

## Estimated Net Returns to Supplemental Coverage Option Participation Before and After OBBBA changes

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*This study estimates how the Supplemental Coverage Option (SCO) performs with and without the changes to subsidies and coverage levels in the One Big Beautiful Bill Act (OBBBA). We calculate “net indemnities” (payments minus farmer-paid premiums) using 2025 crop prices and premium rates, combined with historic county yield data. By averaging across many possible yield outcomes, we estimate the long-term value of SCO under both the old and new rules. For corn, soybeans, and wheat, expected SCO net indemnities increase by 63–70% with the OBBBA changes. In short, the new law makes SCO more valuable to farmers by lowering their costs and increasing the likelihood and size of payments. Other considerations not analyzed in this study include premium costs and farm-level risk reduction.*

The Supplemental Coverage Option (SCO) is a crop insurance “endorsement” that provides extra protection on top of a producer’s individual policy, covering losses from their elected coverage level up to 86%. Unlike individual coverage, SCO is triggered by countywide yield or revenue shortfalls. It was authorized by the 2014 Farm Bill and became available in 2015. National SCO enrollment has grown from 4.04 million acres in 2015 to 11.08 million acres in 2025, with a peak of 16.82 million acres in 2023. In Kansas, enrollment rose from about 310,000 acres in 2015 to roughly 1.25 million acres in 2025. The One Big Beautiful Bill Act (OBBBA) raises SCO’s subsidy rate and increases the coverage trigger to 90%, creating stronger incentives for producers to consider whether SCO should play a larger role in their risk management decisions for 2026 and beyond.

OBBBA made two major changes to SCO: it raised the coverage level from 86% to 90% and increased the premium subsidy from 65% to 80%.<sup>1</sup> The higher subsidy lowers producer costs, while the higher trigger works in the opposite direction—because indemnities are paid more often and at larger amounts under a 90% trigger than at 86%, premiums also rise. Overall, producers are likely to see a modest decline in premiums, but this does not capture the full increase in the value of protection that SCO provides. The

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<sup>1</sup> For 2026 only, the USDA Risk Management Agency (RMA) will offer a combination of 86% SCO and 90% ECO, both at the new 80% premium subsidy rate. For more information, see <https://www.rma.usda.gov/policy-procedure/bulletins-memos/managers-bulletin/mgr-25-006-one-big-beautiful-bill-act-amendment>



modest change in premiums understates the full impact of more frequent and larger indemnities at the higher coverage level. To capture this trade-off, we estimate 2025 SCO expected net indemnities (indemnities minus the farmer-paid share of premiums) with and without the OBBBA changes. These estimates do not reflect actual 2025 outcomes or yields; instead, they use current premium rates and price data to provide a feasible comparison.

To show how the higher coverage levels and subsidy increases balance out, we estimate what producers could expect to receive back from SCO after paying their share of the premium. In other words, we look at *net indemnities*—SCO payments minus what the farmer pays in premiums—for someone who already has a Revenue Protection policy at the 75% coverage level.

These estimates use 2025 premium rates and price levels, so they reflect current cost and market conditions. Yields are drawn from the historic county yields reported by RMA, which include both good and bad years. This approach produces an “expected” outcome that averages across the full range of possible yields, rather than relying on a single typical or average value. In other words, we hold 2025 costs and prices constant while accounting for the full range of historic yield outcomes.

We compare two cases: with the OBBBA policy changes and without them:

**Scenario 1** represents the old framework: SCO coverage applies from 86% down to the underlying 75% RP level, and producers pay 35% of the premium (i.e., receive a 65% subsidy).

**Scenario 2** represents OBBBA: SCO coverage applies from 90% down to 75% RP, and producers pay only 20% of the premium (i.e., receive an 80% subsidy).

## Methodology

We model county-level yields using a Weibull distribution fitted to Risk Management Agency (RMA) yield data from 1994 to 2024<sup>2</sup>. We calibrate the shape parameter through a grid search so that simulated indemnities at 65% crop-yield coverage align with actual RMA base premium rates. We then adjust the fitted distribution to match 2025 expected yield levels. Using these yield distributions, we calculate RP premiums and indemnities for a 75% coverage level, drawing on enterprise-unit rate and subsidy data from the RMA.

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<sup>2</sup> In some cases, yield data is only available to 2023.

SCO indemnities are calculated as an area-based layer on top of the 75% RP policy. Under Scenario 1, the coverage “band” is 11 percentage points (86% down to 75%), and indemnities are paid when county revenue falls below 86%. We use RMA’s SCO base rates for this band and apply the 65% subsidy to derive producer-paid premiums. Under Scenario 2, the coverage band expands to 15 percentage points (90% down to 75%). Because RMA has not released SCO base rates for a 90% trigger, we approximate them by combining existing SCO base rates (up to 86%) with Enhanced Coverage Option (ECO) 90% rates for the extra 4%, scaling them to match SCO liabilities. We then apply the 80% subsidy to compute producer-paid premiums. In each case, net indemnity equals the expected SCO indemnity less the producer’s premium share; comparing these values across scenarios highlights how OBBBA’s higher trigger and higher subsidy change the risk-management landscape for producers.

## Results

We evaluated the effect of the OBBBA on expected SCO net indemnities for three major crops: corn, wheat, and soybeans. [County maps of the results](#) are available on AgManager.info for the three crops, for both irrigated and non-irrigated practice. 4 measures are available: (a) net indemnities before OBBBA, (b) net indemnities after OBBBA, (c) the absolute differences (\$) between (a) and (b), and the percent change between (a) and (b).

The analysis shows that the policy leads to clear and consistent increases in SCO net indemnities, both in dollar amounts per acre and in percentage terms compared to the baseline scenario i.e. without OBBBA.

For wheat, indemnities rise by \$0.75 to \$18 per acre, averaging \$6.63 per acre, with relative gains ranging from 43% to 164%, with an average of 70%. For corn, expected SCO indemnities increase between \$0.66 and \$31 per acre, with an average gain of nearly \$14 per acre. This corresponds to percentage increases ranging from 45% to 95%, with a mean of 63%. Soybeans show increases of \$3.20 to \$14 per acre, with an average of \$7.61 per acre, representing relative gains between 45.5% and 122.3%, also averaging 70%. These consistent improvements across crops highlight the broad reach of the policy change.

The analysis shows consistent increases in SCO net indemnities across corn, wheat, and soybeans, with broadly distributed gains averaging 60–70% across regions. While a [previous analysis](#) showed substantial regional disparities based on historic outcomes from 2015-23, our more forward-looking analysis at the crop level shows less distinguishable differences over space. While realized outcomes over many years remain the best gauge of policy impacts, changes to SCO authorized in the OBBBA will deliver substantially larger net indemnities in low-revenue or low-yield years.



## Conclusion

Changes to the SCO under the OBBBA substantially increase expected support for crop producers. By raising the coverage trigger from 86% to 90% and increasing the subsidy rate from 65% to 80%, OBBBA increases SCO indemnity payments while reducing producer costs. Taken together, these changes strengthen the value proposition of SCO coverage. While the absolute dollar increases vary by crop, the percentage improvements are consistently high, averaging between 63% and 70% for the crops analyzed in this study.

There are other considerations or tradeoffs for producers interested in SCO and other high coverage policies. Risk reduction is a primary consideration, especially with the county-based trigger. Producers need to be comfortable with the potential to not receive a payout when they experience farm-level losses and vice versa. SCO will lead to a noticeable increase in premium costs and indemnities are not paid out until around June of the following year. For example, a loss in the 2025 crop year will not be paid until around June 2026. Finally, even with positive expected net indemnities, a few or several years can pass without SCO paying out.

These results imply that producer participation in SCO is likely to expand under OBBBA, especially in high-risk counties where the value of the coverage band is greatest. Several high coverage policies, including SCO and the Enhanced Coverage Option (ECO), will have [80% premium subsidies moving forward](#). While this enhances farm-level risk protection, it will also raise federal outlays for premium subsidies and indemnity payments. Going forward, producers may adjust their insurance strategies by substituting away from higher Revenue Protection levels, layering SCO with ECO products, or reconsidering unit structure choices, potentially reshaping demand for other policies.



## Resources

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

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

Risk and Profit Conference 2025 Agricultural Policy Update: <https://agmanager.info/events/risk-and-profit-conference/previous-conference-proceedings/2025-risk-and-profit-conference/1>

ARC/PLC/SCO Tradeoff Tool (can be used as a 2025 ARC and PLC payout estimator, has been updated to account for OBBBA changes): <https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/advanced-arc-plc-sco-tradeoff-tool>

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