



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 for Q4 2024. See below for methodology.

Summary: Agriculture producers and processors range mostly between breakeven and slightly profitable. Persistently elevated input costs along with low prices in key commodities are pressuring margins. AgWest expects these conditions to continue over the next quarter or two, then improve moderately as prices recover. The following details current profitability and the 12-month outlook by industry for major commodities in AgWest’s territory.

Industry	Current profitability	12-month outlook			Factors dictating 12-month outlook
		Bearish	Neutral	Bullish	
Almonds	Slightly unprofitable			X	Almond prices have strengthened and this should continue due to strong domestic and export demand.
Apple producers	Unprofitable			X	Apple prices have increased from near historic levels. If shipment levels remain strong, prices should continue to improve due to good-quality fruit, a smaller Honeycrisp crop and lower production levels in other U.S. growing regions.
Apple packers	Slightly profitable		X		Apple packers will continue to benefit from high volume throughput with the larger than expected 2024-25 crop.
Calf feeders	Profitable		X		Packers and feedlots will have to balance over-capacity against a continued tightening cattle supply. The cost of acquiring cattle will pose significant challenges for profitability. Scarcity may lead to intensified competition and higher prices, but lower feed costs will help mitigate high placement costs.
Cow-calf producers	Profitable		X		Historically high cattle prices and lower feed costs support long-term cow-calf profitability. However, consumer demand could pose headwinds if it doesn't keep pace with rising beef prices.

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		Bearish	Neutral	Bullish	
Dairy	Slightly profitable		X		While cheese plant capacity and strong consumer demand for dairy products support prices, global competition and potential market volatility pose headwinds to profitability. The ongoing pull of dairy and dairy-cross cattle to feedlots is slowing the expansion of dairy herds.
Forest product mills	Slightly profitable			X	Many expect lower mortgage rates in 2025, which should strengthen the housing market and improve lumber demand. Potential tariffs on imported lumber would increase lumber prices.
Lemons	Slightly profitable		X		Lemon producers will likely continue to face challenging market conditions in 2025.
Hay (alfalfa)	Breakeven	X			Weak export markets and a strengthening U.S. dollar pose headwinds, but improving milk prices and a prolonged, cold winter could potentially boost domestic demand and support stronger prices in the coming year.
Hay (timothy)	Breakeven			X	
Oranges	Slightly profitable		X		Prices have recently fallen for navels due to the small size profile. Many expect larger fruit over the next couple months, which should help to stabilize prices. Juice prices remain strong and supportive of profitability.
Pistachios	Slightly profitable		X		The 2024 crop is down from last season and with minimal inventory carry-over and strong demand. Prices should continue to improve and support profitability.
Potatoes (contracted)	Slightly profitable		X		Stable pricing agreements benefit contracted potatoes, and decreases in input costs are expected to support profitability over the next 12 months.
Potatoes (uncontracted)	Breakeven		X		Tight profit margins and weaker consumer demand may discourage potato planting in 2025, potentially supporting uncontracted prices.
Timberlands	Slightly profitable			X	Input costs have started to decrease and log demand / prices should increase assuming the housing market recovers in 2025.
Wheat	Breakeven	X			Global export competition and a strengthening U.S. dollar will create headwinds for wheat growers. While bearish price signals add to these headwinds, winter wheat conditions are improving as drought eases.
Wine	Breakeven		X		Weak demand, changing demographics and oversupply will continue to challenge the industry in 2025.
Wine grapes	Breakeven		X		Markets remain oversupplied and while growers with buyer contracts should generally be profitable, those without contracts will have a difficult time finding a home for their grapes.