



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. 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	Breakeven			X	Despite recent volatility, prices are on the uptrend. Reports suggest the 2025 crop may be smaller than initially expected and international demand should remain strong.
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.
Calf feeders	Profitable		X		Despite increased competition for feeder cattle, low feed costs and higher fed cattle prices are projected to support profitability through 2026.
Cow-calf producers	Profitable			X	Tight cattle inventories, strong prices, and improved forage conditions support a favorable outlook.
Dairy	Slightly profitable		X		Rising milk production and falling futures prices could strain profitability. However, low feed costs and beef-on-dairy income should support margins.

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Forest products	Slightly profitable		X		Housing starts have been underwhelming and peak seasonal construction activity is ending soon. Demand for lumber and logs is unlikely to pick up until next spring
Lemons	Breakeven		X		Conditions remain challenging, but lower supply has helped to improve prices. Lower import levels and reduced lemon acreage may continue to provide price support.
Hay (alfalfa)	Breakeven		X		Lower hay prices, driven by higher production, weaker demand, and cheaper feed alternatives, continue to challenge grower profitability. However, there is growing optimism that prices have bottomed out and may rebound in the coming year
Hay (timothy)	Slightly profitable		X		Increasing exporter interest in timothy hay could boost grower profitability.
Oranges	Profitable		X		Strong demand and average supply are supporting prices and profitability. Orange juice prices remain well above their historical average, providing support to processor markets.
Pistachios	Slightly profitable		X		The 2025 crop will come in very large, but a low inventory carry-over from the 2024 crop, good quality nuts and strong demand should continue to support prices.
Potatoes (contracted)	Slightly profitable		X		This crop's ideal conditions are likely to result in fewer quality-based rejections and potential bonuses for above-target sizes, providing an advantage.
Potatoes (uncontracted)	Slightly unprofitable	X			Increased uncontracted plantings, strong yields and a large crop are likely to put downward pressure on open market prices.
Wheat	Slightly unprofitable	X			Low wheat prices driven by ample global supplies and intense export market competition continue to challenge producer profitability.
Wine and wine grapes	Slightly unprofitable		X		While too early to accurately estimate profitability for individual operations, falling consumer demand and excess supply of both wine and grapes are likely to continue to weigh on the industry.