

Changes to Commodity and Crop Insurance Programs in the OBBBA



College of Agricultural,
Consumer &
Environmental Sciences

UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN

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Jonathan Coppess



Nick Paulson



Gary Schnitkey

One Big Beautiful Bill Act (OBBBA)

- Major reconciliation bill impacting a wide range of provisions for federal programs and tax code
- Significant Farm Bill program components
 - Additional funding for commodity programs and crop insurance
 - Cuts to nutrition and conservation programs



Commodity Programs (ARC/PLC)

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Increased Statutory PLC Reference Prices

		Current Price	New Price	Price Change	Percent Change
	Corn	\$3.70	\$4.10	\$0.40	+11%
	Soybean	\$8.40	\$10.00	\$1.60	+19%
	Wheat	\$5.50	\$6.35	\$0.85	+15%

- Increases for all current program crops; 0.5% annual increases after 2031
 - Barley and Oats +10%, Sorghum +11%, Seed Cotton +14%, Peanuts +18%, Rice +21%

Effective Reference Price Changes

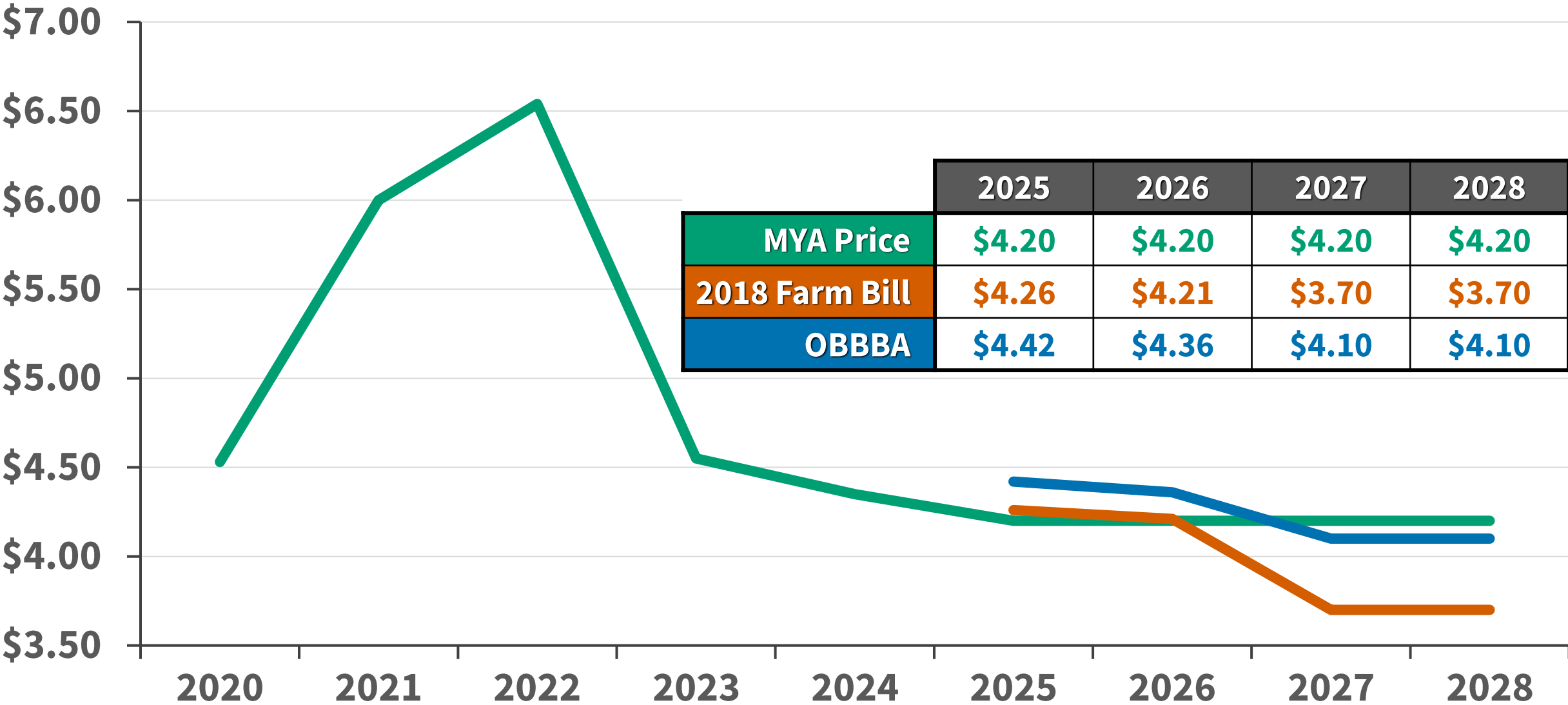
Effective reference price will be **88%** of the five-year Olympic Average, with a minimum of the statutory reference price and a maximum of **1.15 x** statutory reference price

Changes:

- 88% of the average was 85%

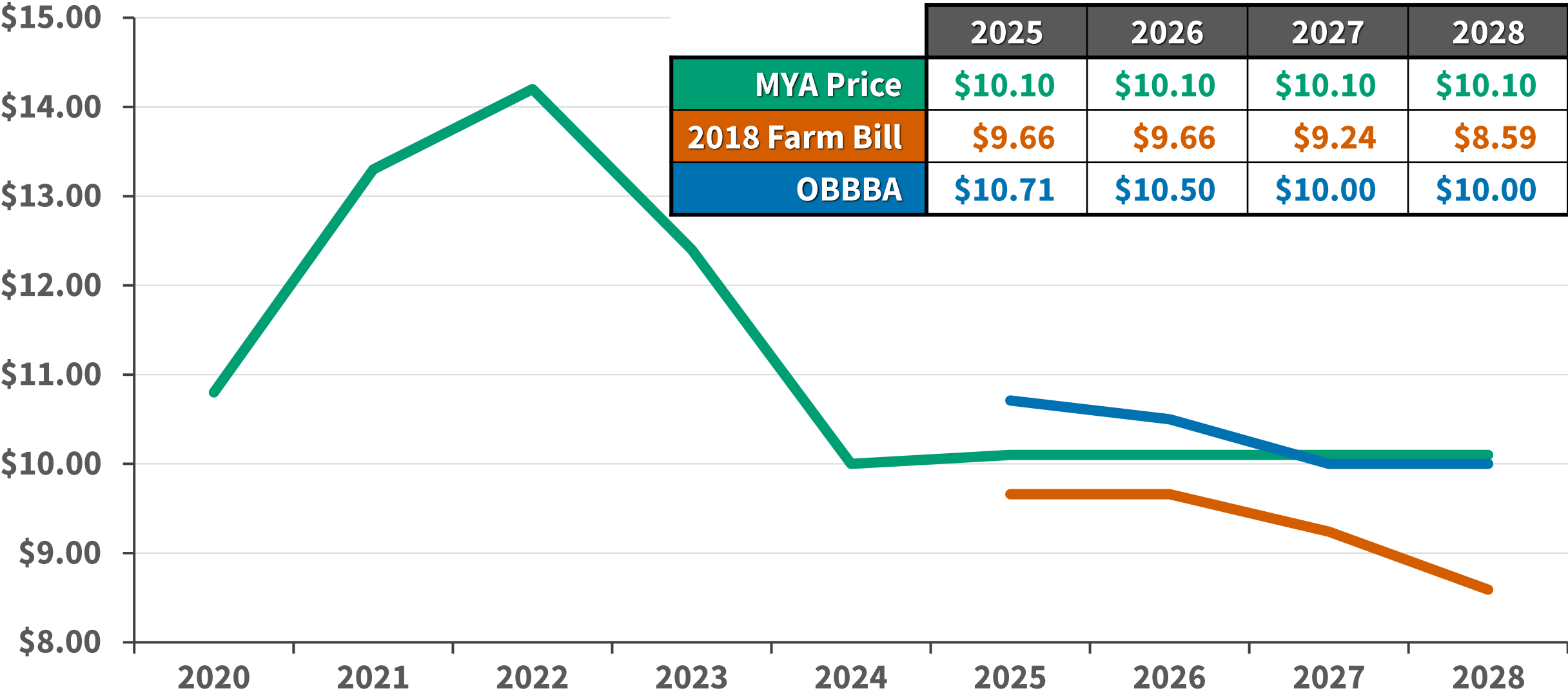
Corn Effective Reference Price

Market Year Average Price, 2018 Farm Bill and OBBBA



Soybeans Effective Reference Price

Market Year Average Price, 2018 Farm Bill and OBBBA



ARC-CO

	Current	New
Guarantee/Trigger:	86% of county benchmark revenue	90% of county benchmark revenue
Max Payment Rate	10% of benchmark	12% of benchmark
Payment Range	86% to 76%	90% to 78%

- PLC reference price changes will impact ARC benchmark prices
- Will continue to use trend-adjustment for ARC benchmark yields
- **SCO eligibility no longer tied to commodity program choice**
 - can use on acres enrolled in PLC or ARC

Other Changes

- Receive the higher of PLC and ARC-CO for 2025
 - Annual election for 2026 to 2031
- Increase payment limits from \$125k to \$155k per entity
 - Exempts “qualified pass-through entities”
Partnerships, S corps, LLCs, joint ventures or general partnership
 - Separate/additional limit for peanuts

Impacts on Expected Payments in Illinois

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Weekly Farm Economics

2025 Grain Farm Return Prospects at the Beginning of July with a New Commodity Title

Gary Schnitzkey and Nick Paulson

Department of Agricultural and Consumer Economics

University of Illinois

Carl Zulauf

Department of Agricultural, Environmental and Development Economics

Ohio State University

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Grain farm returns for 2025 are re-estimated using the latest commodity prices and commodity title payments estimated using parameters contained in the One Big Beautiful Bill (OBBB). From February to the first three days of July, Chicago Mercantile Exchange (CME) settlement prices fell \$3.39 per bushel for corn and \$0.13 for soybeans. Significantly higher PLC/ARC payment results under the OBBS commodity title. The new commodity title results in significantly higher projected PLC/ARC payments. Even with increased OBBS commodity title payments, 2025 farm returns are projected to be low, likely continuing the negative returns in 2023 and 2024. A brightening of the outlook is possible; still, it seems best to plan for ways to decrease costs for 2026. Given the current outlook, cash rents in 2026 are expected to remain under pressure.

Price Changes and Price Expectations

Price changes for the 2025 crop are gauged by using settlement prices of Chicago Mercantile Exchange (CME) harvest-time contracts (December for corn and November for soybeans). Settlement prices from July 1st to 3rd are used as current price expectations for the 2025 crop and are compared to the projected prices for 2025 crop insurance. Projected prices are based on settlement prices of the same futures contracts during February and are used to set minimum crop insurance guarantees.

The 2025 projected price for corn is \$4.70 per bushel. From July 1 to 3, settlement prices of the December contract averaged \$4.31. From February to the first three days of July, the December futures contract declined by \$0.39 (\$4.41 the July 1-3 price - \$4.70 projected price). A \$4.31 futures price is consistent with a harvest-time cash price of around \$4.00. Typically, cash prices rise from harvest-time lows, resulting in our current estimate of a 2025 market-year average cash price of \$4.10 per bushel.

The \$-3.39 per bushel change in 2025 is slightly less than the last two years (see Panel A of Figure 1). Prices declined \$1.98 in 2024 and \$0.45 in 2023. The last time prices changed more than \$1.00 was in 2021, with dry weather in South America being a particular culprit for that change. In 2012, the July 1-3 settlement was \$1.08 per bushel above the projected price, as the probability of a significant drought was already evident. Adverse weather conditions could still considerably lower yields in 2025, particularly in local areas. However, the weather up to this point does not suggest a 2012-style drought, which is likely contributing to the \$-3.39 price decline, as a significant weather risk is mitigated.

Figure 1. Change in Projected, Harvest, and July 1 to 3 Settlement Prices, Corn, 2001 to 2025

Panel A: Dec Settlement (July 1 - 3) Minus Projected Price

Year	Change in Price (\$/bushel)
2001	0.00
2002	0.00
2003	0.00
2004	0.00
2005	0.00
2006	0.00
2007	0.00
2008	0.00
2009	0.00
2010	0.00
2011	0.00
2012	1.08
2013	0.00
2014	0.00
2015	0.00
2016	0.00
2017	0.00
2018	0.00
2019	0.00
2020	0.00
2021	1.00
2022	0.00
2023	-0.45
2024	-1.98
2025	-3.39

Table 1. 2025 Estimated Price Loss Coverage (PLC) and Agricultural Risk Coverage — County Option (ARC-CO) Payments Per Base Acre Under the 2018 Farm Bill and the One Big Beautiful Bill (OBBS), McLean County, Illinois¹

	2018 Farm Bill ²		OBBS ³	
	PLC ⁴	ARC-CO	PLC	ARC-CO
Corn	24	44	50	82
Soybeans	0	16	24	45
Average ⁵	13	31	38	65

¹ Estimated using 2025 prices of \$4.10 for corn and \$10.10 for soybeans County yields are at ARC-CO benchmark prices of 227 bushels per acre for corn and 70 bushels per acre for soybeans

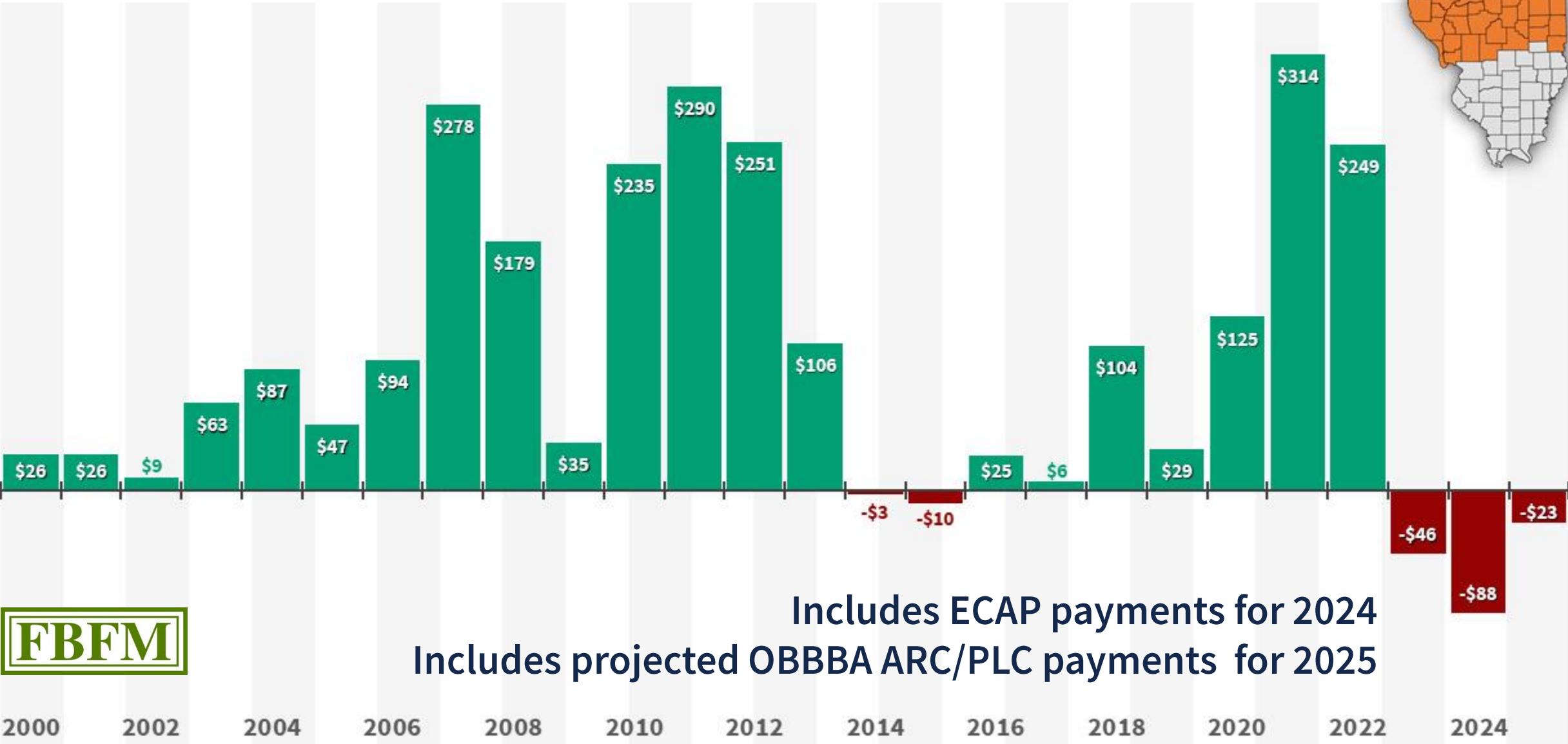
² Statutory reference prices are \$3.70 for corn and \$8.40 for soybeans. ARC-CO guarantee is at 86% of coverage level and maximum payment is 10% of benchmark revenue.

³ The One Big Beautiful Bill (OBBS) has statutory reference prices of \$4.10 for corn and \$10.00 for soybeans. ARC-CO guarantee is at a 90% cover age level and maximum payments is 12% of benchmark revenue.

⁴ PLC yields is 182 bushels per acre for corn and 55 bushels per acre for soybeans.

⁵ Based on 55% base acres in corn and 45% in soybeans.

Returns to a 50% Corn - 50% Soybean Rotation in \$ per acre on Central Illinois, High-Productivity Farmland, Cash Rent Farmland

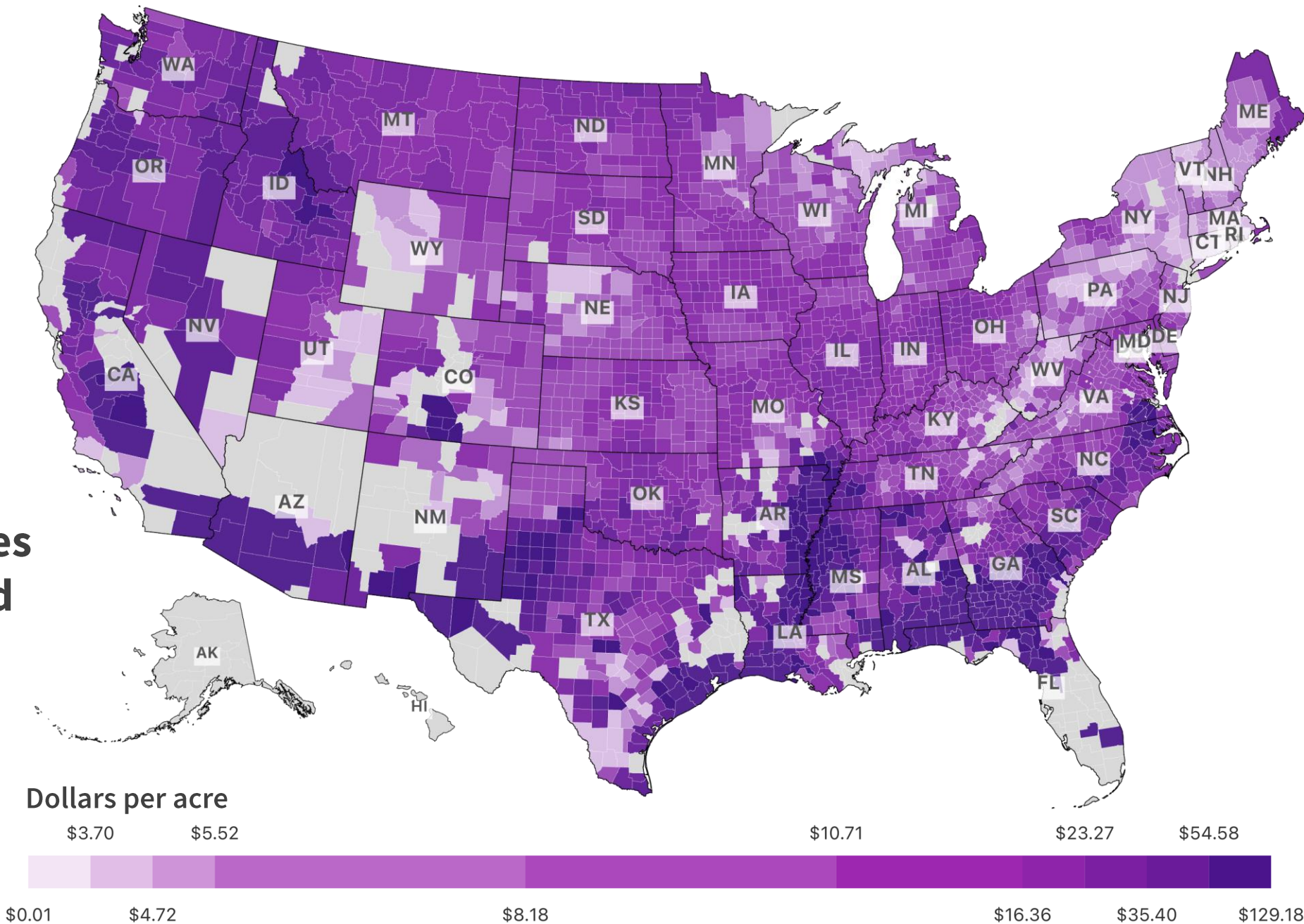


Includes ECAP payments for 2024
Includes projected OBBBA ARC/PLC payments for 2025



POLICY DESIGN LAB

Mean Rate Differences Between Current and Proposed Policy (2025)



Adding Base Acres



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Adding Base Acres

- Landowners will be given an opportunity to add base acres on a farm
- Will not impact existing base acres
- Based on acres planted (and prevent planting) from 2019 to 2023 relative to current base acre
- For Midwest, a general rule is base acres will be added if plantings exceed base acres

Example

- An FSA farm with 100 acres has 80 base acres
(**45 in corn**, **35 in soybeans**)
- Planted an average of **50 acres of corn**
and **50 acres of soybeans** from 2019 to 2023
- This farm may be able to add up to
20 acres (100 planted acres - 80 base acres),
and it would be **10 new base acres in corn**
and **10 new base acres in soybeans** (if all can be added)

Rules

3 categories of acreage will be considered for potential base increase:

- 1. 2019-2023 average, all years included, of acres planted or prevented from being planted to covered program commodities on the FSA farm**



Rules

3 categories of acreage will be considered for potential base increase:

2. The lesser of:

15% of the total acres on the FSA farm (or)

2019-2023 average, all years included, of acres planted or prevented from being planted to **eligible non-covered commodities*** on the FSA farm

***Eligible noncovered commodity acres** are acres planted or prevented from being planted to commodities other than covered commodities, trees, bushes, vines, grass, or pasture (including cropland that was idle or fallow), as determined by the Secretary of Agriculture.

Rules

3 categories of acreage will be considered for potential base increase:

3. Unassigned generic base acres

previous upland cotton base acres, not an impact in the Midwest



Rules

Can add base acres if:

Sum of Acreage Categories > Current Base Acres

Allocate new base acres based on plantings from 2019 to 2023



Limits

Farm's total base acres cannot exceed planted acres



**Maximum of 30 million acres
can be added across the U.S.**

If cap is hit, FSA will have to pro-rate

Crop Insurance

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Premium Support on Farm-Level Crop Insurance Programs: Current Levels and Proposed in the House Reconciliation Bill

Coverage Level	Basic and Optional Units		Enterprise and Whole Farm Units
	Current	Proposed ¹	
CAT	100%	100%	
50%	67%	67%	80%
55%	64%	69%	80%
60%	64%	69%	80%
65%	59%	64%	80%
70%	59%	64%	80%
75%	55%	60%	77%
80%	48%	51%	68%
85%	38%	41%	53%

¹Proposed rates in House Reconciliation Bill.



Changes to Supplemental Coverage Option

Changes

- Increase premium support rate from 65% to **80%**
- Increase coverage level from 86% to **90%**

SCO is a county coverage going from 86% (currently) to coverage of underlying RP (RP-HPE or YP) plan

Suggest every farm should consider the new SCO

Changes to Supplemental Coverage Option

- RMA sets total premium to reflect expected losses (**loss ratio equals 1.0**)
- Farmers should receive back more in payments than in total premium, equal to total premium x (1 – subsidy rate)



SCO, McLean County Corn Example

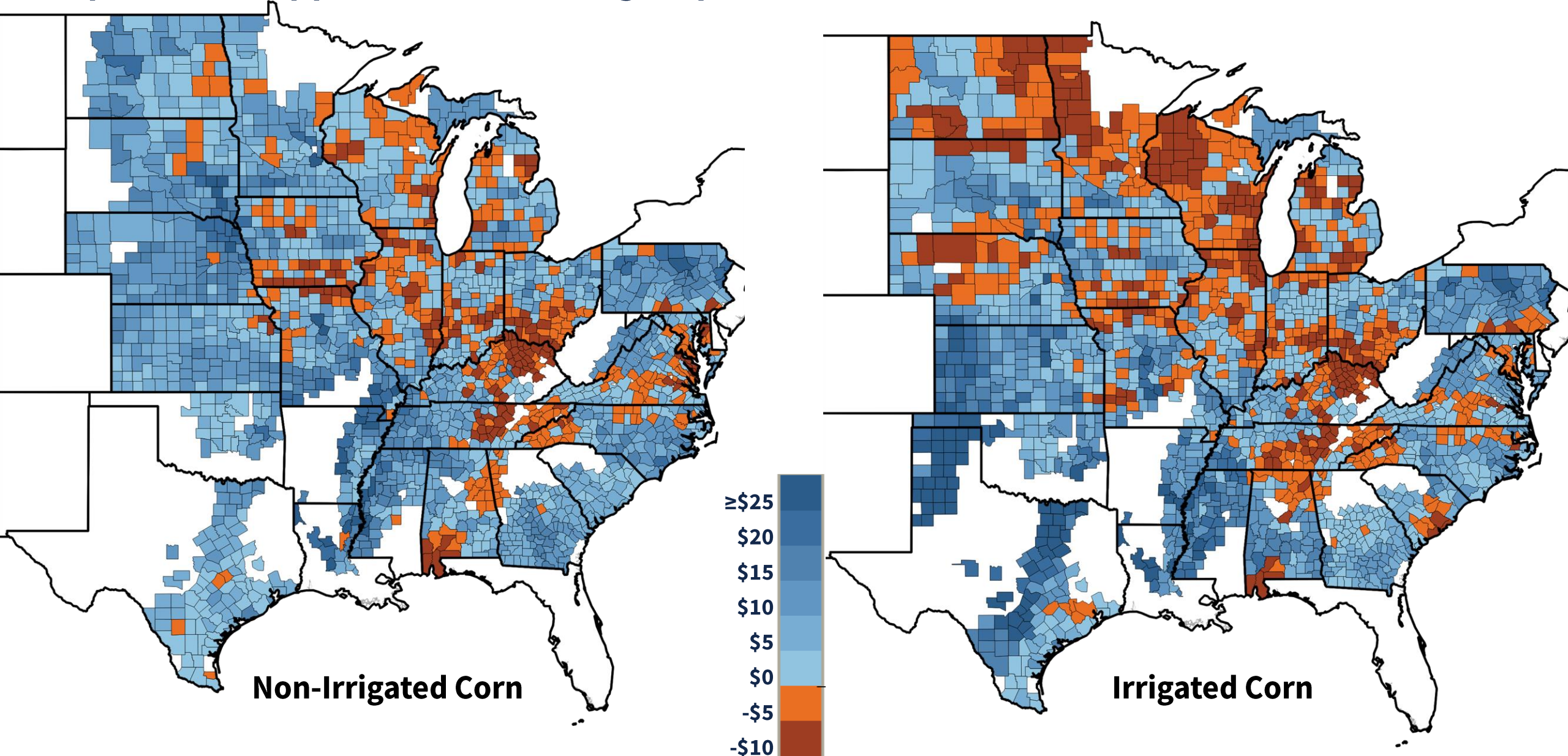
SCO in 2024 would have

\$36.00 total premium

\$ 7.20 farmer-paid premium

\$28.80 payments over farmer-paid premium (over time)

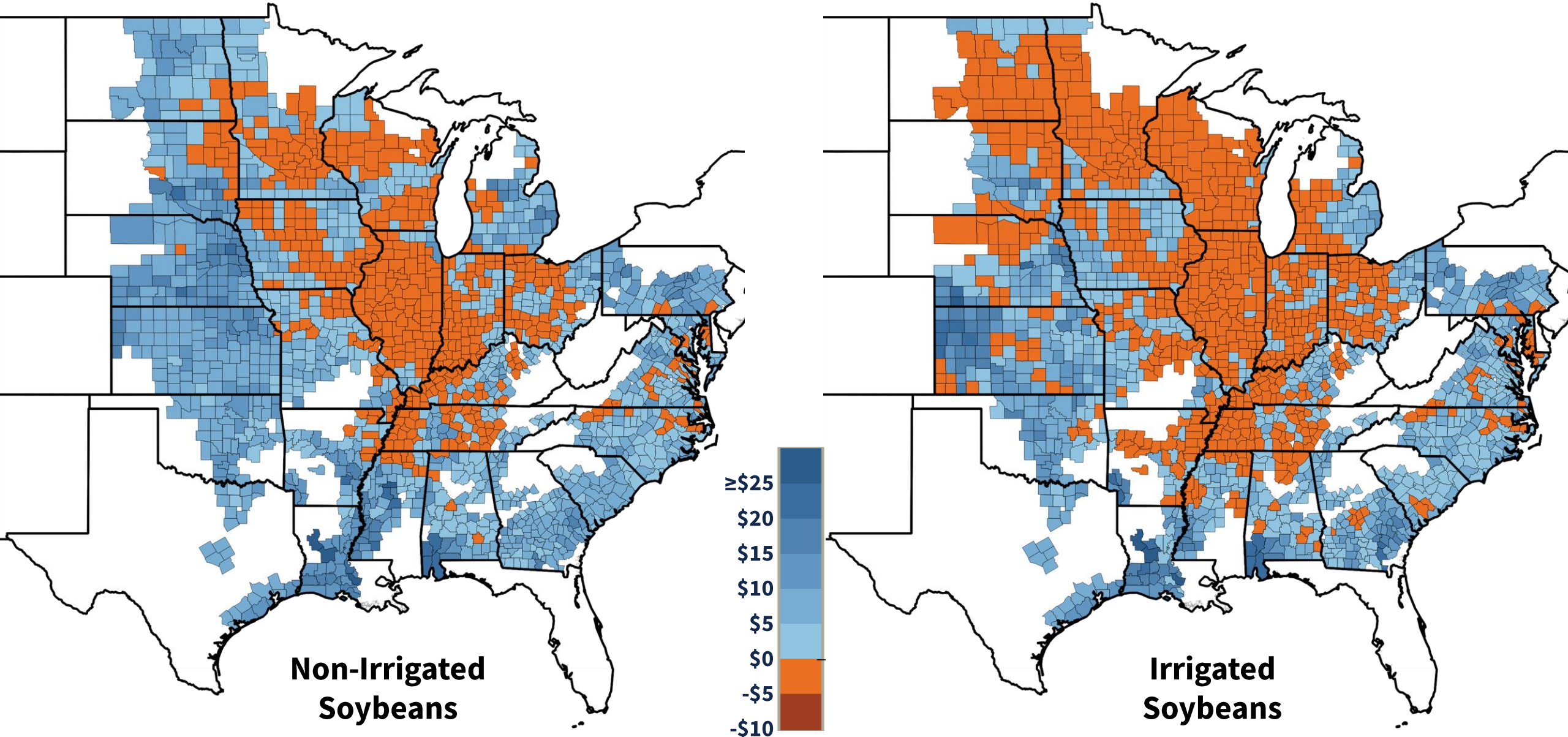
Per Acre Net Payments from SCO for **Corn** from 90% to 80%, House Reconciliation Bill Proposal for Supplemental Coverage Options, 2015 to 2023.



Non-Irrigated Corn

Irrigated Corn

Per Acre Net Payments from SCO for Soybeans from 90% to 80%, House Reconciliation Bill Proposal for Supplemental Coverage Options, 2015 to 2023.



Summary

- Increased ARC/PLC support
 - Higher reference prices
 - Higher ARC coverage and larger payment range
- Crop insurance changes
 - Increased subsidy rates for basic and optional units
 - Increased subsidy rate and coverage level for SCO
- Large cuts to nutrition programs
- Reduce conservation spending due to rescinding additional Inflation Reduction Act (IRA) funds

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