Staff Report No. 2025-43 **July 7, 2025**

One Big Beautiful Bill: Notable Changes for Agriculture

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President Trump signed H.R. 1 also known as the "One Big Beautiful Bill (OBBB) Act" on July 4, 2025. The OBBB Act contains a much-needed update to commodity and crop insurance programs- with some of those improvements beginning with the 2025 crop year. However, the agricultural-related provisions of the OBBB Act extend beyond the farm safety net to include several tax-related benefits for farm operations. This report highlights selected provisions of the OBBB Act.

Base Acres

The OBBB Act provides for *up to* 30,000,000 additional base acres to be allocated to farmers across the country. Beginning in 2026, farmers will have an opportunity to *voluntarily* update their base acreage to better reflect their plantings patterns over the 2019-2023 crop years. For farms that planted acreage to eligible crops from 2019 to 2023, base acres could be added to farms if current base acres are exceeded by the sum of three acreage categories: 1.) plantings (and prevent plantings) of covered crops from 2019 to 2023, 2.) plantings (and prevent plantings) to eligible non-covered crops from 2019 to 2023, plus 3.) unassigned cotton base acres. Note that provisions adding base acres would not change existing base acres. Instead, if a farm had any plantings or prevented plantings of covered commodities from 2019 to 2023, the following calculations would be made to determine if base acres can be added to that farm. These calculations compare the sum of three acreage categories to existing base acres. If the sum exceeds the current base acres, base acres could be added to a farm.

The acreage categories are: 1.) The average of covered crops that were planted and prevented from planting from 2019 to 2023. 2.) The lesser of 15% of total acres or average plantings of "eligible non-program crops" from 2019 to 2023. As to what an "eligible program crop" is will be left to the discretion of the Secretary of Agriculture. The language in the legislation explicitly states that eligible crops *will not include* covered crops, trees, bushes, vines, grass, or pasture, but *will include* cropland that is idle or fallow. 3.) The unassigned generic (cotton) acres.

The above sum is calculated and then compared to existing base acres. If the sum exceeds base acres, acres will be added to the farm. The sum for existing and added base acres cannot exceed the farm's total tillable acres. The additional base acres will be assigned to program crops based on their average percent plantings from 2019 to 2023.

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.

Effective Reference Prices and the PLC Program

For covered commodities, the statutory reference prices (RP) have been increased- beginning with the 2025 crop year. This makes the reference price 'retroactive' for the current 2025/26 crop year. It is important to note that the mechanics of the PLC program remain largely intact. The effective reference price (ERP) is the higher of the statutory RP or 88% of the five-year Olympic average U.S. MYA price, with a maximum value set at 113% of the statutory RP.

Covered Commodity	Previous Statutory RP	New Statutory RP
Wheat	$5.50 per bushel	$6.35 per bushel
Corn	$3.70 per bushel	$4.10 per bushel
Grain Sorghum	$3.95 per bushel	$4.40 per bushel
Long and Medium Grain Rice	$14.00 per hundredweight (cwt)	$16.90 per hundredweight (cwt)
Soybeans	$8.40 per bushel	$10.00 per bushel
Seed Cotton	$0.3670 per pound	$0.42 per pound

Covered Commodity	Previous ERP	New ERP
Wheat	$5.56 per bushel	$6.35 per bushel
Corn	$4.26 per bushel	$4.42 per bushel
Grain Sorghum	$4.51 per bushel	$4.67per bushel
Long and Medium Grain Rice	$14.00 per hundredweight (cwt)	$16.90 per hundredweight (cwt)
Soybeans	$9.66 per bushel	$10.71 per bushel
Seed Cotton	$0.3670 per pound	$0.42 per pound

The OBBB Act would extend the PLC program through the 2031 crop year. These provisions would increase statutory reference prices by between 10% and 21% depending on the commodity. The table below illustrates the changes in potential PLC program payments for the 2025/26 crop year using the new ERP for corn.

Parameter	Previous	New
ERP	$4.26 per bushel	$4.42 per bushel
U.S. MYA Price in 2025	$4.20 per bushel	$4.20 per bushel
PLC Payment Rate	$0.06 per bushel	$0.22 per bushel
Farm's PLC Program Yield	150 bushels	150 bushels
PLC Program Payment	$9.00 per acre	$33.00 per acre

Beginning in crop year 2031, the OBBB Act would require USDA to increase the reference price for the specified commodities by 0.5%. Although the OBBB Act would not extend the PLC program beyond the 2031 crop year, the Act would require USDA to continue to increase the reference price by 0.5% of the previous year's reference price for each crop year after 2031, up to a maximum of 115% of the 2030 reference price.

ARC-CO Program

The OBBB Act would also extend the ARC program through the 2031 crop year. The ARC program mechanics are changed by the OBBB Act. The revenue guarantee is now calculated as 90% of the benchmark revenue (previously set at 86%). Also, the cap on ARC-CO payment rate is set at 12% of the benchmark revenue (previously set at 10%). This effectively increases the payment range for the ARC-CO program. These changes would increase the likelihood of making a payment and increase the payments made to eligible producers when triggered.

An example for the changes to the ARC-CO payment calculation are presented below for Tensas Parish irrigated corn. It is assumed that the "actual parish yield" is 190 bushels per acre and the actual 2025/26 U.S. MYA price is $4.20 per bushel.

Parameter	Previous	New
Benchmark Revenue	$943.84 per acre	$943.84 per acre
Revenue Guarantee	$811.70 per acre	$849.46 per acre
Maximum ARC-CO Payment	$94.84 per acre	$113.26 per acre
"Actual Parish Yield" in 2025	190 bushels per acre	190 bushels per acre
"Actual U.S. MYA Price" in 2025	$4.20 per bushel	$4.20 per bushel
ARC-CO Program Payment	$14.20 per acre	$51.95 per acre

The OBBB Act also includes a provision allowing farmers to purchase the Supplemental Coverage Option (SCO) crop insurance while enrolled in the ARC program. Historically, SCO was only available to those enrolled in the PLC program.

Higher of the ARC and PLC Program Payment for the 2025 Crop Year Only

The OBBB Act states that for the 2025 crop year, farmers will receive the *higher of* either the ARC-CO or the PLC program payment for the covered commodity- *regardless* of the program choice. To revisit the previous ARC-CO example for irrigated corn in Tensas Parish for the 2025/26 crop year, the estimated PLC payment for the farm is $33.00 per acre while the estimated ARC-CO payment for the parish is $51.95 per acre. Under this new provision, the farmer with enrolled irrigated corn base aces would receive a payment of $51.95 per acre for the 2025/26 crop year. Note this provision is *only* for the current crop year.

Payment Limits

The previous payment limit for Title I programs was $125,000 per legal entity. Under the OBBB Act, the payment limit has been increased to $155,000 per legal entity. The OBBB Act also would require USDA to adjust payment limits for inflation annually beginning with the 2025 crop year.

Additionally, the OBBB Act would create a new category of business entity, a "qualified pass-through entity," which would include certain partnerships and S corporations and certain limited liability companies, joint ventures, and general partnerships. Under current law, some of these partnerships, S corporations, and limited liability companies have the same payment limit as individuals (i.e., $125,000 for peanuts and $125,000 for all commodities except peanuts). The OBBB Act would replace the exception to payments limits for joint ventures and general partnerships with an exception for qualified pass-through entities. Qualified pass-through entities would be eligible for ARC and PLC payment limits equal to the payment limit per person multiplied by the number of eligible persons or legal entities that own the qualified pass-through entity.

The OBBB Act would create an exception to AGI limits. This exception would allow producers and business entities whose AGI exceeds $900,000 to participate in certain disaster assistance and conservation programs if 75% or more of their average gross income (AGI) (i.e., gross income before applying adjustments to calculate the AGI) is derived from eligible agricultural activities.

Marketing Assistance Loan Rates

The Marketing Assistance Loan (MAL) program and the Loan Deficiency Payment (LDP) program provide price support to producers when market prices drop below statutory levels. The MAL program provides nine-month loans to farmers; the loans are collateralized by eligible stored commodities. The OBBB Act would extend MAL program nonrecourse and recourse loans through the 2031 crop year. It would set MAL rates for crop years 2026-2031.

The table below provides a comparison of the new marketing loan rates relative to the previous Farm Bill.

Crop	Previous	New
Wheat	$3.38 per bushel	$3.72 per bushel
Corn	$2.20 per bushel	$2.42 per bushel
Grain Sorghum	2.20 per bushel	$2.442 per bushel
Long and Medium Grain Rice	$7.00 per hundredweight (cwt)	$7.70 per hundredweight (cwt)
Soybeans	$6.20 per bushel	$6.82 per bushel
Upland Cotton	(varied)	$0.55 per pound
Raw Sugar	$0.1975 per pound	$0.24 per pound
Refined Sugar	$0.2538 per pound	$0.3277 per pound

The OBBB Act also would increase the payments to domestic users of upland cotton who participate in the Economic Adjustment Assistance for Textile Mills program and extend the Special Competitive Provisions for ELS Cotton program.

Crop Insurance Premium Subsidies

For crop insurance purposes, a *beginning farmer* is defined as one who has *not* operated a farm or ranch for more than five years. The OBBB Act expands the definition from five to ten years, doubling the length of time new producers are eligible for beginning farmer incentives. In addition, the OBBB Act increases the amount of the beginning farmer premium subsidy.

The OBBB Act would increase premium subsidies for farm-level yield coverage and farm-level revenue coverage for basic and optional units as shown in the table below. Crop insurance premium support will get an extra 3 to 5% increases on subsidies.

Coverage Level for Basic and Optional Units	Previous	New
Catastrophic (CAT)	100%	100%
50	67%	67%
55	64%	69%
60	64%	69%
65	59%	64%
70	59%	64%
75	55%	60%
80	48%	51%
85	38%	41%

The bill would expand the Supplemental Coverage Option (SCO)- a type of county-level coverage- and increase SCO premium subsidies from 65% to 80%. The OBBB Act would expand the maximum coverage level for Whole Farm Revenue Protection policies from 85% to 90%.

Under the current Farm Bill, cotton growers are ineligible to purchase STAX if they are enrolled in either PLC or ARC. The OBBB Act continues to allow growers to purchase SCO and enroll their seed cotton base acres in PLC.

Tax Provisions

Selected tax provisions contained in the OBBB Act relevant to farmers are presented in the following table.

Policy Change	Update
Farm Income Calculation	Gains from equipment sales, agri-tourism, and direct marketing count as farm income.
Estate Tax Exemption	Farm couples can be worth $30M ($15M each) without federal estate tax, up to $40M with planning.
Bonus Depreciation and Sec. 179	100% bonus depreciation for assets post-Jan 19, 2025, and Section 179 raised to $2.5M in 2025.
State and Local Tax Limit Increases	Temporarily raised to $40K through 2029, dropping to $10,000 for AGI over $600,000.
Sec. 199A Deduction	20% deduction for farm income made permanent with minor changes.
Additional Deduction for Farmers 65+ years old	Extra $6,000 deduction per spouse for 4 years, phasing out at higher income levels.

Sugar Program

In the case that sugar used to collateralize a MAL loan is forfeited by a sugar processor, current law requires USDA to provide payments to processors who store the forfeited sugar. The OBBB Act would increase the storage rates USDA pays to processors for forfeited sugar storage from not less than $0.15 per hundredweight per month to not less than $0.34 per hundredweight per month for refined sugar and from not less than $0.10 per hundredweight per month to not less than $0.27 per hundredweight per month for raw cane sugar.

The OBBB Act would extend the provisions for the flexible marketing allotments for sugar through crop year 2031. It would require USDA to prioritize increasing allotments for sugar beet processors if total marketing allotments were adjusted higher. Additionally, if sugar beet marketing allotments need to be adjusted, USDA would be required to reassign sugar beet marketing allotments within 30 days of the publication of USDA's January World Agricultural Supply and Demand Estimates (WASDE) report.

The OBBB Act would require USDA to determine which foreign countries do not intend to fill their sugar quotas and reallocate the forecasted shortfall to fulfill U.S. TRQ commitments. USDA would be required to reallocate any additional raw sugar TRQ shortfall forecasted by March 1st of the quota year. These shortfall reallocation provisions would cease if the Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico were terminated, and no countervailing duty order were in effect for sugar from Mexico. The OBBB Act would require any adjustments of TRQs before April 1st to be for the sole purpose of responding directly to a sugar shortage emergency in the United States caused by events such as war or natural disaster.

References:
AgWeb, American Farm Bureau Federation, Congressional Research Service, U.S. Congress, University of Illinois.

Note:
Information is presented for educational purposes. All farm program payment calculation contained in this report represent estimates.

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