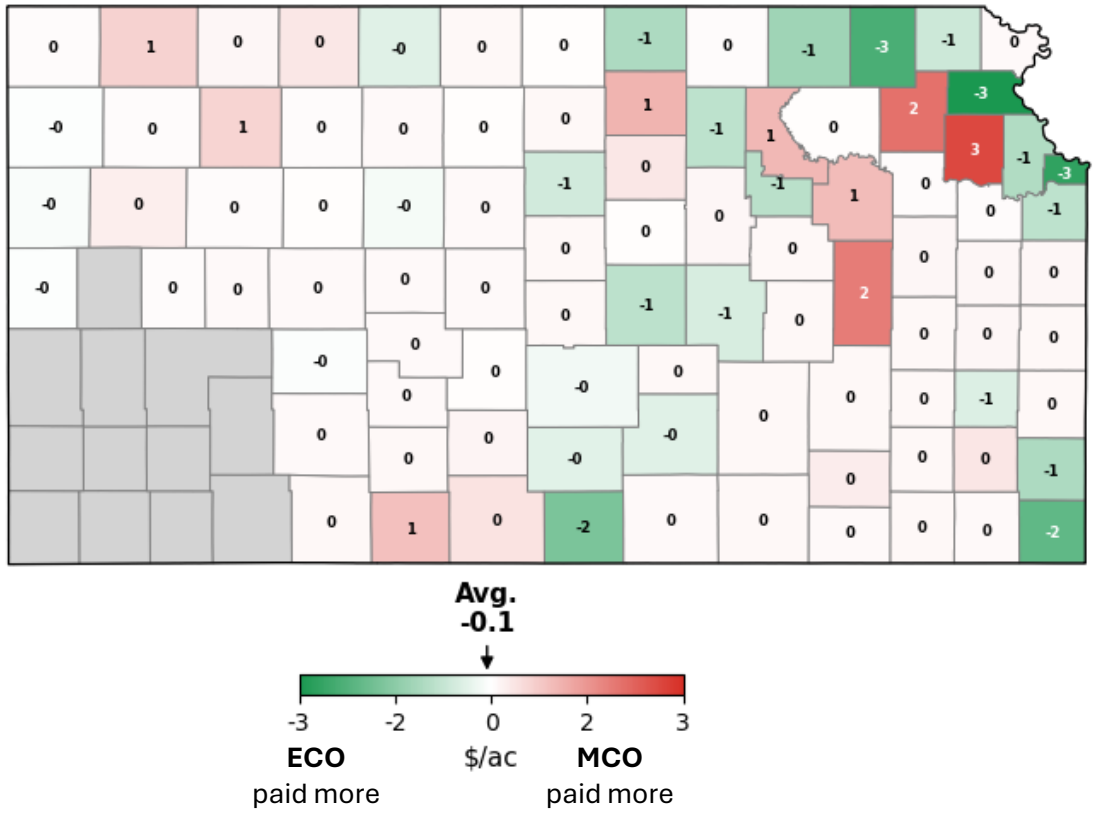
AgManager.info
Kansas State University Agricultural Economics
CFANS College of Food, Agricultural and Natural Resource Sciences
University of Minnesota Extension

“Historical” MCO minus ECO Payments*

Corn



Soybeans



*Payments only, does not include premiums

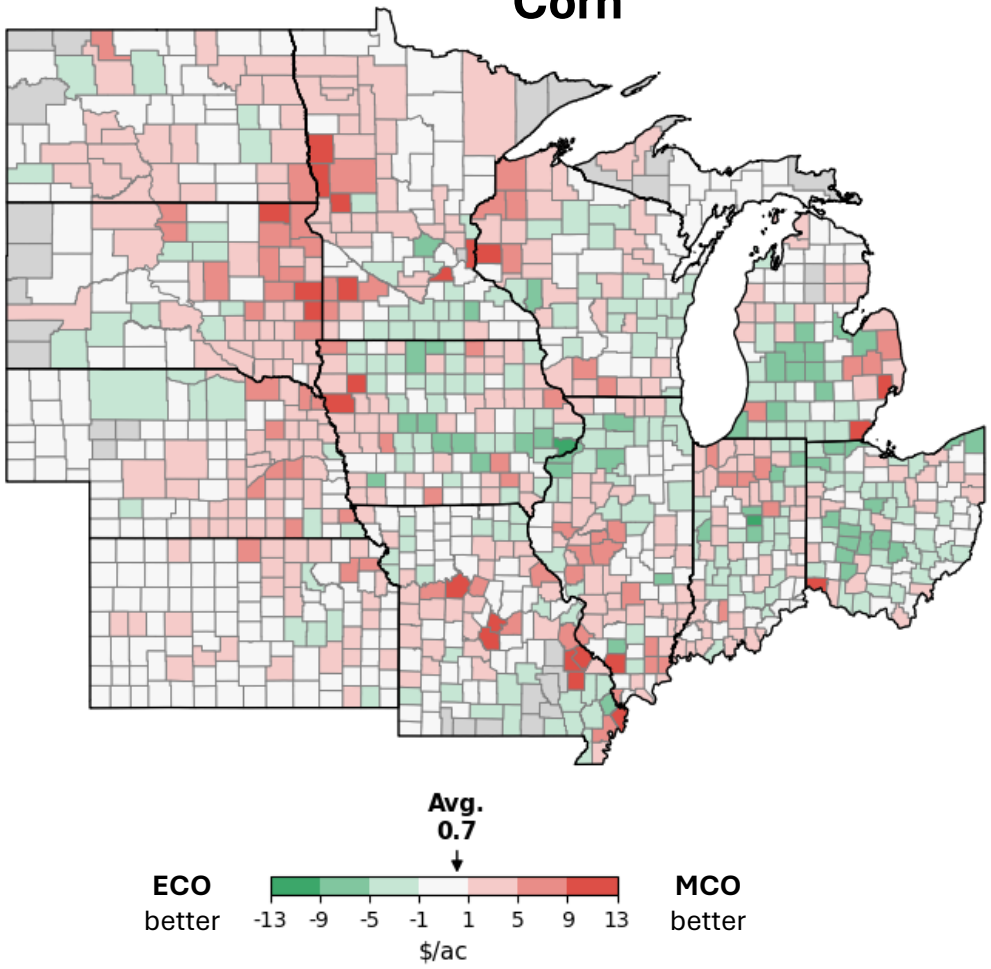
AgManager.info | Kansas State University Agricultural Economics

CFANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

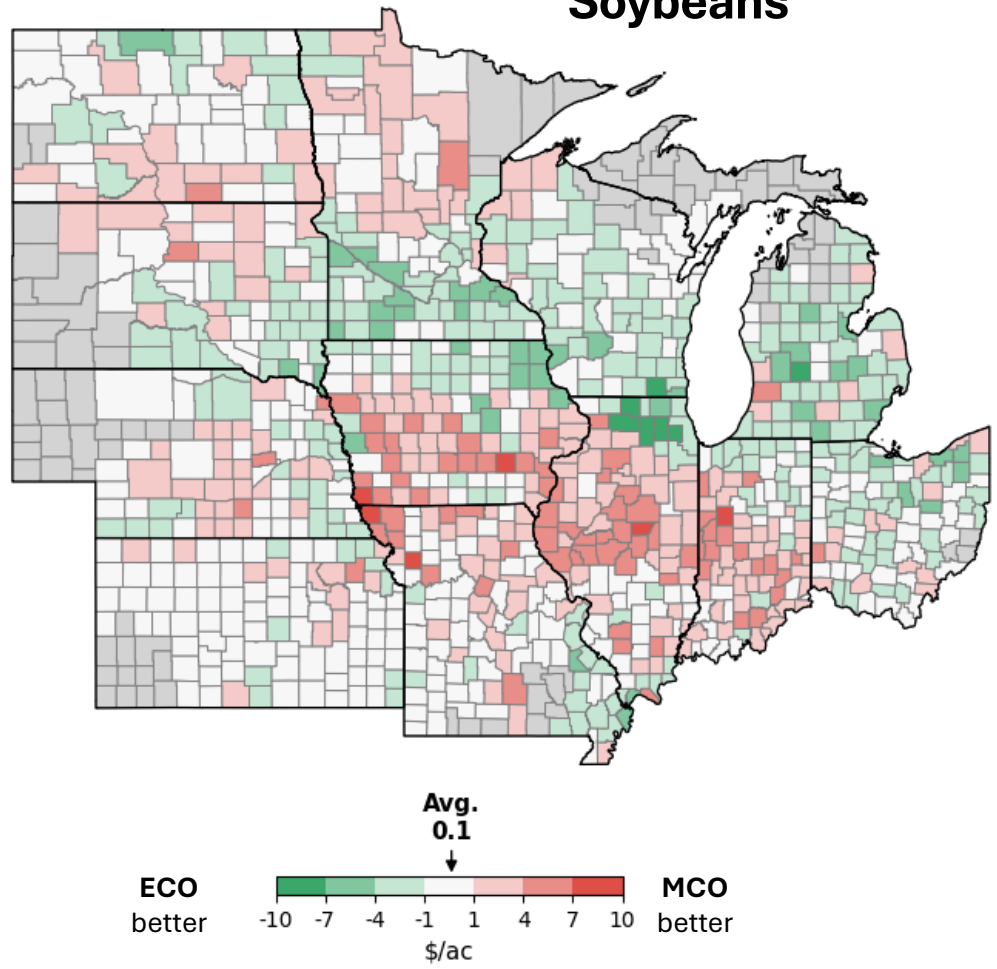
"Historical" MCO minus ECO Net Payments*

*MCO/ECO-RP; FPP with 80% subsidy, 95%-86%, base rates from 2026 and year specific projected prices, and IV

Corn



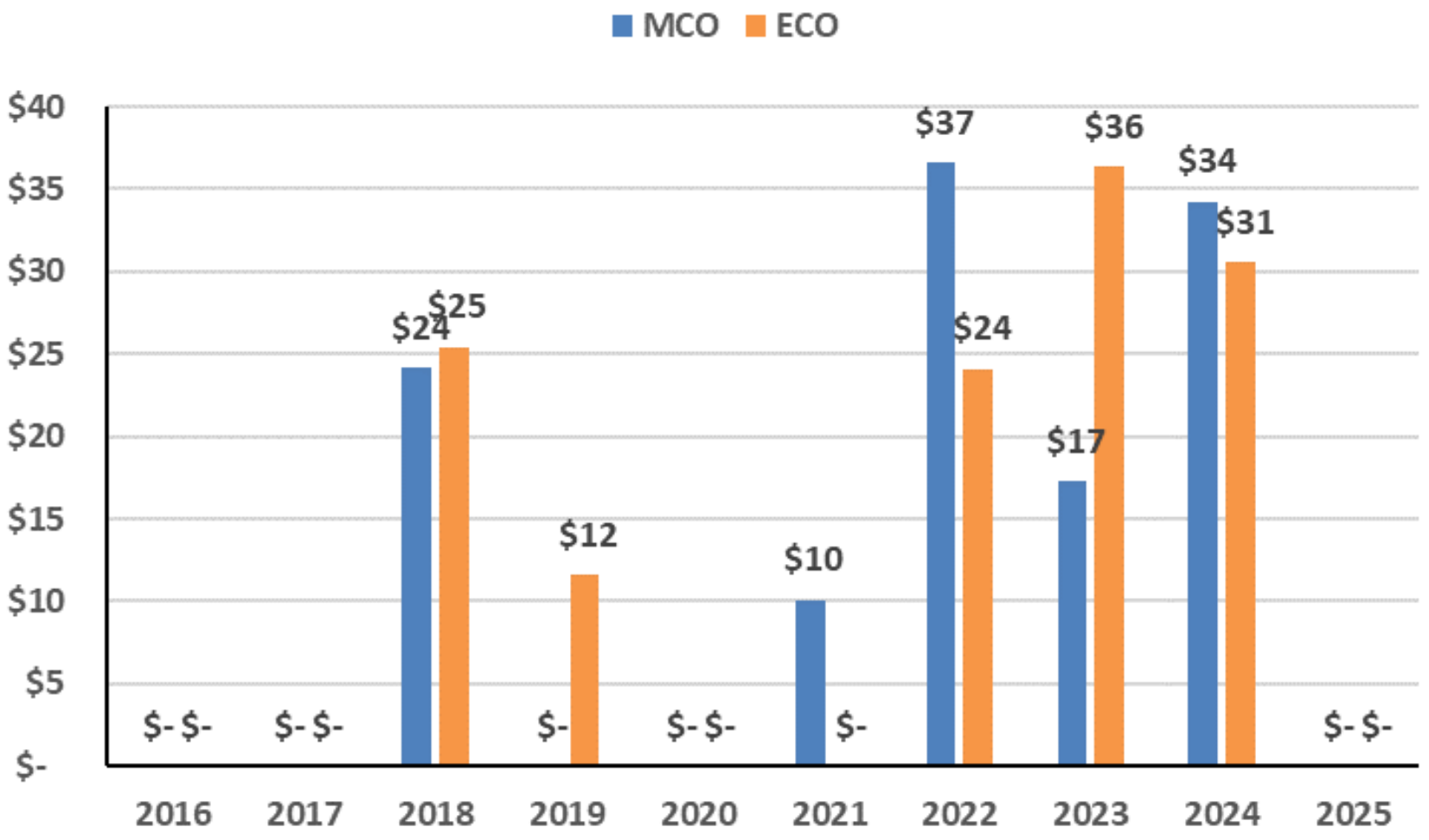
Soybeans



AgManager.info | Kansas State University Agricultural Economics | CFANS College of Food, Agricultural and Natural Resource Sciences | University of Minnesota Extension

MCO and ECO "historical" payments

Redwood County MN



Takeaways and final considerations

Add-on considerations

- Cashflow timing
  - Yields (and payments) known in the next year (June)
  - For MCO, decision is made in 2026 (for crop year 2027) and final yields known in June 2028
- Basis risk
  - County losses do not necessarily match farm losses
  - MCO basis risk applies to both revenue and cost
- Higher premium bill
  - potentially with many years between payouts

Considerations

- MCO may attractive if you are:
  - Expecting higher fall projected prices
  - iVol increasing through spring
  - Worried with cost shocks (geopolitical shocks??)

- MCO vs. ECO
  - Similar, especially if payouts are yield-driven over time
  - Similar, ON AVERAGE, but varies over time
  - Similar premiums if projected prices and iVol are comparable
  - With 80% subsidy, farmers regardless should come out ahead over time

Conclusion

- The most consequential question is too add-on or not add-on

- So now, MCO for 2027?
  - If long run LR > 0.5 , farmers should end up ahead on long run
  - Consider premiums
  - Estimate your payouts
  - Beliefs about prices

Additional Resource

- Demo of the spreadsheet

Questions?

Jenny Ifft
Kansas State University

jifft@ksu.edu
785-532-4486

Henrique Monaco
University of Minnesota

hmonaco@umn.edu

AgManager.info
Kansas State University Agricultural Economics
CFANS College of Food, Agricultural and Natural Resource Sciences
University of Minnesota Extension

For more information

AgManager.info:

https://agmanager.info/news/recent-videos/crop-insurance-catch-whats-new-supplemental-coverage-2027-sco-eco-mco

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