



## Farm Bill in Reconciliation: ARC/PLC Payment Projections; Policy Design Lab Update

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On Tuesday, July 1, 2025, the United States Senate passed the budget reconciliation bill and sent it back over to the House of Representatives; On Wednesday, July 3, 2025, the House agreed to the Senate version of the bill, sending the bill to President Trump to be signed into law (H.R. 1, [Engrossed Amendment Senate](#); Bogage and Sotomayor, [July 3, 2025](#); Tully-McManus and Wu, [July 3, 2025](#); Bogage, et al., [July 1, 2025](#); Edmonson et al., [July 1, 2025](#); Sotomayor and Bogage, [July 2, 2025](#); Guggenheim and Carney, [July 1, 2025](#)). As discussed previously, the reconciliation bill effectively includes reauthorization of the Farm Bill with changes to the primary mandatory programs (*farmdoc daily*, [May 14, 2025](#); [May 20, 2025](#); [May 22, 2025](#); [May 27, 2025](#); [June 10, 2025](#); [July 1, 2025](#)). Today's article reviews an update from the Policy Design Lab project, providing interactive visualizations of payment projections for Agriculture Risk Coverage, county option (ARC-CO) and Price Loss Coverage (PLC). The projections include the current policy design and the changes by the provisions in the reconciliation bill as initially passed by the House (H.R. 1, [Engrossed in House](#)).

### Background

The Congressional Budget Office (CBO) projects that the Senate's version of the reconciliation bill will add \$3.3 trillion to the federal debt (not including interest costs on the debt); the bill is projected to reduce revenues (taxes) by \$4.7 trillion, while reducing spending by \$1.2 trillion over the next ten fiscal years (FY2025-2034) (CBO, [June 29, 2025](#)). Tucked into the budget reconciliation legislation is much of the Farm Bill, effectively reauthorizing it and making changes to policies under the protections of the special rules applicable to the reconciliation process (*farmdoc daily*, [June 18, 2025](#)). CBO projects the net reduction in Farm Bill spending by the reconciliation bill to be \$120.25 billion (FY2025-2034). That reduction includes a total \$185.9 billion cut for food assistance in the Supplemental Nutrition Assistance Program (SNAP) and about \$73.5 billion (FY2025-2034) in additional spending. The additional spending is primarily the result of increasing payments and assistance to farmers (\$66.4 billion, FY2025-2034). Most of the additional assistance to farmers is for Price Loss Coverage (PLC) payments (\$50.5 billion,

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FY2025-2034), with a much smaller increase in Agriculture Risk Coverage (ARC) payments (\$3.6 billion FY2025-2034). The bill also increases costs for crop insurance (\$6.7 billion, FY2025-2034), trade promotion (\$2.2 billion, FY2025-2034), and more. Finally, CBO scored a reduction in spending from conservation programs (-\$1.8 billion, FY2025-2034), interaction effects (-\$3.6 billion) and sequestration (-\$2.2 billion).

Launched in 2022, the Policy Design Lab at the University of Illinois at Urbana-Champaign is a project to advance understanding of policy design and its processes by, among other things, applying research, data, and computational resources to visualize the impacts of policies (see, <https://policydesignlab.ncsa.illinois.edu/>; *farmdoc daily*, December 21, 2023). The project recently released a comprehensive update projecting payments from the changes to the ARC/PLC program in the reconciliation bill (see, <https://policydesignlab.ncsa.illinois.edu/policy-lab/proposal-analysis/arc-plc-payments>). The projections are modeled based on the changes in the legislative text summarized in Table 1.

**Table 1. Summary of ARC/PLC Policy Design Changes in Reconciliation Bill**

Rate of Change in Statutory Reference Price			Design Change in Recombination Rate	
Program Crop	Existing Statutory Reference Price	Proposed Statutory Reference Price House & Senate	Existing ARC-CO Design	Proposed Revisions: House & Senate
Wheat (bu.)	\$5.50	\$6.35	ARC-CO Guarantee:	
Corn (bu.)	\$3.70	\$4.10	86% of Benchmark	90% of Benchmark
Sorghum (bu.)	\$3.95	\$4.40	Benchmark Revenue	
Barley (bu.)	\$4.95	\$5.45	5-year Olympic moving average (drop highest and lowest)	
Oats (bu.)	\$2.40	\$2.65	of county average yields and national average marketing	
LG Rice (cwt)	\$14.00	\$16.90	year prices	
MG Rice (cwt)	\$14.00	\$16.90	Maximum Payment Rate:	
Soybeans (bu.)	\$8.40	\$10.00	10% of Benchmark	12.5% of Benchmark (House) 12% of Benchmark (Senate)
Peanuts (ton)	\$535.00	\$630.00	Payment Range:	
Seed cotton (lb.)	\$0.37	\$0.42	86% to 76% of Benchmark	90% to 77.5% of Benchmark (House); or 90% to 78% of Benchmark (Senate)
Effective Reference Price	85% of 5-year Olympic moving average; up to 115%		Continued use of trend-adjusted yields and effective reference prices in benchmark calculation. Senate revisions would allow Supplemental Coverage Option (SCO) with ARC-CO.	
Other Changes:				
Provide for increase in statutory reference after 2031 at 1.005 per year; max of 115% in House, 113% in Senate				
Allow an increase of up to 30 million base acres				
Increase payment limits to \$155,000 (currently \$125,000); separate/additional limit for peanuts				
Exempt "pass-through entities" (partnerships, limited liability companies, joint ventures, S. corporation)				
House included special "floor" for corn base acres at \$3.30 per bushel				
Senate included provision to pay the higher of ARC-CO or PLC for 2025 crop year				



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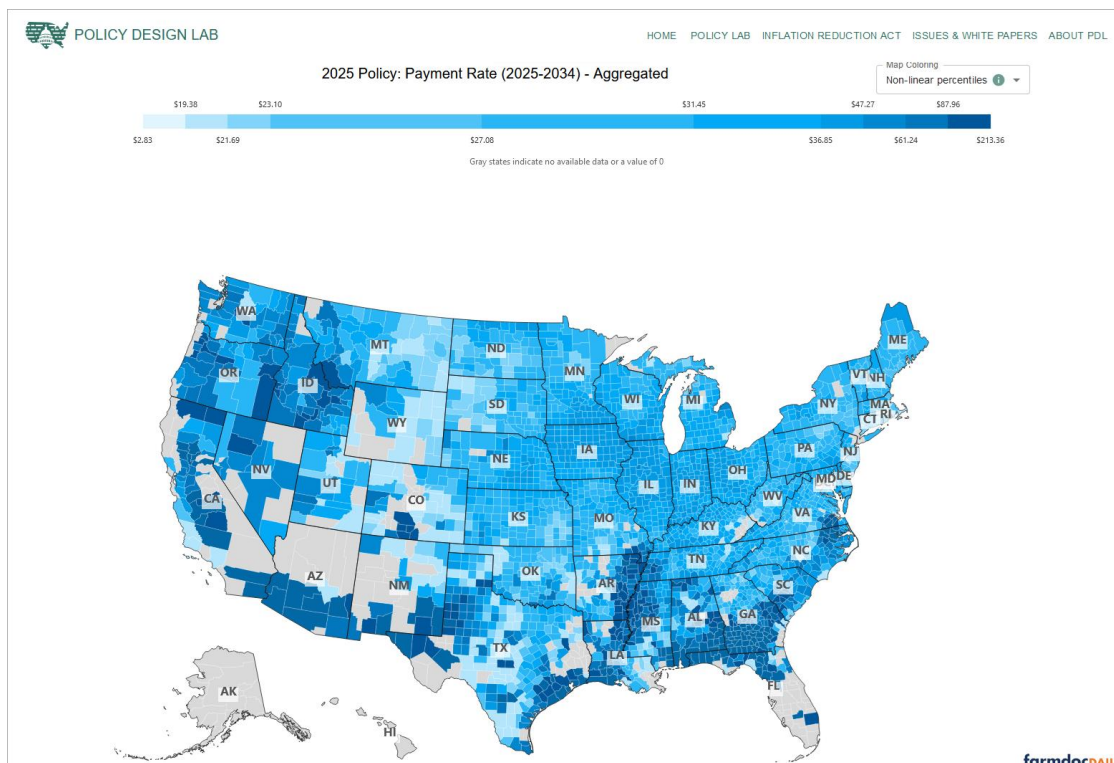
The discussion below reviews the visualization of these projected changes, as well as discussing the research and modeling work behind the projections. Development of the model is an ongoing effort by Henrique Monaco, a PhD student at the University of Illinois at Urbana-Champaign.

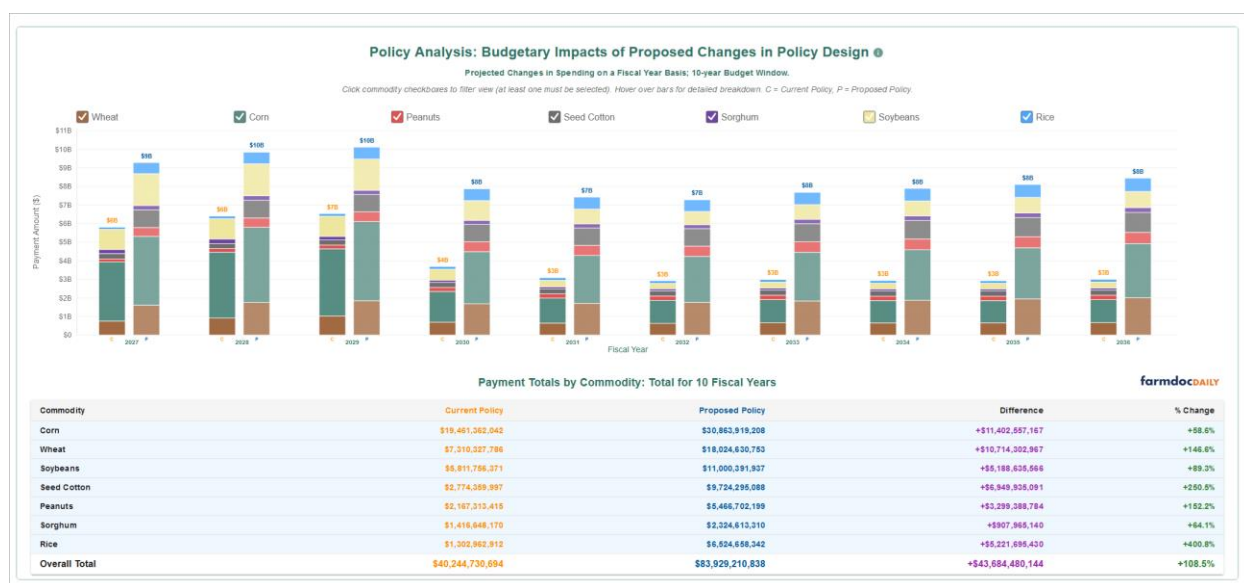
## Discussion

The visualizations of ARC and PLC payments apply a model of the policy design of those programs as currently authorized and based on the changes in the House version of the reconciliation bill. As noted in Table 1, the Senate version of changes to ARC and PLC are nearly identical. The Senate did not include the \$3.30 per bushel floor on the reference price for corn base acres and included a slightly lower cap for the increase in reference prices after 2031. The primary changes in policy design—disparate increases in the statutory reference prices for the base acres of program crops—are identical. The two versions also differ slightly on the changes to ARC-CO: both increase the guarantee to 90% of the benchmark revenue (5-year Olympic moving average of county yields and national marketing year average prices); the House increases the payment range to 12.5%, while the Senate increased the range to only 12%.

The model projects ARC-CO and PLC payments for the upcoming 10 years, similar to the CBO scoring and baseline approach. The model, however, uses a bottom-up approach where projections are made for each commodity and program at the county level, and then aggregated to the national level. The model uses yield projections that consider both trends in yields and historical yield variabilities for each of the major program crops (corn, soybeans, wheat, sorghum, seed cotton, rice, and peanuts). Prices are projected in the model as a function of the baseline long-term mean price and a stochastic component that allows for path dependent projections, which is important for ARC and PLC program payment calculations that depend on previous realizations in the calculations (see e.g., *farmdoc daily*, [January 16, 2024](#)). Importantly, the model also preserves the correlations between the county, commodity, and prices projected into the future. Finally, the model uses the total base acres for each program as projected by CBO, as well as applies the base acre enrollment rates projected by CBO (CBO, [January 2025](#)).

The projections from the model are visualized on the Policy Design Lab website and included here. The visualization begins with an interactive map, projecting total payments from both programs under the current policy design for the next ten years (2025-2034). Below the interactive map is a table of the data in the map and users can download the data. Finally, at the bottom is a projection of the budgetary impacts of the changes similar to a CBO baseline (current) or score (difference). Note that the budgetary impacts are presented on a fiscal year basis for FY2027-2036 to represent the timing shift in the statute. A table accompanies the chart with payment totals by program crop over the 10 fiscal years, comparing current policy (baseline) to the House revisions and providing both the difference in total costs (score) and the percent change.





In total, the model projects an increase of \$43.7 billion from FY2027 to FY2036, reflecting the changes in ARC and PLC for crop years 2025 to 2034. Relative to the baseline projections for current policy, farmers with rice base receive the largest increase (over 400%), followed by seed cotton (250%) and peanuts (152%). Users can select individual commodities or combinations of commodities in the graph.

Farmers do not farm the baseline or the CBO score, however (lobbyists do). For farmers, the projections that matter are the payment rates, which are the amounts per base acre (adjusted by 85% to reflect that payments are made on 85% of base acres). The interactive map allows users to select payment rates for the current policy design as well as the proposed revisions in the House reconciliation provisions. The map and downloadable data table adjust with the selection. The table can be adjusted to rank counties; for example, the highest weighted average payment rate for these program crops from both programs is Forrest County, Mississippi with a projected rate of \$213.36 per base (2025-2034). Users can also select individual crops, a combination of crops, and either ARC-CO and/or PLC.

## Concluding Thoughts

Policies are designed by Congress in the words of legislative text, but the impacts of the design decisions are difficult to decipher. Projecting the expected costs of changes in policy design, such as the scores provided by the Congressional Budget Office, help advance understanding of the designs and decisions. CBO baselines and scores, however, generally consist of topline national projections only (e.g., by program or, in the case of covered commodities, by commodity and program). The Policy Design Lab provides a more comprehensive perspective on policies by applying research, data, modeling, and computational resources to visualize program calculations. Interactive maps, charts, and tables provide multiple additional perspectives. A recent update visualizes payment projections for ARC and PLC at a county level based on modeling the changes to program calculations in the initial Reconciliation Bill passed by the House of Representatives. Future developments will update the model based on the final, enacted version of the changes in policy design, provide more functionalities, as well as apply research and models to other policy design proposals or alternatives.

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