Farm Bill Extension Allows Farmers Another ARC/PLC Decision for 2025/2026 Marketing Year

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January 2025

With another extension of the 2018 Farm Bill, farmers are now able to make an election decision between commodity programs on their base acres for 2025. The decision between Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC) needs to be made by April 15th, 2025, and will be for the crop harvested in 2025, with payment (if any) being made in October of 2026.

The biggest difference in making the election decision in 2025 compared to previous years is higher reference and benchmark prices for both ARC and PLC. While these have separate formulas, both use Marketing Year Average (MYA) prices from 2019-2023, which contain historically high crop prices. At a time when current crop prices are dismal and outlook is uncertain, the higher reference and benchmark prices would lead one to conclude there is a higher likelihood of payments. The big question is how low could crop prices go in the 2025/2026 marketing year and what program will provide better protection and/or higher payment rates.

Table 1 shows the 2025 ARC price benchmarks compared to the PLC effective reference prices for the major Kansas commodities. If the county yield for 2025 came in right at average, ARC would start paying at 86% of the benchmark price, so those values are also listed in the table for comparison.

Table 1. ARC Benchmark Prices for 2025 Compared to PLC Effective Reference Prices

Crop Name	Barley	Corn	Grain Sorghum	Oats	Seed Cotton	Soybeans	Sunflower Seed	Wheat
2025 ARC Benchmark	$5.88	$5.03	$5.30	$3.76	$0.4051	$12.17	$0.2343	$6.72
86% of ARC Benchmark	$5.06	$4.33	$4.56	$3.23	$0.3484	$10.47	$0.2015	$5.78
PLC Effective Ref. Price	$4.95	$4.26	$4.51	$2.76	$0.3670	$9.66	$0.2015	$5.56

With the exception of seed cotton and sunflower seed, ARC-CO will pay at higher commodity prices than PLC with an average county yield, although with many commodities, the two values are similar. Soybeans has the most notable difference, where PLC will not pay unless the 2025/2026 MYA price would get below $9.66 per bushel, but with an average county yield ARC will start paying at $10.47 per bushel.

While the marketing year is a long ways off yet, several sources of 2025/2026 MYA prices are available, updated regularly, and compiled here: https://www.agmanager.info/crop-insurance/risk-management-strategies/projections-and-sources-mya-prices-arc-and-plc-commodity . Current projections are near or even

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slightly below these "trigger" prices for both PLC and 86% of the ARC benchmark. ARC-CO will pay at higher prices in the event of yield losses at the county level, and vice versa, where higher county yields will require lower prices to trigger an ARC-CO payment.

If commodity prices do start falling below current levels, farmers may consider PLC for better price protection. Remember, PLC will keep paying until commodity prices hit the loan rate, whereas ARC-CO hits a maximum payment rate at 10% of benchmark revenue. This may be the biggest factor in making the ARC or PLC decision this year. Farmers should consider at what MYA price the PLC payment will exceed the ARC-CO maximum, which is a county and farm-level specific threshold. A great tool for assessing potential ARC-CO versus PLC payments at various MYA price levels and county yields is the ARC/PLC Tradeoff spreadsheet found here: https://agmanager.info/ag-policy/2018-farm-bill/tradeoff-between-20252026-arc-and-plc .

An example for Nemaha County, KS non-irrigated corn is shown from this tool in Figure 2. All payments are shown per acre, which would be paid on 85% of the corn base acres of the farm. The first column gives various MYA prices that could occur in the 2025/2026 marketing year. The second column shows PLC payments at these various MYA price levels, given this farm's program yield of 119 bushels/acre. Notice that PLC payments do not start until the MYA price falls below $4.26 (the effective reference price). ARC-County payments make up the remainder of the table. At the various county yields across the top and MYA prices in the first column, revenue shortfalls produce the payments listed in the table. The important number is in red, which shows that the MYA price would need to be less than $3.48 for PLC to pay more than the ARC-County maximum. Again, this differs in each county and by an individual farm's program yield. This tool is available for all covered commodities and all counties in the U.S.

Figure 2. Snapshot of KSU Tradeoff Spreadsheet Tool with Nemaha County Corn example

ARC Payments vs. PLC Payments Under Different Yields and Prices for 2025/2026 Marketing Year

State: Kansas
County: Nemaha   **Crop:** Corn   **Type:** Nonirrigated

	ARC		PLC	
5 Yr. Olympic Avg. County Yield	184.05	Bushels	Program Yield	119.0 Bushels
5 Yr. Olympic Avg. MYA Price	$5.03		Eff. Reference Price	$4.26
Benchmark Revenue	$925.77			
Guaranteed Revenue	$796.16		PLC> ARC-CO max @	$3.48

MYA Price	PLC Payment	Yield 60	75	94	118	147	184	202	221
		ARC Payment							
$7.22	$0.00	$92.58	$92.58	$92.58	$0.00	$0.00	$0.00	$0.00	$0.00
$6.91	$0.00	$92.58	$92.58	$92.58	$0.00	$0.00	$0.00	$0.00	$0.00
$6.61	$0.00	$92.58	$92.58	$92.58	$16.18	$0.00	$0.00	$0.00	$0.00
$6.33	$0.00	$92.58	$92.58	$92.58	$49.22	$0.00	$0.00	$0.00	$0.00
$6.06	$0.00	$92.58	$92.58	$92.58	$81.08	$0.00	$0.00	$0.00	$0.00
$5.80	$0.00	$92.58	$92.58	$92.58	$92.58	$0.00	$0.00	$0.00	$0.00
$5.55	$0.00	$92.58	$92.58	$92.58	$92.58	$0.00	$0.00	$0.00	$0.00
$5.31	$0.00	$92.58	$92.58	$92.58	$92.58	$15.59	$0.00	$0.00	$0.00
$5.08	$0.00	$92.58	$92.58	$92.58	$92.58	$49.40	$0.00	$0.00	$0.00
$4.86	$0.00	$92.58	$92.58	$92.58	$92.58	$81.74	$0.00	$0.00	$0.00
$4.65	$0.00	$92.58	$92.58	$92.58	$92.58	$92.58	$0.00	$0.00	$0.00
$4.45	$0.00	$92.58	$92.58	$92.58	$92.58	$92.58	$0.00	$0.00	$0.00
$4.26	$0.00	$92.58	$92.58	$92.58	$92.58	$92.58	$12.32	$0.00	$0.00
$4.11	$17.86	$92.58	$92.58	$92.58	$92.58	$92.58	$39.92	$0.00	$0.00
$3.97	$34.52	$92.58	$92.58	$92.58	$92.58	$92.58	$65.68	$0.00	$0.00
$3.83	$51.19	$92.58	$92.58	$92.58	$92.58	$92.58	$91.44	$22.50	$0.00
$3.70	$66.66	$92.58	$92.58	$92.58	$92.58	$92.58	$92.58	$48.76	$0.00
$3.57	$82.14	$92.58	$92.58	$92.58	$92.58	$92.58	$92.58	$75.02	$7.19

The other factor in the ARC/PLC decision is whether you want to use the Supplemental Coverage Option (SCO) on your crop insurance. SCO provides coverage from your individual crop insurance level up to 86% of your projected revenue. SCO triggers off of the county yield however and cannot be used if the base acres of the farm are enrolled in ARC-CO for that commodity. SCO premiums are subsidized at a 65% level, leaving the producer only needing to pay 35% of the premium. While it is county-based coverage and not individual, the subsidy level would lead a person to believe it should pay off in the long-run (assuming the product is properly rated). The premiums may still be cost-prohibitive for many farmers, however, and this decision will need to be made by March 15th, 2025, before the farm program election is due.

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Refreshers on ARC, PLC, and other Important Items

A major point to understand about this decision is when the marketing year actually starts and when the payments (if any) will be received. For fall crops (corn, soybeans, grain sorghum), the marketing year will not start until September 1st, 2025 and will run through August 31st, 2026. Each month, the national price released by National Agricultural Statistics Service (NASS) will be weighted based on the amount of grain sold in that month, to determine a single national price for the entire 2025/2026 marketing season. Similarly, the wheat marketing year will start June 1st, 2025 and run through May 31st, 2026 and payments, if any, will be received in October of 2026. The current commodity prices that we see now may not necessarily hold for the life of this current decision.

PLC payments are made when the Marketing Year Average (MYA) price drops below a certain threshold, called the effective reference price (listed in Table 1). The difference between the effective reference price and the MYA price is the payment rate, which is multiplied by the established farm yield (PLC yield) with Farm Service Agency (FSA) and then by 85% of the base acres of that commodity. Payments are capped when the MYA price falls below the loan rate, making them quite large in years that the MYA price is low.

Turning to a review of ARC, recall that ARC can either be selected at the county level, which pays on 85% of base in each commodity, or individual level, in which all crops on the farm are enrolled and payments are made on 65% of the entire base. ARC at the county level (ARC-CO) was only discussed here, as ARC-Individual has had very little use in Kansas. ARC-CO is a revenue program, where 5 years of national MYA price and 5 years of county-level yield are used to set a benchmark revenue value, with the guarantee being 86% of that benchmark. If the current year revenue (national MYA price * actual county yield) falls below the guarantee, payment is made in the amount of the difference, up to 10% of the benchmark revenue. The payment being capped at 10% of the benchmark revenue is really the downfall of this program and in years of low prices can make PLC the better choice. Historical payments in the ARC-County program are crop and county-specific but can be found here: https://agmanager.info/ag-policy/arc-co-actual-payment-maps .

Finally, remember that these decisions are made at the farm level, meaning a different decision can be made for each FSA farm number. If one wants to put some base in each program for each crop, that can be a good strategy with multiple FSA farm numbers. Farms that have a higher program yield would be the preferred farms for PLC.

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