Cultivated Insights

Insure your growth with **risk expertise**

Gallagher

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Winter 2026

Spring Farm Visits and Sales Closing

With the 2025 year and crop season winding down, it will soon be time to start planning and making adjustments for the 2026 spring crops. Like always, Gallagher agents will make farm visits so that we can discuss coverages and go over additional options. This is the time of year we can make changes to the policy that best fit your needs.

There have been many changes to crop insurance for 2026 regarding coverage levels, SCO and ECO. When we are going over quotes, please remember that is simply what they are: quotes. They are subject to change but are close, ballpark estimates of what you can expect for the 2026 season. Please make us aware of any possible changes that you would like to discuss or any changes that have happened throughout the year. Entity or marriage changes need to be added or corrected on policies. In addition, we ask you to have production from the 2025 season calculated so that we can help you get it reported.

Field visits will start mid- to late December for tobacco growers, followed by January and February visits to all customers and prospects in North Carolina, with Virginia running through March 15th. We look forward to seeing all our farmers and continuing to build those relationships.

All procedures mentioned in this newsletter are based off of policies and procedures published by RMA at the time of writing. RMA is subject to make changes or clarifications to any policy through published Managers' Bulletins or FADs at any time.

Disaster Assistance: SDRP Stage 2

The USDA's Farm Service Agency (FSA) is now delivering Stage 2 of the Supplemental Disaster Relief Program (SDRP) to eligible producers with qualifying losses. The sign-up period runs from November 24 through April 30, 2026. This program provides payments for losses of crops, trees, bushes and vines not indemnified for 2023 and 2024, also referred to as shallow or uncovered losses.

Eligibility

Eligible losses must be due to wildfires, hurricanes, floods, derechos, excessive heat, tornadoes, winter storms, freezes (including a polar vortex), smoke exposure, excessive moisture, qualifying drought and related conditions occurring in 2023 and/or 2024.

Related conditions include:

- Excessive wind that occurred as a direct result of a derecho.
- Silt and debris that occurred as a direct result of flooding.
- Excessive wind, tornadoes, storm surges, tropical storms and tropical depressions that occurred as a direct result of a hurricane.
- Excessive wind and blizzards that occurred as a direct result of a winter storm.
- Drought losses must have occurred in a county rated by the US Drought Monitor as having a D2 (severe drought) for eight consecutive weeks, D3 (extreme drought) or greater intensity level during the applicable calendar year. Eligible counties are listed at fsa.usda.gov/sdrp.

How to apply

FSA is using a streamlined process for eligible crop, tree, bush and vine losses, leveraging existing NAP data and data on file with RMA for losses covered by certain federal crop insurance policies. Other FSA crop data, including producer acreage reports and general crop information, will be used when not available under crop insurance records and for uninsured applications.

Producers must work with their local FSA county office to obtain, complete and submit the FSA-504 SDRP Stage 2 application. Applications can be submitted:

- In-person
- Electronically (via Box and One-span)
- Email
- Fax

Additional forms may be required. Check with your FSA office for additional details.

Payment calculation

Payments are based on the SDRP-adjusted NAP or Federal crop insurance coverage level the producer purchased for the crop. For uninsured participants, payments are calculated using a 70% adjusted SDRP coverage level. The net NAP, or net Federal crop insurance payments (NAP or crop insurance indemnities minus administrative fees and premiums), are subtracted from the SDRP calculated payment amount. Administrative fees and premiums will only be included if the calculated SDRP payment is greater than zero.

The following tables show the adjusted SDRP coverage level based on the producer's selected crop insurance or NAP coverage level.

SDRP COVERAGE LEVEL	
CROP INSURANCE LEVEL	**ADJUSTED SDRP COVERAGE LEVEL**
Catastrophic coverage	75%
More than catastrophic coverage but less than 55 percent	80%
At least 55 percent but less than 60 percent	82.5%
At least 60 percent but less than 65 percent	85%
At least 65 percent but less than 70 percent	87.5%
At least 70 percent but less than 75 percent	90%
At least 75 percent but less than 80 percent	92.5%
At least 80 percent	95%

NAP ASSISTANCE STAGES	
NAP COVERAGE LEVEL	ADJUSTED SDRP COVERAGE LEVEL
Catastrophic coverage	75%
50 percent	80%
55 percent	85%
60 percent	90%
65 percent	95%

UNCOVERED (UNINSURED)	
UNINSURED/NOT COVERED BY NAP	ADJUSTED SDRP COVERAGE LEVEL
Uncovered (Uninsured) Commodities	70%

Payment limitations

Payment limits for SDRP (Stage 1 and Stage 2 combined) for 2023, 2024, and/or 2025 are determined by the person's or legal entity's average adjusted gross farm income. Specifically, a person or legal entity, other than a joint venture or general partnership, cannot receive, directly or indirectly, more than $125,000 in payments for each year (2023, 2024 and/or 2025) under SDRP if their average adjusted gross farm income is less than 75 percent of their average AGI for the applicable base period. If at least 75 percent of the person or legal entity's average AGI is derived from farming, ranching or forestry-related activities and the participant provides the required certification and documentation as outlined below, then the person or legal entity, other than a joint venture or general partnership, is eligible to receive, directly or indirectly, up to:

- $900,000 for each program year for specialty and high-value crops; and
- $250,000 for each program year for all other crops.

To request increased payment limits, producers must file an FSA-510 form with certification that their average adjusted gross farm income is at least 75 percent of their average AGI and certification from a licensed CPA or attorney that the participant meets the requirements. This form is required to be filed each year the payment limit exception is requested.

Future insurance coverage requirements

Producers receiving SDRP payments must purchase federal crop insurance or NAP coverage at a 60% coverage level or higher for the next two crop years. Failure to comply will require repayment of SDRP funds with interest to the USDA.

**Reference: USDA SDRP Stage 2 Fact Sheet*

Wheat Acreage

As the holidays get closer, so does the acreage reporting deadline on wheat. The deadline to report wheat acres is January 15, but we must have your acres transferred onto our forms and signed by the insured to be covered. Once you have reported your acreage to the FSA, please make sure that the FSA sends us a copy. This is a busy time of year for the FSA as they are dealing with SDRP Phase 2 and reporting acres, so they may get backed up. In addition, sometimes revisions will be needed, so it is crucial that you report your acres as soon as possible.

Direct Deposit

We are always looking for ways to better serve our customers while improving efficiency. Direct deposit is one of the quickest and most convenient methods to deliver claim payments directly to your bank account. However, we understand that in certain situations, such as when a lender has an assignment of indemnity on the policy, direct deposit may not be possible.

Setting up direct deposit is simple. To get started, we'll need the following:

- The name of your financial institution and the city and state they are located in
- Your account and routing numbers
- A voided check
- A signed direct deposit form

If you'd like to switch to direct deposit, let us know, and we'll take care of the rest.

Precision Ag and Acreage Reporting

Precision Ag has been around for a while, and the software systems have improved tremendously. It has been a great tool to make management decisions easier for growers. Our hope is that we will be able to help farmers utilize the technology that they already have to make acreage reporting more streamlined.

For the 2025 spring crops, Gallagher had a few farmers that utilized Precision Ag. One farming operation was 100% successful in completing their entire spring acreage report via precision. We were granted access to their "myjohndeere" account and were able to transfer that data into the Approved Insurance Provider (AIP) that services their policies. We asked that they still report to the FSA so that we could compare acreage. By using precision data, we were able to reduce the farmers' acres, which helps increase yields and reduce premiums for the farmer.

If there is any farming operation that is equipped with this technology and would like to implement it into your crop insurance, please reach out to your agent. There is a process to get everything set up, and your agent can help guide you through that process. We want to expand the number of farmers utilizing this technology so that it becomes a faster and easier way of reporting acres with more accurate data.

2026 Tobacco Policy Changes

In early December RMA released the actuarial changes for the 2026 tobacco policy. At this time the flue-cured tobacco price election will be $2.35. You may recall that the price election for 2025 was $2.30.

For the 2026 crop year, growers will still be required to show proof of contracts to receive the full price election. All producers will be allowed to overplant up to 10% of their contract before a deduction in price election takes effect. Again, the price election on conventional flue-cured tobacco is $2.35 and up to $5.17 on organic. To get a price higher than $2.35 on organic acres, you must have the Contract Price (CP) option, organic tobacco contract, organic plan and certificate. Over the past few years most organic producers that provided all the documentation received approximately a $4 price election on their organic acres. Please keep in mind that we will need a copy of your 2025 organic sales tickets to ensure we get you the maximum price election. Non-contracted tobacco will receive a $1.25 per pound price election whether it's organic or conventional tobacco.

Producers that wish to insure burley, dark air, fire-cured and Maryland types of tobacco will have contract requirements again for the 2025 crop year. The price election for burley is $2.40 and fired-cured is at $2.50 per pound.

Please send us your tobacco contracts as soon as you sign them. A lot of the contracts are signed electronically and can be emailed to us. Remember, the entity on the tobacco contracts must match the entity on the insurance policy to be considered valid. It is very important that we receive a copy of all your contracts to ensure the best price election possible for your tobacco.

Many producers already participate in SCO and ECO coverages on their tobacco, but 2026 may be a good opportunity for those that don't participate to sign up. The subsidy on premium for SCO and ECO increased from 65% to 80% for the 2026 crop year. This will allow the farmer premium to be considerably lower, which could make it a very good expenditure for the coming year.

Commodity Prices

Commodity prices have been a big concern for farmers in 2025. Corn and bean prices are lower, which has farming operations on very thin margins.

With trade deals coming through on beans, we have seen a good increase over the last month in bean prices. Soybeans were tracking in the mid-nine-dollar range in October 2025, with the final harvest price coming in at $11.31. Futures continue to show an upward trend, meaning the base price that will be set in mid-February should be higher than the previous year for soybeans. With the soybeans tracking 10%-20% higher than the previous year, it will cause soybean premiums to be higher, which allows for more total dollars of coverage.

Corn is currently holding steady in the mid $4.40-$4.75 range, which isn't any different than the 2025 crop. The discovery period for both corn and beans is between January 15 and February 14 in North Carolina and February 1-February 28 in Virginia. At the end of that period, we will have the projected harvest prices that the crop insurance will be based on.

Having your policy set up with revenue protection can help farming operations benefit from the volatility within the market. By having revenue protection, it allows us to pay the higher of the projected harvest price or harvest price in a loss situation.

Production Reporting

As harvest is coming to an end for most of our customers, we ask that you report your 2025 production to us while it's still fresh on your mind. Since the number of claims for 2025 is considerably less than 2024, we will not be able to receive as much production data from claims this year. It is very important that you report your yields accurately to us to ensure that the better yields produced are entered into your databases to increase coverage for 2026.

When gathering your production, there are a few things that you need to keep in mind. The most important thing is knowing if you are on optional units or enterprise units for each crop. If you can't remember please contact your agent.

When reporting your production on optional units, you need to make sure that you report actual yields on each farm serial number. If you turn in an average yield for all farm serial numbers, you will not be eligible for optional units in the 2025 crop year. If you elected enterprise units in the 2024 crop year but think there is a chance you will want optional units for the 2025 crop year, please report your production to us by farm serial number and not an overall average.

If you wish to still have enterprise units for this coming crop year, you can simply write the total number of bushels produced for each crop on the production report or figure the average yield per crop and write it in on the production report for each farm serial number. Keep in mind if you are on enterprise units and had a payable loss, we should already have your yields, and if you are on optional units and had a payable loss we still need your yields from the non-loss units.

Please get your production reported to us as soon as possible so your agent can give you a more accurate quote when our farm visits start in January. With the increase in subsidy on many policies for the 2026 crop year, we want to provide you with the best information possible to allow you to make the best decision on coverage for your operation.

Bridge Payments

The government announced $12 billion in one-time "Farmer Bridge Payments (FBA Program)" to support US farmers facing market disruptions and high input costs. This program is set to send out $11 billion to row crop farmers that produce commodities such as corn, soybeans, wheat, cotton, rice, peanuts and others. The 2025 crop year losses are the basis of the payment. To be eligible, you must complete 2025 acreage reporting by December 19, 2025, and payments are expected by February 28, 2026.

Specialty crops will also be included in the program and are set to receive $1 billion, but there are a few details still to be worked out on how those payments will be calculated. The payments are going to be administered through the Farm Service Agency. There is a $155,000 payment limit and a $900,000 gross income limit.

Three Things Farmers Need To Know About the Budget Bill's Impact on Crop Insurance and Farm Programs

The latest budget reconciliation package allocates over $60 billion in funding for farm programs over the next decade (2025-2034) — the largest increase in farm funding since 2002.

Here are three key implications farmers need to know:

1. **Enhancements to Crop Insurance:** The bill introduces expanded crop insurance coverage and access.
   a. **Supplemental Coverage Option (SCO):**
      i. Now available to ARC enrollees.
      ii. Coverage expanded to 90% of expected revenue, up from 86% (starting in 2027).
      iii. SCO, ECO, MCO, HIP-WI and FIP-SI will all receive subsidy support, increased from 65% to 80%. ECO will have 86%-95% coverage available and an 80% subsidy for the 2026 crop year; this covers the gap year before SCO 90% is available.
   b. **Buy-Up Coverage Subsidies:** Subsidy rates for yield and revenue policies increase by 3%-5%, depending on coverage levels.
   c. **Support for Beginning Farmers:** The definition of a beginning farmer or rancher (BFR) expands from 5 to 10 years, with additional premium support provided during the early years of farming on top of current subsidy support.
      i. Individuals have until November 30, 2025, to submit new BFR applications for 2026 policies that have Sales Closing Dates on or before November 30, 2025 (i.e., winter wheat and livestock endorsements).
   d. **Whole Farm Revenue Protection (WFRP):** Top coverage level increased from 85% to 90% with no decrease in subsidy rate.
2. **Expanded Safety Net Protection Through ARC and PLC Programs:** The bill updates enrollment eligibility, crop reference prices and support levels for Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs.
   a. **Adjusted Gross Income (AGI) Exemptions:** Farmers deriving at least 75% of their AGI from farming, ranching or related activities are exempt from the $900,000 AGI limitation for Farm Service Agency (FSA) program eligibility.
   b. **Increased Base Acres:** Up to 30 million new base acres can now be allocated based on covered and non-covered commodity planting history (2019-2023), allowing more farmers to enroll in these programs.
   c. **Higher Revenue Guarantees:** ARC guarantees now cover 90% of benchmark revenue (up from 86%), and the payment cap has increased to 12% (up from 10%).
   d. **PLC Reference Price Increase:** PLC reference prices for commodity crops have increased by 10%-20% and Effective Reference Price calculations have changed to 88% of the five-year Olympic Marketing Year Average (from 85%).
   e. **Automatic Payments for 2025:** For the 2025 crop year, farmers will automatically receive the higher of ARC or PLC payments, regardless of previous elections.
3. **Adjusted Payment Limits and Business Structures:** The bill includes changes to the payment limits for FSA safety net programs, Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs.
   a. **Higher Payment Limits:** The maximum amount of money a single person or entity can receive under certain commodity programs in a single year has been raised from $125,000 to $155,000.
   b. **Expanded Passthrough Entity Eligibility:** S-Corps and LLCs are now treated as passthrough entities, with payment limits based on the number of first-level owners.
   c. **Inflation Adjustment:** This new $155,000 limit will be adjusted annually for inflation using the Consumer Price Index for All Urban Consumers (CPI-U). This means the limit will automatically increase over time to keep pace with rising costs and maintain the real value of the assistance provided to farmers.

The provisions for farmers are numerous. Additional notable changes include:

- **Livestock Indemnity Program (LIP):** Adds payouts for unborn livestock and introduces new payment categories for losses due to weather, disease or predation.
- **Livestock Forage Program (LFP):** Updates drought-related payment triggers, changes the severity of a D2 drought that triggers payments and the amount of the payments received.
- **Dairy Margin Coverage (DMC):** Expands Tier 1 coverage limits from five million to six million pounds of milk production per farm and updates enrollment criteria to reflect recent production years (2021-2023).

Holiday Wishes

Here at Gallagher, we enjoy the Christmas holiday season with the rest of the country. As we look forward to some time off with family, we must reflect on the past. You, our customers, have been loyal to our business, in most cases for many years. We don't take that loyalty lightly and appreciate you and your business immensely. It is that business that makes things possible for us that would otherwise not be possible. We hope that our service allows you to say the same about us. Our most rewarding conversations are those when a farmer tells us that they wouldn't still be in business without the work that we've done for them. While we're referring to some really tough times, it gives us pleasure to be the ones to fill the gap when those tough times occur.

That said, we pray that your 2026 crops are successful and that it will be a year that will be remembered for its bounty and not for its difficulty. We plan to be here for you if the going gets tough. May you and your family have a wonderful Christmas and a prosperous new year.

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