Top 5 Considerations for Managing Large, One-Time Government Payments

Brady Brewer (bebrewer@ksu.edu) – K-State Department of Agricultural Economics
Mark Dikeman (dikemanm@ksu.edu) – K-State Department of Agricultural Economics
Allen Featherstone (afeather@ksu.edu) – K-State Department of Agricultural Economics
Jennifer Ifft (jifft@ksu.edu) – K-State Department of Agricultural Economics
Kellen Liebsch (kellen@ksu.edu) – K-State Department of Agricultural Economics
Robin Reid (robinreid@ksu.edu) – K-State Department of Agricultural Economics

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Government support for U.S. farm operations increasingly occurs through ad hoc payments, or one-time payments that are not known in advance. This includes market facilitation payments during the first Trump administration, COVID-related programs, the Emergency Relief Program, and the Emergency Commodity Assistance Program. In 2025, the Supplemental Disaster Relief Program (SDRP) made a first stage payment to producers with insurance claims in 2023 and/or 2024 and opened applications for a second stage payment for shallow losses. The Trump administration has indicated additional support for trade-related losses, which means there could be more ad hoc payments in the future. For many operations, these payments are not planned when developing a cash flow analysis. Managing them can make the difference between short-term and long-term financial improvement.

These payments can offer valuable support, especially in tight financial years. How to use them depends on the operation's needs, goals, and expectations about future policy. That said, it's important to recognize that while these programs have become a recurring feature of the farm safety net, their timing, eligibility criteria, and payment amounts can vary and are not guaranteed in advance. As such, managing these payments needs to be given careful consideration since their timing and size may be more variable than other program payments. Making the most of them may involve balancing immediate needs with steps that strengthen the operation's financial position for the long term.

Why Ad Hoc Payments Need Special Management

Before we lay out some steps that can be taken, let's first make the case for why ad hoc, or one-time payments, need special attention. First, ad hoc payments can be much more variable than traditional farm bill program payments from both a timing and size perspective. A great example of this is the second tranche of Market Facilitation Program (MFP) payments. The USDA announced the payments on November 15th of 2019 and the payments began mere days after the announcement. This highlights that ad hoc payments can be unpredictable in terms of when they will get paid.

Secondly, because ad hoc payments are "at will" payments, farmers are first and foremost unsure if there will even be a payment. With ad hoc payments, there is no set formula ahead of the payment being announced. For regular farm bill payments, the USDA publishes the formulas for how farmers will be paid. While the exact amount a farmer may receive may not be known until after harvest, these published formulas mean that farmers can, at the very least, know a range that their payment may be in so that they can plan for it.

This variability and unpredictability of ad hoc payments means that farm management exercises such as tax planning, capital expenditure planning, and budgeting operating expenses may be more challenging since a farmer's cash flow is now more uncertain.

Here are five key considerations for putting large, one-time government payments to their best use:

1. Think Long-Term

While it's tempting to focus on short-term needs, overdue upgrades, or immediate tax strategies, the most strategic use of a large payment may be to reinforce your farm's long-term financial position. Currently many farm operations have already experienced a drop in working capital. Rebuilding this cushion should be a top priority. Additionally, because ad hoc payments can be more variable in terms of timing and size, it is important for a farm to build up adequate working capital as a buffer.

Disaster payments are one-time cash infusions and it is not guaranteed they will be repeated the next year. If used too quickly or without a plan, they may leave the farm exposed in the current downturn.

2. Cash Flow Planning Is Essential

Even if your cash flow looks strong today, it's worth asking how this payment affects the next 6 to 24 months. Could it reduce the need for operating credit? Could you avoid restructuring debt by keeping some of the cash on hand or should you prepay expenses in anticipation of a payment are all questions farmers should ask. In addition, discounts on input purchases can be taken advantage of during certain times of the year, which could lower some input costs.

Developing a basic cash flow projection, either on a monthly or quarterly basis, can help identify opportunities to stretch this funding and avoid high-interest borrowing down the road. Keep in mind that restructuring operating lines into longer-term debt is a common strategy when working capital runs thin. Having residual cash available could help you avoid that step.

3. Consider Paying Down Debt

If the operation has sufficient liquidity, using part of the disaster payment to reduce debt can improve your position going into future years. Think especially about high-interest debt or balances that have been rolled over from previous years.

Debt repayment should be prioritized when:

- The operation has sufficient cash for short-term needs.
- The payment is not needed to service current-year expenses.
- Interest rates on existing debt are high.

Paying down debt now can also free up borrowing capacity for future needs—without requiring major restructuring.

4. Evaluate Equipment Purchases Carefully

New equipment is one of the most common uses for unexpected cash. But treat this decision like any other capital investment—not necessarily a reward. Farm equipment purchases can reduce short-term tax liability, especially under 100% depreciation rules, but that doesn't automatically make them a good use of funds.

Before buying, ask:

- Will this equipment lower your total cost of production?
- How will it affect your operating and labor costs?
- Could it improve your farm's long-term asset efficiency ("turns") or cost efficiency ("earns")?

Remember: equipment investments can lock up capital (e.g. cash) in assets that are hard to liquidate. In some cases, holding onto cash and building up working capital can offer more flexibility during volatile times.

5. Avoid Letting This Payment Inflate Cash Rent Expectations

Disaster payments can skew the perceived profitability of rented ground. If landlords see higher cash reserves or income this year, they may push for higher rent. Be cautious about how this one-time payment affects your financial negotiation.

Make it clear that the payment is not ongoing income, and that rental decisions are based on realistic, future long-term returns and not on historical temporary relief.

Additional Considerations

- Government payments are taxable: Talk with your tax advisor early to avoid surprises. Deferring grain sales or making end-of-year purchases may reduce liability, but don't let tax strategy drive major financial decisions. The goal of a business is to maximize after-tax income, which may not always coincide with minimizing tax payments.
- Payment limitations may apply: Government programs often come with caps and eligibility rules. Work with FSA or your accountant to confirm what applies to your operation.
- Carrying Over Grain: Some operations may hold grain due to improved cash flow. This decision can affect tax liability and price risk exposure.

Final Thoughts

Large, one-time ad hoc payments are an opportunity to strengthen your farm's balance sheet, improve cash flow flexibility, and reduce financial stress. Taking time now to build a plan can help ensure this payment supports your operation's future—not just the past season's losses. Using the entire payment for tax savings without evaluating long-term needs may result in a deficiency of cash in the near term. Consider assessing cash flow both in the near and long-term before using the ad hoc payment to make any large capital purchases. Ad hoc payments can be an opportunity to rebuild your financial foundation but may have lower benefits if treated as extra cash to deploy quickly.

Additional Resources

Cash Flow Projection for Operating Loan Determination
https://agmanager.info/sites/default/files/pdf/Cash%20Flow-AgManager%20format.pdf

How much debt can a farm carry? https://bookstore.ksre.ksu.edu/download/how-much-debt-can-a-farm-carry_MF288

Kansas Farm Management Association website https://agmanager.info/kfma

Managing Machinery Costs
https://www.agmanager.info/sites/default/files/pdf/6_IbendahlFeatherstoneRegier_MachineryCosts_6_0.pdf