September 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: Profitability across agriculture changed modestly this quarter. Stronger forage markets improved conditions for alfalfa and timothy hay producers, while wheat and uncontracted potato producers benefited from improving market fundamentals. Forest product mills also saw profitability gains. Meanwhile, the outlook for cattle producers became more bearish as cattle prices retreated from record highs and input cost concerns increased. Despite these changes, low prices, elevated production costs, and policy uncertainty remain ongoing challenges for many industries. 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		Strong demand, low inventory carry-over and an estimated smaller 2026 crop has improved the supply and demand outlook.
Apple producers	Slightly unprofitable			X	While the large 2025 crop continues to pressure profitability among producers, the 2026 crop looks to come in smaller and more in line with demand.
Apple packers	Slightly profitable		X		Apple packers continue to benefit from strong throughput volumes.
Cattle feeders	Slightly profitable	X			Strong fed cattle prices continue to offset elevated feeder cattle costs, although narrowing margins and softer cattle prices have reduced profitability from earlier highs.
Cow/calf producers	Very profitable	X			The outlook has turned more bearish over the next 12 months as calf prices have retreated from record highs and concerns grow over increased beef imports, higher feed costs, and growing uncertainty surrounding cattle prices and producer margins.
Dairy	Slightly profitable		X		Despite persistent pressure from low milk prices and elevated production costs, many dairy producers have maintained slight profitability due to strong supplemental income from cattle sales. As calf values retreat and feed costs rise, that profitability buffer is shrinking, creating a more challenging outlook.

Industry	Current profitability	12-month outlook: Bearish	12-month outlook: Neutral	12-month outlook: Bullish	Factors dictating 12-month outlook
Lemons	Breakeven		X		Relatively weak markets along with a surge in South American imports are pressuring lemon prices.
Hay (alfalfa)	Slightly profitable			X	Alfalfa profitability has improved as drought, reduced pasture availability, and stronger feed demand have lifted prices, and is expected to continue improving over the next 12 months.
Hay (timothy)	Slightly profitable			X	Timothy hay remains slightly profitable, although current export demand is weak. The outlook is cautiously bullish based on expectations for improving forage markets and eventual stabilization in export demand. However, uncertainty surrounding export buyers remains a significant risk.
Forest product mills	Slightly profitable		X		Stable lumber demand along with falling domestic production and Canadian imports are supporting slightly profitable conditions.
Timberlands	Slightly profitable		X		Despite strong log inventories, mill demand in the Northwest remains steady and supportive of prices.
Oranges	Slightly profitable		X		Orange prices have been impacted by large fruit sizing, quality issues and lower juice prices. Despite these challenges, most producers remain slightly profitable.
Pistachios	Breakeven		X		Estimates for the 2026 pistachio crop suggest significant year-over-year production declines due to spring heat, low pollination and alternate bearing. With rising prices, profitability will largely be determined by whether a producer has sufficient yields and/or crop insurance.
Potatoes (contracted)	Slightly profitable		X		Contracted potatoes are expected to remain slightly profitable as processor contracts provide stable pricing. Water shortages may result in a smaller crop.
Potatoes (uncontracted)	Slightly unprofitable			X	Uncontracted potatoes remain slightly unprofitable as elevated input costs continue to pressure margins, although improving supply-demand balance and a smaller regional crop are expected to support stronger market prices moving forward.
Wheat	Breakeven			X	Producers remain near breakeven as wheat prices, while improved from recent lows, continue to lag production costs. Recent strength in wheat markets can be tied to geopolitical conflict in the Black Sea region. While global supply concerns have improved the outlook, many producers remain cautious.
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		Weak demand and excess bulk wine inventories continue to pressure wine grape producers.

Economic headlines

Jackson Hole meeting reinforces focus on inflation.

Federal Reserve Chair Kevin Warsh used his Jackson Hole address to emphasize that inflation remains above the Fed's target despite a resilient economy and labor market. While no policy changes were announced, the speech reinforced the Fed's willingness to maintain a restrictive policy stance until inflation shows clearer progress toward 2%.

Economic growth remains resilient.

The ISM Services Purchasing Manager Index rose to 55.4, with business activity and new orders reaching some of their strongest levels in several years despite elevated borrowing costs (readings above 50 signal growth). Businesses also reported higher costs for fuel, freight, steel, software licensing, and tariff-related expenses, highlighting the economy's ability to absorb inflationary pressures.

Labor data sends mixed signals.

The U.S. economy added 162,000 jobs in August, underscoring the labor market's resilience. However, the ISM Services Employment Index remained in contraction territory and consumers expressed growing concern about future unemployment prospects. Average hourly earnings growth is lagging inflation at 3.1% year over year, suggesting ongoing pressure on household purchasing power.

AI investment reshapes capital markets.

While artificial intelligence is expected to boost productivity over time, its near-term economic impact has primarily come through a surge in infrastructure investment. Federal Reserve research suggests that spending on data centers, power infrastructure, and computing capacity is increasing demand for capital, potentially contributing to higher long-term interest rates alongside persistent federal borrowing.

Industry updates

General sentiment – *Producers navigate short-term challenges with a long-term focus.*

Producers across AgWest's territory gathered in August to share insights on conditions within their industries and local agricultural economies. While participants reported continued near-term headwinds, including elevated input costs, weak commodity prices, labor challenges, regulatory pressures, weather-related risks, and water availability concerns, there was also a consistent sense of resilience and confidence in agriculture's long-term outlook. Multiple years in this difficult environment has eroded working capital and increased reliance on operating debt for many producers. Despite these pressures, producers generally expressed cautious optimism, emphasizing that agriculture is a long-term business. They remain committed to investing in their operations and positioning themselves for future opportunities.

Crop inputs

Energy markets tighten amid Middle East disruptions.

Energy markets remained volatile through August and early September as continued disruptions in the Strait of Hormuz heightened concerns over global oil supplies. Brent crude exceeds $100 per barrel, reaching its highest level since July. Some analysts warn prices could exceed $120 per barrel if regional tensions further disrupt energy flows. Diesel markets remain particularly tight due to low global and domestic inventories and reduced supply from the Middle East and Russia.

Transportation costs remain elevated.

Transportation markets face several cost pressures. Rising diesel prices are impacting all modalities, particularly trucking and rail. Heightened geopolitical tensions continue to impact shipping rates, with a recent surge in bulk rates further driven by vessel shortages, challenging weather in the Pacific and higher commodities demand. U.S. inland waterway transportation faces localized disruptions from low-water conditions, lock maintenance, and draft restrictions on sections of the Mississippi River system. The Trump Administration extended the Jones Act waiver for another 90 days on August 17, though narrowed its scope. The Jones Act legally requires all maritime cargo moving between U.S. ports to be carried exclusively on vessels that are built, owned, flagged, and crewed by Americans. The waiver is intended to reduce costs and improve shipping capacity.

Nitrogen fertilizer prices ease slightly.

Fertilizer markets provided some relief in late August, with nitrogen-based products down between 5% and 8% month over month. However, most major fertilizer products remain more expensive than a year ago, and fertilizer costs continue to be influenced by energy markets and geopolitical developments. Despite recent declines, USDA and Farm Bureau analysis indicates fertilizer expenses are projected to increase more than 15% in 2026, highlighting the continued pressure crop input costs are placing on farm margins.

Labor outlook remains uncertain.

In August, a federal court ruled that the Department of Labor's current H-2A wage methodology was unlawful, but existing Adverse Effect Wage Rates remain in effect while a replacement system is developed. While the existing rules remain in place, this ruling creates immense uncertainty among growers who rely on H-2A labor.

Almonds and pistachios – *Pistachio producers face a very small 2026 crop.*

Almond prices increased in August on favorable supply and demand dynamics. Inventory carry-over from the 2025 crop is down 3.75% year over year at 483 million pounds as of July. Harvest on the 2026 crop started early, as warm spring and summer weather accelerated crop development. Yields seem to vary across orchards based on management practices. While it remains early in the season, there are indications the 2026 crop may come in below initial estimates. Reports suggest smaller sizes for the nonpareil variety, resulting in some concern that larger kernels will be in limited supply this season. Some processors and handlers are revising contracts, delaying shipments and/or substituting for smaller sizes. Pest and disease pressures remained elevated throughout the month, particularly with navel orangeworm, web-spinning mites and red blotch disease. Both domestic and export demand are strong, with commitments for the 2026 crop (crop sold but not delivered) up 14% year over year as of July.

Pistachio prices rose in August on strong global demand and reports indicating the 2026 crop could be at least 50% smaller than the 2025 crop. Market participants are holding off on making long-term commitments until they have a clearer picture of the crop size. Some growers are reportedly bypassing processors altogether and selling directly into the market, representing a new dynamic in the industry. While crop quality seems generally favorable, nut sizes appear smaller than average with greater closed-shell percentages. (Most shells naturally open during development, which allows for easier processing and access to premium markets.) This is further increasing uncertainty as to the final crop size calculation.

Visit our **almonds and pistachios webpage** for information on trade fundamentals and tariffs.

Apples – *The 2026 apple crop appears to have good quality and to be smaller than the 2025 crop.*

Harvest on early varieties for the 2026 apple crop, including Gala and Honeycrisp, has begun. Reports continue to suggest crop quality is favorable and production levels smaller than the previous season. Processing markets, which utilize lower quality fruit, are relatively strong and are increasing the price floor across varieties. USApple projects the 2026 U.S. crop to fall 7% year over year, with declines observed across all states including Washington (2%), New York (10%) and Michigan (1%). The federal district's ruling on the Adverse Effective Wage Rate (AEWR) in the H-2A visa program could negatively impact apple producer profitability (see crop inputs for more information on the ruling). USApple is supporting a bill recently submitted to Congress, called Securing Agriculture's Workforce Act, that would codify changes to the H-2A program such as limiting year-over-year increases in wage rates and accounting for housing and transportation costs provided by growers. It's unclear how likely it is for this bill to be approved. Labor cost and availability remain among the top challenges producers face across the West.

Harvest on early varieties of the 2026 pear crop, including Bartletts, has begun. Reports suggest fruit quality is favorable and the size is notably smaller than the large 2025 crop. There is cautious optimism prices will begin to reflect these improved conditions. The 2026 cherry season appears to be positive overall. Following a mid-June supply glut, prices rebounded in time for the July 4th holiday, which generally correlates with peak seasonal demand. USDA forecasts sweet cherry production came in at about 31 million boxes, down 17% from 2025 levels and below the five-year average. Year-over-year declines were observed in Washington (23%), Oregon (24%) and Michigan (24%).

Visit our **apples webpage** for information on trade fundamentals and tariffs.

Cattle – *Prices recede, but cattle fundamentals remain.*

Cattle markets softened during August after reaching record highs earlier this summer. Recent policy developments coupled with a rebound in hay market prices have tempered producer optimism. Producers who marketed cattle earlier or locked in contracts at peak prices continue to benefit from historically strong margins, while those still holding cattle have seen prices ease. Fed cattle markets have softened since July. Calf values have also retreated by 15% from midsummer peaks, although they remain among the highest levels producers have ever received. Despite the recent correction, fundamentals remain supportive as cattle inventories stay historically tight and beef demand continues to hold up remarkably well, even with retail beef prices at record levels.

Feed and forage concerns are becoming a larger focus as producers plan for fall and winter. Across much of the West, deteriorating pasture conditions and earlier-than-normal range removal are forcing some operations to begin supplemental feeding sooner than usual. As of August 31, 59% of Arizona, 46% of Idaho, 55% of Montana, and 39% of Oregon pasture and rangeland was rated poor to very poor. At the same time, strengthening hay prices are increasing winter feed costs. Some producers were able to receive disaster assistance payments of $36 to $38 per head, which has helped offset a portion of rising feed and transportation expenses.

Processing capacity remains a concern for many cattle producers. Tyson Foods announced in August that it is seeking a buyer for its Wallula, Washington, beef processing facility. While the plant is expected to continue operating under new ownership, the announcement highlights broader industry concerns about long-term packing capacity and its potential impact on future herd expansion. At the same time, producers are closely monitoring recent federal policy developments. A September 4 executive order calls for reviews of federal grazing policies, wolf management, and mandatory country-of-origin labeling (COOL) authority for beef products.

Beef imports remain a focal point of politics, resulting in a series of shifting and sometimes inconsistent policy decisions that have added uncertainty to the cattle market. In August, the announcement of a 90-day tariff waiver allowing up to 300,000 metric tons of imported ground beef surprised many producers. While the U.S. typically imports 70,000 to 80,000 metric tons of lean beef trim per month, utilization of the full allocation would temporarily push imports well above normal levels. Although the additional volume is not expected to significantly alter overall beef supplies or materially reduce retail beef prices, many producers viewed the decision negatively given historically tight cattle inventories and strong producer profitability. This announcement came on the heels of a 30,000-pound recall of imported beef products, leading some producers to worry that consumer confidence and demand for beef products could be negatively impacted.

Visit our **cattle webpage** for information on trade fundamentals and tariffs.

Dairy – *Dairy margins narrow as beef buffer fades.*

Dairy producers across the West continue to navigate tight margins as softer milk prices and elevated input costs limit profitability. While many operations remain near breakeven or slightly profitable, financial performance varies significantly by region.

In 2025, profitability varied considerably across Western dairy regions. AgWest dairy customers in Western Washington averaged a loss of approximately $0.20 per cwt, reflecting high processing assessments and production costs. In contrast, Idaho and Arizona dairy producers averaged net earnings of more than $2.00 per cwt, while California producers generated average net income exceeding $4.00 per cwt. Much of this advantage was driven by strong non-milk revenue streams, particularly cattle sales. Historically high beef and calf prices provided valuable supplemental income, helping offset weak milk margins and support overall dairy profitability.

Conditions have shifted in 2026. In Washington, producer sentiment has improved following a significant reduction in milk assessment fees at a major regional processor, with average assessments declining from roughly $4.00 per cwt to $1.75 per cwt. At the same time, an important source of supplemental revenue has begun to weaken. Beef-cross calf prices remain historically strong but have declined approximately $300 to $400 per head from peak levels, while Holstein calf prices have fallen roughly $150 per head in recent months.

Looking ahead, dairy margins are expected to remain under pressure through the remainder of 2026. As cattle markets normalize and analysts suggest the industry may be approaching the later stages of the current cattle cycle, supplemental cattle revenue is expected to decline. Feed costs have increased as drought conditions support higher hay prices in parts of the West; grain markets have strengthened amid global supply concerns and the continued Russia-Ukraine conflict; and milk prices remain subdued. The All-Milk price fell to $19.35 per cwt in August and, while modest improvement is expected, prices are projected to remain below $21 per cwt through year-end. With both milk prices and cattle-related revenue expected to soften, dairy producers are preparing for tighter margins and increased financial pressure in the months ahead.

Visit our **dairy webpage** for information on trade fundamentals and tariffs.

Forest products – *Weak fiber markets are an increasing challenge.*

Forest products markets were mixed through August, with domestic lumber demand relatively stable but fiber markets facing significant challenges. While the housing market continues to face affordability headwinds and has moved past peak season sales activity, lower lumber production has resulted in stronger prices and mill profitability. Fiber markets have become a significant challenge to the industry, with the prolonged Nippon Dynawave pulp mill shutdown in Longview, WA; additional British Columbia pulp mill curtailments; and reduced chip consumption creating excess chip inventories and fewer outlets for pulp logs throughout the Pacific Northwest. The Trump Administration imposed 50% tariffs on various Canadian products related to plywood, veneer, wood furniture, semi-processed and raw wood inputs, and wood-derived paper and pulp products. This policy went into effect August 28 and will increase costs and uncertainty within the U.S., particularly for end users and processors.

Northwest log markets remained generally stable through August. Mill demand is reportedly steady, particularly for high-quality logs, despite strong inventory levels. Exports fell for the third month in a row in July, reflecting weakening international demand. Wildfire activity across Oregon, Washington, and Idaho has disrupted harvesting activity and may eventually lead to increased salvage volumes (logs harvested from sites damaged by wildfires). Forisk recently estimated that longer-term timber fundamentals remain supported by expectations for a tighter coastal Oregon timber supply, as harvest restrictions associated with the Oregon Private Forest Accord, wildfire-related losses, and age-class dynamics are expected to reduce harvestable inventory over the next decade. On the policy front, a Washington court postponed implementation of the expanded non-fish-bearing stream-buffer rule pending appeal by the Washington Forest Protection Association and Washington Farm Forestry Association. USDA proposed rescinding the 2001 Roadless Rule, which currently restricts road construction and timber harvesting on about 4 million acres of National Forest System lands. This policy change is intended to empower local agency decision making within the Forest Service in order to support management practices that improve forest health.

Visit our **forest products webpage** for information on trade fundamentals and tariffs.

Hay – *Winter feed concerns boost hay prices.*

Hay markets continued to strengthen across much of the Western U.S. during August as dry conditions reduced pasture availability and increased supplemental feeding needs. Feed demand remains elevated as producers in dry regions look to secure winter inventories earlier than normal.

Conditions by state:

Arizona – Arizona feed markets remain firm as livestock producers compete for limited forage supplies. Hay prices have strengthened considerably with dairy-quality hay remaining in particularly strong demand and short supply. Even rain-damaged hay reportedly is $45 per ton more than a year ago. Strong demand from drought-affected areas of Texas continues to support hay movement and pricing.

California - California forage conditions continue to be shaped by extreme weather. In Imperial Valley, severe heat reportedly reduced alfalfa yields by approximately 60%, contributing to expectations for higher alfalfa hay and alfalfa seed prices moving forward.

Idaho - Idaho hay demand remains moderate as recent rainfall has improved pasture conditions, allowing cattle to stay on range longer and reducing forage needs in some areas. However, widespread rain events have impacted portions of the alfalfa third cutting, resulting in a larger volume of rain-damaged hay entering the market. Straw supplies are also abundant, with significant volumes being baled and added to inventories. 2025 straw inventories remain on hand and continue to weigh on the market. Overall, adequate forage supplies and improved growing conditions have moderated demand, although weather-related quality concerns remain a factor for producers heading into the fall.

Montana - Montana hay markets have strengthened sharply after several years of low prices, driven by drought, heat stress, and growing winter feed demand. In southwestern Montana, poor pasture conditions and wildfires that displaced more than 1,000 cows have boosted forage demand, while eastern Montana producers report hay buyer inquiries from more than 400 miles away. Despite additional supplies from failed grain acres harvested as hay, strong demand has supported prices at $200 to $250 per ton FOB, although Canadian imports continue to limit further gains.

Oregon - Oregon producers reported some of the strongest hay market conditions in the West. In Central Point, stock hay prices are up $70 per ton from a year ago as drought, wildfires, and reduced rangeland have increased demand for winter feed. Klamath Falls producers also reported stronger demand from dairies, exporters, and cow-calf operators, with hay prices $40 to $60 per ton higher than last year amid growing concerns over forage supplies.

Washington - Washington hay markets are improving, with stronger alfalfa demand and modest price gains. Dry growing conditions have supported hay quality and accelerated crop development, likely leading to earlier silage harvests. While timothy hay demand remains weak due to cautious export buying, Western Washington growers reported strong yields and harvest conditions. Uncertainty surrounding export company restructuring and ownership changes continues to cloud the long-term outlook for hay exports.

Visit our **hay webpage** for information on trade fundamentals and tariffs.

Lemons and oranges – *Market and crop conditions are mixed for lemons and oranges.*

California's Valencia harvest was approximately 60% complete by early September, with large fruit sizing and quality issues continuing to weigh on prices. Domestic demand improved with back-to-school purchasing, particularly for smaller sizes, and some industry participants expect pricing to strengthen as supplies tighten later in the season. Weak orange juice prices and soft global demand remained headwinds, reflected in significantly lower Brazilian orange juice export revenues and prices compared to a year ago. USDA announced plans to purchase $57.5 million in fresh citrus, including $20 million in oranges and $25 million in mandarins, which should provide additional support to producers.

Lemon harvest in the desert region is picking up. While fruit quality is reportedly good, excessive heat during bloom may result in lower yields. Larger-than-expected imports from Argentina and Chile have increased available supply, resulting in rising inventories and softer market conditions. California Citrus Mutual is advocating for a tariff-rate quota on imports from Argentina to help address competitive pressures on domestic producers. Argentinian imports typically overlap with harvest in Ventura County.

Visit our **lemons and oranges webpage** for information on trade fundamentals and tariffs.

Potatoes – *After years of surplus, potato markets begin to rebalance.*

After several years of abundant production and weaker demand, Pacific Northwest potato growers are finally seeing signs of a smaller crop in 2026. Weather-related production challenges, including water shortages, heat stress, and localized frost concerns, are reducing yields and helping bring supply closer in line with demand. While lower production presents challenges for growers, many producers view the smaller crop as a welcome development that could improve market balance and support stronger pricing throughout the marketing year.

In Idaho, the Snake River reservoir system was reported at just 19% of capacity, resulting in significant use of prevented planting insurance and reduced irrigation availability across parts of the state. Water shortages, combined with heat and wind stress, have reduced yield potential, with growers noting that some Norkotah potatoes died early in the season due to poor weather conditions. Burbank yields have also come below expectations. Despite lower production, potato quality remains favorable, particularly for Clearwater and Ivory varieties.

In Washington, potato market fundamentals continue to improve as stronger fresh demand and a smaller crop help bring supply and demand into better balance. Fresh potato prices have strengthened, with growers reporting returns of approximately $10 to $11 per cwt. While early-planted potatoes generally produced favorable results, some later-planted fields experienced stress and declining yield potential by late August. Even with these localized production challenges, processors continue moving aggressively through contracted acreage, and growers do not expect the surplus potato conditions that have pressured markets in recent years.

In Oregon's Klamath Basin, market conditions remain relatively stable. Water availability remains a concern in the region, with some acreage taken out of production earlier this year due to water concerns.

Visit our **potatoes webpage** for information on trade fundamentals and tariffs.

Wheat – *2026 Harvest: Bin-busting yields in the Northwest, disappointing yields in Montana.*

Harvest is wrapping up across the Pacific Northwest and Montana, with producers reporting sharply different outcomes. In Washington, Idaho, and Oregon, winter wheat yields were among the strongest seen in recent years, with some growers reporting record production.

An abundance of low-protein wheat has created challenges throughout the grain handling system. Reports from cooperatives indicate that large volumes of low-protein wheat in the Pacific Northwest have slowed export demand, contributing to river terminal congestion and barge shortages. A handful of facilities have temporarily restricted deliveries due to transportation and storage constraints. These bottlenecks have left some producers waiting longer to market grain and triggered discounts at delivery.

Conditions in Montana present a stark contrast to those in the Pacific Northwest. Montana producers experienced spring frost events followed by prolonged summer heat and little rain since June that reduced yields and limited grain fill. While winter wheat generally proved more resilient than spring wheat and pulse crops, many producers reported disappointing yields and quality concerns. In eastern Montana, producers have reported winter wheat yields as low as 20 bushels per acre.

Wheat markets strengthened during August as ongoing disruptions to Black Sea grain exports, and continued attacks on port and grain-handling infrastructure in the Russia-Ukraine conflict raised concerns about global wheat supplies. The resulting uncertainty pushed futures markets higher, helping soft white wheat cash bids in portions of the Pacific Northwest climb into the upper-$6 to low-$7 per bushel range, levels not seen in several years. Basis in the Northwest has weakened for hard red spring wheat while soft white and hard red winter have strengthened. While stronger prices are welcome, the rally may prove temporary. Wheat futures moved lower during the first week of September as discussions between Russia and Ukraine eased some supply concerns. In response, many producers are taking advantage of the recent price strength to market grain and lock in profitable returns rather than risk a potential market correction.

Visit our **wheat webpage** for information on trade fundamentals and tariffs.

Wine and wine grapes – *Wine grape harvest is coming on early with below average yields.*

The wine market remains under pressure as U.S. wine sales declined year over year approximately 3.0% by value and 4.7% by volume through late mid-July, driven by weak demand and excess inventories. Industry participants increasingly focused on whether the market is approaching a bottom, with some reporting improved inventory movement and stronger performance in categories such as Sauvignon Blanc, aromatic whites, sparkling wine, and premium wines. Consolidation and restructuring remained key themes during the month, highlighted by portfolio acquisitions, distributor realignments, and continued efforts by wineries to reduce costs, improve profitability, and adapt to a smaller market.

Wine grape harvest is underway across the West Coast, with California experiencing one of its earliest harvests in decades and the Columbia Valley running about a week ahead of its long-term average. While crop quality appears favorable, yields are generally coming in below average after spring weather disrupted fruit set during bloom. Combined with recent vineyard removals and lower-input vineyard management, the 2026 crop is estimated to be smaller than recent years. Given ongoing oversupply concerns, many view the lighter harvest as a step toward rebalancing the market, though industry participants generally expect it could take a year or more before supply and demand return to a more sustainable balance. Overall, wildfire activity appears to have had minimal impact on grape quality, though some smoke impact has been observed in the North Coast region of California.

Visit our **wine and wine grapes webpage** for information on trade fundamentals and tariffs.

Spotlight: Treasury financing and agricultural implications

Rising long-term interest rates have become an increasingly important issue for financial markets and the agricultural sector. Federal debt has grown substantially over the past decade, surpassing $40 trillion, requiring the U.S. Treasury to issue increasing amounts of debt to finance government operations and refinance maturing obligations. The resulting growth in Treasury supply, combined with persistent inflation concerns and AI companies' demand for financing has contributed to a sharp rise in long-term interest rates.

During the summer of 2026, the 30-year Treasury yield climbed above 5.3%, its highest level since 2007. Higher Treasury yields increase borrowing costs throughout the economy because they serve as a benchmark for many consumer, business, and agricultural loans. In response, Treasury Secretary Scott Bessent announced an expansion of the Treasury Department's long-term debt buyback program, increasing purchases of outstanding 10- to 30-year securities. While yields briefly moved lower following the announcement, market reactions suggest investors remain concerned about the long-term outlook for government borrowing and inflation.

Yields on 30-year treasury bonds

Source: Board of Governors of the Federal Reserve System.

Attention has also shifted to the Federal Reserve, where newly appointed Chairman Kevin Warsh is widely viewed as favoring a more aggressive stance toward inflation. Markets generally expect tighter monetary policy to keep short-term interest rates elevated until inflation concerns ease, with the goal of ultimately reducing inflation expectations and helping stabilize long-term rates. Conversely, if the Fed is pressured into lowering rates due to weakening economic conditions, long-term rates could rise.

For agriculture, long-term interest rates are particularly important because they influence farmland values, real estate financing, equipment purchases, and other capital investments. Lower rates generally support land values and improve producer affordability by reducing financing costs. Stable or declining long-term rates can also improve borrower cash flow and support refinancing activity. Conversely, persistently high or rising rates could pressure farmland values, increase debt service costs, and create additional financial stress for highly leveraged producers. As a result, Treasury and Federal Reserve actions aimed at stabilizing long-term interest rates will remain an important factor shaping agricultural credit conditions and investment decisions in the months ahead.