



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 almonds, pistachios and cow-calf industries strengthening, and oranges, forest product mills, dairy and wine grapes weakening. Conditions are unlikely to change much over the next year for most 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 | | A smaller than expected 2025 crop along with reasonably strong demand are supporting prices. |
| Apple producers | Unprofitable | | X | | A large 2025 crop with mixed quality will continue to pressure prices over the next year. |
| Apple packers | Profitable | | X | | Large 2024 and 2025 crops and strong consumer demand should continue to support packer profitability. |
| Cattle feeders | Profitable | | X | | Tight calf supplies and robust demand have intensified competition for feeder cattle. Profitability is expected to remain resilient, supported by cost-of-gain efficiencies and strong box beef prices. |
| Cow-calf producers | Very profitable | | X | | Historically tight cattle inventories, limited availability of replacement heifers, and firm calf prices continue to underpin profitability for cow-calf operations. |
| Dairy | Breakeven | X | | | Milk prices remain weak, and while lower feed costs and beef-dairy income offer support, margins are likely to tighten over the next year, increasing the risk of losses if prices or demand soften further. |

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| | | Bearish | Neutral | Bullish | |
| Lemons | Breakeven | | X | | Relatively weak demand and prices continue to challenge lemon growers. |
| Hay (alfalfa) | Breakeven | | X | | Profitability is expected to stay under pressure as sluggish demand, weak prices, and cheaper alternative feed options weigh on alfalfa growers. |
| Hay (timothy) | Slightly profitable | | X | | Timothy hay demand has improved recently, particularly in premium export segments, providing some price stability. |
| Mills | Breakeven | | | X | Profitability is mixed, with less efficient mills experiencing the most pressure. Most are optimistic construction activity will pick up in 2026 and support wood product demand. |
| Oranges | Slightly profitable | | X | | Early reports suggest the navel crop has good quality with a large size profile, which should align well with market demand and support prices. |
| Pistachios | Profitable | | X | | Demand remains strong and the 2025 crop has come in smaller than initial estimates, resulting in increasing 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) | Slightly unprofitable | X | | | Uncontracted potatoes remain under significant pressure, with oversupply leaving most growers below breakeven despite exceptional yields and quality. |
| Timberlands | Slightly profitable | | X | | While weak lumber markets are resulting in soft log demand, prices remain generally profitable for timberland owners. |
| Wheat | Unprofitable | | X | | Persistently low wheat prices, driven by abundant global supplies and export competition, will continue to pressure profitability. Margins are expected to remain tight, leaving producers vulnerable to further downside risk. |
| 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. |