MESSENGER-INQUIRER

Cooperative Extension Service

Farm Update

daviess.ca.uky.edu

AGRICULTURE & NATURAL RESOURCES EDUCATION

Clint Hardy
Daviess County Extension Office

**August 9, 2025**

**Farm Bill Components included in the Budget Reconciliation Bill**

UK Department of Agricultural Economics Professor, Dr. Will Snell, wrote the following article explaining significant updates and revisions to the new farm bill, which became law in July.

After more than three years of debate and two annual extensions, several components of the traditional farm bill that address commodity and risk management programs finally became law. By rule, this legislation included only parts of the farm bill that impact the federal budget. Non-budget issues that have been a part of discussions related to the farm bill may be considered later this year in a separate piece of legislation.

The timing of the commodity provisions within the budget reconciliation legislation is critical, with anticipated financial losses in grain farming this year given depressed grain prices and relatively high input prices. However, government payments for eligible farm bill crops planted this year will not occur until the fall of 2026, following the completion of the 2025-2026 marketing year.

The two primary crop safety net programs, the Agricultural Risk Coverage (ARC) and the Price Loss Coverage (PLC), are retained in this legislation through 2031. Farmers have two options within the ARC program – a county revenue-based program (ARC-CO) and an individual farm revenue program (ARC-IC). ARC-CO payments are triggered when the actual county crop revenue of a covered commodity is less than the ARC-CO revenue guarantee for the crop. PLC program payments are triggered when the average U.S. market price for the covered crop in any given year falls below the established effective reference price for that crop. The budget reconciliation bill, which became law on July 4th, allows farmers to receive the higher payment between PLC or ARC for the 2025 crop, irrespective of their program selection chosen earlier this year. For 2026 to 2031, farmers will be required to make an annual choice between PLC and ARC.

A few of the major changes in this Act related to the farm bill are the following reference (safety net) price increases beginning with the 2025 crop for program commodities. Corn reference price increased from $3.70 to $4.10/bu. Soybean reference price increased from $8.40 to $10.00, and wheat increased from $5.50 to $6.35.

There is an allowance for an increase of up to 30 million base acres in the U.S. under the ARC/PLC programs beginning with the 2026 crop year. A University of Illinois Farm Doc base acre analysis provides an "indicator" that this could add nearly 700,000 base acres (+22%) to Kentucky's existing base acres for covered crops.

The bill increases payment limits to $155,000 from $125,000 under the previous farm bill and allows farmers to be exempt from the current $900,000 adjusted gross income (AGI) limit if one derives more than 75% of their average gross income from farming.

It increases USDA crop insurance premium subsidies and coverage levels, along with increasing premium assistance available to beginning farmers, extending their time to qualify as a beginning farmer from five years to ten years. It will create a pilot insurance program for contract poultry growers to receive index-based insurance to cover higher utility costs caused by extreme weather.

The bill extends existing USDA conservation programs to 2031 and provides for annual funding increases. However, overall funding for conservation programs will be affected by the cancellation of conservation projects under the Inflation Reduction Act, and implementation may be challenged due to ongoing staffing issues. The bill nearly doubles the USDA trade promotion programs designed to promote and expand U.S. ag and food exports.

In addition to addressing commodity and risk management programs, the One Big Beautiful Act also address other non-farm bill components of interest to agriculture, including permanently increasing the federal estate and gift tax exemption to $15 million per individual, capital gains benefits for farmland owners who sell the land to an active farmer committing to keep the land in active production for ten years, and expanding business expensing limits and depreciation allowances.

**Tar Spot Confirmed**

Tar spot on corn has been confirmed in the county. Fortunately, environmental conditions have not been optimal for development. Tar spot rapidly develops in temperatures of 64-71 degrees for several days. It develops slowly when humidity is high. If tar spot is present, fungicide applications through R3, (milk stage) are recommended. R4 and later-stage corn is unlikely to benefit from application.

# MESSENGER-INQUIRER