Ag INSIDER
FARM BUREAU ARKANSAS
March 2026

Reference Prices Are Rising, But Is the Safety Net Keeping Up?

Congress recently updated commodity program reference prices through the One Big Beautiful Bill, marking the first meaningful increase since the 2014 farm bill. The changes are intended to strengthen the farm safety net as commodity prices decline and input costs remain elevated. An important question remains: *do the new reference prices keep pace with inflation and today's cost of producing crops?*

For many farmers, the answer will determine whether government programs provide meaningful protection with the current farm economy.

Reference prices serve as the benchmark for the Price Loss Coverage (PLC) program. When the national marketing year average price falls below the reference price, farmers receive assistance to help offset market losses. They also create a price floor for the Agriculture Risk Coverage (ARC) program, as benchmark revenue cannot fall below the statutory reference prices.

These reference prices were set in 2014, based upon market conditions in 2012, and were unchanged in the 2018 farm bill. Global trade disputes and a sharp rise in input costs have significantly weakened the safety net, necessitating supplemental assistance programs every year since the 2018 bill was passed. This has created an environment of uncertainty for farmers, who require the programs to continue to farm.

The Proposed Reference Price Increases

Updated policy raises statutory reference prices for most program crops. Corn increases from $3.70 to $4.10 per bushel, soybeans from $8.40 to $10.00, wheat from $5.50 to $6.35 and long-grain rice from $14.00 to $16.90 per hundredweight.

Crop	2018 Reference Price	Inflation-Adjusted (2025 dollars)	New Reference Price
Corn	$3.70	~$4.60	$4.10
Soybeans	$8.40	~$10.45	$10.00
Wheat	$5.50	~$6.85	$6.35
Rice	$14.00	~$17.40	$16.90

Fig. 1 - Old reference price verses inflation-adjusted verses new references price.

Inflation complicates that improvement. Figure 1 shows if the 2018 reference prices had been adjusted for inflation, today's values would be higher.

The increases restore part of the safety net's value but do not fully keep pace with inflation.

Arkansas Production Costs Tell a Similar Story

Arkansas data highlights how these policy benchmarks compare to actual farm economics. Enterprise budgets from the University of Arkansas Division of Agriculture show production costs continue to rise across major row crops. When converted to breakeven prices, those costs exceed both old and updated reference prices (figure 2).

This gap reflects a core feature of modern farm programs. PLC payments help reduce losses but are not designed to

ensure profitability. Even with higher reference prices, support levels remain below the cost of production for many Arkansas farms.

Crop	Estimated AR Breakeven Price	Old Reference Price	New Reference Price
Corn	~$5.00/bu	$3.70	$4.10
Soybeans	~$12.00/bu	$8.40	$10.00
Wheat	~$7.25/bu	$5.50	$6.35
Rice	~$20.00/cwt	$14.00	$16.90

Fig. 2 - Comparison between breakeven price verses reference price

When Payments Are Triggered

PLC payments occur when the marketing year average price falls below the effective reference price. The payment rate equals the difference between those values and is multiplied by 90% of the farm's yield and 85% of base acres.

Because the program uses national average prices, it provides broad protection during downturns rather than farm-specific coverage. Historically, payments were triggered consistently for crops like corn and wheat, providing regular support during a period of low prices. In recent years, however, payments have become far less frequent. While market prices have declined from recent highs, they have often remained above outdated reference price levels, even as production costs have increased. This has reduced the ability of the program to respond to current economic conditions.

With prices trending lower again, the likelihood of payments is increasing.

How the Safety Net Has Shifted

The shift in the farm safety net over time becomes clearer when looking at how reference prices compare to the cost of production (figure 3). While reference prices are set by policy and updated periodically, production costs tend to

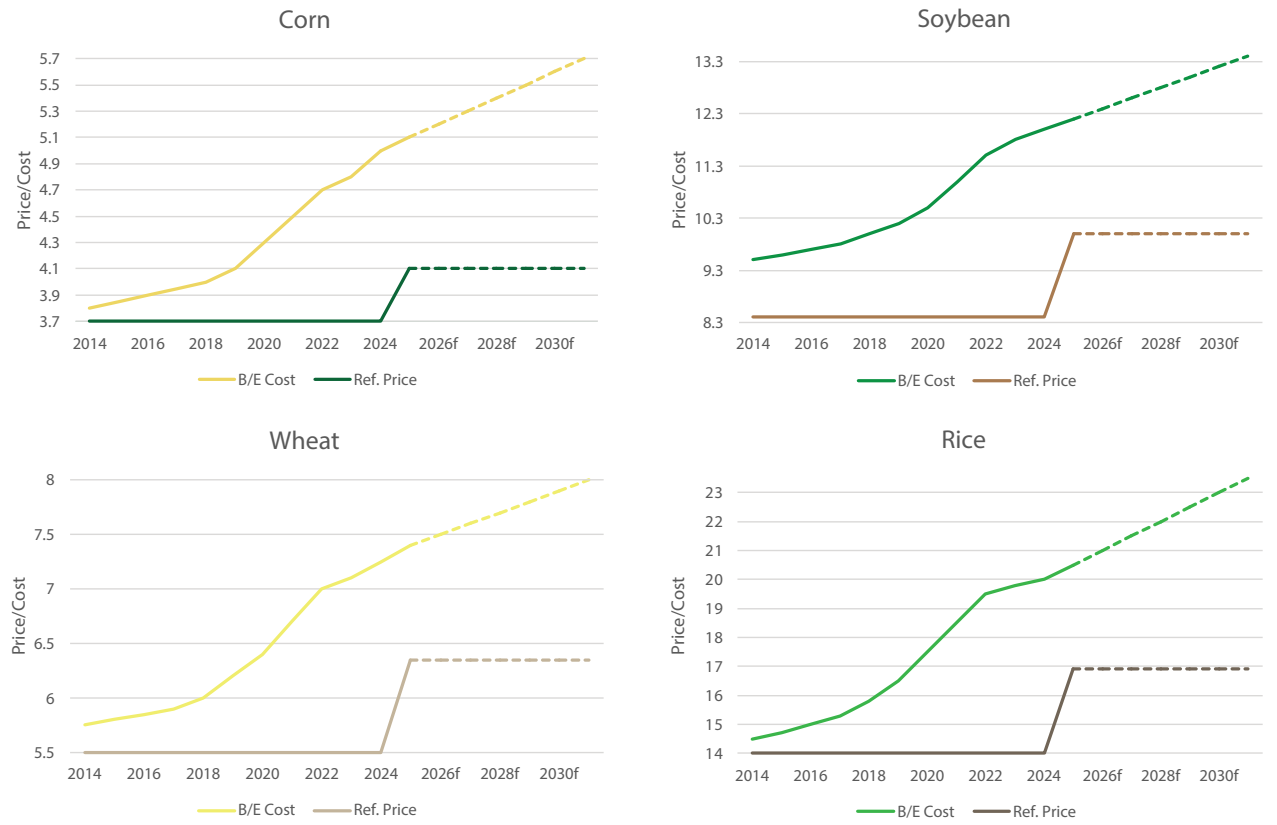

Fig. 3 - Breakeven cost per acre verses reference price. *f=forecasted*

rise more steadily. This creates a widening gap that affects how much protection the program provides.

The relationship between reference prices and the cost of production highlights how the farm safety net changes over time. While reference prices remain fixed between farm bills, production costs tend to rise year after year, widening the gap between the two. Even after the recent increase, that gap is larger than it was when reference prices were originally set. In 2018, reference prices covered a large share of production costs, but today they cover a smaller portion. This shift reflects both general inflation and faster growth in key input costs such as fertilizer, machinery, labor and interest.

As a result, the safety net is less effective in real economic terms. Payments may occur more often, but they are tied to benchmarks that represent a smaller share of actual costs.

What 2025 Could Look Like

Current projections suggest several crops may fall below their reference prices in the 2025 marketing year (figure 4).

Crop	Effective Reference Price	Expected 2025 MYA Price	Estimated PLC Payment Rate
Corn	~$4.42/bu	~$4.10/bu	~$0.32/bu
Wheat	~$6.35/bu	~$4.95/bu	~$1.40/bu
Peanuts	~$0.315/lb	~$0.235/lb	~$0.080/lb
Rice	~$16.90/cwt	~$10.50/cwt	~$6.40/cwt
Cotton	~$0.4200/lb	~$0.3291/lb	~$0.0909/lb
Soybeans	~$10.71/bu	~$10.20/lb	~$0.51/bu

Fig. 4 - Reference price verses marketing year average price

What Those Payments Mean for an Arkansas Farm

To see how this translates into farm income, consider a 1,500-acre Arkansas operation with 500 corn base acres enrolled in PLC and a yield of 170 bushels per acre.

At a projected payment rate of $0.32 per bushel, the PLC payment equals:

170 × 90% = 153 program yeild

153 × $0.32 × 85% = $41.62 per base acre

This results in approximately $42 per base acre, or about $21,000 across those corn base acres.

Arkansas Farm Bureau and University of Arkansas economists estimate corn losses could exceed $200 per acre under current conditions. On 500 acres, that represents more than $100,000 in losses. The PLC payment covers only a portion of that gap.

This pattern holds across crops. PLC payments help ease the financial impact of lower prices, providing a cushion during downturns in the market.

Payment Limits

The One Big Beautiful Bill increased payment limits from $125,000 to $155,000 per entity, which is an improvement. However, the reality of today's row crop agriculture requires economies of scale. According to the most recent Ag Census data, the number of farmers is shrinking, and each farmer is farming more acres than ever before.

A rice farmer who yields 75 cwt/acre would receive a payment of $367 per base acre.

75 × 90% = 67.5 program yeild

67.5 × $6.40 × 85% = $367.20 per base acre

This means that the farmer would reach the payment limit of $155,000 with only 422 base acres of rice. Farms organized as partnerships or corporations may have multiple entities, but payment limits inevitably leave some

farmers with no safety net at all on portions of their farm.

Recent changes also updated how farm entities are treated. LLCs and other pass-through entities are now evaluated at the individual level, allowing each eligible member to qualify for a separate payment limit. This change increases the potential level of support but also makes it more important for farmers to understand how their operation is structured to avoid leaving payments unrealized.

The Real Value of the Farm Safety Net

Higher reference prices strengthen the farm safety net by increasing both the likelihood and size of payments, providing important support during extended periods of lower prices. However, even with these updates, reference prices remain below inflation-adjusted levels. Rising input costs have widened the gap between policy support and farm-level economics, leaving a larger share of financial risk on the farm.

Payment limitations further influence how much of that support reaches farmers. While higher limits allow more acres to be covered, some operations may still reach those caps, leaving a portion of potential payments unrealized. In addition, how a farm is structured and how eligibility rules apply across entities can affect how much of the safety net is ultimately captured.

Taken together, these changes represent a meaningful step forward, but they do not fully restore the safety net to its original strength. For farmers facing high costs and tighter margins, the program is designed to ease financial pressure during downturns rather than fully replace lost income.

As these updates take effect, they raise important questions for farmers and policymakers alike. Is the program working as intended in today's economic environment? Does it provide support when farms need it most? As costs continue to evolve, are there opportunities to improve how the safety net responds to changing conditions? The answers to these questions will shape how effective the farm safety net remains in the years ahead.

Analysis by Tyler Oxner.

For more information, contact:

Tyler at (501) 228-1311, tyler.oxner@arfb.com.