One Big Beautiful Bill Act – Commodities Subtitle

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Overview

Title I, Subtitle C, §§10301-10314 of the One Big Beautiful Bill Act) (OBBBA) signed into law on July 4, 2025, primarily focuses on agricultural commodities and aims to strengthen the farm safety net and provide stability for farmers and ranchers. These sections cover critical aspects such as effective prices, base acres, program elections, price loss mechanisms, marketing loans, and updates specific to the dairy, sugar, and textile industries, alongside income and eligibility caps.

Subtitle E of Title I concerns crop insurance. The provisions in this Subtitle provide enhancements to existing crop insurance programs and introduces an index-based insurance pilot program for poultry (addressing energy, temperature, and health risks). Another provision expands premium subsidies for beginning farmers and veterans—now available up to 10 years after startup**,** with an extra 10 percent support, and more if the producer is earlier in their career. The Federal Crop Insurance program is updated to allow farmers to purchase the Supplemental Coverage Option (SCO) while enrolled in ARC, expands risk management tools, and increases support for beginning farmers. *§10501.*

The Act also broadens access to programs that compensate for losses related to forage and trees. *§10401.* It also includes changes to the livestock safety net, such as setting the payment rate for losses due to adverse weather or disease at 75 percent of market value. *Id.*

Summary of Key Provisions

Reference prices - §10301. The core of these provisions revolves around enhancing and extending federal support programs for agricultural producers. The OBBBA significantly updates and continues key commodity risk management programs, including Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) payments. *Act, §§10304, 10305*. The *greater* of ARC or PLC will be paid for the 2025 crop year. *Act §10303.* No prior election is necessary. This means that any anticipated increase in PLC payments will likely be the minimum amount that a farmer would receive, with the payments beginning in October of 2026.

The provision permanently extends PLC, (ARC), Marketing Assistance Loans**,** and Dairy Margin Coverage (DMC) through the 2031 crop year.

Note: The DMC program is enhanced by increasing Tier I coverage eligibility from 5 million to 6 million pounds per farm and allowing producers to use their highest production year from 2021-2023 as a new enrollment baseline. The U.S. sugar program is extended through 2031, with increased sugar loan and storage rates. The long-term extension of DMC for dairy and the U.S. sugar program provides critical stability for these specialized agricultural sectors, enabling better long-term planning and investment.

The provision also raises statutory reference prices for major commodities by 11–21 percent. For example, the reference price for corn is $4.10, wheat is $6.35, soybeans is $10.00, and peanuts is $630/ton. Also introduced is an annual escalator of 0.5 percent, beginning with the 2031 crop year, capped at 115 percent of the new baseline (i.e., the original statutory reference price).

The provision also boosts the ARC guarantee from 86 percent to 87.5 percent of the Olympic 5-year revenue average for the 2025-2031 crop years. The coverage gap is also expanded from 10 percent to 12.5 percent, which will provide stronger protection during times when revenue declines.

Observation: Expanding access to crop insurance tools like SCO for ARC enrollees provides farmers with greater flexibility in managing risk. The automatic higher payment for ARC or PLC for 2025 simplifies decision-making for producers.

Base acres - §10302. This provision allows a one-time voluntary opportunity for farmers to enroll up to 30 million new base acres based on 2019–2023 planting history beginning with the 2026 crop year. Thus, the 2025 ARC and PLC will continue to be paid based on a producer's current base acres with the increase starting with the 2026 crop year. The base acre calculations will reconcile planted/history averages minus current base acres, with USDA applying pro-rata reductions if limits are exceeded. In any event, under the provision when it becomes effective payments to farmers will increase.

Note: Approximately 242 million base acres were signed up for ARC and PLC in 2024. The increase in base acres allows for greater eligibility for commodity support.

Marketing assistance loan & storage support - §10309. Marketing assistance loan rates for covered commodities are increased for the years 2026 through 2031, providing better cash flow support during low-price environments. It also expands the Farm Storage Facility Loan Program to include cold storage, mobile bins, and alternative grain-handling tech

Payment limits - §§10306 and 10307. The payment limit is increased from $125,000 to $155,000 (§10307), and LLCs and S corporations will be treated as a general partnership for payment limitation purposes. Historically, under the payment limitation rules, any entity that limits liability is limited to a single payment limit with the members of the entity splitting the payment amount amongst them in accordance with their ownership percentages. However, with this provision the result is that there will not be an entity-level limitation for LLCs and S corporations.

The provision (§10306) reads as follows:

The term 'qualified pass-through entity' means— "(A) a partnership (within the meaning of subchapter K of chapter 1 of the Internal Revenue Code of 1986); "(B) an S corporation (as defined in section 1361 of that Code); "(C) a limited liability company that does not affirmatively elect to be treated as a corporation; and "(D) a joint venture or general partnership.";

Thus, if an LLC elects to be an S corporation, it is treated as a corporation for tax purposes (specifically, an S corporation). But the statutory language is a bit confusing. If (C) explicitly said "a limited liability company that does not affirmatively elect to be treated as a C corporation," it would more clearly encompass all LLCs that are taxed as pass-through entities, including those that choose S corporation status. However, the phrasing in (C) can be read in conjunction with (B) to avoid redundancy and ensure proper classification. If an LLC defaults to partnership taxation (multi-member) or disregarded entity (single-member), it has *not* affirmatively elected to be treated as a corporation, so it would qualify under (C). If an LLC affirmatively elects to be taxed as an S corporation, it is *no longer* simply an LLC "that does not affirmatively elect to be treated as a corporation" in the general sense of the word "corporation." Instead, it is specifically an "S corporation," which is *explicitly covered* under (B).

Therefore, the intent is that if an LLC is taxed as a partnership or disregarded entity, it falls under (C). If the LLC has elected S corporation status, it falls under (B) because it is now, for tax purposes, an "S corporation." If the LLC has elected C corporation status, it does *not* fall under (A), (B), (C), or (D) because C corporations are not pass-through entities.

The conclusion is that the provision attempts to cover all forms of pass-through entities, and an LLC that elects S-corporation status is properly classified under (B) rather than (C). The language in (C) is designed to capture the "default" pass-through treatment of LLCs, while (B) specifically handles the elected S-corporation treatment.

Conclusion

These provisions collectively represent a substantial federal investment in the agricultural sector, estimated to include over $65 billion with $52.3 billion specifically tied to enhancing the farm safety net. As I see it, the most significant aspect is the strengthening of the farm safety net. Increased reference prices and updated ARC/PLC mechanisms are designed to provide more robust support when market prices are low and production costs are high, directly addressing the financial challenges faced by farmers when market prices and support levels fall below production costs.