

June 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. Changes in profitability were modest overall. Conditions for apple producers and wine grape growers improved, but remain unprofitable. Meanwhile, profitability strengthened for dairy, alfalfa hay and timothy hay producers. 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 2026 crop and average inventory carryover of the 2025 crop should support prices.
Apple producers	Slightly unprofitable			X	Anecdotal reports suggest the 2026 crop will be notably smaller than the last three years and closer to the historical average. An average size crop is supportive of prices.
Apple packers	Slightly profitable		X		With a smaller 2026 apple crop, packer margins may tighten due to lower volume throughput.
Cattle feeders	Slightly profitable		X		Strong fed cattle prices and heavy carcass weights have helped offset higher feeder cattle costs.
Cow/calf producers	Very profitable		X		Record-high calf prices, driven by historically tight cattle supplies and strong beef demand, have more than offset elevated production costs.
Dairy	Slightly profitable		X		Improving milk prices and relatively low feed costs, combined with added revenue from elevated beef values, support modest profitability.

Industry	Current profitability	12-month outlook			Factors dictating 12-month outlook
		Bearish	Neutral	Bullish	
Lemons	Breakeven		X		Relatively weak market conditions will continue to pressure lemon prices.
Hay (alfalfa)	Slightly profitable			X	Tightening Western supplies and an expected reduction in hay production are helping rebalance the market, while increasing drought concerns are driving stronger domestic demand and improving alfalfa prices.
Hay (timothy)	Slightly profitable		X		Sustained export demand, limited high-quality supply and steady forage demand are supporting timothy hay profitability despite higher production and logistics costs.
Forest product mills	Breakeven		X		Low homeowner affordability continues to weigh on the housing market, resulting in relatively weak wood product demand and prices.
Timberlands	Slightly profitable		X		Log demand is limited as wood product mills face a weak housing market.
Oranges	Slightly profitable		X		Relatively strong markets along with fruit supply and quality are supportive of prices.
Pistachios	Breakeven		X		Challenging weather conditions may result in a very short 2026 crop. Producers with sufficient yields and/or crop insurance will fare better than their counterparts.
Potatoes (contracted)	Slightly profitable		X		Contract pricing has helped stabilize returns, but rising and unpredictable input costs are significantly limiting profitability.
Potatoes (uncontracted)	Unprofitable		X		Open market prices have collapsed amid oversupply, with returns far below production costs.
Wheat	Slightly unprofitable		X		Persistent margin pressure continues to weigh on wheat producers, as low prices and elevated input costs limit profitability, though tighter supplies and drought-driven yield risks may provide some price support in the months ahead.
Wine	Slightly unprofitable		X		Wine demand continues to soften and pressure the industry, particularly in the lower- to mid-range segments.
Wine Grapes	Slightly unprofitable		X		Weak demand and excess bulk wine inventories continue to pressure wine grape producers.



Economic headlines

New chairman was appointed to the Federal Reserve (Fed).

Kevin Warsh was appointed as the new Fed chairman. While one of his stated priorities is to ensure price stability, signs of a weakening economy could complicate his efforts. Investors currently expect the Fed to hold the federal funds rate steady through December, though much will depend on how consumer prices evolve.

Strait of Hormuz closure drives inflation higher.

The Strait of Hormuz remains closed, contributing to elevated energy prices. Oil traded between \$87 to \$109 / barrel in May, representing immense volatility and notably higher than pre-conflict levels (see Crop Inputs and Spotlight sections for more information). Persistently high oil prices will continue to pressure consumer prices, which have risen 1.8% since January.

Rising inflation lowers consumer wealth.

Real disposable income fell 1.1% over the past three months due to rising inflation. While consumption has held steady, credit card and revolving debt increased by 1.2% and the savings rate fell from 4.3% to 2.6% (nearing multi-decade lows). Falling consumer wealth could eventually weaken economic activity.

Consumer confidence falls sharply.

University of Michigan's Consumer Confidence Index reached all-time lows, driven by falling real wages and rising inflation expectations. While some economists expect this to reduce consumption and overall economic activity, historical data suggests little correlation between sentiment and spending (see chart below).



Source: U.S. Census Bureau. University of Michigan. Retail sales adjusted for inflation using Consumer Price Index.



Industry updates

General sentiment – *Input costs weigh on farmer sentiment.*

Producer sentiment declined for the second consecutive month in May, according to the Purdue University/CME Group Ag Economy Barometer, as persistently high input costs and global instability continues to pressure producers' outlook. Input costs are the dominant concern for producers, with a record 51% identifying rising expenses as their top challenge. Nearly half of respondents also indicated that high costs are limiting their ability to improve their financial position this year. The ongoing conflict involving Iran continues to amplify these pressures, particularly through its impact on energy and fertilizer markets. Approximately two-thirds of producers expect the conflict to reduce net farm income in 2026, underscoring concerns about further margin compression.

Financial conditions at the farm level remain strained. Just 14% of producers reported that their operations are financially better off than a year ago, while only 22% expect improvement over the next 12 months. Consistent with this cautious outlook, willingness to make capital investments has weakened, reflecting a more defensive posture as producers prioritize liquidity and financial stability.

Crop inputs

Strait of Hormuz closure continues to drive energy markets.

Crude oil prices increased \$109 / barrel by mid-May, but then gradually fell and ended the month at about \$92 / barrel. The continued closure of the Strait of Hormuz along with developments in negotiations between the U.S. and Iran are driving price volatility (see Spotlight for more information). Gasoline and diesel prices held relatively steady throughout most of the month, then softened toward the end due to falling crude oil prices.

Fertilizer prices stay elevated, prompting government intervention.

Fertilizer costs remain elevated heading into June, following sharp increases earlier this spring. Nitrogen prices have led the increase, with urea up 27% year over year and anhydrous ammonia up 44%, driven largely by tightening global supply. Geopolitical tensions in the Middle East have disrupted production and key shipping routes. Phosphate markets have also remained firm amid ongoing export restrictions and broader supply constraints. As a result, affordability remains a key concern for producers. The U.S. Federal Trade Commission launched an official investigation into the fertilizer industry in late May. While increased scrutiny may improve price transparency and competition over time, it is unlikely to provide near-term price relief. Additionally, the U.S. Department of Transportation's Federal Motor Carrier Safety Administration issued a waiver reducing restrictions on vehicles transporting fertilizer blends, which could help ease logistical bottlenecks and modestly reduce some transportation costs.

Transportation costs rise.

Bulk shipping rates increased toward the end of May on strong demand for iron ore, coal and other commodities in the Pacific. Container rates rose in May as the industry enters peak seasonal demand. Both container and bulk shipping face capacity disruptions from ongoing geopolitical disruptions in the Middle East. The risk of inclement weather conditions from El Nino appears to be rising, which is leading some analysts to expect greater price volatility this summer. Trucking rates increased across van, flatbed and reefer carriers in May, which is typical for this time of year. A surge in demand from agriculture and construction activity, coupled with constrained supply from the CVSA International Roadcheck, drove prices higher. (Truck activity drops during this time, likely driven by drivers seeking to avoid potential regulatory inspections.)

Almonds and pistachios – *Weather impacts both almond and pistachio crops.*

Almond prices rallied in May due to strong inshell demand and the prospect of a smaller than average 2026 crop. Several crop estimates came in, with those from the private sector ranging from 2.66 to 2.69 billion pounds and USDA at 2.7 billion pounds. These are notably below the 5-year average of 2.752 billion pounds and driven by several factors. Many producers have removed acres and/or reduced cultural activities in response to weak margins. A lack of chill hours and variable spring weather has resulted in lower-than-average pollination rates due to rapid flower development and limited bee activity. Northern San Joaquin Valley appears to be faring better than the Southern region due to

having younger orchards and better water access. Weak snowpack levels may limit reservoir recharge rates and result in reduced irrigation in Fresno, Kern, and Madera counties. Inventory levels are coming down at a solid pace and the carry-over into next season should be within normal levels. Strong inshell demand from India and China are also supporting the price rally. While higher prices support profitability, rising fuel and fertilizer costs will limit gains.

Pistachio prices jumped significantly in late May on the prospect of a very short 2026 crop. While it remains too early for official estimates, anecdotal reports suggest that production could be down by as much as 50% (approximately 750 million pounds). Excessive heat impacted bloom, pollination and nut set in both California and Arizona. Reports suggest Iran and Turkey, the second and third largest global producers, may also have small crops due to challenging weather conditions. Pistachio demand remains robust, and prices should continue to increase given the prospect of a very small crop.

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

Apples – Apple prices hold steady.

Apple prices held relatively flat in May. Shipment levels for the 2025 crop have exceeded expectations and inventory carry-over into the 2026 marketing season should be near or slightly above average levels. While still too early for official estimates, anecdotal reports suggest the Northwest's 2026 crop will be notably smaller than the last three years and closer to the historical average. Warm weather in March and frost events in April appear to have impacted fruit quality for producers in northern Washington. New York, the second-largest apple producer in the U.S., may also have a smaller-than-average 2026 crop, as frost events in April impacted many orchards. A smaller crop should help rebalance supply with demand and support prices and producer profitability next season. With a smaller crop, packer margins may tighten due to lower volume throughput. The Roza Irrigation District temporarily shut down to preserve water for later in the growing season. The degree to which limited water availability will impact growers depends on temperatures this summer. Excessive heat could further impact yields and fruit quality.

Harvest on the Northwest cherry crop started earlier than average and, while current estimates suggest total supply will come in at 18.4 million boxes, this is likely to fall due to frost damage and variable fruit set in northern Washington. Cherry growers in Central Valley, California are facing significant crop losses due to challenging weather conditions. There is little to no risk of significant overlap in harvest between California and the Northwest, which is supportive of prices. The 2026 pear crop is likely to come in at average levels and significantly below the 2025 crop, which was large. Most expect prices for pears and cherries to support break-even to slightly profitable conditions for producers.

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

Cattle – Price strength persists, drought risk builds.

Tight cattle supplies and strong consumer demand continue to support historically strong market conditions, though drought risk is escalating. Pasture conditions and hay production will be key drivers of cattle production capacity heading into 2026.

As of May 26, 60% of U.S. cattle regions were in drought, up sharply from 37% a year earlier. Within AgWest states, Arizona, Idaho, Oregon, and Montana face some of the most severe conditions, while California and Washington remain comparatively manageable. In contrast, drought is intensifying across major production areas in the Central and Southern Plains, where 52% of Oklahoma, 65% of Texas, and 75% of Nebraska cattle regions are classified in D2 (severe) drought or worse. While a transition to El Niño may improve moisture conditions in key central regions, the West is expected to remain hot and dry, posing ongoing challenges for forage production and limiting herd expansion.

With rising drought concerns and water cutbacks, hay production is likely to be constrained, keeping forage costs elevated. In response, cow-calf producers in Idaho and Montana have already begun purchasing hay, contributing to recent price increases. (See the hay update for additional details.) In contrast, corn supplies are projected to remain adequate. Prices are stabilizing in a moderate range that will support feedlot cost-of-gain.

The lack of carrying capacity won't be conducive to herd expansion and points to continued cattle supply constraints. Domestic inventories have contracted significantly from the 2019 cycle peak, with total cattle numbers down roughly 8–9% and the beef cow herd down about 12–13%.

U.S. beef production has remained resilient despite tight domestic cattle supplies. The industry has partially offset lower slaughter volumes through heavier carcass weights, adding an estimated 200+ million pounds of production in 2025 compared to the previous year. Carcass weights remain elevated in 2026 and are expected to continue supporting overall output. However, these larger animals are creating processing challenges, as not all slaughter facilities are equipped with the infrastructure needed to handle increased carcass size. At the same time, the expansion of beef-on-dairy cattle has strengthened the supply base, now accounting for more than 12% of fed cattle production. One emerging downside risk is the New World screwworm; despite extensive mitigation efforts, a confirmed case in Texas on June 3 marks a meaningful escalation in the threat to U.S. cattle supplies.

Consumer demand for beef remains consistently strong, supported by its enduring role in protein consumption despite normal market cycles. While higher prices have not significantly weakened demand, consumers and retailers are placing greater emphasis on meat quality and grade, influencing purchasing behavior and shaping how producers raise and finish cattle. Going forward, rising household cost pressures may limit further price gains, leading to a more stable demand environment.

Cattle prices are expected to remain historically strong but may face some near-term pressure. Fed cattle prices have recently reached record highs, though seasonal patterns suggest potential softening later in the year. While tight supply fundamentals should provide ongoing support, prices may face headwinds from seasonal trends, rising cost constraints, and broader market volatility.

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

Dairy – Dairy margins improve as milk production surges.

National milk production is expanding as improved profitability supports herd growth. In April, the U.S. dairy herd increased to 9.65 million cows, driving a 2.7% year-over-year increase in milk production. Most major dairy states posted higher cow numbers, though Washington was an exception as cows shifted to nearby states. Production gains in the West were led by Oregon, Idaho and California, which increased by 7.0%, 3.0% and 2.3%, respectively, compared to a year ago.

Margins have strengthened meaningfully, with Dairy Margin Coverage (DMC) income over feed costs rising to \$10.54 per cwt in April, the highest level in six months and up \$2.73 per cwt since the start of the year. This improvement has been driven by higher all-milk prices, supported by a rally in Class IV futures and persistently low feed costs.

Tight nonfat dry milk (NDM) supplies and strong butter demand are sustaining elevated Class IV prices and driving increased depooling activity. As NDM prices rise, the spread between Class III and Class IV milk has widened significantly, with Class IV holding a premium of more than \$5 per cwt, the largest on record. This pricing advantage is incentivizing producers to depool to capture higher returns. The impact is especially evident in California, where Class IV utilization in the pool has dropped sharply from 38.1% in April 2025 to just 2.7% in April 2026.

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

Forest products – Lumber prices gain slightly as industry enters peak construction season.

Lumber front month futures prices strengthened slightly in May, but continue to trade within a relatively tight range. Reduced lumber supply due to North American mill curtailments and closures over the last year have improved the balance of supply and demand. Residential improvements and single-family home construction activity, the two largest softwood lumber demand drivers, remain generally flat. Multi-family home construction surged in March and April, building on a two-year upward trend. Multi-family home construction makes up about 4.3% of softwood lumber demand. Homeowner affordability weakened in May as inflation-adjusted wages fell and mortgage rates increased.

Northwest log prices were relatively flat in May. Wildfire risk is high for parts of Idaho, Oregon and Washington, and some mills are reportedly building inventories in preparation for reduced log flows later in the year.

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

Hay – Western drought deepens.

Drought conditions are intensifying across the U.S., with roughly three-quarters of the country classified as drought or abnormally dry, tightening forage supplies. As of May 26, drought remains concentrated in the West and Southern Plains, with 51% of alfalfa acreage and nearly 60% of rangeland affected.

Hay prices have edged slightly higher across the West, supported by solid demand amid drought concerns. Alfalfa prices have improved since the start of the year, but rising fuel costs are adding pressure across the hay supply chain. Many operators have added fuel surcharges, increasing delivered hay costs for livestock producers and end users.

Conditions by state:

Arizona – Drought remains a concern in Arizona, with 96% of alfalfa acres in drought and 75% pasture and range rated in poor or very poor condition as of June 1. Roughly 74% of the state's cattle inventory is currently impacted by moderate or greater drought conditions. Prices have strengthened, with all grades averaging roughly \$15 per ton higher year-to-date, supported by solid retail demand. Quality challenges in new crop hay have weighed on export demand, which has been further pressured by disruptions in the Middle East (a key export destination). Looking ahead, uncertainty around late-season hay availability is increasing as the Drought Irrigation Program begins, with some producers expected to limit additional irrigations and conserve water, potentially tightening supplies further and adding upward pressure on prices.

California - Weather challenges continue to shape California hay markets. In Northern California, persistent rainfall has delayed fieldwork and harvests, while wet conditions in the Central Valley have delayed cuttings, weighing on feed quality. In contrast, hay growers in the Imperial Valley were able to harvest first cutting more than a month earlier than normal due to dry winter conditions. Demand for the new crop has been stable, with high-quality hay prices approximately \$10 per ton higher than a year ago.

Idaho - First cutting of new crop has been completed in southern and western Idaho. Hay demand in the state remains steady, with most existing inventories largely sold out. Concerns surrounding drought and reduced irrigation allocations are beginning to intensify following the governor's statewide drought emergency declaration. These conditions have increased early season interest from cattle producers looking to secure forage. Idaho hay prices have risen notably, with USDA reporting average hay prices up \$15 per ton year over year, and lower quality hay gaining \$20 to \$30 per ton. Tight remaining hay stocks and a rapidly expanding dairy herd continue to support prices.

Montana - Dry conditions continue to shape Montana's forage outlook, with 61% of the state's pastureland rated in poor to very poor condition as of June 1. Recent widespread rainfall brought more than two inches in many areas and provided some near-term relief, supporting seeded dryland hay crops. However, earlier drought impacts are expected to limit recovery in native grass hay, and conditions remain uneven across the state. Hay supplies have tightened, driving stronger demand and higher price expectations. Hay growers have reported increasing inquiries, with some anticipating sales in the \$180–\$200 per ton range for feeder quality hay. In some cases, bids have already exceeded those expectations, including reported offers of \$200 per ton for new crop hay.

Oregon - First cutting has started in eastern Oregon, and other areas report good hay conditions. In southern Oregon, particularly in the Klamath Basin, ongoing dry conditions are beginning to influence acreage decisions. The Drought Response Agency is offering between \$250 and \$300 per acre for land idling, creating a financial incentive for producers to reduce planted acreage. As a result, total hay and grain production in the region is expected to decline, which could further tighten supply and support prices later in the season. Old crop movement has picked up as barns are cleared for the new crop.

Washington - First cutting has been completed in the Columbia Basin, with prices trending higher year over year. While overall sales activity has been limited so far, early reports suggest \$210–\$220 per ton for higher-quality hay. Weather conditions have been mixed, with a decent amount of rainfall across the region, though distribution has been highly variable. Demand signals are mixed. Export activity has been relatively slow, and dairy demand has softened compared to earlier periods. Feedlots are showing interest in purchasing hay, but primarily at lower price points, suggesting some price sensitivity remains in the market.

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

Lemons and oranges – Mixed conditions for lemon and orange crops.

Lemon prices increased notably in May, but generally remain at or below profitable levels. Harvest in the Coastal growing region is progressing well and quality is reportedly good. The size profile appears to be larger than average overall. Imports from Argentina and Chile are expected to increase over the coming weeks. The World Citrus Organization forecasts production in the Southern Hemisphere will decrease 2.36% in 2026. This may be in part due to increased fuel and fertilizer costs resulting from the ongoing blockade of the Strait of Hormuz. A smaller global lemon crop could be supportive of prices next season.

Navel harvest is nearing the end for the season and while prices jumped earlier in the month, they remain well below last season. Harvest on the Valencia crop is getting underway and early reports suggest generally strong quality and utilization rates (the percentage of fruit going to fresh markets). Initial estimates suggest Brazil's orange crop will decline 13% year over year due to challenging weather conditions, reduced inputs due to rising costs, and citrus greening disease. (Brazil is the largest supplier of oranges for frozen concentrate.) A smaller crop may be supportive of orange and orange juice prices.

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

Potatoes – Potato sector faces oversupply and margin pressure.

Potato markets remain under pressure as persistent supply-demand imbalances weigh on the industry. Demand for frozen potato products and table potatoes has softened, following several years of relatively flat consumption. At the same time, processing capacity has expanded, contributing to an ongoing oversupply environment. Export markets remain critical to absorbing excess domestic production, but U.S. competitiveness has been challenged by a strong dollar and intensifying competition from global suppliers. In the first quarter of 2026, U.S. frozen potato product exports declined 12.8%, largely driven by a notable drop in frozen French fry purchases.

Weaker demand and rising costs continue to weigh heavily on the potato sector. Reduced contracted acres, ongoing

water concerns and elevated production expenses are contributing to declining planted acres across AgWest's territory. Industry estimates suggest Washington acreage could fall to its lowest level since the early 2000s, while Idaho is expected to have approximately 15,000 fewer planted acres. These reductions reflect ongoing financial strain. While tighter production can often provide price relief, this seems unlikely for potato growers this year. Despite reduced plantings, processors are carrying over inventory from the 2025 crop, limiting upward price potential. Even with fewer planted acres, above-trend yields and sustained reduction in demand could sustain oversupply conditions and prolong the current period of pricing pressure.

Current market conditions remain deeply challenging for producers, particularly in the open market. Reported open market returns near or below \$1 per cwt fall significantly short of production costs, which are estimated closer to \$10 per cwt. Contracted growers are faring somewhat better, generally ranging from breakeven to modest profitability, although contract prices are reportedly down about 3% from last year despite rising input costs.

Regional growing conditions across the Pacific Northwest are generally favorable, with crop development progressing as expected despite some localized challenges. In the Columbia Basin, crop development is slightly ahead of schedule, supported by favorable temperature patterns. While isolated frost events, localized hail risk and periods of early-season heat have occurred, conditions overall remain stable with no widespread production concerns. However, weather during key growth stages, particularly heat during the bulking period, will be critical in determining final yield outcomes.

Water availability remains a key regional risk, particularly in parts of Idaho and Oregon. In southern Idaho, concerns persist around irrigation access, with some canal systems unable to deliver water until mid-July, potentially stressing early crop development. Conditions are more constrained in Oregon's Klamath Basin, where approximately 25% of the Klamath Project's seasonal allocation has already been used and, at current usage rates, surface water could be exhausted by the end of July. Irrigation districts are actively working with the Bureau of Reclamation to extend the season, while producers are being encouraged to idle acreage through drought response programs ahead of the mid-June enrollment deadline.

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

Wheat – Wheat markets strengthen amid anticipated small global crop.

Global wheat supplies are tightening, supporting the recent rally in wheat markets. This shift reflects declining global production forecasts tied to anticipated El Niño conditions and elevated fertilizer costs. U.S. total wheat supplies are projected to fall to their lowest level in over a century.

An expected drop in U.S. wheat production is driven by low prices, reduced acreage and poor growing conditions. Winter wheat production is expected to fall to its lowest level since 1956, with declines across all classes as widespread drought pressures yield. Similarly, reduced acreage for durum and spring wheat is contributing to total U.S. production forecasts that are the smallest since 1972. Drought across the Great Plains has further limited production potential, with an estimated 8 million acres already abandoned.

Wheat prices strengthened in May as persistent dryness and deteriorating crop conditions in the Central and Southern Plains re-entered market focus. As of June 1, 55% wheat in Kansas was rated very poor to poor, along with 80% in Nebraska and 64% in Texas, reinforcing concerns around production losses and further abandoned acreage.

In contrast, wheat conditions in the Pacific Northwest remain highly favorable. Winter wheat across much of the region is rated good to excellent, supported by generally strong growing conditions. Despite isolated reports of stripe rust and minor freeze damage in mid-May, recent warmer temperatures have supported recovery and maintained generally strong crop conditions with most areas a few weeks ahead of normal development. Spring wheat development in the Pacific Northwest is also progressing at or ahead of normal and benefited from timely rain in late May.

Profitability remains the central challenge for wheat producers. Despite improved prices, margins remain under significant pressure. Nationally, USDA increased the projected season-average farm price to \$6.50 per bushel, up \$1.50 from the previous year. At Portland, FOB prices increased across most wheat classes, with HRW rising modestly to \$7.72 per bushel and HRS holding near \$8.10. However, these gains have not been sufficient to offset elevated production costs. In Montana, HRW prices averaged approximately \$5.61 per bushel on May 28, which is over \$1.39 higher than a year ago, however this remains below estimated breakeven levels of more than \$6.00 per bushel for winter wheat. A similar dynamic is unfolding across the Pacific Northwest, where year-over-year price improvements have been meaningful but remain insufficient to offset rising input costs.

Rising input costs continue to outpace price gains and increase the cost of production. A wheat producer in central Montana is now paying \$1.946 more per gallon of diesel on June 1 than they did a year ago. Elevated cost structures are limiting financial recovery, leaving many producers in a defensive position heading into the remainder of the growing season.

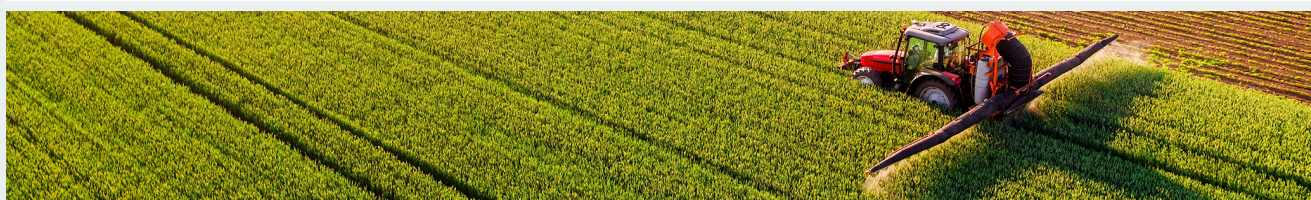
Visit our [wheat webpage](#) for information on trade fundamentals and tariffs.

Wine and wine grapes – Inventory surplus persists as demand stays soft.

Wine markets continue to be characterized by falling consumption and excess bulk inventory levels. According to BW166 and NIQ, year-over-year off-premise and on-premise sales values fell in April by 4% and 2%, respectively. While the industry faces challenges, wineries who are proactive with reaching customers and/or serving higher end markets appear to be faring better than their counterparts.

Warm spring weather has led to early bud break across the West. While crops are progressing well overall, California and southern Oregon are likely to face some losses due to frost damage (the full extent remains unclear). USDA and the Washington Wine Institute released 2025 production data in May for California and Washington. California's crop came in at 2.63 million tons (the lowest level since 1999), with notable declines in Zinfandel, French Colombard, Chardonnay, Cabernet Sauvignon, Pinot Noir and Merlot. Washington's crop came in at 108 thousand tons (40% below the 5-year average), with the largest declines observed in Cabernet Sauvignon, White Riesling, Syrah and Merlot. With bulk wine inventories remaining high, production in 2026 is unlikely to rebound as growers continue to adapt to oversupplied markets by reducing and/or idling acreage.

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



Spotlight: Oil prices and the Strait of Hormuz

Market fundamentals

The closure of the Strait of Hormuz is currently the most dominant driver in energy markets as it has resulted in a reduction of about 13-14% of global oil and oil product supply. In response, oil prices have risen and become more volatile, often moving based on the perceived status of negotiations between Iran and the U.S. Higher prices have resulted in slightly lower demand and increased supply from other countries.

Supply and demand dynamics

Dynamic	February 2026 (pre-closure)	April 2026
Demand	105.3	104
Supply	107.9	95.1
Difference	2.6	-8.9

Source: International Energy Agency (IEA). Values given in millions of barrels per day.

Inventory estimates vary and can be misleading. In April 2026, IEA reports that there were just under 8 billion barrels of global oil inventory. While this is significant relative to demand, only a fraction of it is readily available for use. Oil production and refining facilities must maintain inventories above a certain threshold for operational reasons (often referred to as minimum operational threshold). Of that available supply, a significant portion is managed by governments as part of their strategic reserves and does not respond to market forces. Further, inventories vary regionally, with those in China making up a significant percentage of the total. The likelihood China would export oil at the risk of disrupting its own economy is low.

Key take-away

Energy prices are likely to remain elevated for the foreseeable future. While current West Texas Intermediate (WTI) prices range from \$95 - \$100 / barrel, many industry analysts argue they could quickly go to \$150 or higher based on current market dynamics. This discrepancy suggests that investors broadly think the U.S. and Iran will reach a deal soon. Once the Strait of Hormuz does open, it will likely take some time before supply chains normalize and inventories replenish.