How ARC, PLC, and Crop Insurance Work Together in Modern Farm Risk Management

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For the 2026 crop year, producers have more flexibility than ever in managing risk. ARC (Agricultural Risk Coverage) and PLC (Price Loss Coverage) decisions are substantially delayed (for 2026 only), and unlike in the past, ARC enrollment is no longer linked to use of the Supplemental Coverage Option (SCO). As a result, producers do not have to consider ARC/PLC and crop insurance decisions together. That said, these programs all provide risk protection, and some may cover similar risks. Understanding how they interact can still help producers make more informed choices.

Background

Since the 2014 crop year, ARC has provided revenue protection based on county yields and a benchmark national price, while PLC has provided price protection when national marketing year average (MYA) prices fall below the effective reference price (ERP). SCO is a county-based crop insurance endorsement that provides shallow-loss coverage above an individual producer's underlying crop insurance policy. Since the 2021 crop year, producers with base acres have made an annual election between ARC and PLC, with the deadline typically being March 15, which aligns with the crop insurance sales closing date for crops planted in the spring. For the 2025 crop year, producers will receive the higher of ARC or PLC in October of 2026. Beginning with the 2026 crop year, ARC and PLC will again require an annual election, with the 2026 decision deadline postponed, likely until the fall.

The reason for this delay is that the One Big Beautiful Bill Act (OBBBA) contained a provision to allow base acres to be added to the farm in 2026, if the farm historically planted more acres than they had in base acres. The Farm Service Agency must first calculate the additional base acres to add to the farm and inform owners/operators of their new base before the 2026 ARC/PLC election is made.

How ARC, PLC, and Crop Insurance Interact

ARC, PLC, and crop insurance all provide protection against price, yield, and revenue risk, but the price and yield data sources and measurement periods differ across programs. The most common areas where coverage may be similar occurs at higher levels of crop insurance coverage levels, particularly for county-based policies and endorsements such as SCO and the Enhanced Coverage Option (ECO)[1]. Below we review the different price and yield data sources and calculation methods. We then use these differences to compare ARC to PLC for shallow revenue loss risk protection and ECO to PLC for price risk protection.

[1] The Margin Coverage Option (MCO) is another shallow loss-type crop insurance endorsement, with a September 30 deadline.

The Price Component

Crop insurance guarantees are set using current national prices collected in a "discovery" period before the pre-planting insurance purchase deadline. These prices are typically drawn from futures markets. For example, the projected price for crop insurance for corn in Kansas is set using the daily settlements of the December corn futures market contract during the month of February.

ARC and PLC price guarantees are also set at the national level, but in a much different way. ARC benchmark prices are an Olympic average: the MYA prices from the previous 5 years (lagged by one year) dropping the highest and lowest. For the 2026 ARC benchmark, prices are the Olympic average of MYA prices from 2020-2024. The effective reference price (ERP) that sets the price floor for PLC is based on prices set in legislation, with an escalator that kicks in if MYA prices have been above statutory prices in recent years.

Below are 2026 ARC benchmark prices, 2026 PLC prices, and estimated 2026 crop insurance projected prices. Crop insurance prices are based on current 2026 harvest futures, as the price discovery period goes through February for corn, grain sorghum, and soybeans.

Table 1. 2026 Prices for ARC, PLC, and Crop Insurance for the 2026 Crop Year

	ARC Benchmark Price	*PLC Effective Reference Price*	*Estimated Crop Insurance Projected Price*
Corn	**$5.03**	**$4.42**	**$4.56**
Grain Sorghum	**$5.30**	**$4.67**	**$4.55**
Soybeans	**$12.17**	**$10.71**	**$10.77**
Wheat	**$6.98**	**$6.35**	**$5.61**

For Table 1, ARC and PLC prices are sourced from the Farm Service Agency. Crop insurance prices, other than (winter) wheat which had a crop insurance purchase deadline of Sept. 30, 2025, apply to Kansas. Crop insurance for spring planted crops is still in price discovery for most states, so estimates are based on current price discovery data collected on February 5, 2026.

During periods of decreasing prices, ARC and PLC will likely have higher prices guarantees than crop insurance. This is what is happening currently, other than soybeans having a (marginally) higher estimated crop insurance projected price compared to the ERP. Likewise, when prices are increasing (for example, 2020-23) insurance prices may be substantially higher than ARC and PLC prices. Crop insurance policies provide guarantees based on market conditions, so have higher guarantees during high prices years, while ARC and PLC provide higher guarantees during low price years, both as designed.

Final or actual prices for crop insurance are fixed at harvest and are typically based on futures prices. ARC and PLC actual prices are the MYA price, which are based on monthly prices from National Ag Statistics Service (NASS) surveys to elevators across the U.S. over a post-harvest 12-month period, with each month weighted by the amount of grain sold. Thus, ARC and PLC cover price risk during a different period than crop insurance. These prices (harvest futures versus MYA) tend to be correlated but can meaningfully change. The degree of risk protection will depend on an individual producers marketing strategy. A producer who sells all crops at harvest won't be exposed to MYA price risk from their own sales, while a producer who regularly stores grain would be.

Table 2. Differences between crop insurance harvest price and MYA prices from 2006/07 to 2024/25 crop years

	Corn	*Grain Sorghum*	*Soybeans*	*Wheat*
Correlation of MYA and crop insurance harvest price	0.96	0.88	0.97	0.85
Average difference ($/bu) (MYA less crop insurance price)	-$0.06	-$0.06	$0.05	-$0.35
Share years MYA lower than harvest price	63%	68%	47%	63%
Share years the MYA and harvest price are different by more than 10%	16%	58%	0%	63%
Share years the MYA and harvest price are different by more than 20%	0%	16%	0%	11%
Largest annual change and year it occurred	$0.63 (2021)	-$0.98 (2012)	-$0.99 (2012)	-$2.05 (2022)

Table 2 shows the differences between the crop insurance harvest price and MYA price for major commodities. Generally, correlation is high, although grain sorghum and wheat have substantially more variation between harvest price and MYA price than corn and soybeans. For all crops others than soybeans, the MYA is on average a little lower than the crop insurance harvest price. The largest annual change in dollar terms was for wheat—in the 2022/23 crop year, the MYA price was $2.05 *lower* than the harvest price.

The Yield Component

Risk Management Agency (RMA) county yields, both expected and actual, are based on data reported over many years by all producers using crop insurance. FSA actual yields are often, but not always, based on RMA yields since the 2018 Farm Bill. FSA uses a benchmark yield to set ARC guarantees, similar to prices, which is the Olympic average of the previous five years (lagged by one year). FSA also uses an annual trend adjustment and replaces yield history that is below a county threshold.

In many cases, RMA expected and FSA benchmark yields are similar. However, there are cases of frequent high or low yields where the FSA benchmark yield may be above or below the RMA yield. Assuming RMA yields are closer to the long run "truth" or actual expected yields, a lower benchmark

yield relative to RMA means ARC is less likely to trigger and a higher benchmark yield more likely to trigger. However, these differences may be small and prices also influence ARC payouts.

ARC versus SCO for shallow losses

ARC and SCO have a similar design in some respects. ARC triggers when actual county revenue drops below 90% of the benchmark revenue and pays up to 12% of benchmark revenue as the maximum payment amount. SCO triggers when actual county revenue[2] drops below 86% of expected county revenue and pays out up to the coverage level of the underlying policy. The SCO trigger will increase to 90% in the 2027 crop year.

While are similarities, over time there will be years when the ARC guarantee is larger or smaller than the SCO guarantee, largely due to use of different prices. Likewise, ARC may trigger more or less quickly than SCO, with the caveat that there is no "harvest price option" for ARC. A decline in yields combined with an increase in price could lower or eliminate ARC payouts. Further, a change in MYA prices relative to harvest prices could lead to different outcomes between ARC and SCO. Due to these differences, ARC and SCO coverage will frequently provide different levels and types of protection. However, in years with very low yields coupled with no more than modest price increases, both may trigger.

In 2026, ARC guarantees are likely to sit *above* ECO and SCO trigger levels. Take soybeans as an example. For a county with a benchmark yield of 60 bushels per acre, ARC benchmark revenue is $763, and ARC begins to pay when actual revenue falls below $686. However, county (crop insurance) expected revenue based on current futures prices is only $646, assuming benchmark yields equal expected county yields. As a result, conditions now exist where ARC begins paying—and may reach its maximum payment—before or roughly when ECO and SCO begin to trigger. In this setting, ARC provides complementary protection to ECO and SCO, unless county benchmark yields are substantially lower than expected yields.

PLC versus ECO for price risk

ECO is much more sensitive to price declines than other crop insurance products, as price declines of more than 15% of projected price are relatively rare. However, there are many key differences.

- PLC will pay out regardless of yields
- ECO may not pay out if a price decline is coupled with higher-than-average yields
- During low price periods, PLC effective reference prices may be higher than crop insurance projected prices.
- During high price periods, PLC effective references prices may be lower than crop insurance projected prices.

The bottom line

[2] SCO can also be used with yield policies. For this discussion, we discussion SCO for RP only, both for clarity and because revenue policies are by far the most common.

In 2026, producers will likely make the ARC and PLC decision knowing county-level yield conditions. Below are some key takeaways for the 2026 crop insurance decision, which will still need to be made by March 15.

- Both ARC and PLC provide substantial risk protection
    - ARC guarantees will be relatively high in 2026 compared to crop insurance due to high benchmark prices relative to current prices. In most cases, ARC will effectively cover a higher and different level of revenue risk than SCO.
    - PLC effective reference prices are likely to be higher than projected prices used to set the ECO guarantee.
- County-based crop insurance policies typically pay out in June of the subsequent crop year, compared to October of the subsequent year for ARC and PLC.
- Historically, MYA prices have deviated more from crop insurance harvest prices for sorghum and wheat than corn and soybeans. This means that crop insurance and ARC and PLC provide relatively more complementary coverage for sorghum and wheat, but overall correlation is high for all crops.
- Because ARC guarantees in 2026 are likely to sit above ECO and SCO trigger levels, a revenue gap can emerge between typical 70–75% RP coverage and ARC/PLC protection. In some cases, ARC may pay before SCO or ECO trigger, leaving shallow losses uncovered if a producer is using typical RP coverage levels.
- Producers seeking to manage this gap at lower cost can consider farm-level risk pooling (enterprise or whole-farm units, CLIP) or county-level coverage (ECO, SCO).

ARC, PLC, and crop insurance cover different dimensions and timing of risk, despite some commonalities between ARC, PLC, and high-coverage insurance policies. PLC is unique in protecting against prolonged low-price periods, while ARC guarantees are based on benchmark prices that currently exceed market prices. Crop insurance remains the main risk management tool for within-season yield and revenue risk, with coverage that can be customized to each operation.

The glass is half full: for farms that do not purchase supplemental crop insurance coverage, ARC and PLC provide additional, meaningful risk protection. For farms that do use supplemental options, these programs generally provide complementary protection.

References and Resources

AgManager.info Farm Bill resources, including ARC and PLC analysis and tools: https://www.agmanager.info/ag-policy/farm-bill-0

Article on SCO and ECO in 2026, with several examples https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/supplemental-coverage-option-sco-and-enhanced-0

Kansas Crop Insurance Maps https://agmanager.info/crop-insurance/kansas-crop-insurance-maps

Kansas Yield Correlation Tool (compares operation yields to county yields): https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/kansas-yield-correlation-tool

SCO Expected Net Indemnity Maps https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/sco-expected-net-indemnity-payments-map

2026 Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) Payment Calculator: https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/2026-supplemental-coverage-option-sco-and

Frequently Asked Questions: Crop Provisions of the One Big Beautiful Bill Act: https://agmanager.info/ag-policy/farm-bill-0/frequently-asked-questions-crop-provisions-one-big-beautiful-bill-act

RMA Summary of OBBBA changes: https://www.rma.usda.gov/policy-procedure/bulletins-memos/managers-bulletin/mgr-25-006-one-big-beautiful-bill-act-amendment

MCO Fact Sheet: https://www.rma.usda.gov/sites/default/files/2025-05/Margin-Coverage-Option-Fact-Sheet_0.pdf