June 2025

Monthly Market Update

Industry updates

New! Tariff data and trade fundamentals resources

Check out the new tariff and trade resources, designed to help you understand the impact of global trade policies on your operation. You can now access trade fundamentals and tariff data for each commodity using the tabs at the top of each industry page. Use the links at the bottom of each commodity-specific report, or start your journey **here** and search by industry to dive in.

This month's report also includes a **Spotlight** article on how some states are responding to tariffs, a **Profitability Report**, **Economic headlines and Data and trends**.

General sentiment – *Ocean freight and fertilizer prices rise.*

Despite ongoing uncertainty and low commodity prices, U.S. farmer sentiment improved this month, according to the Purdue University/CME Group Ag Economy Barometer. This shift was driven by a more optimistic outlook on agricultural trade, with the percentage of producers expecting trade to grow in the next five years rising from one-third to over half. Producers will likely closely monitor domestic and export demand for agricultural commodities to gauge optimism in the coming months.

Crop inputs – *Energy and transportation costs fall, but fertilizer prices trend upward.*

Oil prices held flat in May, but surged following attacks on Iran.

West Texas Intermediate (WTI) crude oil prices held stable in May and early June, but surged following Israeli attacks on Iran. Escalating conflict in the Middle East and/or progress in tariff negotiations between the U.S. and its key trading partners would likely push prices higher, offsetting additional production increases by the Organization of Petroleum Exporting Countries (OPEC+) set to take place in July. Natural gas prices softened in May on rising inventories.

A surge in demand is pushing up ocean freight rates.

Container rates reversed a three-month downward trend in May and started to accelerate the first week of June. Companies are once again front-loading goods to the U.S. in anticipation of higher tariffs in July and August. A rapid increase in import volumes could lead to temporary port congestion and trucking/rail bottlenecks over the next month or two. Bulk vessel rates held relatively flat overall in May, then turned sharply upward for Capesize vessels in the first week of June due to rising demand for iron ore shipments in the Pacific. (Capesize vessels are often used for grain shipments.) Trucking rates were relatively stable in May, with modest increases observed in van and reefer rates. With a surge of imports on the horizon, trucking rates are likely to increase in July.

Fertilizer prices rise across the board.

Fertilizer prices rose across the board over the last month due to increased demand from spring applications and global supply constraints. It remains unclear as to how much urea China plans to export in 2025, though the consensus is that it will keep shipments well below average. (China is the third-largest exporter of urea.) Low inventories in India and rising seasonal demand in Brazil will help to keep urea prices stable over the next several months. Strong seasonal demand and limited exports of phosphate out of China continue to pressure markets.

Almonds and pistachios – *Almond prices start to fall, but remain significantly up year over year.*

USDA's initial estimate for the 2025 almond crop came in at 2.8 billion pounds, a slight gain over the 2024 crop. Variable weather conditions in May should not impact crop size and quality, though anecdotal reports suggest younger orchards are experiencing stronger growth than middle-age to older orchards. Pest pressures appear relatively low; however, there are reports of red blotch in Merced County. USDA reports that total bearing acreage increased 10,000 acres to total 1.39 million. Inventory levels are on par with this time last year. Almond prices reversed an upward trend and fell about 3.6% in May due in part to USDA's higher-than-expected crop estimate and weakening international demand. Most buyers are waiting to see where prices land. Europe built inventories in April in preparation for higher tariffs and market demand in India and the United Arab Emirates has weakened. **Almond exports** surged in March and tapered off slightly in April as the industry sought to frontload volumes ahead of increased tariff rates. Some analysts are predicting Australia (the second-largest almond producer) will gain an advantage in Indian and Chinese markets due to the Trump Administration's trade policies. Australia produced 160,000 metric tons in 2024, about 13% of what the U.S. produced.

The 2025 pistachio crop is progressing well, and while the industry does not yet have an official size estimate, most expect a large crop due to alternative bearing. Inventory levels as of April are down 18% from this time last year. **Pistachio exports** are holding firm despite escalating trade tensions.

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

Apples – *Early indications suggest a large 2025 crop.*

Conventional apple prices held flat in May while those for organics softened an average of 6%. While organic apples only make up about 13% of total supply, their generally strong prices have supported profitability among producers diversified into those markets. Total shipments to retailers are continuing at a normal pace. While inventories of Honeycrisp are down nearly 50% from this time last season, those for Cripps Pink are up 54%, Cosmic Crisp 41%, and Gala 20%. It remains unclear whether varieties with high inventory levels will ship to market ahead of the 2025 marketing season. The 2023 crop carried over into the 2024 marketing season and put downward pressure on prices. Early indications suggest a large 2025 crop, particularly for the Honeycrisp variety. Some producers have scaled back on fertilizer and herbicide inputs, and this may result in some small, poor-quality fruit along with some additional pest pressures for neighboring producers. The Roza Water District reduced water allocations due to low storage levels, and this may negatively impact fruit quality for local growers. Some growers in Yakima and Benton counties reported that a drop in temperatures in April may have slowed pollination and/or reduced fruit set. Trade policy uncertainty remains a concern among producers, and while **apple exports** declined slightly in April, the overall impact on the industry remains limited.

The 2025 pear crop is progressing well, and many expect it to come in large with good quality. The 2025 Northwest cherry crop is also set to come in large, though there are reports of hail, rain and wind damage in the Yakima and Benton counties. California's cherry crop is coming in much smaller than average and this is supporting early pricing for Northwest growers.

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

Cattle – *Steers stay the course.*

The latest cattle on feed report shows cattle are remaining on feed for longer periods. The cost of gain is currently more economical than the alternative of selling lighter cattle. On May 1, the total number of cattle on feed decreased to 11.4 million head, down 1.5% from the previous year. Cattle on feed for more than 150 days increased by 3.5% compared to the same period in 2024. Average steer dressed weights rose by 25 pounds, reaching levels significantly higher than a year ago and up more than 54 pounds from the five-year average. Both cattle marketings and placements also showed declines.

For now, cattle feeders are managing to partially offset tighter cattle supplies through elevated dressed weights, keeping beef production declines modest at just 0.8% year-to-date. However, looking ahead, industry-wide adjustments may be necessary to rebalance the supply chain and address the long-term implications of a contracting cattle inventory.

Tight supplies have driven price rallies and higher boxed beef prices, with livestock markets across the West reporting record highs nearly every week. While cattle futures have shown some fluctuation, the fed cash market has remained on an upward trajectory. Many analysts anticipate that 2026 or 2027 will bring cyclical highs in cattle prices.

While ongoing tariff discussions have introduced uncertainty across the sector, they are not the only obstacles cattle producers currently face. For the second time in 2025, the exchange of live cattle at the Mexico border has been temporarily suspended due to the increasing risk of New World screwworm, which has now been detected as close as

700 miles from the U.S. border. As of April, year-to-date live cattle imports from Mexico fell by 60% compared to the previous year. This suspension will likely impact southern processors, who will need to secure more cattle amidst an already tight supply. Another trade concern has surfaced as China allowed the registration of 84 U.S. meat exporters to lapse at the start of the year. While only four of those exporters were in the beef sector, this situation warrants monitoring for potential long-term implications. U.S. **beef exports** dropped 9% in April 2025, with China cutting imports to one-third of the previous year's levels.

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

Dairy – *Reformulated milk prices take effect.*

June is National Dairy Month, a time to celebrate dairy producers while recognizing the challenges they face on the horizon.

U.S. milk production rose for the fourth consecutive month in April, up 1.5% year-over-year. This growth has been driven by improved producer margins and expanded processing capacity. However, challenges loom for producers as strong beef prices have reduced the availability of replacement heifers. As a result, many dairy producers are holding onto older, less efficient cows that would typically be culled. This could lead to longer-term productivity issues if herds are not refreshed with replacement heifers.

Concerns over Highly Pathogenic Avian Influenza (HPAI) have largely faded into the background, despite its continued prevalence and predicted heightened lethality during excessive heat. Idaho currently leads the nation in reported cases in the last 30 days, but the impact on producers has been less severe compared to the initial outbreak, with milk production continuing to rise. In California, milk production has steadily improved each month following a particularly challenging HPAI outbreak in late 2024.

The Federal Milk Marketing Order reform went into effect on June 1, bringing significant changes for western dairies. Key updates include increased processor make allowances, Class III payments now being derived solely from block cheddar prices, and an increase in butterfat recovery levels for the Class III formula. While designed to create greater transparency across the pricing system, for most western producers, these changes are expected to result in smaller milk checks. Some of these losses may be offset in December when component levels will be standardized in milk pricing formulas.

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

Forest products – *Housing sector remains weak.*

Despite a jump in new single-family homes sold and a corresponding drop in new home inventories as measured by months of supply in May, the housing market remains in a difficult place as persistently high mortgage rates weigh on affordability. Single family home construction permits are flat and active listings continue to rise. Lumber prices softened about 5% on average in May, driven in large part by a 15% decline in Southern Yellow Pine (SYP) lumber. SYP timber is grown throughout the Southeast U.S., and regional traders built inventories in anticipation of escalating trade tensions. Douglas-fir and Western Spruce-Pine-Fur lumber decreased 3.5% and 0.7% in May, respectively. SDS Lumber announced the closure of a plywood mill in Bingen, WA. The mill started operating in 1949 and relied on older, higher-cost technologies. Wilkens, Kaiser and Olsen (WKO), who operated the Bingen mill following its acquisition of SDS Lumber in 2021, will reportedly expand its output by 35%. (Neither product types nor which mills would support expansion were specified.) Existing home sales, an important demand driver for plywood, remains flat at multi-decade lows.

Douglas-fir log prices are generally holding stable throughout the West, though some softening has been observed south of Eugene, Oregon. Cedar markets are strong, while those for alder have weakened. **Log exports** were down significantly in April due to falling demand from Canada, China and Japan. Mills are reluctant to grow log inventories due to a tepid housing market, suggesting prices may become more sensitive to changes in demand.

A recent article in The Oregonian highlighted demographic trends showing the share of people over 65 just exceed those under 18. Over the long-term, an aging population may make it increasingly difficult for the forest products sector to source labor.

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

Hay – *Lackluster demand for hay.*

Hay prices in the West are stable. Markets remain sluggish, especially in areas dependent on hay exports. China, the second-largest destination for U.S. **hay exports**, has reduced its imports amid ongoing tariff negotiations between the two countries.

Arizona – Current conditions support moderate trade activity and steady prices across the state. Of particular note, pasture conditions in Arizona have drastically declined, with 85% of pastures now rated as poor or very poor. In comparison, only 13% of acres were in the same condition at this time last year. This significant deterioration has contributed to decreased on-farm hay stocks. May 1 stocks fell to 30,000 tons compared to 50,000 tons the previous year. Persistent dryness and worsening drought conditions are expected to continue to drive increased regional demand for hay and feed. While rainfall is anticipated in early June, an unusual event for this region, it will neither be sufficient to alleviate ongoing drought challenges nor revive non-irrigated pastures and alfalfa stands.

Arizona's Attorney General is seeking to restrict groundwater pumping by a foreign-owned alfalfa operation, arguing that its groundwater use in the Ranegras Basin constitutes a public nuisance by depleting the aquifer, affecting local wells. This legal action has sparked concern among agricultural producers regarding the broader implications for groundwater management. Several agricultural groups oppose the lawsuit, expressing concern that it could set a precedent for stricter groundwater regulations across the state. This case is particularly significant as it marks the first time Arizona has used public nuisance law to challenge agricultural water usage. The Attorney General concedes that no existing groundwater regulations are being violated by the defendant; however, they maintain that there are clear adverse impacts from their heavy pumping, hence the public nuisance legal route.

California – Domestic hay demand in California has remained steady, while export demand continues to be light. Hay prices have been trading on the lower end of the price range, a trend partly attributed to declining hay quality. Despite this, on-farm hay stocks saw a notable increase, reaching 330,000 tons on May 1, a gain of 70,000 tons from the previous year. With reduced export activity, hay producers have noted that securing transportation has been easier, and freight rates have dropped as a result. Central Valley Project water districts serving Fresno, Tulare and Kings County have received a 5% increase to their water allocations based on current reservoir levels.

Idaho – Idaho's hay market has been moving at a slower pace as first cutting continues. As of June 8, alfalfa cutting was 38% complete, ahead of the five-year average. Most of the crop is reported to be in good condition. However, in the Magic Valley, there has been an increase in alfalfa being chopped for haylage, driven by concerns about hay quality following rains. Over the past six months, Idaho dairies have expanded their herds by 17,000 cows, yet hay purchases by dairies remain sluggish across the state. Despite these developments, hay prices have remained steady, with supreme and premium hay trading $5 lower than the previous year.

Montana – Despite drought conditions in Montana, the hay market has been slow. Demand for hay has remained light, with most sales heading out of state since Montana cattle are already out to pasture. Pasture conditions have deteriorated significantly, with 51% rated as poor or very poor by June 8, a sharp increase from 18% in the same conditions a year ago. Meanwhile, in eastern Montana, producers have begun their first hay cuttings. Central Montana remains hopeful May rainfall could boost their first harvest, which is still a few weeks away. Though the season is gaining momentum, new crop prices have yet to be set.

Oregon – In Oregon, 80% of the first hay cutting is complete, aligning with the five-year average but slightly trailing last year's pace. Hay demand is expected to rise among cattle producers in eastern Oregon due to extensive pasture damage caused by wildfires in 2024. This increased need may also explain why May 1 on-farm hay stocks dropped 50% from the previous year, totaling 280,000 tons.

Washington – First cutting is underway, with 73% of fields completed, ahead of the five-year average. However, new crop trading has been sluggish, with volumes well below typical levels for June. This downturn is largely due to ongoing tariff issues, which have reduced export demand, particularly from China, the second-largest buyer of hay. Compounding the issue, rain has affected the quality of the first cutting, creating additional challenges for sales. Even growers with higher-quality hay are struggling to find buyers and may opt to hold off on selling. While alfalfa export demand remains weak, timothy hay is showing stronger promise for export opportunities in the months ahead.

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

Lemons and oranges – *Orange prices rise significantly.*

Navel prices increased about 20% over the last two months. Producers with fruit this late into the season, which should end over the next couple weeks, are benefiting from improved markets. The Valencia season is getting underway and prices are strong, particularly for small- to medium-size fruit when compared to last season. **Orange imports** from Chile, the largest foreign supplier to the U.S., generally pick up in June and peak in September. The application of higher tariff rates may help to support domestic prices. A recent report by California Citrus Mutual highlights that the average cost to grow navel oranges in California has increased 28% over the last five years, and 171% over the last 20 years, to $14.86 / carton. USDA Animal and Plant Health Inspection Service (APHIS) and the California Department of Food and Agriculture widened the quarantine perimeter for citrus greening, a highly contagious bacterial disease that generally kills trees within a few years. Updates to the quarantine zone can be found at **APHIS' website**. Orange juice prices held flat in May, about 43% below its November 2024 peak but 49% above its 10-year average.

Lemon markets remain weak despite some strengthening in prices in May. Central Valley growers are harvesting a bit later into the season given the large crop, which has subsequently pushed harvest in the Coastal region back. Warm weather is helping to size up fruit, suggesting there may be a relatively higher percentage of large fruit on the market. **Lemon imports** from Argentina, the largest foreign supplier, began the first week in May and should pick up through August. Higher tariff rates may help to support domestic prices.

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

Potatoes – *Potato demand faces headwinds.*

Crop development in the Northwest is ahead of schedule, with favorable planting conditions accelerating growth by at least a week. Idaho reports most of the new crop is in excellent condition, while Washington's crop is largely in good to excellent condition. Although early June brought excessive heat, forecasts suggest conditions will stabilize by mid-month, creating optimal weather for potatoes. However, with abundant 2024 crop still in storage, coupled with some favorable conditions for the new crop, some producers are liquidating their remaining potatoes in storage.

Potato demand could face challenges ahead, as tightening consumer budgets and inconsistent restaurant traffic point to weak domestic demand. In March, the largest U.S. food delivery app partnered with a micro-loan provider to offer "buy now, pay later" options for items as small as a burger and fries. This company reported widespread defaults along with an alarming 41% of users making late payments—further highlighting consumer strain. Restaurants have also reported reduced foot traffic and a decline in in-person dining during Q1. These factors suggest that one of the largest market segments for potatoes, french fry and potato product sales at restaurants, will likely face lower demand in the coming months.

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

Wheat – *Underwhelming wheat prices challenge producers.*

While the new wheat crop is in good condition, wheat prices remain underwhelming, making it challenging for producers to achieve profitable margins. Across the western U.S., most states report their wheat crops are in good to excellent condition. Since April, U.S. wheat prices have displayed mixed trends. Wheat futures hit contract lows in May and export prices for Hard Red Winter (HRW) and Soft Red Winter (SRW) wheat declined due to favorable weather. However, tighter supplies and lower-than-expected crop ratings have bolstered sales and prices for Hard Red Spring (HRS) wheat. Soft White Wheat continues to trade at a premium to HRW and has a positive basis over SRW.

Exports in the Northwest continue to be sluggish. However, year-to-date total sales across the U.S. have shown growth for all wheat, up 22% as of June 5, 2025. A weaker U.S. dollar could help increase exports in the near term.

A notable shift has occurred in global wheat markets. Since April, the U.S., Argentina, and the EU have been offering international export bids lower than Russia, which has traditionally exported the world's cheapest grain. Russia, the region's largest exporter, has suffered significant grain losses caused by untimely frosts, with wheat production in key areas expected to drop by 38%. USDA estimates that the total impact will lower production by 20% from the previous year's crop. This crop damage, coupled with reports of both exporters and producers struggling to achieve profitability at current prices, has driven an increase in Black Sea wheat prices.

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

Wine and wine grapes – *2025 wine grape crops are looking favorable.*

The 2025 growing season is starting off well, with wine grape crops across the West looking favorable. Little to no frost damage has been reported. Vineyards in California started to see flowers develop in May, albeit a week late. Weather forecasts in major growing regions suggest limited chances of rain in June, which is supportive of healthy crops. Many growers are continuing to remove and/or minimally manage vineyards in response to oversupplied markets, though the total impact to the 2025 crop size remains unclear.

Year-over-year wine sales were down across each marketing channel in April. Escalating tensions with other countries are challenging the industry. **Wine exports** to Canada, the second-largest foreign market, have all but stopped as various provinces remove U.S. wines from retail shelves. International travel to California declined notably in February and March and many wineries are observing fewer visitations from foreigners. Wine imports held relatively stable in April but are likely to increase in May and June. The European Commission approved a $5 billion plan to increase French wine exports to the U.S. ahead of July 9 when tariff rates are expected to increase. France is the second-largest foreign wine supplier to the U.S. by volume. While countries may front-load wine exports to the U.S., some analysts expect total wine imports in 2025 to decrease from 2024 levels. Falling discretionary income among consumers remains a major concern for the industry, particularly as it relates to restaurant sales; however, a recent survey suggests consumers are more likely to cut back spending on other items prior to alcohol in response to higher living expenses.

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

Economic headlines

Economic headwinds persist.

Uncertain and volatile trade policy, tighter financial conditions and weakened business and consumer confidence may weigh on economic growth. The Organization for Economic Co-Operation and Development (OECD) cut its U.S. Gross Domestic Product (GDP) forecasts to 1.6% in 2025 and 1.5% in 2026, down from 2.8% in 2024. In March, it had forecast 2.2% for this year. Likewise, JP Morgan Chase warned of stock market declines and stagflation.

Manufacturing activity stabilizing.

The U.S. Industrial Production Index remained essentially flat in the latest monthly release (see chart below), while new manufacturing orders fell. This comes after a large bump in March, when companies likely frontloaded orders ahead of tariffs. The Manufacturing Purchasing Managers Index (PMI) surveys companies to give the first look at how growth trended in the previous month. Coming in at 52 (above 50 signals expansion), the number suggests manufacturing activity grew in May. However, companies stated this was inventory building in response to uncertain supply chains and price increases.

Trade policy continues to evolve.

The Trump Administration's approach to addressing trade imbalances has led to heightened business uncertainty, market volatility, inflation concerns and increased tensions with other countries. Although the U.S. and China have reached a tentative trade agreement as of the writing of this report, it remains unclear if/when it will go into effect. Negotiations with other partners are ongoing and their status generally remains unclear.

Financial conditions tighten.

Recent developments have led to tighter financial conditions in the broader economy, impacting both businesses and consumers. Rate cuts are not anticipated until September. This will keep borrowing costs at elevated levels, making it more difficult for companies to secure funding. Additionally, stricter credit standards have reduced lending, posing challenges to economic growth and financial stability.

U.S. inflation comes in below expectations.

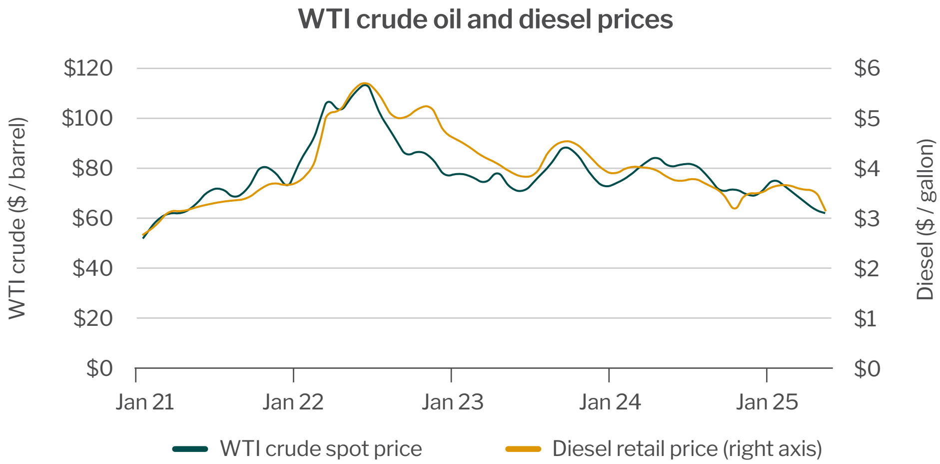
The latest Consumer Price Index (CPI) report shows that inflation ticked up less than expected in May, with a year-over-year increase of 2.4%. Core inflation, which excludes volatile food and energy prices, saw a moderate uptick of 0.1% from April. Economists are closely monitoring consumer sentiment and upcoming inflation reports to gauge the long-term effects of tariffs on prices and the broader economy.

Industrial production index

Source: Board of Governors of the Federal Reserve System.

Data and trends

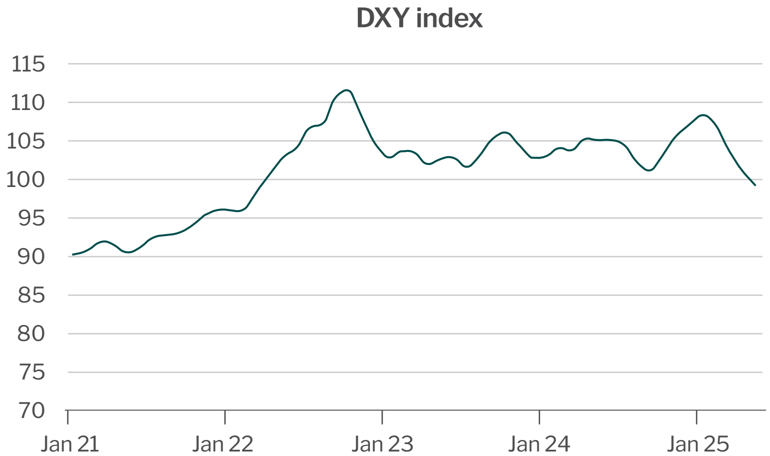
This section presents select economic indicators to help producers gauge the direction of their business. These metrics reflect current market dynamics and their potential impact on operations. Come back each month to stay informed and adapt swiftly to the ever-changing economic landscape.



Source: U.S. Energy Information Agency.

Observation: Low projected demand growth and increased production levels from OPEC+ pressured oil prices in May and early June. Crude oil prices surged mid-May following an Israeli attack on Iran (not yet reflected in the data). Escalating conflict in the Middle East would likely push prices higher.

About this indicator: The West Texas Intermediate (WTI) crude oil price is a benchmark for oil pricing and influences the cost of fuels like diesel, which is essential for running farm equipment and transporting goods.

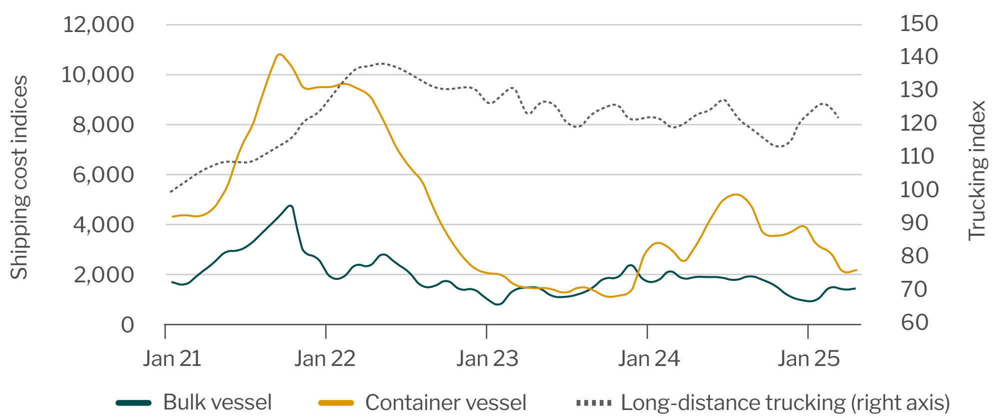


Source: Bloomberg.

Observation: The Trump Administration's trade policies, shifting geopolitical dynamics and rising concerns over the political, financial and economic health of the U.S. have weakened investor confidence in the dollar as a safe-haven asset.

About this indicator: The DXY index measures the strength of the U.S. dollar against a basket of foreign currencies. The strength of the U.S. dollar impacts the competitiveness of agriculture producers in foreign markets. As the dollar strengthens, U.S. producers and exports become less competitive, and vice versa.

Transportation price indices



Source: Bloomberg. Freightos. U.S. Bureau of Labor Statistics.

Observation: Container rates reversed a three-month downward trend as companies once again prepare to front-load goods to the U.S. to avoid higher tariffs. Bulk rates increased on higher iron ore demand in the Pacific. Trucking rates softened, but may increase in June and July, when import volumes increase.

About this indicator: The long-haul trucking index measures the changes in trucking freight rates over time. The Baltic Dry Index measures the average global cost of shipping bulk materials, including grains, sugar, metals and others. The container index measures the average global cost of shipping containers. Shipping prices vary by route and carrier size based on market dynamics and may move independently from global averages (i.e., the cost to ship goods from the West Coast to Asia could remain flat even if global rates are increasing).

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.
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.

Industry	Current profitability	12-month outlook			Factors dictating 12-month outlook
		Bearish	Neutral	Bullish	
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.

Spotlight

States respond to tariffs.

Tariffs continue to be a contentious issue, with many countries currently in a temporary pause to negotiate trade agreements. This update explores developments surrounding tariffs in May, highlighting changes in state actions and shifting perspectives among producers.

A dozen states, including Arizona, Nevada and Oregon, have filed a lawsuit in the U.S. Court of International Trade, arguing that the International Emergency Economic Powers Act (IEEPA) does not grant the authority to impose tariffs. The administration contended that President Nixon's use of tariffs in 1971 set a legal precedent that justifies their actions. Separately, California sued to overturn tariffs, claiming they cause economic harm and violate constitutional separation of powers through the Supreme Court's major questions doctrine.

Resolutions came quicky for both cases. For the dozen states' lawsuit, the U.S. Court of International Trade ruled that the current administration lacked the authority to impose tariffs without Congressional approval. The administration has announced plans to appeal these rulings. A district court dismissed California's case, directing them to appeal in a specialized trade court. Legal experts believe the cases could ultimately reach the Supreme Court to resolve the question of tariff legality.

What does this mean for agricultural producers?

The greatest share of U.S. agriculture exports goes to Mexico, Canada, China, Asia (other than China) and the European Union. Trade relations with these regions/countries will likely evolve in complex and divergent ways based on unique factors. For instance, the Trump Administration will look to Mexico to limit illegal immigration, and Asia to gain geopolitical influence. Some analysts believe the U.S. is in a process of decoupling its economy from China, suggesting little room for improvement between the two countries.

Impacts will vary by agricultural industry

The outcome of these legal battles could greatly impact agricultural producers. If tariffs are deemed unlawful or their scope is limited, export markets may stabilize faster. However, uncertainty during the appeal process could pose challenges for long-term planning and increase volatility in agricultural markets.

Producers' perspectives on tariffs are also evolving. A survey conducted by Purdue University in March and April revealed that over 56% of respondents believed tariffs would have a negative or very negative impact on their operational income. By May, this number had dropped to 43%. Additionally, a strong majority of producers, 82%, agreed or strongly agreed that free trade benefits agriculture. While challenges remain, there is growing optimism that U.S. trade will expand over the next 5 years, providing more opportunities for agricultural exports.

It's important to note that the impact of these changes will vary by commodity, influenced by factors such as export volumes and global competition. ***For more specific insights into how your specific commodity might be affected, please consult the available resources on AgWest's Industry Insight webpage***.