



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, coupled with persistently elevated input costs, continue to pressure margins, and trade policy uncertainty is weighing on producer sentiment. Conditions are unlikely to change much over the next year for most industries, though some producers/processors should eventually benefit from higher prices. 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		Almond prices surged over the last year and greatly improved profitability. While May bucked the trend, the latest crop estimate, along with current inventory levels, suggest supply should be fairly balanced with demand for the 2025 crop.
Apple producers	Slightly unprofitable (2024 crop)		X		The large 2024 crop continues to weigh on prices for most varieties. Early indications suggest the 2025 crop could be large and again lead to a misalignment between supply and demand.
Apple packers	Slightly profitable (2024 crop)		X		The large 2024 crop led to higher volume throughput for packers. Early indications suggest the 2025 crop could again be large, and this should continue to support profitability.
Calf feeders	Profitable	X			Although fed cattle prices remain strong and feed costs are expected to remain affordable in the near term, returns are anticipated to tighten in the fall of 2025 as feeder cattle prices continue to climb due to limited available supplies.
Cow-calf producers	Profitable			X	Record cattle prices, driven by a shrinking herd, are fueling strong profits in 2025, while lower feed costs are expected to persist in the near term.
Dairy	Slightly profitable		X		Dairy margins have improved over the past year due to expanded processing capacity, stronger milk prices and lower feed costs, but reforms to milk pricing formulas are likely to hurt prices received by western dairies.

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Forest products	Slightly profitable		X		The housing market is in a difficult place and unlikely to improve much in 2025. While current log and lumber prices support profitability, they are unlikely to increase given underwhelming demand.
Lemons	Slightly unprofitable		X		Lemon markets remain weak despite some improvement in prices in May. Production capacity is likely to continue exceeding demand over the next year.
Hay (alfalfa)	Breakeven		X		Slow exports and sluggish domestic demand have kept alfalfa prices low, posing challenges to profitability.
Hay (timothy)	Breakeven		X		Exporters' increasing interest in timothy hay could boost grower profitability.
Oranges	Slightly profitable		X		A sharp rise in navel prices over the last two months has improved profitability for producers. Strong markets should continue to support prices over the next year.
Pistachios	Slightly profitable		X		Pistachio prices have held relatively stable. While the 2025 crop will likely come in larger than the 2024 crop, inventory levels are down significantly from this time last year, suggesting supply should be fairly balanced with demand next season.
Potatoes (contracted)	Breakeven		X		Reduced contracted acres and prices, excess 2024 potatoes in storage, and weakening demand will challenge growers' profitability despite ideal growing conditions.
Potatoes (uncontracted)	Slightly unprofitable		X		Open market potato producers will face headwinds as low prices, weaker demand, and expected ideal growing conditions for the new crop are likely to keep prices below breakeven.
Wheat	Slightly unprofitable	X			Profitability remains under pressure despite good crop conditions, as low global prices and sluggish exports challenge margins.
Wine	Slightly unprofitable		X		Falling wine demand, excess inventories and production capacity are pressuring prices and margins. Declining export demand may further challenge the industry.
Wine grapes	Unprofitable		X		The 2025 growing season could support relatively large, good-quality crops across the West. Currently, supply exceeds demand, and this is likely to continue over the next year. Producers with buyer contracts will fare better than those without.