

March 2026

# Monthly Market Update



## Profitability

**What is this?** AgWest conducts a profitability analysis of its core industries every quarter by surveying its lending, appraisal and insurance staff and having discussions with industry experts. Results provide a high-level overview of the health of each industry. Actual profitability may vary significantly by operation. Below is a summary of our latest results.

**Summary:** The distribution of profitability across agriculture held relatively stable this quarter. Low prices, persistently elevated input costs and trade policy remain headwinds. Slight changes in profitability occurred over the last quarter, with apple packers as well as lemon, timothy hay and uncontracted potato producers weakening slightly. Conditions for wheat producers improved slightly, but remain unprofitable. The following table details current profitability and the 12-month outlook by industry in AgWest’s territory.

Industry	Current profitability	12-month outlook			Factors dictating 12-month outlook
		Bearish	Neutral	Bullish	
Almonds	Slightly profitable		X		A smaller than expected 2025 crop along with reasonably strong demand are supporting prices.
Apple producers	Unprofitable			X	While apple supply continues to exceed demand and result in low prices, cost cutting and acreage removal should help improve profitability over time.
Apple packers	Slightly profitable		X		The large 2025 crop and strong consumer demand should continue to support packer profitability.
Cattle feeders	Profitable	X			Cattle feeders are currently profitable, supported by firm fed cattle prices and manageable feed costs. However, tighter feeder supplies and dry weather conditions pose growing headwinds.
Cow/calf producers	Very profitable		X		Tight cattle supplies, strong calf prices and steady beef demand are keeping cow/calf producers very profitable. Slow herd rebuilding is expected to support strong margins throughout the year.
Dairy	Breakeven		X		Slowing herd expansion and steady demand are balancing dairy markets, while elevated costs and ample milk supplies continue to limit upside. The neutral outlook favors disciplined cost management and cautious growth rather than expansion.

Industry	Current profitability	12-month outlook			Factors dictating 12-month outlook
		Bearish	Neutral	Bullish	
Lemons	Slightly unprofitable		X		Relatively weak demand and prices continue to challenge lemon growers. Larger than ideal fruit sizes and mixed quality will pressure prices for the 2026 crop.
Hay (alfalfa)	Breakeven		X		Alfalfa hay markets are expected to operate near breakeven in 2026, as relatively stable but low prices are magnified by high production costs and continued softness in export demand.
Hay (timothy)	Breakeven		X		Timothy hay markets are expected to operate near breakeven in 2026, as steady but limited demand is offset by elevated production expenses.
Forest product mills	Breakeven		X		Profitability is mixed and highly sensitive to small price changes. Less efficient mills are experiencing the most pressure. There is room for optimism heading into the 2026 peak construction season, but housing affordability remains a significant challenge.
Timberlands	Slightly profitable		X		While mills remain cautious to not overcommit on log purchases, prices remain generally profitable for timberland owners.
Oranges	Slightly profitable		X		The 2025-26 mandarin crop faces challenges due to excessively wet and cold weather, but strong quality, demand and prices should support the industry. Navel prices are mixed due to the large size profile, but overall remain slightly profitable.
Pistachios	Profitable		X		Strong and growing demand coupled with a smaller than expected 2025 crop among both the U.S. and key global producers are supporting prices.
Potatoes (contracted)	Slightly profitable	X			Contracted potatoes are supported by stable agreements and processor purchases of overages at \$2-\$3 per cwt, though margins remain thin.
Potatoes (uncontracted)	Unprofitable		X		Uncontracted potatoes remain under significant pressure, with oversupply leaving most growers operating below breakeven despite exceptional yields and quality.
Wheat	Slightly unprofitable		X		Persistently low prices, ongoing dryness and elevated input costs continue to weigh on prospects for 2026. Profit margins are likely to remain under pressure despite the expectation of a smaller U.S. crop.
Wine	Slightly unprofitable	X			Wine demand continues to soften and pressure the industry, particularly in the lower- to mid-range segments.
Wine Grapes	Unprofitable		X		While the 2025 wine grape crop will come in smaller than average, excess wine inventories will continue to limit grape demand.



## Industry updates

### **General sentiment – *Slowing input cost growth offers some relief, but crop producers remain under strain.***

As March 2026 unfolds, the farm economy appears to be at an inflection point, showing modest signs of improvement while persistent challenges remain. USDA's Chief Economist has outlined a cautiously improving outlook for producers in 2026, noting that input cost pressures are beginning to ease after several difficult years. Input costs are expected to rise about 1% year over year, though military conflict in Iran could result in a higher rate (see Crop inputs section). Despite this moderation, global competition and ongoing policy changes continue to complicate production decisions. Farm sentiment remains mixed, with nearly half of producers reporting they were worse off in February 2026 than a year earlier. Livestock producers are generally faring better than crop producers. Among crop producers, 63% expect their financial position to worsen over the next year, compared with fewer than 20% of livestock producers. Even with some relief from Farm Bridge Assistance programs, most producers report plans to use these payments primarily to pay down debt rather than invest in their operations.

### **Crop inputs**

#### **Geopolitical risks drive sharp early March rally in crude oil prices.**

Crude oil prices rose modestly in February before surging sharply in early March, driven by escalating geopolitical tensions in the Middle East and a weaker U.S. dollar. Coordinated U.S. and Israeli military actions against Iran have heightened regional instability, effectively stopping oil flows through the Strait of Hormuz, which handles upwards of 20% of global oil supply. While the Organization of Petroleum Exporting Countries (OPEC+) announced a modest production increase beginning in April to help mitigate price pressures following the Iran strikes, spare capacity remains limited. At the same time, large global inventories and continued growth in non-OPEC production should offset near-term supply risks.

#### **Freight movement stays strong.**

In addition to trade flows through the Strait of Hormuz stopping, conflict in the Middle East is leading many carriers to continue avoiding the Red Sea, keeping transit times longer and costs elevated on alternative routes. Despite these developments, container rates remained relatively soft into February due to weak U.S. and European demand for Asian goods and rising vessel capacity. Bulk shipping rates increased slightly due to Asian demand for various commodities. Domestically, grain transportation demand has remained strong despite winter weather disruptions. U.S. Class I railroads originated significantly more grain carloads in 2025 compared with prior years, supported by improved service levels and rail tariff adjustments. Export activity through key corridors such as the Pacific Northwest and the U.S. Gulf has remained elevated, with higher inspection volumes and increased vessel loadings compared with last year.

#### **Fertilizer prices increase as urea surges and trade risks loom.**

Prices for all major fertilizers increased in February, with urea recording the largest gain at about 5%. Prices are expected to move higher as Iran is among the top fertilizer exporters. Supply risks are further heightened by logistical concerns, as three of the world's largest ammonia exporters and roughly 20% of top phosphate suppliers rely on transit through the Strait of Hormuz. Additional bullish sentiment followed damage to a Russian nitrogen facility, which further constrained supply. Trade policy uncertainty remains a key risk, as President Trump has threatened tariffs on Canadian imports tied to broader trade disputes (Canada is the primary supplier of potash to the U.S.).

### **Almonds and pistachios – *Almond prices rise on supply concerns.***

Almond prices rose notably in February as heavy rains followed by a cold snap may have reduced pollination and producers' ability to apply herbicides / pesticides during peak bloom for the 2026 crop. While the full impact remains unclear, sellers pulled back and this reduced available supply. The sharp rise in prices will likely slow demand in the short term as buyer expectations readjust. The Supreme Court's latest ruling on tariffs created uncertainty around trade relations between India and the U.S. Negotiations on a trade agreement were progressing well, but India pulled back after the ruling to assess the potential impact. India is the largest foreign market for almond producers and currently applies a \$0.20 / lb and \$0.60 / lb duty on inshell and shelled almonds, respectively (exact rates vary based on currency fluctuations).

Pistachio markets remained strong in February, with year-to-date shipments as of January increasing by 20% year over year. USDA estimates global production for the 2025-26 crop is down 8% to 1.1 million metric tons as declines in the Middle East offset record production in the U.S. High temperatures, drought conditions and electricity shortages in Iran, as well as frost, drought and alternate bearing in Turkey, lowered production levels (Iran and Turkey are the second and third largest global producers). It remains unclear if, and to what extent, the U.S. military intervention in Iran would impact its ability to export pistachios. Much depends on how long the conflict lasts and whether the U.S. will target civilian infrastructure. Lower global supply should continue to support prices through the 2025-26 marketing season.

USDA will provide \$1 billion in assistance to specialty crop and sugar farmers to help address market disruptions, rising costs and persistently elevated inflation. This program will cover almonds and pistachios.

Visit our [almonds and pistachios webpage](#) for information on trade fundamentals and tariffs.

### **Apples – Apple prices increase across several varieties.**

Apple prices strengthened in February for Red Delicious, Cosmic Crisp and Honeycrisp varieties. Prices for fruit heading into processed markets are strong, which may be providing a floor for fresh markets. Season-to-date shipment levels are on par with previous years and, at this pace, inventory carry-over into next season should be about average. Anecdotal reports suggest producers are finding ways to cut costs such as reducing pruning, letting orchards sit with minimal management and/or laying off higher wage employees. Others are taking acres out of production entirely. These activities should help to better align supply with market demand over time.

Pear prices were mixed in February, with the Anjou variety strengthening, and Bartlett and Bosc weakening. While quality remains favorable overall, prices are below average due to the large crop and recent closure of a cannery in the Yakima area. Bartlett supply is nearly wrapped for the season, while Bosc and Anjou varieties will likely ship through June and August, respectively. Globally, the Northern Hemisphere supply is winding down while Southern Hemisphere production picks up. Yields in Chile and Argentina, two large producers, are down due to weather related impacts.

Visit our [apples webpage](#) for information on trade fundamentals and tariffs.

### **Cattle – Cattle markets adjust to tight supplies and processing constraints.**

U.S. cattle markets continue to face headwinds as reduced cattle supplies and ongoing trade uncertainty shape market conditions. While cow/calf producers are positioned for another year of strong margins as the national herd begins to stabilize, downstream segments remain under pressure. Feedlots started February with an estimated 11.5 million head on feed, slightly below year-ago levels. Meanwhile, packers have scaled back operations amid sustained financial losses, with cattle slaughter running 12% lower than last year.

Between fewer cattle and favorable prices for feeders, feedlots are retaining cattle longer. The number of cattle on feed for more than 150 days is more than 20% higher than a year ago. Unlike typical seasonal patterns, fed cattle weights have continued to rise rather than decline heading into spring.

Capacity utilization is a limiting factor in packer profitability. As packers operate below capacity, they are cutting shifts to minimize losses amidst tight cattle supplies. Current dynamics led Tyson to permanently close its Lexington, Nebraska plant (one of Tyson's largest, with a capacity of nearly 5,000 head per day) in January.

Cattle supplies are further constrained by a smaller calf crop and the ongoing suspension of Mexican cattle imports, limiting feeder cattle availability and intensifying pressure on both feedlots and packers. While wholesale beef prices remain elevated, packer margins continue to operate deep in negative territory, highlighting the strain across the supply chain. Higher beef values have not been sufficient to offset reduced throughput and higher costs.

### **Trade policy adds uncertainty to outlook.**

Recent export data highlights a softening contribution from trade to the U.S. beef complex, with the primary impact on beef byproducts. In 2025, beef and beef product exports accounted for 12.7% of total production, down from 13.9% in 2024, while export value per head of fed slaughter fell to \$391.94, the lowest level since 2020. Although muscle cuts can largely be absorbed by the domestic market, declines in exports of offal and hides materially reduce total carcass value. Lost demand for products such as tongues, tripe, livers and hides can reduce animal value by tens of dollars per head, directly compressing packer margins.

This byproduct drag is becoming increasingly consequential in the current cattle cycle. U.S. beef exports to China have effectively stalled, down 67% year over year, and shipments to Japan, Mexico, Canada and Taiwan have also softened. Even if domestic beef demand remains strong, U.S. consumers do not replace specialized export demand for items such as tongue to Japan or tripe to Mexico. When these outlets disappear, byproducts are pushed into low value channels where rendering becomes the price setter, lowering the value of the entire animal. This dynamic increases pressure on packers through weaker margins and contributes to decisions around plant closures, reduced shifts, and lower cattle bids.

At the same time, imports are increasingly filling the gap left by tight domestic cattle supplies. U.S. net beef supply has increased each year since 2023, supported by rising imports from countries such as Brazil and Australia, even as the U.S. cow herd declined another 1% year over year. Strong consumer demand has masked some of the downstream effects, but imported beef represents a growing long-term competitive threat, particularly if domestic herd rebuilding eventually coincides with heavier carcass weights and higher slaughter volumes. In that scenario, increased imports could amplify price volatility at the cow/calf level.

Trade policy uncertainty adds another layer of risk. Following the Supreme Court ruling that invalidated tariffs imposed earlier in 2025, the Trump administration implemented a new import surcharge that was later increased to 15%. Australian beef remains exempt, while Canadian and Mexican beef continues to move duty-free under USMCA protections. While a planned meeting between U.S. and Chinese leadership at the end of March has raised expectations for dialogue, longer term prospects for China as a reliable export market remain limited. Structural competition, geopolitical tensions, and shifting supply chains suggest any improvement is more likely to be temporary than transformational.

Overall, tighter cattle supplies, low plant utilization amid high fixed processing costs, weakening byproduct values, and rising imports are converging to create a challenging environment for packers and producers alike. Even as market outcomes over the past year have exceeded expectations, the underlying structural pressures remain unresolved. How quickly processing capacity adjusts, how imports evolve, and whether global byproduct demand recovers will be key factors in determining when, or if, the current cycle reaches a breaking point.

Visit our [cattle webpage](#) for information on trade fundamentals and tariffs.

### **Dairy – U.S. dairy herd growth is slowing, even as milk production remains strong.**

The U.S. dairy herd has grown to its largest size since the 1990s, adding approximately 258,000 cows since the current expansion began nearly two years ago. However, the pace of herd growth has slowed over the past four months, signaling that expansion is beginning to level off. As a result, production growth is expected to normalize in 2026.

U.S. milk production remains high, increasing 2.6% in 2025. January milk production is up 3.4% from a year earlier, supported by both higher per cow productivity, up 24 pounds from January 2025, and an additional 200,000 head compared to the previous year. The Western U.S. posted modest gains, though performance differed by state. Among AgWest states, Arizona, California, Idaho, and Oregon reported year-over-year production increases of 0.5%, 4.7%, 3.2% and 4.9%, respectively. Washington remained an outlier, with milk production declining 6.1%. This was largely driven by a 17,000 head herd reduction as producers responded to narrowing margins and rising costs.

Dairy cow slaughter rates remain near the five-year average, supported by strong beef demand. Elevated beef prices continue to bolster dairy economics, with day-old dairy beef cross calves averaging more than \$1,500 per head, helping to offset higher production costs and marginal milk prices.

#### **Exports, government purchases and cold storage support milk prices.**

Milk prices are near breakeven levels, generally constrained by strong milk supplies. However, milk prices have some upside potential in the current environment, supported by robust export demand, increased USDA purchases and tightening cold storage supplies.

#### **Overall, dairy markets are showing renewed strength and optimism heading into the spring.**

U.S. dairy exports rose 4% in 2025, led by significant gains in butter and cheese. Butter exports surged 162% year over year, reaching record volumes in November and December, with strong shipments continuing into early 2026. Cheese exports also posted solid growth, increasing 20% over the same period.

Additional support came from USDA's announcement of \$148 million in Section 32 dairy product purchases. These purchases are expected to increase total U.S. dairy utilization by just over 1% and include \$75 million for butter, \$32.5 million for cheddar and related cheeses, and smaller allocations for Swiss cheese, fresh fluid milk, and ultrahigh temperature milk.

Cold storage data highlights the tightness in butter supplies. From December to January, butter inventories increased by just 28 million pounds, well below the typical seasonal buildup of about 40 million pounds. Even after the post-holiday period, butter stocks remained historically low through February, helping push butter futures above \$2.00 per pound.

U.S. butter is currently the lowest priced among major global exporters, enhancing export competitiveness and suggesting additional upside potential. These dynamics have translated into a strong rally in Class IV markets, with February futures gaining \$4 to \$5 per cwt and pushing future prices above \$19 per cwt. Tight supplies, strong exports, and competitive U.S. pricing continue to provide bullish support for Class IV markets.

Cheese markets, while supported by broader dairy strength, present a more balanced outlook. Spot cheese prices above \$1.80 per pound could begin to pressure U.S. export competitiveness, particularly as European Union cheese exports expanded by 20% in 2025. Still, rising butter and nonfat dry milk prices may continue to lend indirect support to cheese values. Futures markets reflect cautious optimism, with spring Class III contracts trading near or above \$17 per cwt and much of the forward curve holding in the \$18 range.

Visit our [dairy webpage](#) for information on trade fundamentals and tariffs.

### **Forest products – Lumber and log markets remain flat.**

Lumber prices increased slightly in February, but continue to trade within a relatively tight range. Overall, wood product demand remains relatively tepid. The housing sector faces mixed signals heading into spring 2026. Home affordability has improved with rising real incomes, flat to slightly declining home prices, and declining mortgage rates. Both single-family home permits and construction starts increased sharply in Q4 2025, and there are signs inventory levels may be increasing. Despite these developments, affordability will likely remain a challenge and limit new construction activity in 2026. The Trump administration is pursuing ways to further improve home ownership access, including an executive order to limit institutional investor purchases of single-family homes and instructing Fannie Mae and Freddie Mac to buy mortgage bonds to lower rates. These actions are not anticipated to significantly increase demand in 2026.

Log prices softened in February as mills continue to take a cautious approach to log purchases. The U.S. exported logs to China in December for the first time since April 2025 as trade tensions ease. The Bureau of Land Management issued an intent to revise the Northwestern and Coastal Oregon Resource Management Plan (RMP), and the Southwestern Oregon RMP. The primary objective is to promote economic development and reduce wildfire risk by returning harvest to historically high levels ('historically high' was not defined in the letter of intent).

Visit our [forest products webpage](#) for information on trade fundamentals and tariffs.

### **Hay – Prices hold steady, but drought and trade headwinds ahead.**

Market conditions remain difficult for hay producers in 2026, with prices offering little relief after several years of pressure. USDA estimates suggest hay prices will be largely stable compared to a year ago, an outlook that is less than optimal for western producers who face elevated production and water costs. Western alfalfa hay averaged \$180 per ton in 2025, down \$5 per ton from the 2024 average price received, though notable regional differences persist. Oregon and Washington were clear outliers, with average prices declining \$16 per ton and \$26 per ton, respectively, reflecting weaker international demand.

Dry conditions across much of the Western U.S. are adding uncertainty for hay growers. Drought-affected alfalfa acreage increased to 42% as of March 3, raising concerns about yield potential and irrigation availability heading into the growing season. These conditions have been compounded by unusually warm temperatures across the region, with California recording its sixth warmest January on record, Idaho its eighth, and Arizona and Oregon their fifth, further straining soil moisture and reservoir recharge.

At the same time, negotiations over Colorado River water allocations remain unresolved between seven western states. The original Nov. 11, 2025, deadline to reach a new operating agreement was postponed to mid-February to allow for additional negotiations, but that deadline has also passed without a deal. It is increasingly likely the federal government will impose its own operating plan in 2027, raising concerns over how water reductions will be allocated.

These negotiations come amid a poor snowpack year across much of the West. Despite conservation efforts, water levels at both Lake Mead and Lake Powell continue to trend lower. Without normal winter runoff, conditions are expected to worsen. If existing agreements remain in place, Arizona will face an 18% mandatory reduction in water allocations due to low reservoir levels. Compounding these pressures, the Imperial Irrigation District of California has indicated that its Drought Impact Program (DIP program) will likely be reduced to roughly half its size from last year, as strong participation has depleted available funding. Enrollment will be capped at 50% of eligible acres.

#### **Export uncertainty persists.**

Export markets continue to be a significant source of pressure for the U.S. hay sector. Hay exports declined by 16.6% year over year in 2025. Exports to the top four destinations of Japan, China, South Korea, and Saudi Arabia fell by 14%, 21%, 3% and 30%, respectively. Exporters have faced prolonged price volatility and heightened currency risk for nearly three years. While inventories have moderated compared to the buildup seen over the past two years, export demand remained sluggish throughout much of 2025. Some improvements emerged late in the year, with export volumes rising in December to their highest level in six months. Anecdotal reports suggest this momentum has carried into early 2026. Even so, the export outlook remains uncertain and continues to pose challenges for the U.S. hay industry.

Visit our [hay webpage](#) for information on trade fundamentals and tariffs.

### **Lemons and oranges – Challenging weather conditions impact lemons and oranges.**

The 2025-26 mandarin crop size is down due to excessive fruit drop, with some areas experiencing losses as high as 50%. Relatively warm conditions throughout the growing season also increased the crop's maturity rate. A smaller crop that is maturing faster than normal may reduce available supply later in the season (May to June). Despite these challenges, current fruit quality, consumer demand and prices are generally strong. Navel harvest is about halfway complete, with reports of fruit being large and having matured relatively early. Prices are mixed, with those for larger fruit sizes down and those for smaller sizes up.

Lemon harvest was delayed due to excessively foggy conditions in the Central Valley (the extra moisture prevented fruit from drying out, which made it difficult to harvest). The weather cleared mid-February, and harvest and shipments are currently underway. Fruit quality is mixed and the size profile is larger than markets generally prefer. (Fruit continues to size up the longer it remains on the tree.) Larger fruit sizes are seeing higher prices relative to their smaller counterparts.

Visit our [lemons and oranges webpage](#) for information on trade fundamentals and tariffs.

### **Potatoes – Strong movement, weak prices strain potato growers.**

Potato producers remain under pressure as elevated production costs persist across major growing regions. Total costs per acre continue to trend higher, keeping breakevens historically elevated and limiting growers' ability to withstand ongoing price weakness.

Fresh potato shipments continue at a robust pace, though strong movement is coming at the expense of unfavorable pricing for growers. U.S. packers shipped 7.7 million cwt of table potatoes in January, modestly exceeding last year's volume, and—after adjusting for business days—daily shipping rates were notably stronger (+5.5%). However, fresh prices remain well below grower breakevens, with reported spot prices near \$2/cwt compared to estimated breakeven levels closer to \$8–10/cwt. While movement has helped reduce inventory, it has resulted in substantial financial losses for growers, underscoring the disconnect between shipment volumes and grower profitability.

Idaho led movement gains, with January shipments reaching their most robust level for the state since 2000. Daily movement exceeded both last year and the five-year average (+15.5% over last year and +22.1% over the five-year average). Above average shipments are expected to continue through the storage season, though at a slower pace.

Export performance has been mixed. According to the most recent data, fresh potato exports reached a record level in November. Gains to Canada, Japan, and Taiwan were partially offset by reduced sales to Mexico. Total potato and potato product exports declined slightly due to weaker frozen shipments. November frozen exports were down 3.3% compared to last year, while fresh potato exports grew by 4.9%.

Looking ahead, contracted acres are reportedly down at least 10% for 2026, with prices slightly down to flat. National potato acreage is expected to decline, but low prices for alternative crops could lead to an oversupply of potatoes again this year.

Visit our [potatoes webpage](#) for information on trade fundamentals and tariffs.

### **Wheat – Global competition and dry weather shape a challenging outlook.**

Wheat markets remain under persistent pressure as ample global supplies continue to outpace demand, keeping prices subdued in the U.S. and abroad. While U.S. wheat futures experienced a rally in February, the broader fundamentals remain unchanged. Internationally, U.S. wheat continues to face stiff competition.

Looking ahead, the USDA's preliminary 2026–27 outlook signals tightening production potential, though not enough to offset current supply burdens. Total U.S. wheat production is forecast to decline 6% from the prior year, driven by a combination of reduced acreage and weaker yields. Overall wheat acreage is projected to fall 0.6%, while yields are expected to drop 5%, reflecting ongoing dryness in key growing regions.

Winter wheat acres are forecast to decline 1% year over year. Spring wheat acreage is also expected to edge lower as farmers in the Northern Plains shift acres toward oilseeds and other crops with stronger return prospects. Hard red winter (HRW) wheat acreage is projected to hold steady nationally, though Montana expects to see a 16% reduction in HRW acres.

#### **Weather adds to production uncertainty.**

Weather remains a critical wildcard for the upcoming crop. Large portions of the U.S. wheat belt are experiencing significant moisture stress. In the Southern Plains, persistent dryness has depleted soil moisture and increased crop stress. In some areas, these conditions along with high winds have contributed to unseasonable wildfire outbreaks.

The Pacific Northwest faces similar challenges, with dry conditions prevailing across much of the region. However, key wheat growing areas received adequate winter moisture, leaving many growers cautiously optimistic about the winter wheat crop.

### **Export outlook remains mixed.**

On the demand side, U.S. wheat exports increased 8.4% year over year, offering a modest bright spot amid an otherwise challenging market. Looking ahead, USDA forecasts U.S. wheat exports to decline as increased competition from major exporters such as Argentina and Australia weighs on global market share. The U.S. continues to face constraints related to price competitiveness and ongoing trade uncertainties, limiting its ability to fully capitalize on global demand opportunities.

### **Limited support for wheat and alternative crops.**

USDA Section 32 purchases are providing limited relief for alternative crops often considered in rotation with wheat, but overall profitability remains under pressure. On Feb. 19, USDA announced \$75 million in Section 32 purchases to support pulse and specialty crop markets, including \$12 million in chickpeas, \$25 million in dried beans, \$14 million in lentils, and \$24 million in split peas. These purchases are intended to ease pressure in markets weighed down by large supplies and sluggish domestic and export demand.

Lentils, dry peas, chickpeas and dry beans have all experienced significant price declines following strong production and limited demand, leaving margins thin and, in many cases, unprofitable. While Section 32 purchases may offer short-term price support, they are unlikely to materially improve market fundamentals without a sustained recovery in demand. As a result, these crops currently offer limited economic advantages as alternatives to wheat.

Malt barley markets are facing similar challenges. Demand for malting barley continues to soften as consumer preferences shift away from alcohol consumption, reducing brewing demand. At the same time, a larger Canadian barley crop is adding to North American supplies, increasing competition and putting downward pressure on U.S. barley prices. New crop contracts reflect continued weakness, further limiting barley's attractiveness relative to wheat.

China recently reduced tariffs on Canadian canola exports from 84% to 15%, effective March 1, and removed its 'antidiscrimination' tariffs on Canadian canola meal. Canola prices have responded positively in both Canada and the U.S., boosting grower optimism that improved trade access will support further price gains.

Overall, wheat and its primary alternative crops are navigating a shared set of headwinds marked by abundant supplies, muted demand growth and strong competition. With few profitable alternatives, producers may find limited flexibility in crop mix decisions this season. Closely managing input costs, maintaining marketing discipline, and using available risk management tools will remain critical to protecting margins as these markets work through ongoing pressure.

Visit our [wheat webpage](#) for information on trade fundamentals and tariffs.

### **Wine and wine grapes – *Wine market pressures persist amid oversupply and soft demand.***

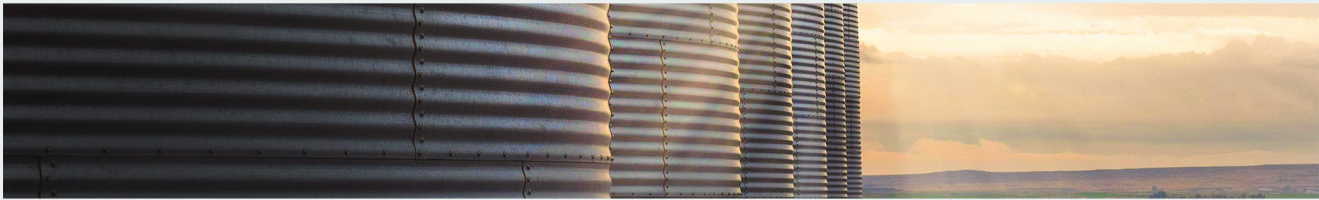
Anecdotal reports indicate that an unusually warm and dry January advanced vine development in parts of California. Some vineyards are entering budburst (the point when dormant buds begin to open) earlier than normal. Cooler and wetter weather has since returned, slowing growth. At the same time, weak demand and elevated inventories across AgWest's territory continue to drive vineyard removals and idling of acres. Anecdotally, the 2025 crush was low by historical standards. Further reductions during 2026 are expected to support longer term market balance.

Wine grape growers and wineries continue to face significant pressure from prolonged bulk wine oversupply, declining wine consumption, and elevated finished wine inventories. Despite multiple years of reduced harvests and widespread vineyard removals, supply continues to exceed demand. As a result, vineyards without contracts or vertically integrated wine brands are seeking ways to reduce farming costs, while some fruit remains unharvested and grape pricing remains under pressure. Planted acreage continues to decline, and 2026 will likely be another challenging year for independent grape growers, particularly those without long-term contracts, as lenders tighten credit and financial stress persists. Winery consolidations and facility closures have occurred, reflecting ongoing industry adjustment.

Conditions for wineries remain mixed. Off premise sales have declined modestly on a volume basis, while pricing has remained relatively stable. On premise sales have also edged lower, with volume declines as traffic remains slow. Direct-to-consumer sales continue to face pressure as shipment volumes trend lower. Changing consumer preferences, reduced discretionary spending and ongoing inflation are limiting recovery.

Consumer demand for wine under \$15 a bottle continues to fall, contributing to softer volume trends across both off-premise and on-premise channels. Wine tourism remains relatively resilient, though some tasting rooms are reporting single-digit declines in visitation, again frequently offset by higher spending per visitor. While there is some optimism that the industry may be nearing the bottom of the cycle, most market participants anticipate a slow, multi-year path toward stabilization rather than a near-term recovery. A more balanced supply and demand environment may emerge in 2027 or 2028.

Visit our [wine and wine grapes webpage](#) for information on trade fundamentals and tariffs.



## Economic headlines

### U.S. strikes Iran.

The U.S. and Israel started conducting military operations in Iran in response to failed negotiations and a perceived risk of an attack. The objectives are to change the country's leadership and reduce its ability to project military power, including the use of nuclear and ballistic weapons. The full impact of this conflict will depend on how long it persists, but risks include disruptions to oil flows through the Strait of Hormuz and regional instability.

### Supreme Court curbs presidential tariff authority.

The Supreme Court ruled that the administration exceeded its authority in imposing broad emergency tariffs, striking down a significant portion of the existing tariff regime. President Trump responded by signaling alternative trade actions, sustaining uncertainty around trade policy, inflation passthrough, and global supply chains. Markets have interpreted the ruling as marginally growth positive but still inflation relevant given the potential for renewed tariff measures.

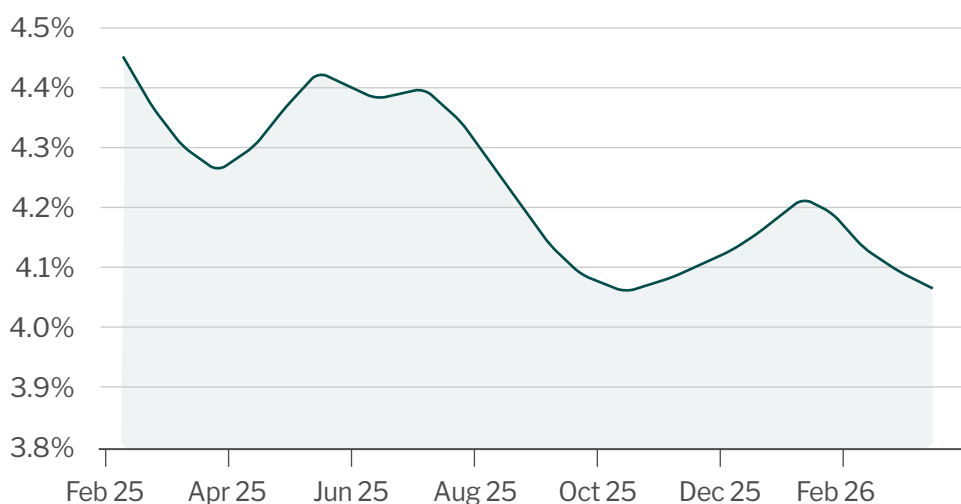
### Consumer loan delinquencies continue to normalize, with pockets of stress.

Recent data shows consumer delinquency rates drifting higher as pandemic era supports fade, with stress most evident in credit cards and student loans. Mortgage delinquencies remain closer to historical norms, highlighting a divergence between secured and unsecured household credit.

### Long-term interest rates declined in February, easing financial conditions.

The 10-year Treasury yield fell notably during February, contributing to mortgage rates dipping below 6% for the first time in several years. Lower rates could modestly support housing activity and refinancing, though affordability remains constrained by elevated home prices.

10-year Treasury yield



Source: Treasury Department.

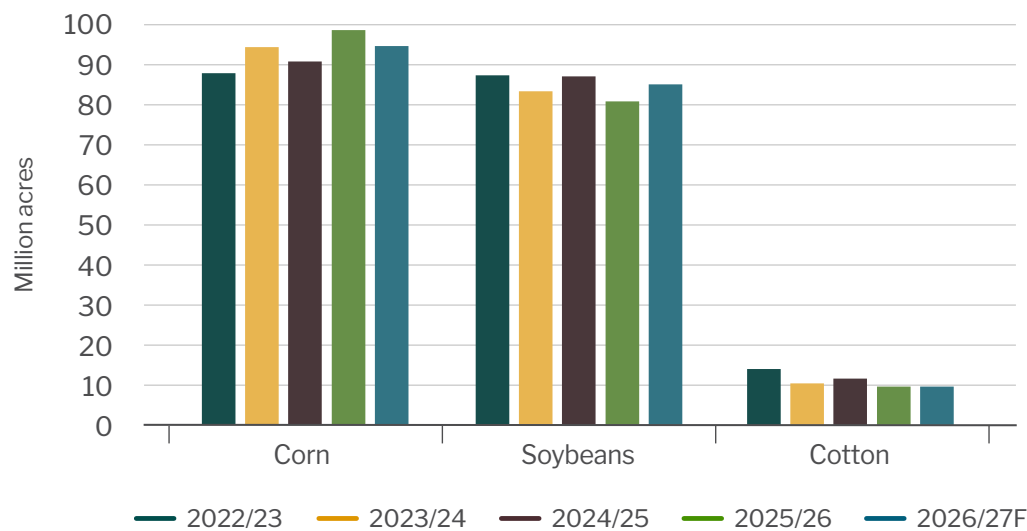


## Spotlight: Crop acreage outlook

Many U.S. crops are facing profitability challenges in 2026. While prices for several major commodities are expected to improve slightly, elevated production costs will likely continue to erode much of those gains. As a result, spring planting decisions are increasingly driven by margin preservation. This is contributing to a shifting U.S. crop acreage mix.

The five largest U.S. crops by acreage, from highest to lowest, are corn, soybeans, hay, wheat and cotton. This Spotlight addresses corn, soybeans, and cotton. Please see the individual hay and wheat reports within this Monthly Market Update for detailed outlooks.

Planted acres by commodity



Source: USDA.

USDA projects U.S. corn planted acreage at 94.0 million acres in 2026, down 4.8 million acres from the previous year, reflecting continued margin pressure. While the season-average corn price for the 2026 crop is forecast to rise 10 cents to \$4.20 per bushel, prices remain well below estimated breakeven levels of \$5.01 per bushel, limiting corn's ability to retain acreage.

Lower planted acreage is expected to reduce total production, tightening supplies. Corn exports are also forecast to decline by 200 million bushels to 3.1 billion, as increased supplies from South America are expected to reduce the U.S. share of global trade. Feed and residual use is also expected to soften slightly as the prospect of tighter supplies and higher prices temper demand.

### Soybeans:

Soybean acreage is projected to increase to 85.0 million acres in 2026, up 3.8 million acres from the previous year, with many acres shifting out of corn. The increase reflects lower input requirements, particularly for nitrogen fertilizer, which improves soybean competitiveness in a high-cost production environment.

The season average farm price for soybeans is projected at \$10.30 per bushel in 2026, still well below the average cost of production, estimated at just over \$12.00 per bushel. Soybean demand remains supported by steady global oilseed consumption and expanding domestic crush capacity, driven by growing biofuel demand for soybean oil. Biofuel demand continues to be reinforced by Renewable Fuel Standard and Low Carbon Fuel Standard programs. Soybean oil prices are forecast to increase 5 cents per pound to 58 cents per pound, supporting crush margins.

Export prospects remain a key uncertainty. While halted shipments to China have resumed, modest and inconsistent purchases have weighed heavily on the market. A trade agreement committing China to purchase at least 25 million metric tons annually from 2026 through 2028 is expected to support exports. However, narrowing price spreads with Brazil may temper gains in China and other export markets.

**Cotton:**

U.S. cotton acreage is forecast to increase slightly to 9.4 million acres in 2026. This modest increase is largely driven by a rebound in Texas cotton acreage following historically low plantings in 2025. The season average farm price for upland cotton is forecast at 63 cents per pound, up 3 cents from the prior year, supported by slightly higher global cotton consumption and lower U.S. and world ending stocks. Despite the improvement, prices remain below breakeven levels for many producers.

**Bottom line:**

USDA's outlook suggests many crops will continue to operate near or below breakeven levels in 2026, with crop insurance programs likely helping to offset some financial shortfalls. While corn and soybeans continue to dominate the acreage landscape, smaller shifts among secondary crops reflect ongoing efforts by producers to manage costs and risk as the growing season approaches.