



Profitability

What is this? AgWest conducts a profitability analysis of its core industries every quarter by surveying its lending 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 Q3 2024.

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 buyers are delaying purchases in hopes of lower prices, and this is impacting demand. However, a lower-than-expected crop size and inventory carryover from 2023 should support prices later in the season.
Apple producers	Very unprofitable 2023 Crop			X 2024 crop	The 2023 apple crop was very large, which led to a sharp fall in prices and very unprofitable conditions for growers. Looking ahead, a smaller 2024 crop should support prices and profitability.
Apple packers	Slightly profitable 2023 crop		X 2024 crop		Apple packers benefitted from a large 2023 crop due to high volume throughput. While the 2024 crop is smaller, it should still be sufficient to support profitability.
Cattle feeders	Slightly profitable	X			The cost of acquiring cattle will pose significant challenges for cattle feeder profitability, and scarcity may lead to intensified competition further driving up prices. However, lower feed prices, particularly corn, are a mitigating factor to high placement costs.
Cow-calf producers	Profitable		X		Historically high cattle prices and lower feed costs support long-term cow-calf profitability, but headwinds persist with steep replacement cattle costs, ongoing drought, and high interest rates.

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Dairy	Breakeven			X	Increasing milk prices and reduced feed costs will enhance profitability, however, HPAI could pose headwinds.
Forest product mills	Breakeven		X		A weak housing market has led to weak lumber demand and this is unlikely to change until 2025. Current prices are near breakeven levels in the West.
Lemons	Slightly profitable		X		Lemon producers face relatively weak markets. With a solid 2024 crop expected, prices are unlikely to rebound.
Hay (Alfalfa)	Breakeven		X		Hay growers face mixed conditions. Weak export markets and weather-related yield issues pose challenges, but improving milk prices and a prolonged, cold winter could potentially boost hay prices and demand in the coming year.
Hay (Timothy)	Slightly profitable		X		
Oranges	Slightly profitable		X		Lower supply out of Florida accompanied by strong juice prices will support profitability for Valencia producers. Mandarin and navel crops are coming along with favorable quality and size, which should support prices.
Pistachios	Slightly profitable		X		Pistachio prices are holding near 2023 levels, which are supportive of producer profitability.
Potatoes (contracted)	Slightly profitable		X		Contracted potatoes benefit from stable pricing agreements. Decreases in input costs should support profitability over the next 12 months.
Potatoes (uncontracted)	Slightly unprofitable			X	A smaller 2024 potato crop is expected to help improve open market prices over the next 12 months. As processors gradually work through the remaining potatoes in storage, the reduced supply should alleviate some of the downward pressure on prices.
Timberlands	Slightly profitable		X		Weak lumber markets have led to diminished demand for logs. This is unlikely to change until 2025.
Wheat	Breakeven	X			Declining prices, a large carryover from previous year's crop, and interest expense will create headwinds for wheat growers.
Wine	Breakeven		X		Weak markets and excess supply are pressuring wineries. This is unlikely to change over the next year.
Wine grapes	Slightly unprofitable		X		Weak markets and excess wine supply are lowering demand for wine grapes. Producers without contracts may find it difficult to find a home for their fruit.