

Frequently Asked Questions: Crop Provisions of the One Big Beautiful Bill Act

Robin Reid (robinreid@ksu.edu) – K-State Department of Agricultural Economics

Dr. Jennifer Ifft (jiff@ksu.edu) – K-State Department of Agricultural Economics

November 2025

1. What Farm Bill crop commodity programs were updated by the One Big Beautiful Bill Act?

Farmers with base acres have the same options as the 2018 Farm Bill; Agricultural Risk Coverage at the County Level (ARC-County), Agricultural Risk Coverage at the Individual Level (ARC-Individual), and Price Loss Coverage (PLC).

2. How is the PLC guarantee set?

PLC payments are dependent on national commodity prices and not related to actual yield, therefore this program offers **price protection only**. The PLC guarantee uses the “effective reference price” to set a price floor. This is calculated as 88% of the last 5 years Marketing Year Average prices (see Question 10) but cannot go lower than prices set in legislation (statutory reference prices) or no higher than 113% of statutory prices. New statutory reference prices for common Kansas commodities are \$6.35 for wheat, \$4.40 for sorghum, \$4.10 for corn, and \$10.00 for soybeans. There will also be a 0.5% annual escalator on statutory reference prices starting in 2031.

3. When is a PLC payment received?

Payment is made if the Marketing Year Average (MYA) price (see Question 10) falls below the PLC effective reference price (price floor). The payment is calculated by taking the difference in the MYA price and the PLC effective reference price, multiplied by the farm’s program yield established with Farm Service Agency (FSA). Payment is made on 85% of the farm’s base acres assigned to that commodity and will be issued the October following the year of harvest.

4. How is the ARC-County guarantee set?

The ARC program offers **revenue** protection. The ARC-County guarantee is set by multiplying the 5-year moving Olympic average (see Question 11) MYA price by the 5-year moving Olympic average County Yield (with low years being replaced with 80% of the county transitional yield and a trend adjustment applied) and then by 90% (to factor in a 10% deductible). Many counties will have a separate revenue guarantee for both irrigated and dryland production practices.



5. How is the ARC-Individual guarantee set?

With ARC-Individual the guarantee is a whole farm revenue guarantee, based on a 5-year moving Olympic average of revenues. Historical revenues are calculated by multiplying the MYA price by the farm's actual yields of each covered commodity. The current year guarantee is set in proportion to planted acres of each commodity in that year. All covered commodities are combined to determine the guarantee, and losses are paid at the whole farm level.

6. How is an ARC payment received?

If a farmer selects ARC-County, the farmer will receive payment if the actual county revenue is less than the guarantee. Actual county revenue is determined by the current year's MYA price multiplied by the current year's county yield. Payment is made on 85% of the farm's base acres assigned to that commodity and will be issued the October following the year of harvest.

If ARC-Individual is selected, a payment will be received if whole farm revenue is below the guarantee. The payment will be in the amount of the difference between the guarantee and the actual revenue, times 65% of the total base acres.

Both ARC-County and ARC-Individual are subject to a 12% maximum payment amount (see Question 7). ARC payments are dependent on revenue, so losses in price or yield (or both) can trigger a payment.

7. How are ARC payments capped at 12%?

The maximum payment per acre that a producer can receive from ARC (both county and individual) is 12% of the benchmark revenue, which is the revenue amount that is determined before the 10% deductible is applied. For example, if the 5-year Olympic average price on corn is \$4.00, and the 5-year Olympic average county yield is 100 bushels, the benchmark revenue is \$400.00. The 12% maximum payment that could be received per acre would be \$48.00 per acre.

8. What is the difference between ARC at the county level versus the individual level?

If a farmer enrolls in ARC at the county level (ARC-County), they will receive payment on 85% of their base acres determined by the difference in current year county level revenue and the guarantee (see Questions 4 & 6). They will also have the freedom to enroll some commodities in ARC and some in PLC.

If a farmer chooses ARC at the individual level (ARC-Individual), they will only receive payment on 65% of the **total** base acreage determined by the difference between farm revenue and the guarantee. To choose this option, all crops by farm serial number must be enrolled together.



9. What source of data is used to calculate the county yield for the ARC program?

FSA is to first look at county yields reported by the Risk Management Agency (crop insurance data). If there is no yield reported or low representation of insured acres in a county, they can also look at National Agricultural Statistics Service (NASS) survey data or rely on their county/state FSA committees to make final determinations on county yields.

10. What county will my ARC-County payment be calculated on?

ARC-County payments are based on the county the ground is physically located in (not the administrative county). If a farm has tracts within multiple counties, the payment will be weighted based on acres in each county.

11. How is the Marketing Year Average (MYA) Calculated?

Marketing years correspond to when the crop was harvested until the next harvest. For corn, sorghum, and soybeans, the Marketing Year starts on September 1 and ends on August 31 of the next year. For wheat, the Marketing Year starts on June 1 and ends on May 31 of the next year. The national average price each month is multiplied by the percentage of the crop marketed that month and then these weighted prices are added up to become the Marketing Year Average. Because the Marketing Year Average will not be known until just before the next year's harvest, payments for PLC and ARC programs (if any) will not be received until October of the following year after harvest.

12. What is an Olympic Average?

Olympic Averages are used in many farm programs. Out of 5 years, the highest and lowest numbers are dropped and the remaining 3 numbers are averaged together. This reduces volatility in the average. For example, an Olympic average of the previous 5 year's MYA prices (with a lag year) is used in setting the ARC benchmark revenue. The lowest and highest prices would be dropped and the remaining 3 prices would be averaged.

The ARC benchmark and the PLC effective reference prices are "moving" averages, meaning the guarantee will move with subsequent years. For example, the 2026 ARC guarantee will be set using prices and yields from 2020-2024. In 2027, the "moving Olympic average" will use 2021-2025 figures.

13. Once a farmer signs up for a program can they change their decision?

Normally no. But, for crops harvested in 2025 ONLY, the higher of the calculated ARC-County or PLC payment will be made in October 2026. Producers will then go back to annual ARC/PLC elections starting in the spring of 2026, for payment to be made in October of 2027.



14. What is the total amount of ARC & PLC payments a farmer can receive?

Both ARC and PLC have a \$155,000 limit per individual actively involved in farming per year. Any individual with an average Adjusted Gross Income (AGI) over \$900,000 is ineligible to receive farm program payments (unless greater than 75% of AGI is from farming). Spouses and entity structures can receive additional payment limits, if they qualify. It is best to speak with your accountant and legal professional to determine the number of payment limitations the farm qualifies for.

15. Which farm program(s) and features should be chosen?

This comes down to is the risk preference of the farmer and their expectations for prices and yields. PLC offers more protection against price decline and pays out until prices drop to the marketing loan rate. ARC offers revenue coverage (protection against low prices and/or yields) but is a shallow loss program, since the maximum payment per acre is 12% of benchmark revenue. Both programs are subject to the same total payment limitations (see Question 14).

While there is no way to predict the markets exactly over the course of the program, there are tools to help producers choose what is best for their operation. Current publications on a host of topics are available on www.AgManager.info under the “Ag Policy” heading. Check often, or sign-up for the free email from KSU that will notify when new information is posted on AgManager.

16. Does the landlord or tenant decide the program?

Program Election (PLC or ARC) is the decision of the person that has the risk on the operation. If it is a cash lease, it is the tenant’s decision, and they will receive the payment (if any). If it is a crop-share, all parties involved (landlord and tenant) must agree on a program, and the payment (if any) is split in proportion to the share of the crop each party receives. Program election is by FSA Farm number, so only those involved with that farm number will have to agree.

For flexible or hybrid leases, the tenant and landlord may have lease terms that dictate whether and how program payments will be split, but the payment from FSA will physically come to the tenant if the landowner does not receive part of the crop for a lease payment.

17. What are base acres?

Both ARC and PLC make payments on the base acres of the farm. These were established in the 1996 Farm Bill (Freedom to Farm), which “decoupled” what a farm was planting to what crops the farm program payments were made on, so as not to influence what crops farmers decided to plant. Base acres are meant to reflect the normal amount of planted acres on the farm in proportion to the historical crops planted, but, for many operations, the actual crops that are planted have changed over time. The One Big Beautiful Bill Act will give farmers the opportunity to increase their base acres if they are planting more acres than they have in base, but details are still pending on how this will happen starting with the 2026 crop. Existing base acres will **not** change.



18. What changes were made to crop insurance in One Big Beautiful Bill Act?

Most crop policies, including Revenue Protection (RP), Revenue Protection with Harvest Price Exclusion (RP-HPE) and Yield Protection (YP), have increased federal premium subsidies, meaning the farmer will pay a lesser share of the full premium cost and likely will see reductions in their cost.

The definition of a beginning farmer was increased to 10 years. The additional premium subsidy for beginning producers increased to 15% in year 1, gradually declining to 10% in year 10. Beginning farmer benefits end after 10 years.

All high-coverage policy or endorsements (SCO, ECO, and MCO) are now subsidized 80% by the federal government (farmers only pay 20% of the premium cost). Despite the high premium subsidy, all endorsements still carry significant farmer premiums because they are likely to pay out frequently. However, it is possible that several years can pass without a payout. These endorsements can be purchased regardless of whether a producer elects ARC or PLC. Payouts are triggered based on county yield outcomes, not farm yields. As such, payouts are made after county yields are released around June of the following year (for example, June 2026 for the 2025 harvested crop).

19. What is the Supplemental Coverage Option (SCO)?

SCO is designed to cover some of the deductible on the crop insurance contract, up to 90%. For example, if an insurance policy provides 75% coverage, SCO may be purchased for an additional 15% of coverage (90%-75%). SCO covers all planted acres, not base acreage. SCO also triggers off county losses, not actual farm losses. SCO is based on the underlying insurance contract. For example, if the farmer purchases Revenue Protection (RP), SCO will be a revenue protection product. Conversely if the farmer purchases Yield Protection (YP), SCO will be a yield protection product.

There are no payment limits and SCO is not subject to budget sequestration. It can be purchased by talking to your crop insurance agent. **There is no longer a restriction that the farm enrolled in ARC cannot utilize the SCO endorsement on their crop insurance.** Farms are now free to make their crop insurance and ARC/PLC choices independently.

For the 2026 crop year **only**, SCO will remain at 86% coverage and ECO (Enhanced Coverage Option) can be purchased to cover up to 90% or 95% levels.

20. What is the Enhanced I Coverage Option (ECO)?

ECO functions the same as SCO but can cover even more of the deductible of the underlying crop insurance contract, from 86% up to 90% or 95%, leaving only a 10% or 5% deductible, respectively, before a crop insurance indemnity is received. ECO can also be purchased with or without SCO. Again, both trigger off county yields and not individual farm yields, and indemnities (if any) would not be received until June the year following harvest.



21. What is the Margin Coverage Option (MCO)?

MCO is a new crop insurance endorsement offered for the first time on corn, soybeans, grain sorghum, cotton in Kansas for 2026 crops. The sales closing date for the 2026 crop was Sept. 30th, 2025. It is a high coverage policy that can be purchased for an underlying crop insurance contract, similar to ECO. MCO coverage includes price, production, and select input cost components. Instead of area revenues or yields, payments trigger when the “area margin” falls below the selected “trigger margin”.

Like SCO and ECO, it offers area coverage by using a county-level yield instead of individual yield to determine a loss. MCO for 2026 could be purchased in addition to SCO, as it covers 90% or 95% down to 86%. Since its coverage band is identical to ECO, these two endorsements cannot be purchased together.

The price discovery period for MCO is earlier than other crop insurance products. For the corn, soybeans, and grain sorghum, futures market contract settlement prices from August 15th to September 14th the prior year are used. For example, August 15th-September 14th, 2025 sets base price for covered inputs and crops planted in spring of 2026. The final price discovery period for covered input costs is April 1st -30th (near planting time). Crop prices use the same harvest price as other crop insurance contracts (October 1st – 30th) to compare to the earlier base price. They also use the same contract months as other contracts (December for corn, November for soybeans). Input costs use May futures contracts.

Covered input costs include fertilizer components of urea, diammonium phosphate (DAP), and potash, depending on the crop. Diesel fuel price is also considered in input costs. Irrigated crops (only) also include input cost of natural gas.

MCO premiums are subsidized 80% by the federal government, like SCO and ECO. Likewise, the producer premium may still be relatively high since this endorsement is likely to pay out frequently.

For more information about this publication and others, visit [AgManager.info](https://www.agmanager.info).

K-State Agricultural Economics | 342 Waters Hall, Manhattan, KS 66506-4011 | 785.532.1504

www.ageconomics.k-state.edu

[Copyright 2025: AgManager.info and K-State Department of Agricultural Economics](https://www.agmanager.info)



K-State Department Of Agricultural Economics