



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 industries mostly range between unprofitable to profitable. Low prices coupled with persistently elevated input costs are pressuring margins, and trade policy uncertainty is weighing on producer sentiment. AgWest expects these conditions to persist for the next year, though some producers/processors should eventually benefit from higher prices. The following 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 should continue to improve on strengthening North American and European demand.
Apple producers (2024 crop)	Unprofitable			X	Prices for certain varieties should improve throughout the season as supplies wind down. Growers with a solid mix of Honeycrisp will fare relatively well compared to others due to its strong pricing.
Apple packers (2024 crop)	Slightly profitable		X		Packers will continue to benefit from the larger than average 2024 crop.
Calf feeders	Profitable	X			As feedlots grapple with tightening cattle supplies, competition may continue to ratchet the cost of feeder cattle higher. This could offset the financial benefit of lower feed costs.
Cow-calf producers	Profitable		X		Low national cattle inventories continue to bolster cow-calf profitability. However, already tight packer margins could weigh on cattle prices if rising beef prices outpace consumer demand.
Dairy	Slightly profitable		X		Profitable milk prices and a tight supply of replacement heifers have provided tailwinds to dairy profitability. However, current market volatility will pose challenge.

Industry	Current profitability	12-month outlook			Factors dictating 12-month outlook
		Bearish	Neutral	Bullish	
Forest product mills	Slightly profitable		X		Lumber prices are unlikely to increase meaningfully given weakness in the housing sector. It remains unclear whether home construction will pick up in 2025.
Lemons	Slightly unprofitable		X		Weak demand will continue to weigh on lemon growers.
Hay (alfalfa)	Slightly unprofitable		X		Sluggish demand has kept alfalfa prices low. While potential improvements in milk prices and weather conditions could offer some relief, prices remain below breakeven levels.
Hay (timothy)	Slightly profitable		X		Timothy producers will benefit from increased export demand.
Oranges	Slightly profitable		X		Good quality and improving fruit sizes should continue to support demand. Some expect exports to increase later in the season.
Pistachios	Slightly profitable		X		A good quality 2025 crop, minimal inventory carry-over and strong demand should continue to support prices.
Potatoes (contracted)	Breakeven		X		Stable pricing agreements benefit contracted potatoes, but many producers face reductions in contracted acres.
Potatoes (uncontracted)	Slightly unprofitable		X		Recent surpluses of open market potatoes have driven prices down and will keep them below breakeven levels in the near term.
Timberlands	Slightly profitable		X		Log prices are unlikely to improve until home construction picks up.
Wheat	Slightly unprofitable		X		Wheat producers will face headwinds from market volatility, bearish prices and unpredictable trade conditions.
Wine	Breakeven		X		Wineries with strong Direct-to-Consumer sales should continue to benefit from solid demand, while those focused on low to mid-tier products and large retail distribution outlets face excess supply and falling demand. Wine inventories remain high and will continue to pressure prices.
Wine grapes	Slightly unprofitable		X		Grower profitability ranges widely, and in part depends on whether growers have contracts or not (particularly in Washington). Excess production capacity, wine inventories and falling wine demand will continue to pressure the industry.