Navigating the 2026 Crop Insurance Decision

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Overview

- Review of recent policy changes from the #OBBBA (OB3 - One Big Beautiful Bill Act)
- SCO and ECO
  - Examples!
- What about CLIP?
- Tools available on AgManager.info

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Key #OBBBA Changes

- Government premium subsidy increased on many crop insurance products
  - Revenue protection (RP) and Yield Protection (YP) policy producer premiums will be $1-$3 lower on average than without the subsidy increase.
- Definition of beginning farmer increased to 10 years, increase in premium subsides
- No SCO-ARC restriction
- High-coverage policies (SCO, ECO, MCO)** now subsidized 80%
  - This is a substantial decrease in producer premiums and may be the focus of marketing efforts of many crop insurance agents this year

*Supplemental Coverage Option, Enhanced Coverage Option, Margin Coverage Option

Major premium subsidy changes

Basic and Optional Units

	50%	55%	60%	65%	70%	75%	80%	85%
Pre OB3	67%	64%	64%	59%	59%	55%	48%	38%
Post OB3	67%	69%	69%	64%	64%	60%	51%	41%

Enterprise Units*

	70%	75%	80%	85%
Pre OB3	80%	77%	68%	53%
Post OB3	80%	80%	71%	56%

Enterprise unit premium subsidies remained 80% for the 70% and lower coverage levels

Beginning Farmer/Rancher Benefit

- Definition expanded from 5 to 10 years
- Additional 15% premium subsidy in Year 1, gradually declines to 10% for years 5-10
- Example: 75% Corn RP*
  - Optional Units: $24/acre for a regular policy, $18 for a beginning farmer in years 5-10, $15 in years 1 and 2
  - Enterprise Units: $9/acre for a regular policy, $4.50 for a beginning farmer in years 5-10, $2 in years 1 and 2
  - High coverage/supplemental policies now around $1-$2 / acre
- Also applies to Livestock Risk Protection policies and Pasture, Rangeland, & Forage policies

*Example based on a dryland corn farm in Jackson County for the 2026 crop year, with 145 bu/APH, projected price of $4.59, and price volatility of 0.15. This is an unofficial premium estimate, only crop insurance agents can provide official estimates.

What's new?

What has not changed

80-85% RP coverage levels much more expensive

Optional Units (OU) much more expensive than Enterprise Units (EU)

High coverage policy tradeoffs

What has changed

RP policies cost less

OU marginally more cost competitive relative to EU at lower coverage levels

High coverage policies cost *much* less

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What are SCO and ECO?

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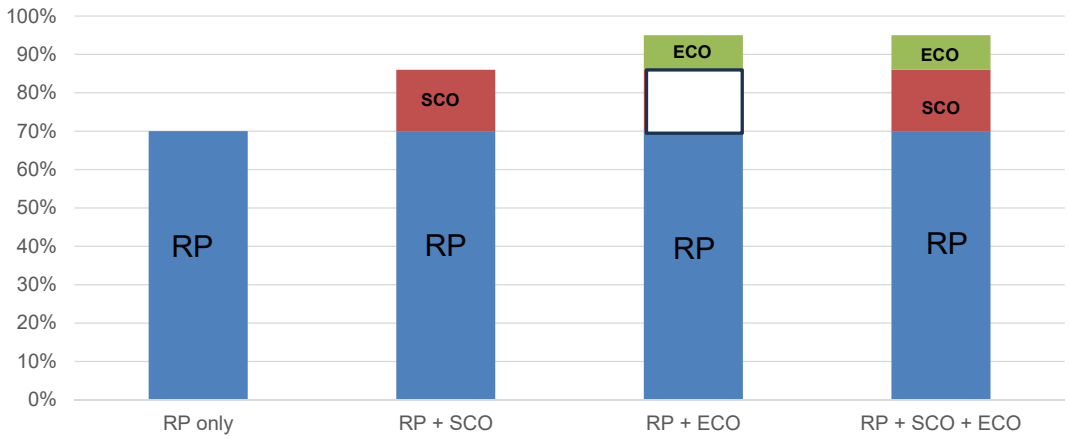
Supplemental/Enhanced Coverage Option (SCO/ECO)



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SCO/ECO Basics

- County-based trigger, pays out when county yields released around June of the following year
  - Guarantee is based on the farm, amount of loss is based on the county
- SCO increases underlying YP or RP coverage to 86%*
- ECO (Enhanced Coverage Option)
  - 2 coverage choices: 86 to 90% **OR** 86 to 95%

* 90% in crop year 2027

High coverage policies tradeoffs

Benefits

- (More) predictable coverage of shallow losses
- SCO lower cost than 80-85% RP
- The premium subsidy is highly favorable to the producer in the long run

Concerns

- Tied to county yields
- Paid out in June
- Increases total premium cost substantially
- Can go a few years without triggering

Managing risk in 2026

- 3rd year of tight (or worse) crop profit margins
- A typical crop insurance guarantee—revenue floor—may not cover profits

Balancing insurance cost and coverage

- The most comprehensive coverage is at the field level
  - Optional units
  - Also the most expensive
- Policies or endorsements that allow for some type of risk pooling can lower cost
  - At the farm or county level
  - (Mostly) known tradeoffs
  - The relative costs of most crop insurance options has changed

Example

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Scenario

Dryland Corn in NE KS

- Expected revenue: $651/acre
- Variable cost: $426/acre
- Fixed expenses: $157/acre
- Total expenses: $583/acre
- Profits: $68/acre

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https://agmanager.info/farm-budgets

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Assumptions

- Jackson County
- 145 bushels per acre APH
- Estimated projected price $4.59, volatility 0.15
  - Price discovery is ongoing (through February)
- Preliminary crop insurance premium estimates: only a crop insurance agent can provide official premiums

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Insurance Options

	Coverage Level					
	85%	**80%**	**75%**	**70%**	**65%**	**60%**
RP Liability	$566	$532	$499	$466	$433	$399
OU premium	$53	$36	$24	$18	$15	$11
EU Premium	$29	$17	$9	$8	$6	$5
SCO Premium	$1	$3	$5	$7	$8	$9
ECO 90%	$3					
ECO 95%	$6					

Observations: Guarantee

A “standard” crop insurance guarantee of 70-75% will barely cover expenses

- 75% Guarantee is $499
- Total expenses $583
- Variable expenses $426

Observations: SCO

SCO will typically be lower cost than 80% or 85% RP policies in Kansas

- 70% RP (EU) + SCO = $15 per acre
- 85% RP + SCO = $30 per acre

Observations: Unit Structure

High coverage policies are generally more affordable (cost per $ of protection) than optional units

- 75% OU = $24/acre
- 75% EU + SCO + ECO = $20/acre

CLIP?!

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What about CLIP?

Disclaimer: new policy, preliminary analysis

CLIP: Crop ~~and Livestock~~ Income Protection: https://www.rma.usda.gov/about-crop-insurance/frequently-asked-questions/crop-livestock-income-protection-clip or https://clipfarmcoverage.com/

In brief: provides **pooled, farm level coverage** above underlying RP policies, up to 85%, for at least two eligible spring-planted crops in the same county

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Note: the only eligible livestock policy is not available in KS current (but in NE)

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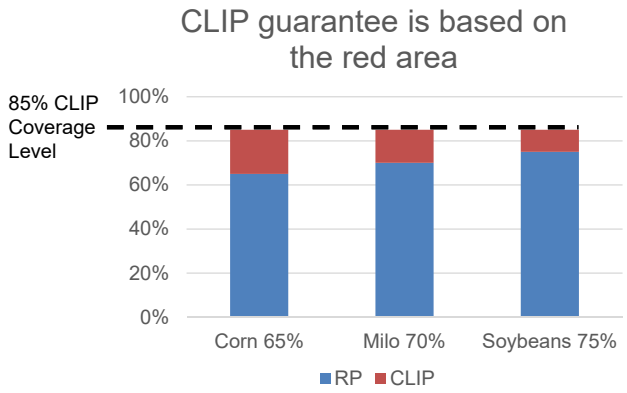
What about CLIP?



- CLIP max is 85%: can be lower
  - Only 25% above lowest coverage RP policy
- It is possible for only CLIP to trigger or both CLIP and RP
- Caution: Higher revenue from one crop can offset another crop's low revenue
  - This also lowers premiums

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What about CLIP?

Benefit

- Relatively affordable coverage for protection beyond the standard 70-75% RP policy
  - Enterprise unit subsidies
  - Premiums lower due to risk pooling across commodities

Considerations

- Cannot be used with SCO
  - SCO has higher subsidy compared to CLIP 80/85%
  - Different "basis" risks: Within-farm cross commodity revenue risk versus farm-county yield correlation
  - May pay out earlier than SCO

CLIP Example

- Jackson county corn example from above
- Additional dryland soybean policy with APH/approved yield of 48 bu/acre
  - Estimated projected price $10.98, volatility 0.13
- Same # of acres corn and soybeans

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Disclaimer: new policy, preliminary thoughts

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Corn w/CLIP

	Coverage Level					
	85%	80%	75%	70%	65%	60%
OU premium	$53	$36	$24	$18	$15	$11
EU Premium	$29	$17	$9	$8	$6	$5
SCO Premium	$1	$3	$5	$7	$8	$9
CLIP 80%	X	X	$2	$3	$5	$7
CLIP 85%	X	$4	$7	$10	$13	$15

Note: Unofficial estimates from the RMA Cost Estimator. CLIP premiums are based on EU and appear to be slightly higher if the underlying RP policy uses Optional Units.

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Soybeans w/CLIP

	85%	80%	75%	70%	65%	60%
OU premium	$30	$20	$13	$9	$8	$5
EU Premium	$18	$9	$5	$4	$3	$2
SCO Premium	$0	$2	$4	$5	$5	$6
CLIP 80%	X	X	$1	$3	$4	$5
CLIP 85%	X	$3	$5	$8	$10	$12

Note: Unofficial estimates from the RMA Cost Estimator. CLIP premiums are based on EU and appear to be slightly higher if the underlying RP policy uses Optional Units.

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CLIP: Cost Comparisons

- 70% EU + 85% CLIP vs 85% EU
  - $11 less for corn, $6 less for soybeans
- 70% EU + 80% CLIP vs 80% EU
  - $6 less for corn, $2 less for soybeans
- 70% EU + 85% CLIP vs 70% EU + SCO
  - $3 more for corn, $3 more for soybeans

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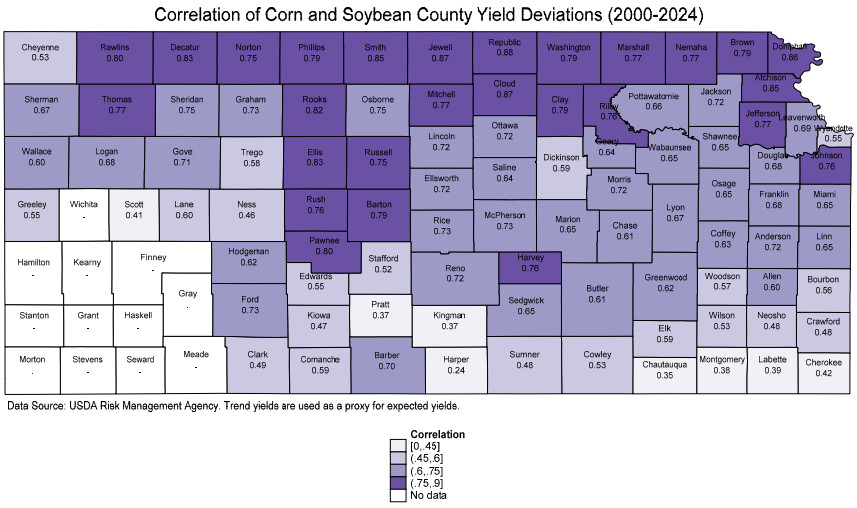
Corn-soy yield correlation



CLIP considerations

CLIP Indemnity: (RP + CLIP guarantee) – (RP production to count + RP indemnity)

- Timing matters
- Farm-level outcomes are critical
- At 80%, CLIP could be considered an "intermediate" option between a standard policy (70-75%) and SCO

Disclaimer: new policy, preliminary thoughts

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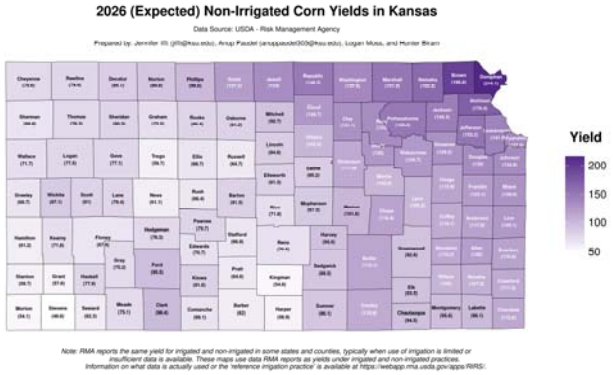
What are my county yields?



https://agmanager.info/crop-insurance/kansas-crop-insurance-maps

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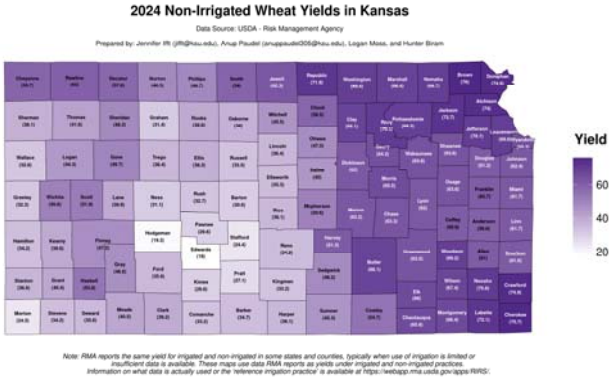
What are my county yields?



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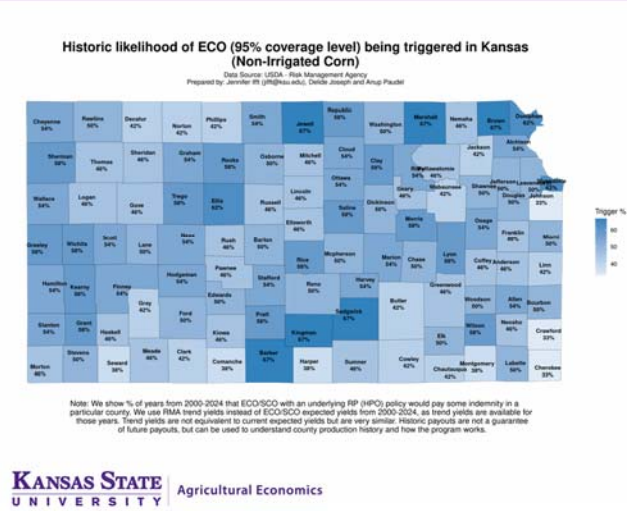
How often would have ECO triggered in the past?



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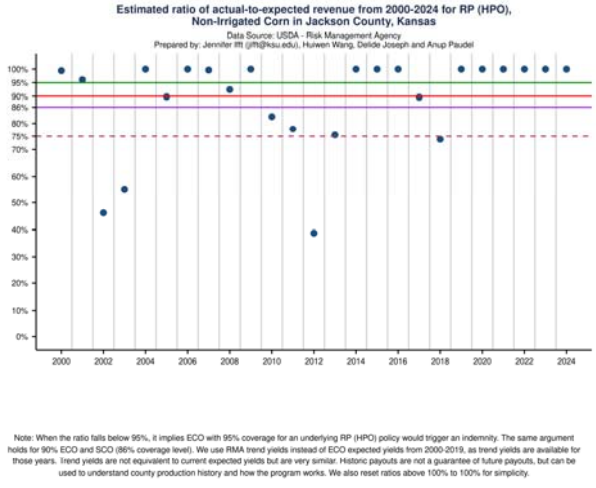
When would have high coverage policies triggered in my county?



Now available for all Kansas counties!

https://agmanager.info/crop-insurance/kansas-crop-insurance-maps

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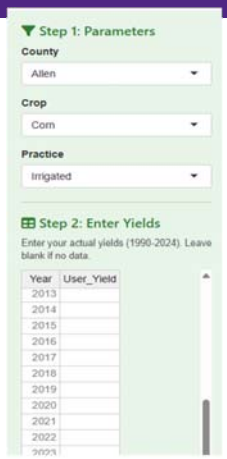
Are my farm yields correlated to county yields?



You'll need at least 5 years of yield data (ideally 10), covering 1990 to 2024

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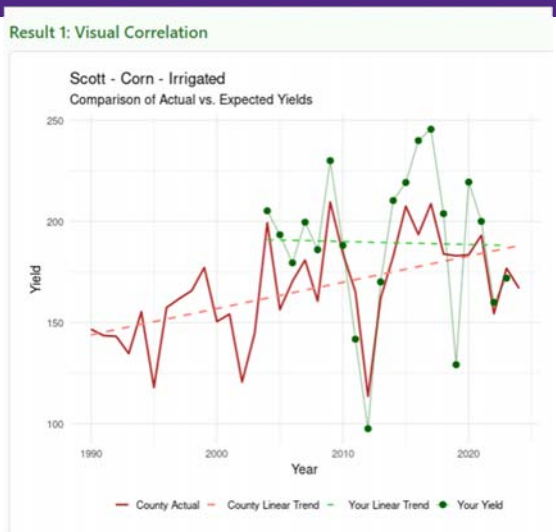

You can see your yield (green) versus county yield (red)

Trend lines may be informative

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/kansas-yield-correlation-tool

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Are my farm yields correlated to county yields?

Result 2: Statistics

Statistic	Value
Years with the SAME outcome (Loss/Loss or No Loss/No Loss)	13
Years with DIFFERENT outcomes	2
Percentage of years with Same Outcome	86.7%
Correlation of Your Yields to County Yields	0.8
Strength of Correlation	Strong Positive

Strength of Correlation Definitions:

- **Strong:** 0.7 to 1 (Yields track very closely)
- **Moderate:** 0.7 to 0.3 (Yields track somewhat)
- **Weak:** 0.3 to 0 (Little to no relationship)
- **Negative:** 0 to -1 (Yields move in opposite directions)

Measure of correlation between farm and county yields

Shares years when county and farm yields would have led to same SCO (YP) outcome (payout occurs or doesn't occur)

Note: this does not capture different in magnitudes of payouts

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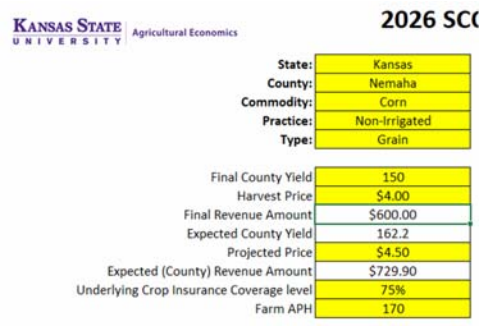
How much protection?



Enter (1) basic info on crop, (2) your yields

Estimated: projected price, harvest yield, harvest price

Works as "what if" tool, also automatically populates county expected yields and SCO and ECO guarantee

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/2026-supplemental-coverage-option-sco-and

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How much protection?

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2026 SC(

State:	Kansas
County:	Nemaha
Commodity:	Corn
Practice:	Non-Irrigated
Type:	Grain
Final County Yield	150
Harvest Price	$4.00
Final Revenue Amount	$600.00
Expected County Yield	162.2
Projected Price	$4.50
Expected (County) Revenue Amount	$729.90
Underlying Crop Insurance Coverage level	75%
Farm APH	170

SCO Coverage by Law	86%
Supplemental Ins. Coverage Range	11%
SCO Revenue Protection County Payment Rate	0.345
SCO Revenue Protection-HPE County Payment Rate	0.345
SCO Yield Protection County Payment Rate	-0.589
SCO Protection (RP)	$84.15
SCO Protection (RP-HPE)	$84.15
SCO Protection (YP)	$84.15
SCO Revenue Protection Payment	$29.03
SCO Revenue Protection-HPE Payment	$29.03
SCO Yield Protection Payment	$0.00

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/2026-supplemental-coverage-option-sco-and

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How much protection?

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2026 SC(

State:	Kansas
County:	Nemaha
Commodity:	Corn
Practice:	Non-Irrigated
Type:	Grain
Final County Yield	150
Harvest Price	$4.00
Final Revenue Amount	$600.00
Expected County Yield	162.2
Projected Price	$4.50
Expected (County) Revenue Amount	$729.90
Underlying Crop Insurance Coverage level	75%
Farm APH	170

ECO Coverage Level	95%
ECO Coverage Range	9%
ECO Revenue Protection County Payment Rate	1
ECO Revenue Protection-HPE County Payment Rate	1
ECO Yield Protection County Payment Rate	0.28
ECO Protection (RP)	$68.85
ECO Protection (RP-HPE)	$68.85
ECO Protection (YP)	$68.85
ECO Revenue Protection Payment	$68.85
ECO Revenue Protection-HPE Payment	$68.85
ECO Yield Protection Payment	$19.28

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Take home: crop insurance

- There are many options to increase coverage while managing costs
  - The general tradeoff is less individualized protection
  - Start planning early and be aware of the potential downsides
- The examples here are for demonstration purposes only
  - Many options
  - What works best varies from operation to operation

Take home: ARC, PLC, and insurance decisions

Generally

- Protection is different over time due to use of different price data
- Harvest and MYA price are strongly correlated
  - Less so for wheat and grain sorghum, largest change was a ~$2 decline for wheat in 2022
- ECO provides revenue or yield protection: partial price risk protection at most

This year

- ARC covers a revenue band "above" SCO and likely ECO
- 2026 PLC prices are above (likely) projected prices for wheat and grain sorghum, slightly below for corn and soybeans

Contact

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High Coverage Policy Resources

Article with examples

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/supplemental-coverage-option-sco-and-enhanced-0

Analysis of SCO Changes

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/sco-expected-net-indemnity-payments-map

Crop Insurance Maps

https://agmanager.info/crop-insurance/kansas-crop-insurance-maps

Yield Correlation Tool

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/kansas-yield-correlation-tool

SCO ECO Payout Calculator

https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/2026-supplemental-coverage-option-sco-and

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Other Resources

How ARC, PLC, and Crop Insurance Work Together in Modern Farm Risk Management
https://agmanager.info/ag-policy/farm-bill-0/how-arc-plc-and-crop-insurance-work-together-modern-farm-risk-management

Current Kansas Crop Insurance Loss Ratios and Causes of Loss - 2025 Crop Year
https://agmanager.info/crop-insurance/crop-insurance-papers-and-information/current-kansas-crop-insurance-loss-ratios-and

Revisit unit structure?

- In some cases, it may be possible to lower costs while maintaining protection, with some tradeoffs
- Refresher
  - Optional units provide field level coverage
    - Higher producer premium and lower premium subsidy, higher likelihood of payouts at any given coverage level
  - Enterprise units provide farm level coverage
    - Lower producer premium and higher premium subsidy, lower likelihood of payouts at any given coverage level (premium savings could be partially used to increase coverage level)

Revisit unit structure: example

A combination of EU + high coverage endorsements *could* lower cost and/or increase protection relative to OU, with some tradeoffs*

- 75% EU + SCO costs ~$10/acre less than 75% OU
- 75% EU + SCO + 95% ECO costs ~$4/ acre less 75% OU

*Example based on a dryland corn farm in Jackson County for the 2026 crop year, with 145 bu/APH, projected price of $4.59, and price volatility of 0.15. This is an unofficial premium estimate, only crop insurance agents can provide official estimates.

Revisit unit structure: tradeoffs

75% OU

- Field level deep losses always covered, paid in a timely fashion
- Less sensitive to price declines
- May perform better in average but variable yield years

75% EU + SCO + ECO

- Much higher downside protection
  - But dependent on correlation with county
- Shallow loss payouts: should be frequent for *most* of KS
  - Higher payouts in drought years
  - More sensitive to price declines
- Area plan tradeoffs apply
- What's new: government share higher for SCO and ECO: long term expected net benefits are higher

Note: Premium costs are lower for the 75% EU + SCO + ECO combination in our example, but costs vary across crops and counties