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	Neutral	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.