Commercial Banking

Agri-Food Institute Quarterly Update

May 2025

QUICK LINKS

Four financial strategies for food and agribusiness companies to mitigate risk in economic uncertainty

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with contributions from Jill Trainor, Head of Wells Fargo Commercial Rates and FX Solutions, Cecilia Kang, Vice President, Commodity Agriculture Products and Trevor Bishop, Sales Associate, Commodities Securities

May 27, 2025

Market conditions, tariffs, and ongoing trade negotiations remain top concerns for food and agribusiness companies. As uncertainty persists, businesses are seeking ways to navigate these evolving circumstances to minimize potential financial impacts. As a top lender in this space, Wells Fargo works closely with CEOs and CFOs to address these headwinds, leveraging four financial strategies companies can deploy to manage risk.

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Commodity hedging

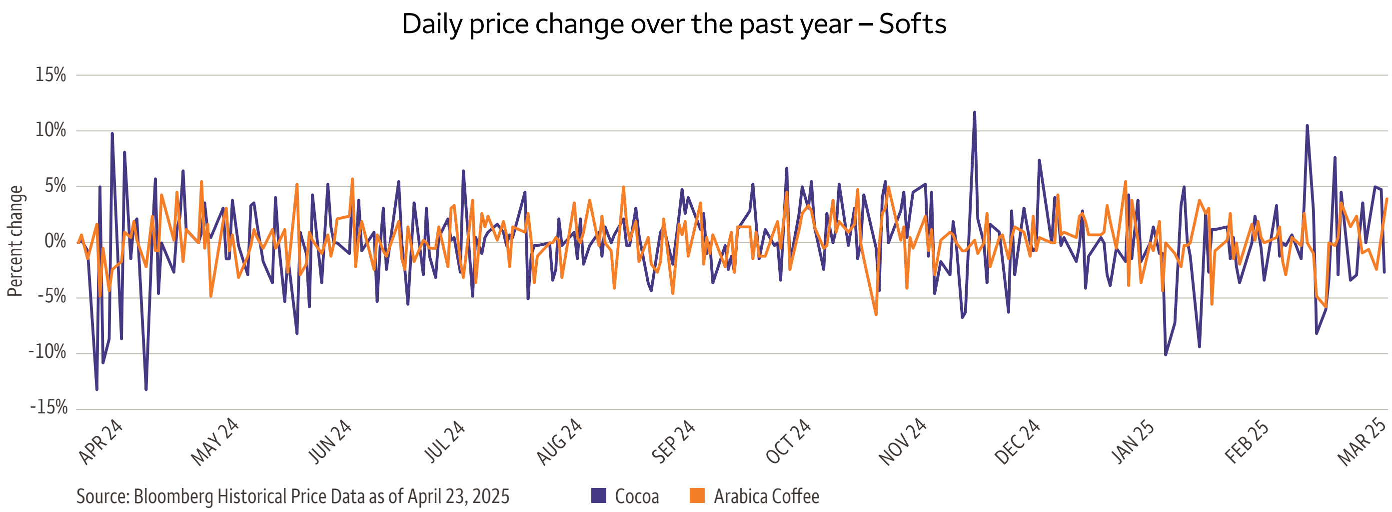
The commodities market is historically volatile, and food and agribusiness companies are feeling the pressure. Amid this backdrop, hedge volumes across agricultural products have increased as businesses look to protect production costs and margins from sharp price swings.

However, with heightened volatility and large price movements come significant capital requirements — both initial and variation margin — that companies must post to exchanges and their futures clearing merchants (FCMs) when hedging via futures contracts.

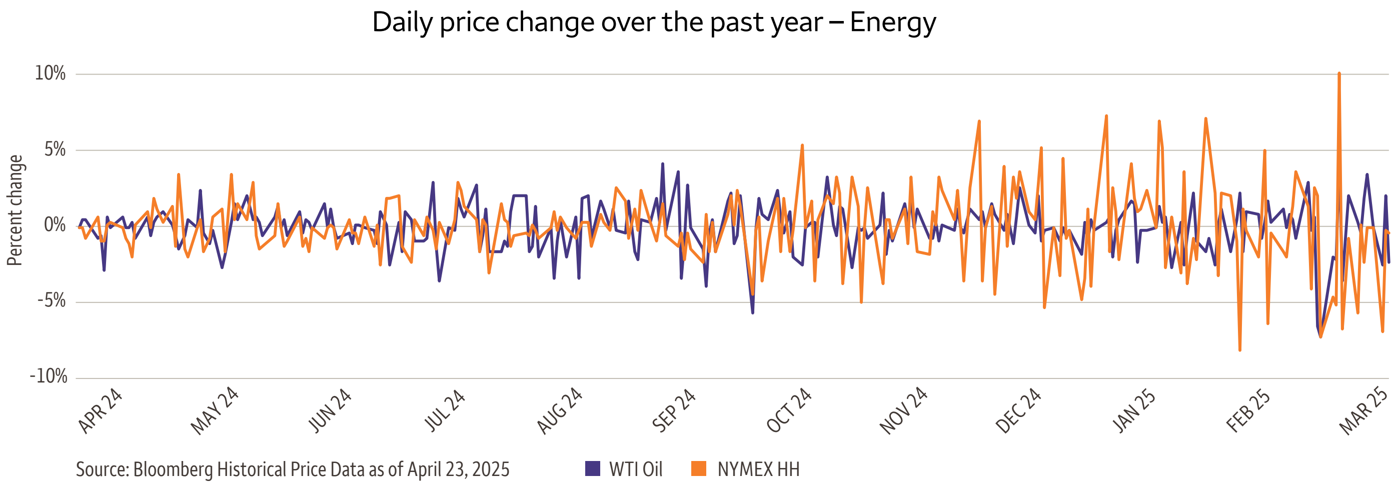
Some companies have shifted to using banks as **over-the-counter (OTC) hedge providers**, an alternative that often avoids the high initial margin costs and, in many cases, eliminates the need to post variation margin if hedge positions move unfavorably. By saving on margin-related capital costs, businesses can deploy that liquidity elsewhere within their operations.

Moreover, many companies are also moving existing futures positions to **OTC derivatives** to reduce the cost of capital while maintaining effective protection over costs of goods sold and sales revenues.

Given the current commodity environment, we are also seeing increased utilization of traditional borrowing facilities — especially among companies dependent on imports, such as those operating in coffee and cocoa markets with little domestic supply. Additionally, these companies are exploring tailored structures like **prepaid swaps, commodity repurchase agreements, and supply intermediations** to enhance payment terms across their supply chains and to boost working capital efficiency.



In addition to agricultural commodities, many businesses are hedging energy consumption, taking advantage of recent declines in natural gas and diesel prices. For example, forward diesel prices are approximately 14% lower than the 2024 average.[1] Proactive hedging during price downturns helps companies lock in lower costs for the near-to-mid-term.



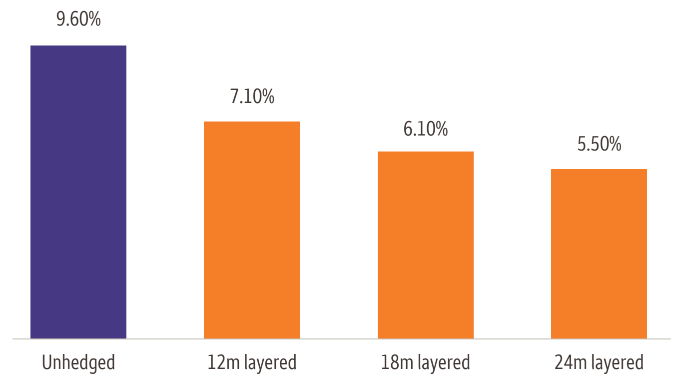
While hedging strategies are critical during periods of volatility, companies that consistently apply disciplined hedge programs — even during stable markets — tend to be better positioned when unexpected market shocks occur.

Managing interest and currency risk

Although the Secured Overnight Financing Rate (SOFR) has declined since the Federal Reserve began easing rates, it remains relatively high. Companies with variable-rate debt should consider **hedging** to manage future interest costs.

One effective strategy is to hedge a portion of variable-rate debt into a fixed rate. Many companies today are choosing **interest rate collars** instead of traditional fixed-rate swaps. A collar places a cap on monthly SOFR loan rate resets (a worst-case rate), while allowing interest expense to decline if loan resets are lower than the cap down to a floor level (best-case rate). Collar structures may provide borrowers a hedge that offers both protection and flexibility compared to vanilla interest rate swaps.

Year-over-year volatility from FX

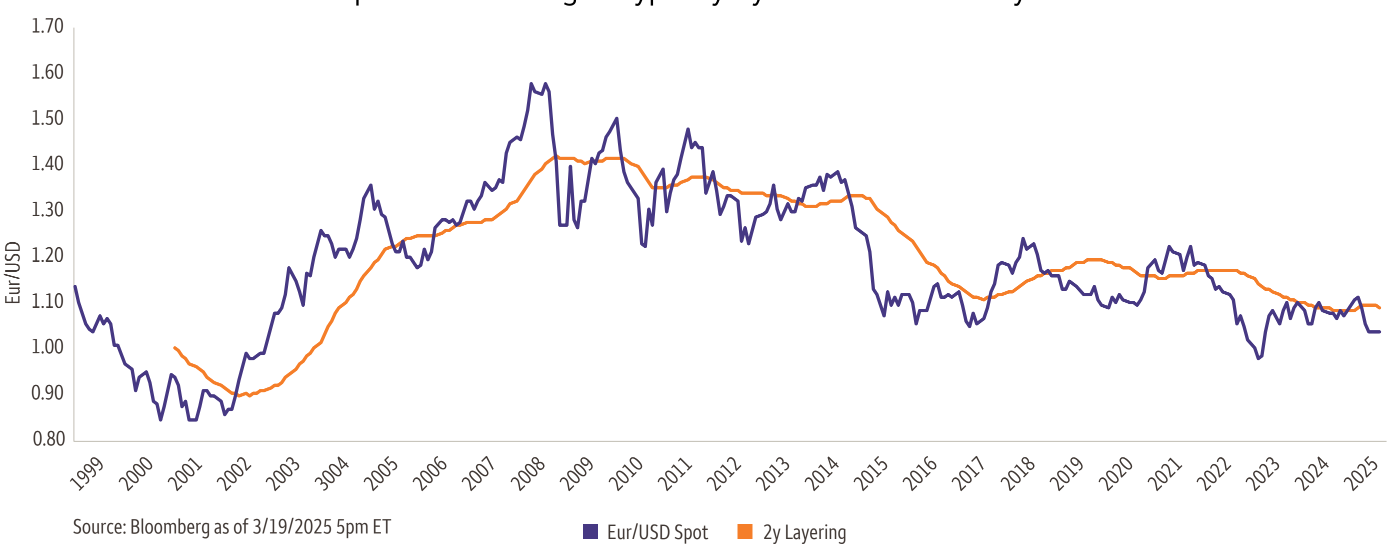


Source: Bloomberg as of 3/19/2025 5pm ET

Currency risk also deserves careful attention. During periods of trade negotiations and tariffs, currencies like the U.S. dollar and Euro have experienced abnormal volatility. Companies exposed to foreign exchange (FX) fluctuations can benefit from layered hedging strategies, gradually building positions over an 18- to 24-month period. This reduces exposure to extreme market swings and creates a smoother, more predictable effective rate as illustrated in the bar chart above. The chart shows year-over-year FX volatility with the unhedged category taking on the highest rate of volatility.

The chart below illustrates that companies operating without currency hedges (EURUSD Spot) are fully exposed to wide swings, whereas those using layered hedging strategies (2Y Layering) experience much less volatility.

Corporate risk managers typically layer to reduce volatility



Source: Bloomberg as of 3/19/2025 5pm ET

Options strategies can further enhance risk management. Companies that adopt a binary "hedge or no hedge" approach often struggle when markets move abruptly. Concerns about locking in losses or hedging below budget rates can cause hesitation, exposing the company to even greater risks.

In these cases, **purchasing options** — effectively paying the market to manage the risk — can offer flexibility. Options allow companies to cap potential losses while preserving the ability to benefit from favorable market movements, providing a balanced approach to risk management in uncertain environments.

"With all the uncertainty right now – from tariffs to market swings – managing risk isn't just smart, it's essential. Companies need to evaluate their interest rate and foreign exchange exposures and use targeted risk management strategies to help create financial stability in a volatile environment."

Jill Trainor
Head of Wells Fargo Commercial Rates and FX Solutions

Supply Chain Finance

Managing cash flow has always been a top priority for businesses, but in today's fast-changing global economy, it's become even more critical. Supply chains are more complicated, and financial pressures like inflation, tariffs, and higher inventory levels are squeezing liquidity across industries. To navigate these challenges, many companies are turning to supplier finance programs as a flexible, effective solution.

Supply chain finance helps businesses manage cash more strategically. It works by giving suppliers the option to get paid early, with funding provided by a financial institution instead of waiting for the buyer's full payment terms. Suppliers benefit by getting quicker access to cash, usually just a few days after sending an invoice, while buyers can extend their payment timelines without straining supplier relationships. The buyer repays the financial institution later, based on terms they've agreed to ahead of time.

This approach delivers clear advantages on both sides: suppliers strengthen their cash flow without borrowing heavily, and buyers preserve working capital for other needs—whether that's investing in growth, weathering economic uncertainty, or simply running smoother day-to-day operations.

Supply chain finance isn't meant to replace traditional financing like business loans or factoring, but it can be a smart complement to those tools. It gives companies more options for managing liquidity without having to rely entirely on credit lines or more expensive borrowing.

With rising costs, unpredictable supply chain risks, and tighter cash conditions, supply chain finance is gaining momentum. It offers a practical way for businesses to stay financially flexible and better positioned for whatever comes next.

What's that worth?

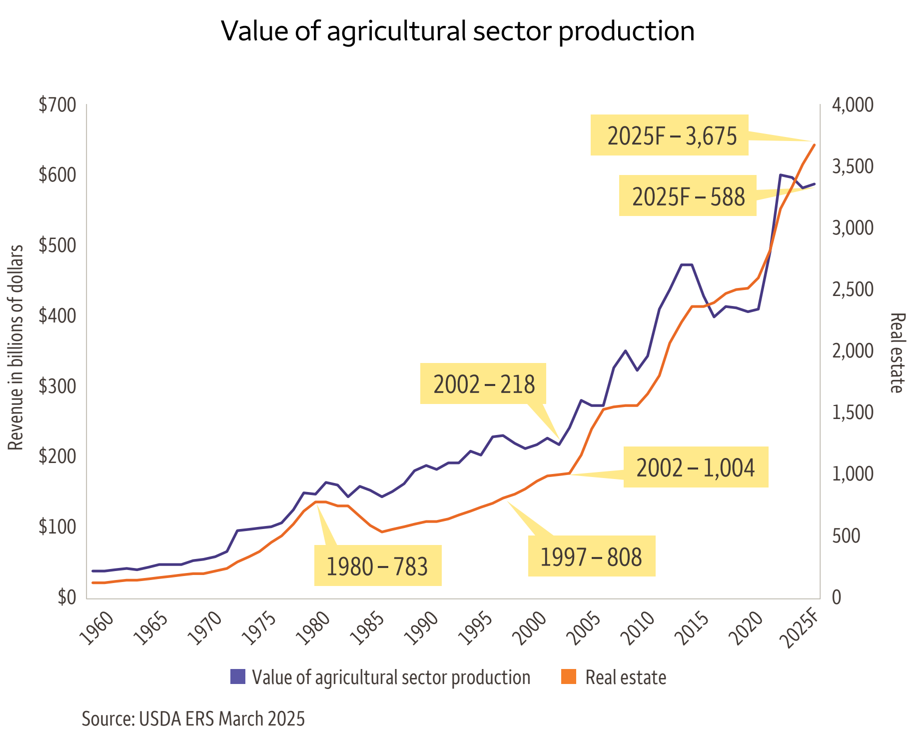
A deep dive into the outlook for U.S. farmland values from Wells Fargo Agri-Food Institute's Chief Agricultural Economist

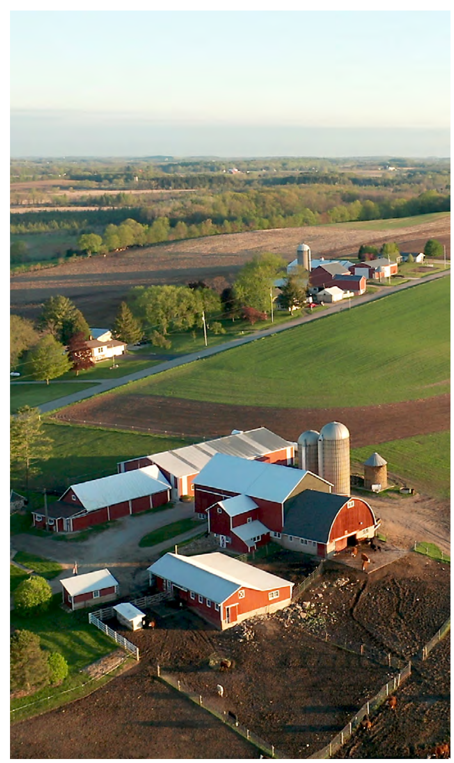
By Dr. Michael Swanson | May 27, 2025

[Stay informed with the latest from our Agri-Food Institute]

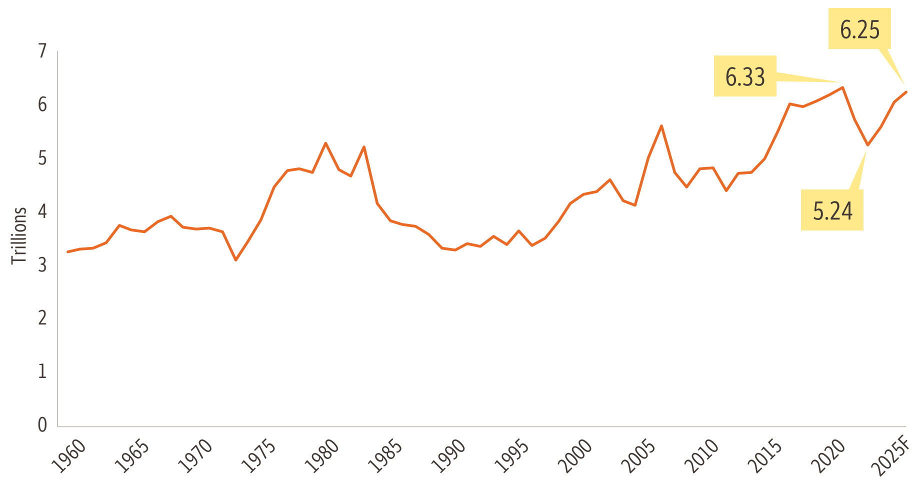
When it comes to the balance sheet of the U.S. farm sector, it is only land. Everything else is just a rounding error. The most recent estimate by the United States Department of Agriculture's Economic Research Service (USDA ERS) shows that 83.6% of the agricultural sector assets are tied up in land, with a far distant second being machinery and vehicles at 8.4%. Trailing at the back of the pack is financial investments at 3.1%, which is why I joke that farmers are allergic to taxes and cash. This absurdly high concentration of balance sheet raises the financial question for investors and lenders: is the current price of land reasonable? Additionally, there are lots of ways to say that the farmer does not consider financial logic. They need to be reminded that despite what they think, logic should trump emotion when it comes to the market.

The following graphs show the relationship between the estimated value of U.S. agricultural ground and the revenues that it produces. Typically, only high-growth, pre-profit companies get priced on their price to revenue as they grow into their maturity. It seems silly to value the oldest economic activity in the world (agriculture) as if it is some speculative new technology. The real reason we cannot assess the income is that we do not have decent tools to measure it. Farmers and ranchers use cash accounting which makes tracking net income hard to quantify. They do not want to show income that creates taxes, and as we mentioned before, taxes are what they perceive to be one of their biggest financial problems. The estimates of gross revenue are more reliable, and if we use them consistently, they should track income over time.





Ratio: Agricultural real estate value to gross revenue

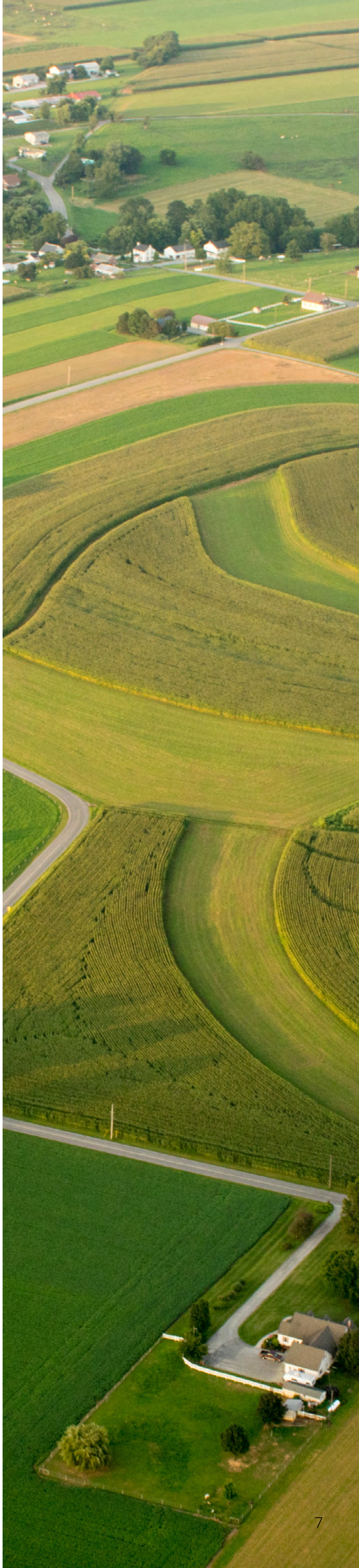


Source: USDA March 2025

There is a lot of geopolitical history to unpack in these two graphs. Agriculture was the first global economic activity, and it will continue to be intertwined between the big exporters and importers. A few of the players, include China, Russia, Brazil, India, OPEC, and the United States. It might be possible to misunderstand, misjudge, or miscalculate something important involving these super complex entities. That would mean that your estimate of farmland values would be wrong. That is a good reason to allow for some allowance of doubt as to the precise value of farmland.

Looking at the first graph should give the investor some pause. The incredible increase in farmland values of the 1970s, which was tied to OPEC and Russia, was followed by an actual decline in the value of agricultural land. The value of land peaked in 1980, and it did not recover that valuation until 1997. To say the least, inflation raged during that period making that decline and stagnation even more painful to the investor. Since the early 2000s, there have been three periods of sharp increases with no setbacks in valuation which has made farmland investments very appealing compared to the stock market that can lose value very sharply. Those three jumps in farmland value involved ethanol, China, and the Russian/Ukraine conflict along with very accommodative fiscal and monetary policy.

The second graph helps bring out this relationship in a different way. Saying that U.S. agricultural land was worth $1 trillion in 2002, and it is now worth $3.7 trillion does not help anyone's comprehension. First, anything involving trillions is a scale that cannot be internalized for a person's daily activity. Second, a quarter century of inflation and technological change makes that historical comparison close to nonsensical. This is where the thermostat approach helps us understand whether the market is hot or cold. The current 2025 estimate for the value to revenue ratio is 6.25 just below 2020's all-time record, 6.33. For comparison's sake, the 1980 valuation was 5.29 right before the decline and stagnation of the 1980s and most of the 1990s. Without a doubt, today's valuation is extremely overpriced on a historical basis.

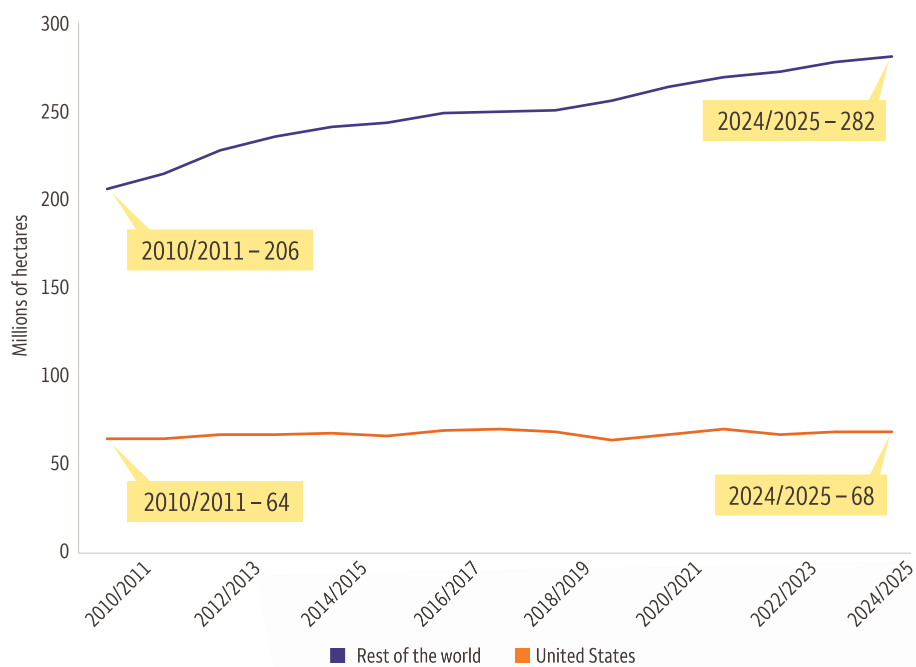


Is that a forecast of an imminent market correction? Not at all. There are a couple of scenarios where the land market could avoid a major correction. Agricultural revenues could grow rapidly, and land values could plateau allowing the multiple to ease back to more sustainable ratios. The very sharp upward jump in gross revenues pushed the ratio back down to 5.24. The market saw agricultural revenues jump from $411 billion in 2020 to $602 billion in 2022 caused by the global panic around the Russian/Ukraine conflict. Since then, agricultural revenues have softened to $588 billion, which is still very close to the 2022 record. However, the fiscal and monetary stimulus that set all asset markets on fire also hit the agricultural market. Low interest rates are an economic force of gravity that applies to all assets. Agricultural land values jumped from $2.6 trillion in 2020 to $3.7 trillion in 2025. Another way for the market to get back to more sustainable ratio would be long-term healing with a decade plus of stagnate land prices with slow but steady increases in agricultural revenues. Of course, farmers and investors would prefer the first scenario, and they could deal with the second.

How about all the other negative scenarios? Just consider the following graph showing acreage harvested in the United States versus the rest of the world for corn and soybeans.

Since 2010, the United States has not added any additional acreage to corn and soybean production. The United States harvested 68 million hectares. The rest of the world went from 206 million hectares in 2010 to 282 million in 2024 for acreage harvested. That 76-million-hectare increase is larger than the entire United States production base. And there is more of that where it came from. Additionally, better application of inputs could easily double the productivity of that ground over the coming decades. This really brings home the question of why United States investors are willing to pay such a premium price for United States agricultural ground. At the end of the day, it is about emotional attachment to farmland and ranches. That attachment is not going away, but it will be increasingly difficult to justify financially as this mismatch continues.

Corn and soybean acreage harvested



Source: USDA FAS PSD April 2025

Economic developments

Consumer spending

- Wells Fargo economists expect continued contraction of consumer spending throughout 2025 as tariff fears potentially become reality.[2]

Federal funds rate

- Wells Fargo economists project five 25 bps cuts by the Fed this year, occurring in June, July, September, October, and December meetings. If this occurs, it would reduce the target range for the federal funds rate from 4.25%-4.50% to 3.00%-3.25% by year-end.

Silver lining

- The forecasts for 2026 are optimistic as interest rates are expected to be lower, helping consumer expenditures surge.

2025

Consumer spending down and interest rates decreasing

2026

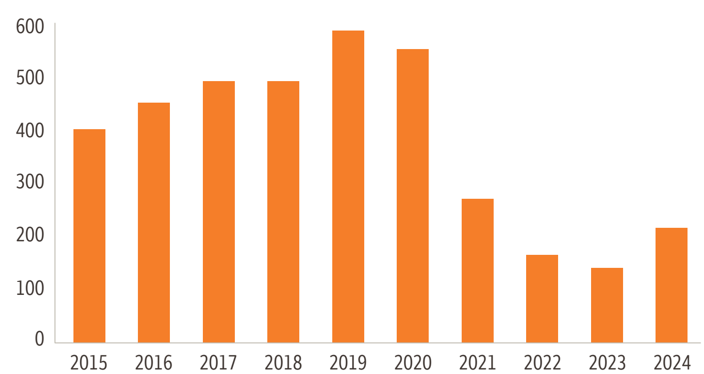
Consumer spending up due to lower interest rates

Industry news

- Family farms are expected to continue facing headwinds through 2025 with unpredictable tariffs, immigration policies, federal funding cuts, and increased costs.[3]
- Family farm bankruptcies were up 55% in 2024 when compared to 2023, however they are still below pre-Covid "normal" levels.[4]
- Brazil's soybean crop is predicted to reach record highs as they anticipate an increasing role as a major global supplier and cost-effective alternative to U.S. soybeans. Argentina is also looking to capitalize on trade disputes with investments in technology and yield-enhancing equipment to support their increased focus on production and exports.[3]

Chapter 12 farm bankruptcy

In thousands, seasonally adjusted

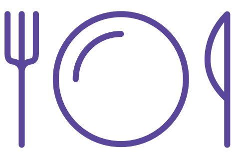


Source: American Farm Bureau Federation

Food highlights

Demand grows for healthy food and smaller portions

- The increased usage of GLP-1 weight-loss drugs is having an impact on what and how people eat. The demand for high protein and nutrient-dense options in snack-able portion sizes is increasing.
- Not only are consumers seeking out healthy options but they want to know the "why" behind the product.[5] How is this product supporting my healthy habits and moving me toward my health goals?
- The food industry expects nothing but more change through 2025 as health and wellness concerns push through to U.S. consumers. This sentiment is making its way into restaurants with a **growing trend to add healthy, smaller portion menu items at a lower cost**, essentially an adult version of the kid's menu.



Increased emphasis on natural ingredients

- The Food and Drug Administration (FDA) has announced their intent to remove petroleum-based dyes from the U.S. food supply by 2027. While no formal bans have been proposed, the agency is in active discussions with food manufacturers to replace these dyes with natural ingredients, while simultaneously revoking authorization for artificial dyes not currently in production and taking steps to remove remaining dyes currently in use in the U.S., but already banned in Canada and Europe.[6]
- Leaning into the requests from the FDA, as well as growing consumer interest, companies like PepsiCo have recently announced that they will increase their use of natural ingredients in the next couple of years.[6]

Beverage highlights

- Market data shows non-alcoholic alternatives have experienced a 29% increase in sales volume. Millennials and Gen Z are leading this initiative with health and wellness being at the forefront of their minds.[7]
- The demand in the ready-to-drink (RTD) segment is one of the most aggressive beverage trends in 2025 with tea-based cocktails as a key driver.
- Artificial intelligence and machine learning are a big part of cocktail manufacturing, helping companies predict future trends by analyzing consumer habits.[7]
- Consumers are increasingly gravitating toward clean label products, as evidenced by the 8% year-over-year growth in the health and wellness category.[8]

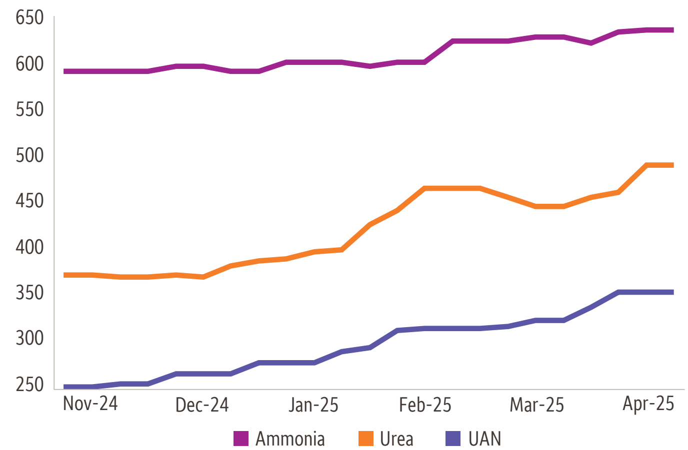
Cheers to good health!

The beverage industry continues to experience the rapid evolution of products with low- and no-alcohol products as well as other health-conscious options.

Crop inputs

- Global nitrogen markets continue to struggle with tight supplies/disrupted production rates as we move into planting season for the projected large U.S. corn crop. Tighter supplies are the result of:
  - European production at 75% of normal due to high gas prices.[9]
  - Chinese exports near zero due to their stopping the flow.[9]
  - Iran production being offline for two months this winter.[9]
- The result of the tighter supplies and increasing demand due to increased corn plantings has pushed prices higher for the three primary sources of nitrogen – ammonia, UAN, and urea (see graph at right).

Green markets fertilizer weekly index



Source: Green Markets

Update: Roundup litigation and proposed legislation

For the past seven years, Bayer has paid out billions of dollars in lawsuits brought by people claiming they developed cancer after exposure to glyphosate-containing weed killers, including the popular herbicide, Roundup. Bayer is now fighting these cases on fronts other than trial courts.

The German firm, with the support of conventional agricultural groups, is asking state legislatures to block lawsuits against chemical makers that claim exposure to a federally approved pesticide caused cancer. In addition, in early April, Bayer petitioned the U.S. Supreme Court to take up such a case. The company seeks a ruling that the nation's pesticide law, the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), bars these personal injury suits.

Litigation over glyphosate led Bayer to remove it from U.S. consumer products in 2023. Now Bayer says the continual personal injury lawsuits could force it to stop or reduce the industrial sale of glyphosate, a chemical that conventional U.S. farming relies on heavily for growing commodity crops, including soybeans and corn. In the U.S., roughly 281 million pounds of glyphosate are applied annually to approximately 298 million acres of cropland.[10]

Sugar

- The latest forecast for 2024/2025 total sugar supply increased by 144,000 tons, driven primarily by a 181,000 ton increase in high-tier tariff imports offset by a 39,000 drop in beet/cane production. With projected consumption remaining flat, the stocks-to-use ratio is up from 15.0% to 16.2%.[11]
- As a result of increasing supply coupled with continued weak demand, both the spot market prices and 2025/2026 crop year contract prices continued to show weakness. The weakness in prices stems from continued weak deliveries and from some processors seeking to clear out inventories, which at the end of February were up ~13% year-over-year.
- Also of note, global 10% tariffs are in place on all sugar imports into the U.S. except for imports from Mexico. Most in the market feel the 10% tariffs may boost sugar prices, but the overall impact will be minimal as long as tariffs aren't applied to Mexico.[12]

Declining 2025/2026 contract prices
(per pound)

Beet sugar

January	April quotes
$0.45	$0.39-$0.41

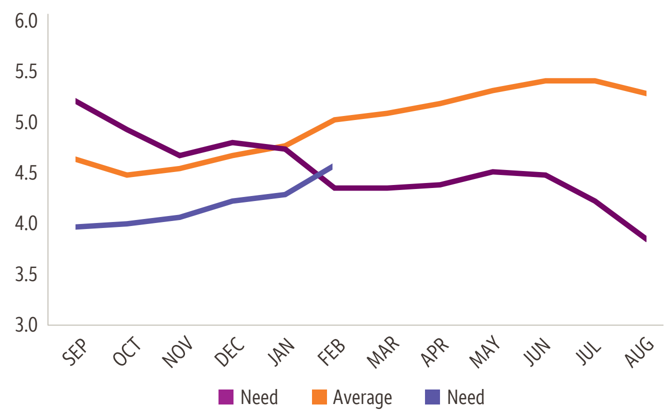
Source: USDA, WASDE April 2025

Grain and oilseeds

- The grain milling and processing industry continues to perform well with consistent flour demand coupled with below average grain prices. The USDA, WASDE April 2025 report offered projections for the 2024-25 crop year, which listed projected corn production 15 billion bushels (historically large) and the expected farm price at $4.35/bushel. Soybean production was reported to be an estimated 4.4 billion bushels with a price of $9.95/bushel.[13]

- These prices are below the five-year average. Tariffs would have a minor impact on flour milling as only 1% of wheat flour was exported last year. Furthermore, only 1.3% of hard red winter wheat is imported.[14] The U.S. does rely on Canada for a part of the durum flour used by the pasta industry. The corn milling industry uses only domestic corn and milled products consumed in the U.S.

Monthly corn prices



Source: USDA, LMIC

- The most recent impact on the grain trade is the fee that will be placed on the use of Chinese-made and operated ships by the U.S. Office of Trade Representatives. These fines will begin in October 2025, as the companies that utilize these ships will pay a port fee of $50 per net ton (increasing by $30 a year over the next three years). Operators of Chinese-made ships will also incur a new fee of $18 per net ton. These fees will also increase by $5 per net ton annually until 2028.[15] A common vessel will hold 60,000 tons of corn (2.5 million bushels). This fee would increase the value of a vessel of corn by 30%. However, exporters will not be subject to this fee for ships that arrive empty to transport U.S. commodities.

- The U.S. Treasury has not yet finalized guidance for the Clean Fuel Production Credit (renewable diesel 45Z) or the year-round usage of E15 fuel (15% ethanol). The agency is expected to integrate the USDA-backed climate-smart agriculture (CSA) practices to boost feedstock eligibility and farmer participation. Both 45Z and E15 expansions are viewed as viable options to offset potential market losses from tariff trade impacts.[16]

Dairy

- The income-over-feed cost ratio using Dairy Margin Coverage calculations has remained at strong levels since early 2024. However, margins could weaken as the United States works through spring flush, a period when earnings typically tighten as dairies increase production.[17]
- Cheese, butter, nonfat dry milk, and whey prices – key commodities that determine the All-Milk price – have been declining from their 2025 peaks established in January and February. For example, block cheddar prices have fallen 8%, whey prices have dropped 38%, and butter prices have declined 10%, lowering revenues for producers.[18]
- While feed costs are lower than they have been the past few years, they are on the rise, compounding downward pressure on margins. December 2025 corn futures have rallied since late March, up 20 cents per bushel. Similarly, November 2025 soybean meal prices have climbed more than $10/ton since early April, further squeezing margins.

Turning sour?

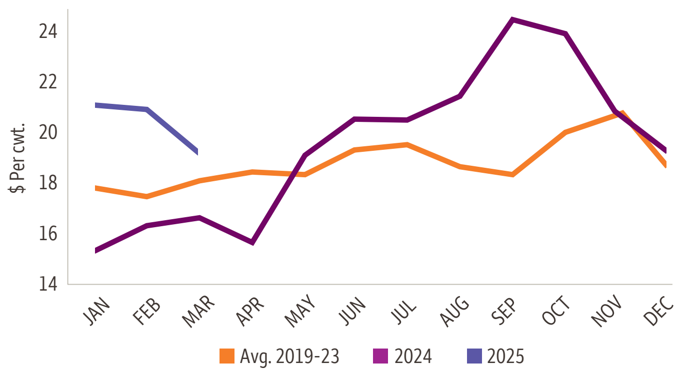
The current stretch of profitability for dairy producers has been strong for over a year but is showing signs of strain.

Price declines since early 2025

↓ Cheddar 8%
↓ Whey 38%
↓ Butter 10%

Class III milk prices

FMMO, Monthly



Source: USDA-ERS/LMIC

- The key driver for the U.S. dairy industry continues to be the expansion of processing capacity. Over the next two years, there will be $8 billion in new processing capacity that will require 20 million pounds of more milk per day.[19] The low number of milking cows will cause milk to be diverted from dryer use, where milk is dehydrated into milk powder for the export markets, to the new cheese and butter processing plants.
- Dairy consumption strength is coming from multiple forms, including via protein drinks based on dairy whey and caseinate. According to Statistica, 46% of Americans surveyed regularly consume protein shakes. According to Fortune's Business Insights, the global protein supplements market was valued at nearly $28.2 billion in 2024, and it is projected to reach $47.2 billion by 2032, with the U.S. market alone reaching $22.58 billion. This trend will further bolster dairy consumption.[17]

PROTEIN POWER

46%

of Americans regularly consume protein drinks, often made with dairy whey and caseinates

Source: Daily Dairy; April 17, 2025

Fresh produce

- On April 14, 2025, the U.S. Department of Commerce announced the intent to withdraw from the 2019 Tomato Suspension Agreement on fresh tomatoes imported from Mexico. With the termination of this agreement, the U.S. will institute an antidumping duty order on July 14, 2025, resulting in duties of 20.91% on most imports of tomatoes from Mexico.[20]

- The annual crop transition from Yuma, Arizona to Salinas, California for most domestic grown greens and wet vegetables has been completed. Production in California's "salad bowl" is in full swing. In April, greens and vegetable prices remained stable despite tariff turbulence.[21]

Tree nuts

Almonds

- The almond market has been firm since February. Global demand is strong with industry expecting a similar or smaller 2025 crop compared to the 2024 crop. After a wild April with global tariffs announced and then rescinded for everyone except China, China appears to be the only trading partner announcing retaliatory and reciprocal tariffs. After the U.S. pause announced by President Trump, the EU announced a tariff delay on California almonds until December 1, 2025. Most sellers in California are around 80% sold, but there is still another five-to-six months until the first shipments from the new crop.[22]

Pistachios

- The pistachio industry remains consistent with stable pricing. The market is moving through this year's off-year crop with ease. The 2025 crop is expected to be a record and would mark the sixth consecutive year in excess of one billion pounds.[23]

Walnuts

- The walnut market has been quiet in recent weeks as demand is now focused on Chile with California largely sold out of many walnut products. Packers are working through the inventories to avoid cold storage and to support customers through the coming summer months. With the short crop, the transition is expected to be light with pricing continuing to hold firm.[22]

Citrus

- As California wraps up a productive navel orange season and is in the last few months of mandarin harvest, the USDA released their objective estimate for valencia season of 15 million cartons. This estimate is slightly down from the five-year average.[24] The fresh citrus industry continues to be strong with healthy volumes and stable prices.

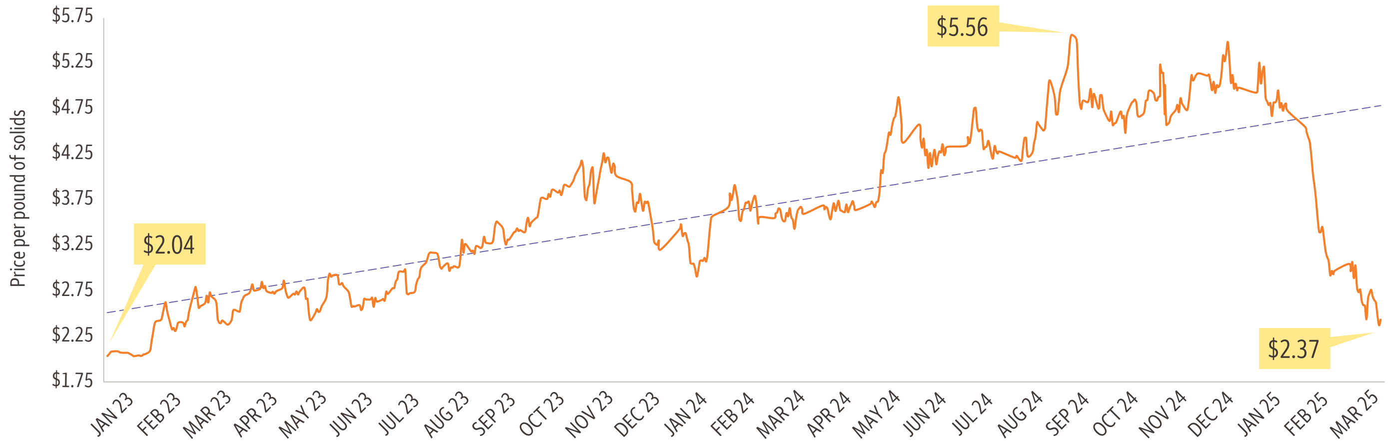
- The forecast for the 2024/2025 crop year, published 4/10/2025, projected a further decline of 3.3% to 11.6 million boxes in the Florida orange crop production from the January 2025 forecast. Florida's citrus industry continues to struggle due to the effects of Hurricane Milton, as the latest orange crop forecast is down 35% from the 17.96 million boxes produced last season. In addition to the orange crop, grapefruit and specialty fruit crops were also affected.[25]

- The global orange juice production forecast for 2024/2025 is up 4% to 1.4 million tons (65 degrees brix) as higher production in Brazil and Mexico is expected to offset lower production in the United States. Consumption is down while export forecasts are up due to higher supplies. With continued declines in production, the U.S. remains the top export market.[26]

- While production is expected to increase, demand from the U.S. and EU continues to decline as consumers are favoring alternative juices given the high orange juice prices in 2024. As a result, frozen concentrated orange juice futures (FCOJ) have collapsed to the lowest level in the last two years. As of 3/31/2025, FCOJ futures have declined 51.8% year-to-date.[27]

Frozen concentrate orange juice futures

As of 3/31/2025



Source: ICE

Forest products

- Softwood framing lumber prices have gained momentum each month over the last six months, and average prices are now the highest since bottoming in mid-2023. The composite average price rebounded to $486/MBF in March 2025, the best price since October 2022. Many lumber producers have seen net profitable months in early 2025 – a welcome change from last year. Although the lumber futures market is still pricing in a 5-10% gain through the third quarter of 2025, lumber markets overall have been jittery due to trade uncertainties and general economic turmoil.[28]

- Structural panel prices have been a little more variable. The March 2025 average panel price composite was $542/MSF, which is mid-range of recent price changes. Current prices are above the low point of last year, but more than $100/MSF below prices just a year ago.[28] Margins remain under pressure for some structural panel products and processors.

- Markets are still unprofitable for some forest products with continued stress for mills located in British Columbia, Canada. Year-end financial reports are pending but are expected to show positive EBITDA but possible red ink in net profitability, although some of the better positioned companies in the Wells Fargo Bank portfolio are again showing profits.

- The Wells Fargo Economics Group slightly lowered its 2025 U.S. housing starts forecast to 1.32 million total starts but forecasted a 3.8% year-over-year rebound to 1.37 million total starts in 2026. The decline for 2025 is rooted in uncertainty around the economic outlook for the U.S. economy, with a short recession forecast for the end of 2025.[29]

- Headwinds remain with the inflated cost of housing and challenging mortgage rates, where 30-year fixed conventional rates have recently varied between 6.5% and 7.0%.[30]

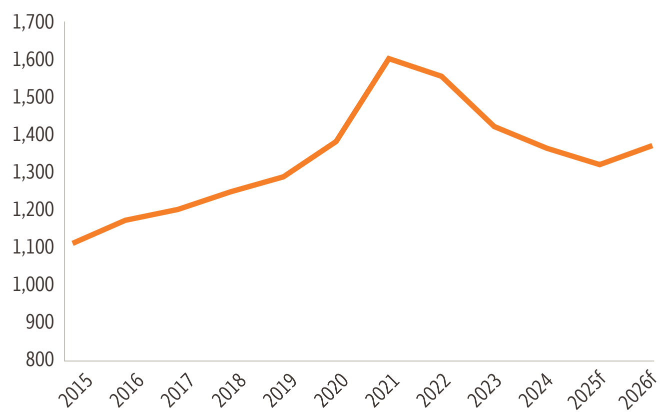
- Although additional tariffs on Canadian goods are on a 90-day pause, a more than two-fold increase in current antidumping/countervailing duties to 34%, expected in the third quarter of 2025, could be an added challenge for Canadian lumber producers.[31] A possible scenario is one of an eventual price increase for domestic lumber producers as the market adjusts to higher-cost foreign sources for competing goods.

Investigation underway

On March 1, 2025, the U.S. administration issued an executive order directing the Secretary of Commerce to initiate a Section 232 investigation into the effects on national security of imports of timber and lumber (and their derivative products). Within 270 days, a report must be submitted with findings and recommendations on actions to mitigate threats, including potential tariffs, export controls, or incentives to increase domestic production.[32]

U.S. annual housing starts

1,000s

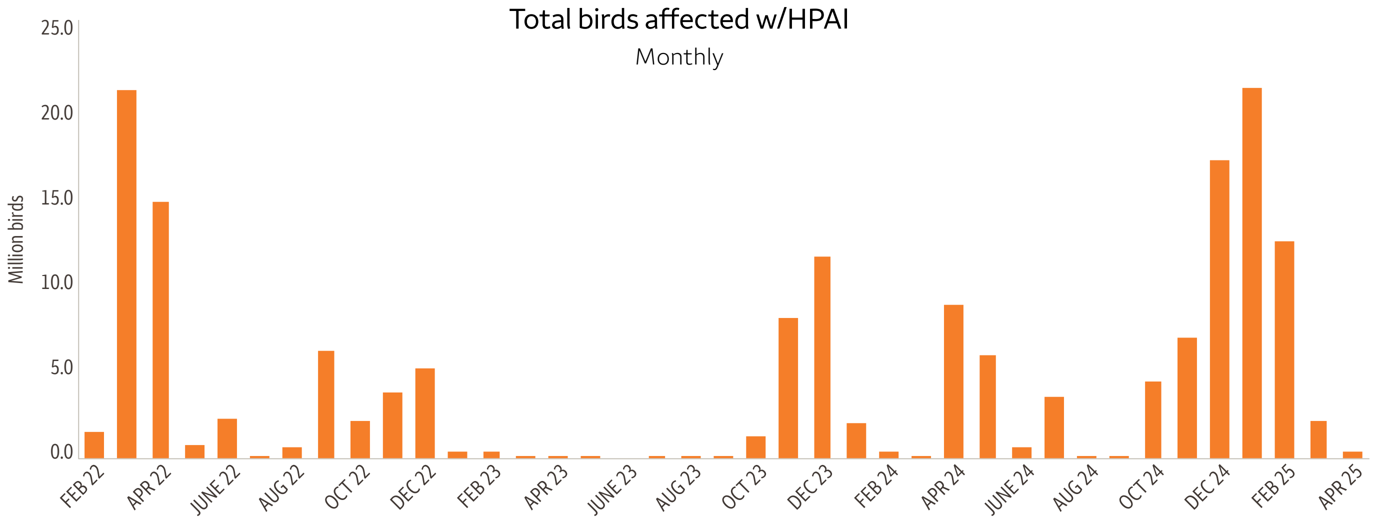


Source: US Dept. of Commerce; Forecast by WF Economics Group, Apr 8, 2025

Protein

Poultry and Eggs

- Highly Pathogenic Avian Influenza (HPAI) case numbers in poultry dropped significantly in March and April 2025 with only a few cases impacting egg laying operations.[33] The trend is encouraging, but industry participants are not being complacent about the ongoing risk of HPAI and the possibility of more infections.



Source: USDA APHIS

- With stabilizing egg production and market availability, wholesale prices have dropped by nearly $4.50/dozen from the February 2025 record peak price.[34]
- Chicken processor profitability increased in February and March as feed costs moderated.[35]
- As noted above in this update, the season-average corn price received by producers is unchanged at $4.35 per bushel. The U.S. season-average soybean price for 2024/25 is forecast unchanged at $9.95 per bushel. The soybean meal price is lowered $10 to $300 per short ton and the soybean oil price is raised 2 cents to 45 cents per pound.[11]

Wholesale eggs (price per dozen)

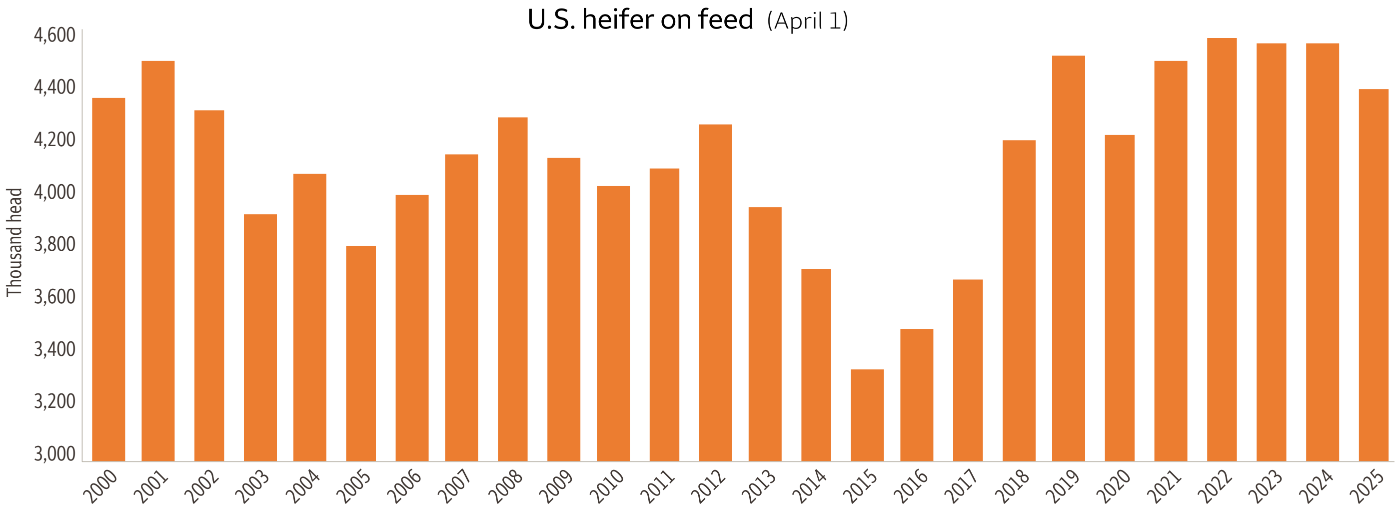
Peak 2/24/25	Recent 4/28/25
$7.5748	$3.0956

Source: Urner Berry/Expana, Egg Price Index

Protein

Beef

- The current inventory of heifers on feed is larger than any of the April 1 inventories from 2002 through 2018. Keeping the inventories of heifers on feed at these lofty levels has limited heifer retention for herd rebuilding. There also appears to be an increase in heifers on feed due to the beef-on-dairy crossbreeding trend during the past five years.[36]



Source: USDA-NASS

Pork

- The tariff for pork products to China is now at 172%. Product is clearing with pipeline allowance through May 13 but production for China has slowed or stopped. China is the top market for U.S. pork variety meats, and there is no alternative market able to take the volume of variety meats at the price that China pays. Without the China market, the U.S. pork industry will be forced to render or even landfill items with a per head loss in the range of $8 to $10. With annual hog slaughter of 130 million head, the industry losses will be in the range of $1.04 billion to $1.3 billion.[37]

Seafood

Spotlight on salmon

Given the limited volume of wild caught salmon available in the U.S., the majority of salmon consumed is imported. Since 2012, the total volume of salmon imported has increased annually (albeit slightly in some years), until 2024 at which time it declined by 4.7% from the previous year.[38]

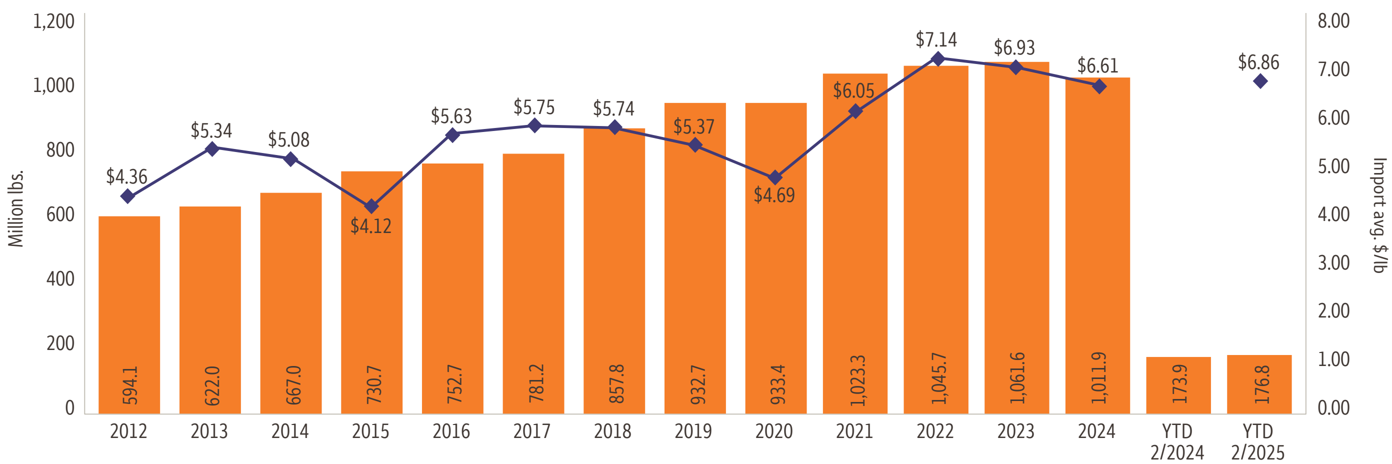
So why did imports decline in 2024? Throughout the pandemic and its immediate aftermath, salmon imports remained relatively flat (up 0.1% year-over-year in 2020). Without the food service/restaurant demand, the resulting oversupply pushed pricing down. Following COVID, as consumers returned to pre-pandemic routines in 2022, the impact of rising inflation had a negative impact on seafood consumption given consumer's perception that seafood was a higher-priced luxury item compared to other proteins like chicken, beef, and pork.

Per capita consumption of salmon is second only to consumption of shrimp.

Source: NOAA

As a result, the industry again found itself in an oversupply situation which pushed average pricing down in 2023 and 2024. At the National Fisheries Institute's Global Seafood Market Conference held in January 2025, it was noted that for 2025 it appears that the industry has finally reached a balance where there will be a stable supply vs. current demand. As a result, wholesale prices have started to increase from previous lows.[39]

Annual U.S. salmon imports (all types)



Source: USDOC, Urner Barry/Expana

Specialty crops

- Coffee prices retreated at the end of the first quarter of 2025 due to tariff uncertainty for coffee imports, more favorable crop outlook in Vietnam, and a turn to La Nina weather in Brazil from the last few years of El Nino.[40]
- Since President Trump announced a 90-day pause on tariffs, coffee prices ascended back to $4.00 per pound levels.[41]

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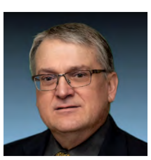

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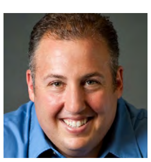

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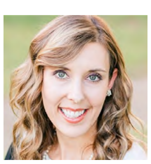

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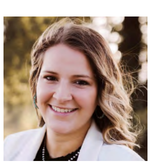

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