

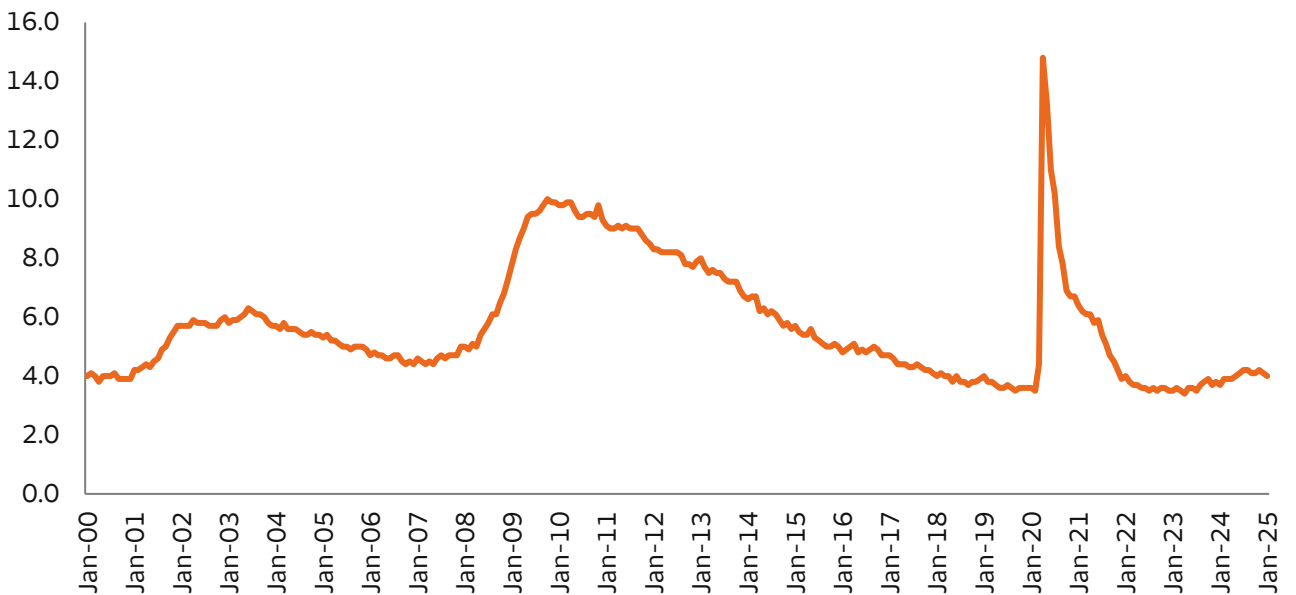
Agri-Food Institute

Quarterly update – Q1 2025

Economic developments

The U.S. economic momentum is holding steady. Real GDP expanded by 2.3% in the fourth quarter, bringing the annual growth rate to 2.8% in 2024.¹ In perspective, real GDP grew at an average rate of 2.4% from 2010 to 2019. Employment growth tells a similar story. According to the Fed Open Market Committee, the unemployment rate has stabilized at a low level in recent months, and labor market conditions have stayed solid. The unemployment rate is 4.1% right in the FED’s projections in our labor market.¹

Unemployment rate, percent



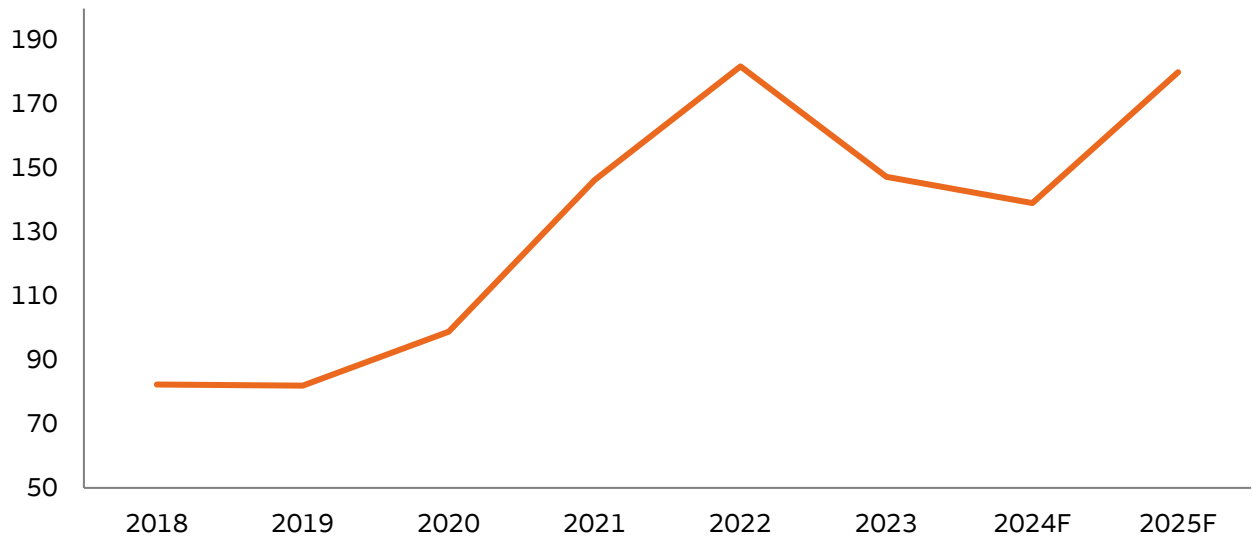
Source: FRED

Wells Fargo Economists do not believe the Federal Reserve will reduce interest rates again, while the economy keeps resilience and inflation continues to linger. New home sales rose 3.6% in December and climbed 2.5% higher in 2024, even though mortgage rates hovered 7% most of that time.¹ Overall, the U.S. economy continues to fight stubborn inflation but is still resilient throughout.

What's happening in Food & Agribusiness

The U.S. Department of Agriculture projects a strong rebound in farm income in 2025 following the two-year decline. Net farm income is expected to rise \$180.1 billion, an increase of \$41 billion from 2024.² Total farm income cash receipts are expected to decrease slightly by 0.3% to \$515 billion in 2025, primarily driven by lower crop receipts from corn and soybean prices being weaker.³

U.S. farm net income, billion dollars



Source: USDA, ERS

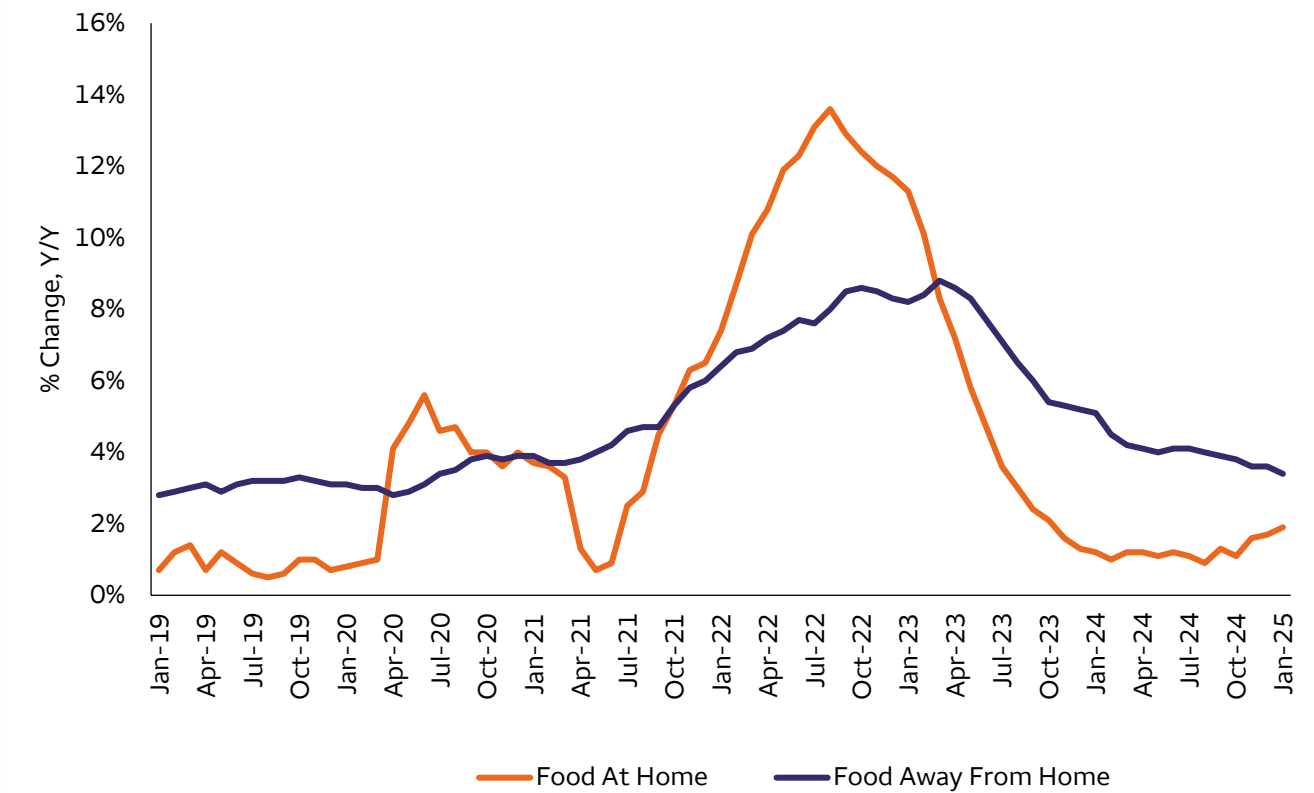
The new administration brings change for international trade. President Trump's threats of 25% tariffs on goods from Canada and Mexico is currently delayed. Mexico and Canada are reacting to U.S. on border control, policy on fentanyl restriction and other demands. Meanwhile, tariffs are already being placed on certain goods from China resulting in retaliatory tariffs, suggesting that a trade war isn't just in the brew but has already begun.⁴

Food highlights

According to NielsenIQ, food sales are rebounding in grocery stores with health and wellness guiding many consumer purchasing patterns. MRI Simmons Health & Wellness Study states that 87% of the population agrees that eating fewer processed foods is better for health, and 75% try to limit their intake of processed foods.

The restaurant industry is expected to revolutionize in 2025. Restaurants are being innovative in their menu items; they're adding protein in unusual places. Recently, lattes, pancakes, oatmeal and smoothies have added protein boosts.⁵ Efficient service is another area of growth as the rise in technology has set higher expectations for speed and convenience.⁶

Year over year % change in food inflation



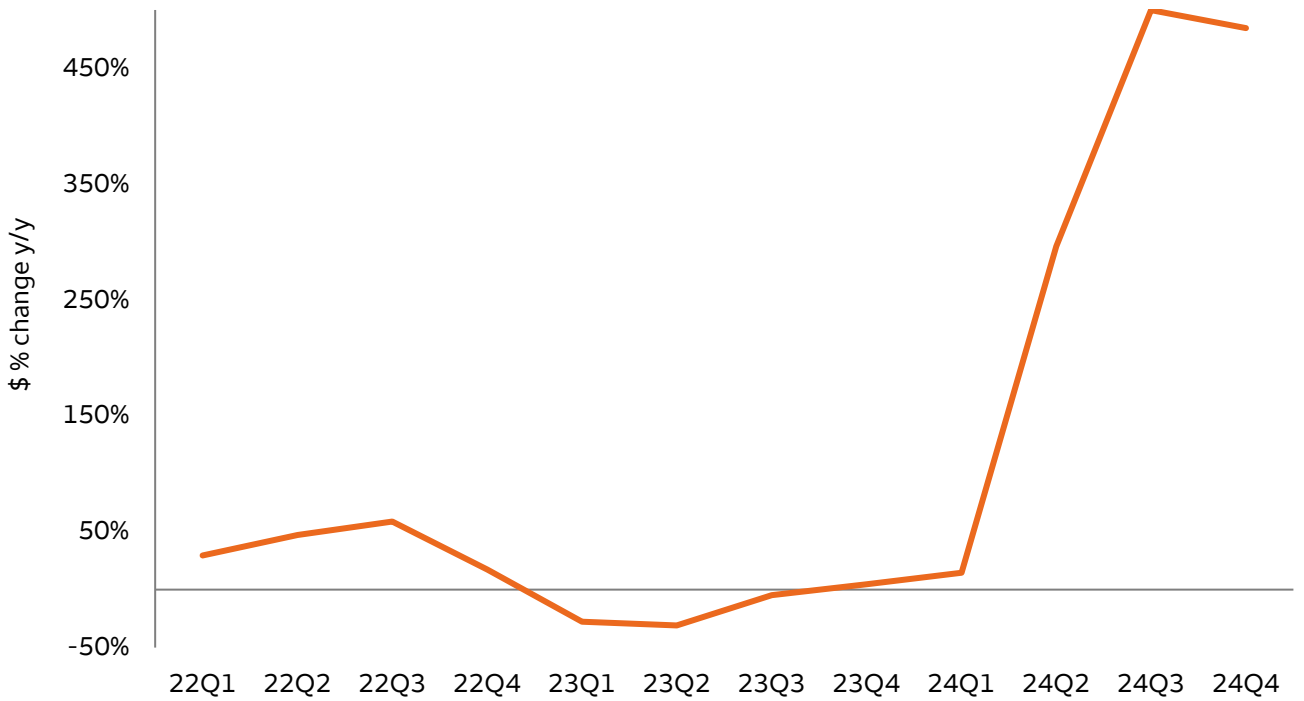
Source: FRED

Beverage highlights

The health and wellness movement has promoted more mindful consumption in the beverage industry. Beverage alcohol brands are offering more non-alcoholic (NA) options to capture sales from customers limiting or abstaining from alcohol consumption.⁷ According to USA today, a new survey found that 49% of Americans plan to drink less alcohol in 2025.

Ready-to-drink (RTD) beverage sales now exceed \$13 billion in off-premises sales, holding a 12% share of total alcohol dollar sales.⁷ RTD Hard Teas experienced significant growth in 2024. According to Nielsen data, spirits based RTD Hard Teas were up an astounding 368.5% year-over-year in sales.

Hard tea cocktails U.S. retail sales trends



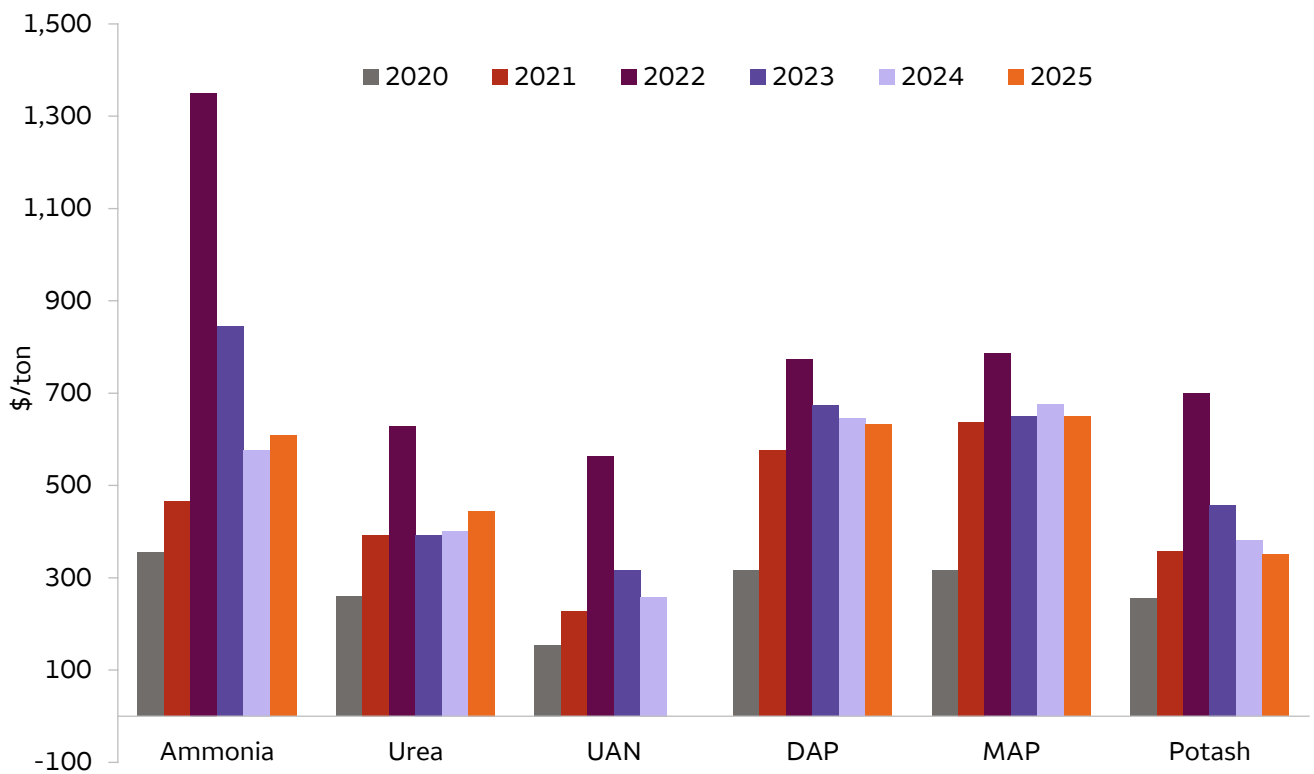
Source: Nielsen xAOC including C-store and Liquor stores for the RTD Hard Tea Cocktails, for 12-quarters period ending 12/28/2024, in the United States

Commodity highlights

Crop inputs

Fertilizer prices are strengthening as spring comes into focus. The Green Market fertilizer index (combining averages of urea nitrogen, potash, and DAP phosphate prices) has risen 20.5% since January 1. Nitrogen supplies are limited due to lower European production, no Chinese exports, and Iranian production coming offline due to gas supply shortages. Phosphate strength is driven by China's plan to lower domestic prices (limiting exports) and strong demand from India. Potash has been affected by tariff talk, with Canada as the largest global supplier.⁸ Overall nutrient prices are expected to benefit from the increase in planted corn acres in 2025. The growth in corn acres is incentivized by the higher corn prices when compared to soybeans. Corn crops require significantly higher levels of fertilizer than soybeans.

Corn belt wholesale fertilizer prices in beginning February



Source: Green Markets

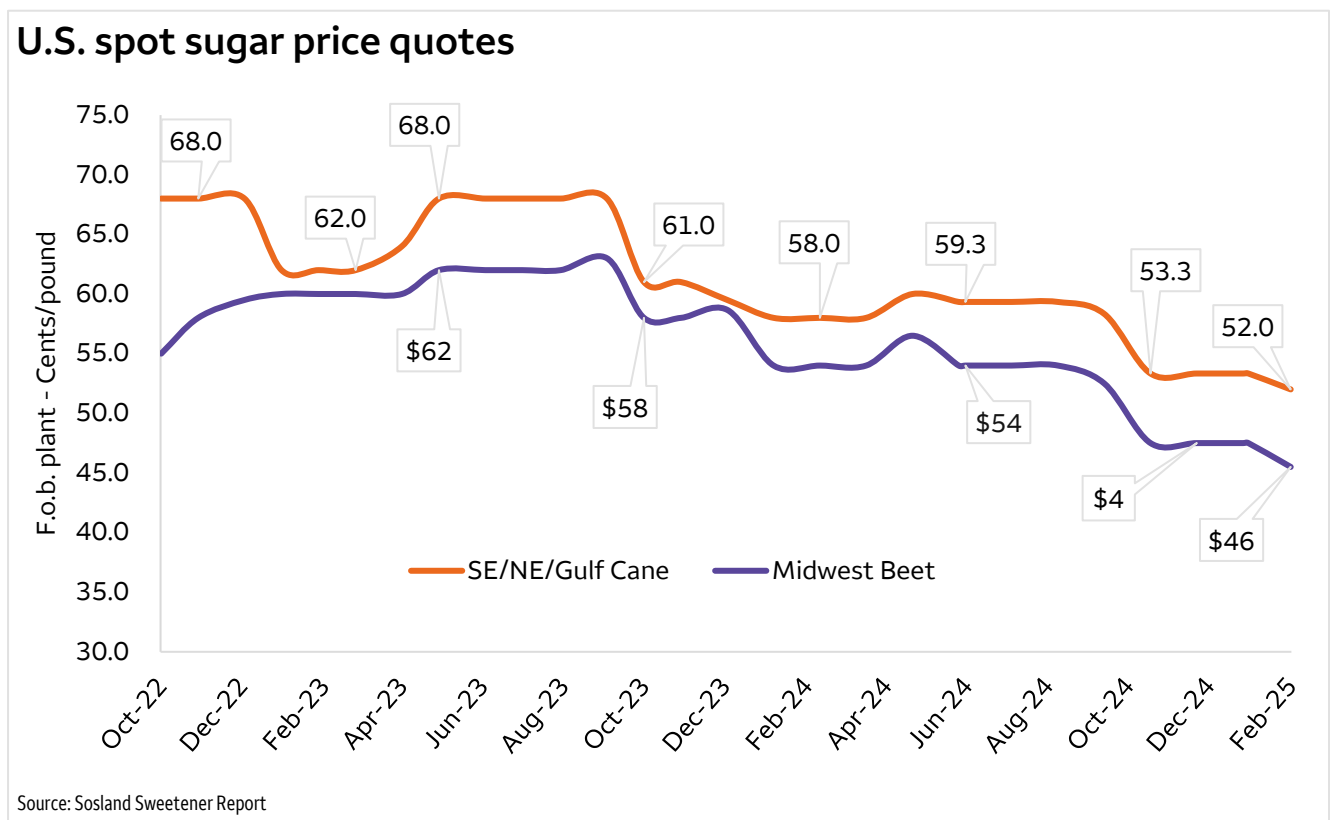
Soybean seed quality is another issue expected to negatively impact soybean plantings and yields. Dry conditions in 2024 resulted in low soybean moisture levels at harvest, with moisture content measured as low as 8% versus the ideal levels for germination at 92% or higher.⁹ While germination can be successful with moisture content in the 80-90% range, it will require some adjustments to seeding rates resulting in higher costs.

EPA’s Final Herbicide Strategy sets a new direction for applications to protect endangered species. There are four main changes to be aware of in terms of an herbicide having the potential to affect listed species or its habitat. They are, spray drift mitigations, runoff/erosion mitigations, more restrictive mitigation in specific geographic areas called Pesticide Use Limitation Areas (PULAs), and applicator requirements to visit EPA’s Bulletins Live 2-6 months prior to the application. These new parameters add complexity that will lead to opportunities for retailers to grow in their role as a trusted advisor for growers. Insecticide and fungicide guidance will follow this first herbicide strategy.¹⁰

Sugar

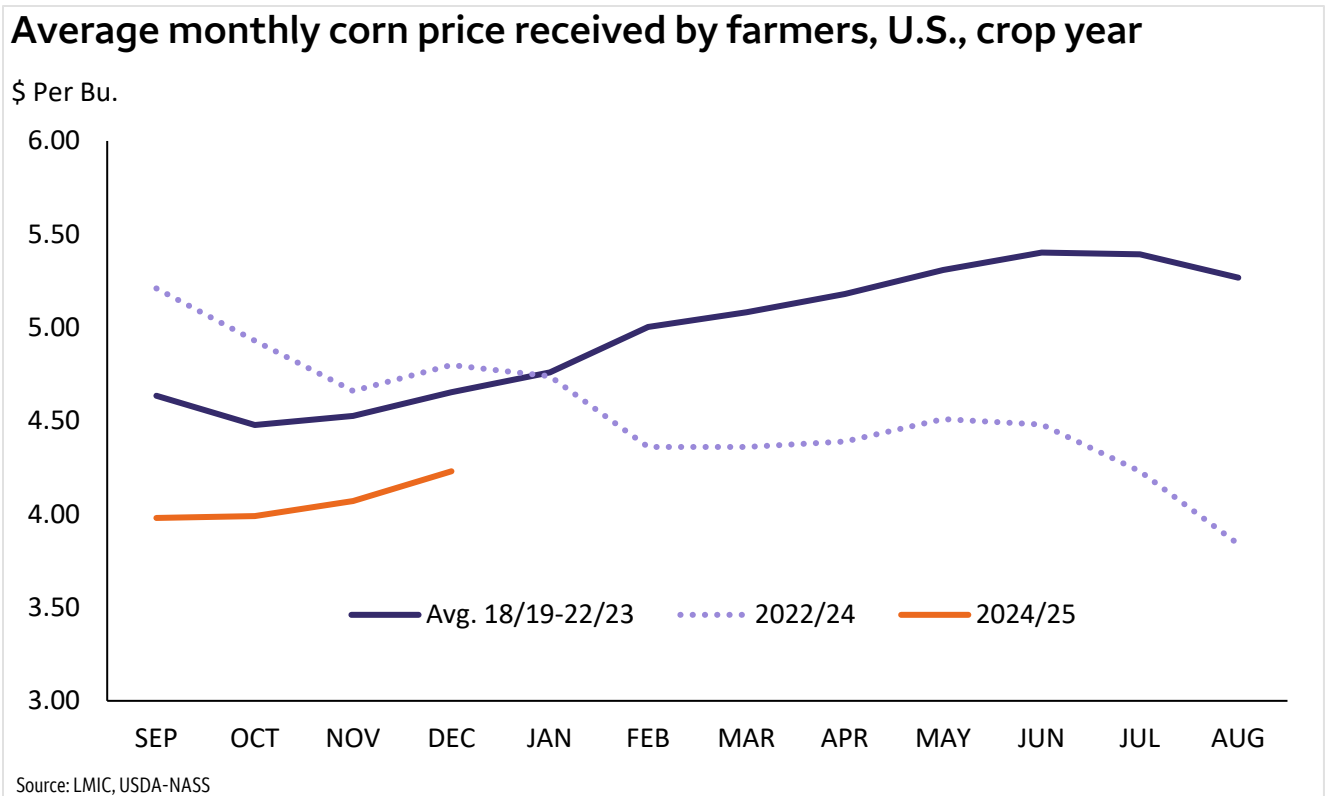
The USDA in its February WASDE report lowered its forecast for 2024/25 total sugar supply by 101,129 tons from January estimates. The largest reduction was in imports, which was reduced by 73,000 tons driven by lower projected Tariff Rate Quota (TRQ) import volume.¹¹

With the end of the holiday season, the sugar industry is focusing on negotiating sales contracts for the upcoming 2025/26 crop, however, buyers are reluctant at this point to contract and are waiting for prices to decline given current adequate supplies coupled with a lot of demand confusion in the market. Recent reports have indicated a reduction in consumer food purchases as a result of increased use of the GLP-1 for weight loss, with sweet and salty snacks and baked goods seeing the largest decline. Most beet sellers appear to be holding offers for 2025/26 sugar at 45¢ a pound, well above buyer’s bids on the lower 40¢ a pound range. Refined cane sellers are seeing offers 2¢ lower, average 52¢ a pound for calendar 2025. Buyers are looking at ample domestic and Mexican supplies, relatively steady demand, and raw sugar futures well below last year's levels.¹²



Grain and oilseeds

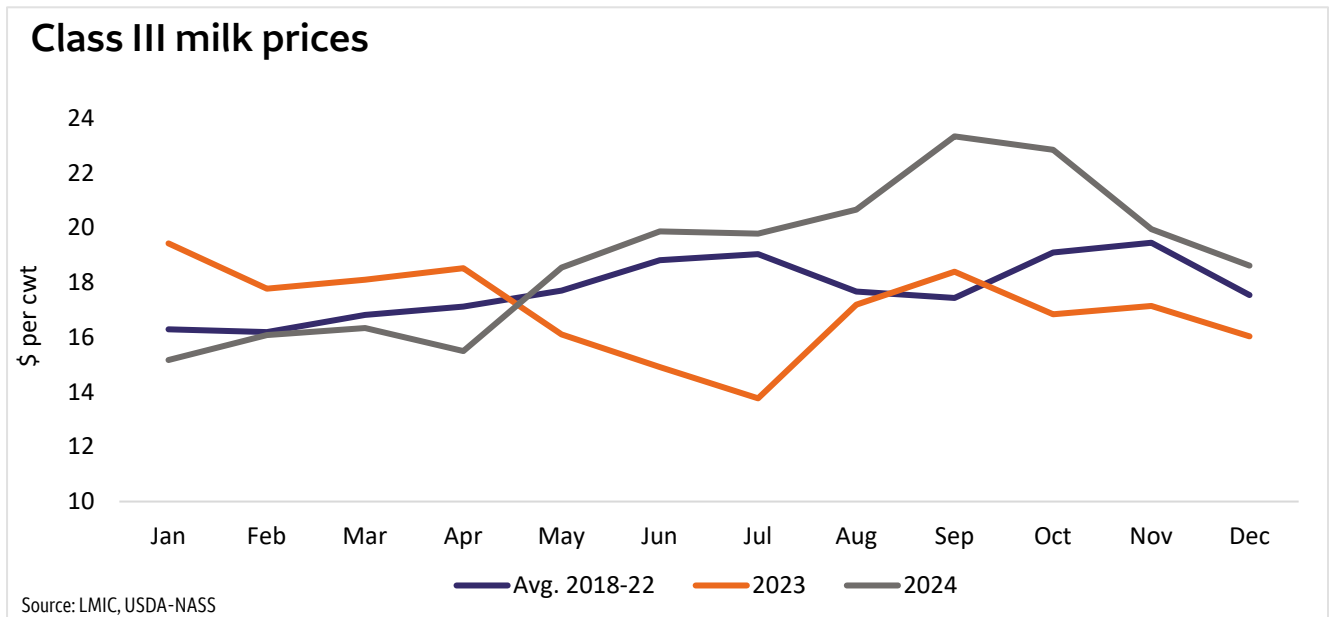
The grain milling and processing industry has performed well over the past year with adequate demand coupled with below average grain prices. Flour mills in 2024 ran at 86% of six-day production, in line with the 10-year average (2014-23).¹³ Recent grain prices have moved higher, lowering margins, after the USDA's January, revision of the 2024 corn crop estimate from 183 bushels per acre to 179, lowering the total crop from 1.7 billion bushels to 1.5 billion bushels. More importantly it lowered the stocks-to-usage ratio to approximately 10%, raising the expected average price of corn by nearly 70 cents.¹⁴ According to Bill Krueger, CEO of The Anderson's, in a presentation to the TEGMA organization, 'The U.S. farmers may plant over 95 million acres of corn in 2025. This would be a record as the average is roughly 90 million acres.' Planting more corn, as opposed to soybeans, would lead to substantially more grain as corn may yield 180 bushels per acre while soybeans may yield 50 bushels per acre. Hence, the five-million-acre switch from soybeans to corn would fill the nation's bin space.



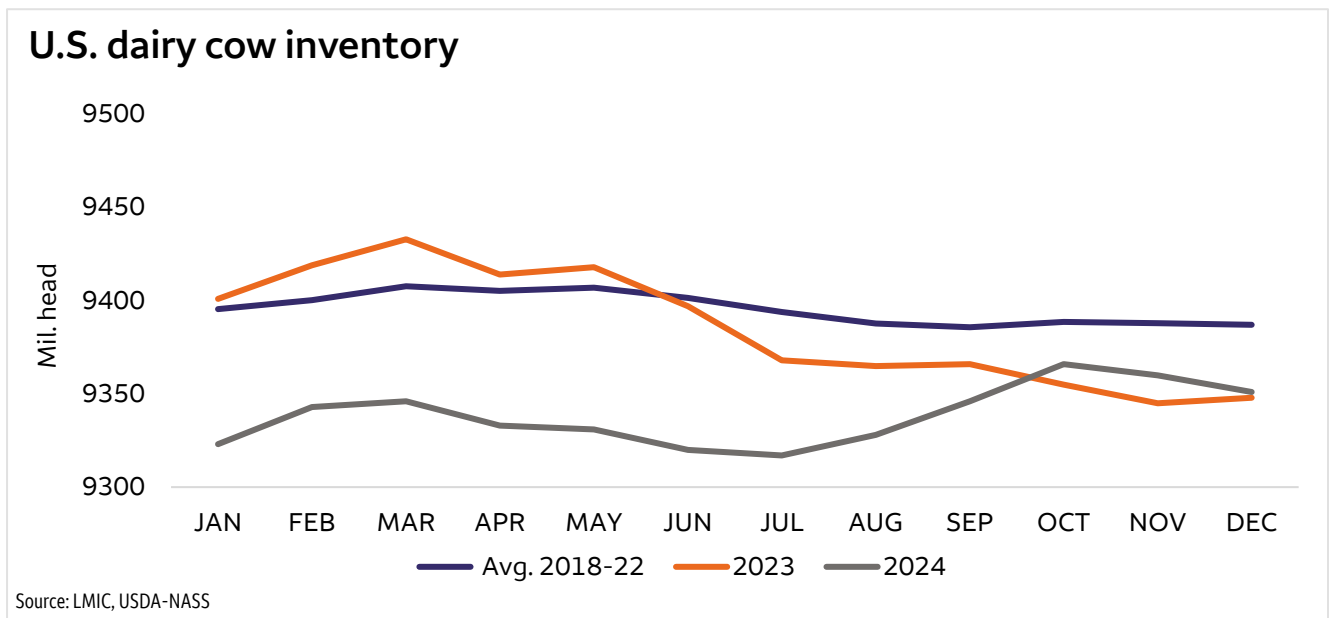
Dairy

A key driver for the U.S. dairy industry will be the expansion of processing capacity. Wisconsin, South Dakota, and Texas are adding significant new cheese-making capabilities, with an estimated combined increase of 360 million pounds of cheese, annually. U.S. cheese exports are at record levels as the United States increased the annual volume 17.8% higher than the previous year to a record 1.13 billion pounds.¹⁵ Exports accounted for 7.9% of U.S. cheese production in 2024, the most ever. Additionally, butter makers increased annual production which reached an all-time high of 2.2 billion pounds, up 5.2% from 2023.¹⁶ The trend toward more dairy consumption has been continual and does not appear to change soon. The increased demand for milk will be hindered by limited U.S. supply resulting in plants operating at less than 100% of capacity, and the potential closure of inefficient plants.¹⁷ The issue will not be solved soon. 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. The low number of milking cows will cause milk to be diverted from dryer utilization, where milk is dehydrated into milk powder for the export markets, to the new cheese and butter processing plants.¹⁸

Dairy (cont'd)



The national dairy herd will eventually need to expand to meet the needs of dairy manufacturers and world dairy demands. The replacement heifer inventories stay exceedingly tight and will constrain milk production growth over the coming year. The USDA estimated that as of Jan. 1, only 3.9 million head of dairy heifers were available nationwide, the lowest recorded inventory since 1978.¹⁹ Record-high beef prices caused by a shrinking beef herd have encouraged dairy producers to embrace a beef-on-dairy strategy through which they breed beef bulls with dairy cows. The resulting crossbred calf can be sold to a feedlot for a higher price and add to a dairy's revenue stream. The tight heifer supplies will likely be a persistent factor constraining dairy herd growth for years to come.¹⁶



The uncertainties of tariffs are an issue for dairy as well as most of agriculture. Mexico and Canada are the two largest markets for U.S. dairy exports, with \$2.25 billion worth of dairy products sold to Mexico and \$1.1 billion to Canada during the first 11 months of 2024, accounting for 30% and 14%, respectively, of all dairy exports over the same period.¹⁶

Fresh produce

During the winter produce season, approximately 2,000 trucks enter the United States per day via the port of entry in Nogales, Arizona. New tariffs could disrupt a region accustomed to over three decades of free trade with Mexico as importers have benefited from the North American Free Trade Agreement and the subsequent USMCA, which eliminated duties on Mexican produce.²⁰

Citrus

Overall U.S. citrus production is forecasted to decline by 6.9% for the 2024/25 crop year to 119.6 million boxes due to unfavorable weather and continuing disease problems, particularly impacting the Florida crop. In California, total citrus production is forecast to increase by 3.6% to 105.6 million boxes led by increases in production for grapefruit (up 9.3%, lemons (up 7.6%), and mandarins/tangerines (up 5.7%), offset by a 0.2% decline in total orange production.²¹

The USDA's latest crop forecast for the 2024/25 crop year, published 1/10/2025, projected a further decline in the Florida orange crop production, falling from the initial 15.0 million boxes to 12.0 million boxes (20% decline).²¹

Florida's citrus industry continues to struggle, as the latest orange crop forecast is down 33% from the 17.96 million boxes produced last season due to higher fruit drop from Hurricane Milton which made landfall near Florida's citrus production region on 10/9/2024. In addition to orange crop, grapefruit and specialty fruit crops were also impacted.²¹ The additional crop loss was primarily driven by fruit drop because of the high winds, but also from damage to groves because of the heavy rain and flooding that occurred. While wind speeds were not as high or last as long as what occurred with Hurricane Ian in 2022, anecdotal reports are that some groves in the direct path may have suffered as much as 80% fruit loss while other groves outside of direct path had less damage. The University of Florida Institute of Food and Agricultural Sciences (UF/IFAS) estimated citrus production losses are from \$23.1 million to \$55.2 million in Florida.²²

Global orange juice production for 2024/25 is forecast up 4 percent 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 exports are forecast up due to higher supplies. With continued declines in production, the U.S. remains the top export market.²³

Forest products

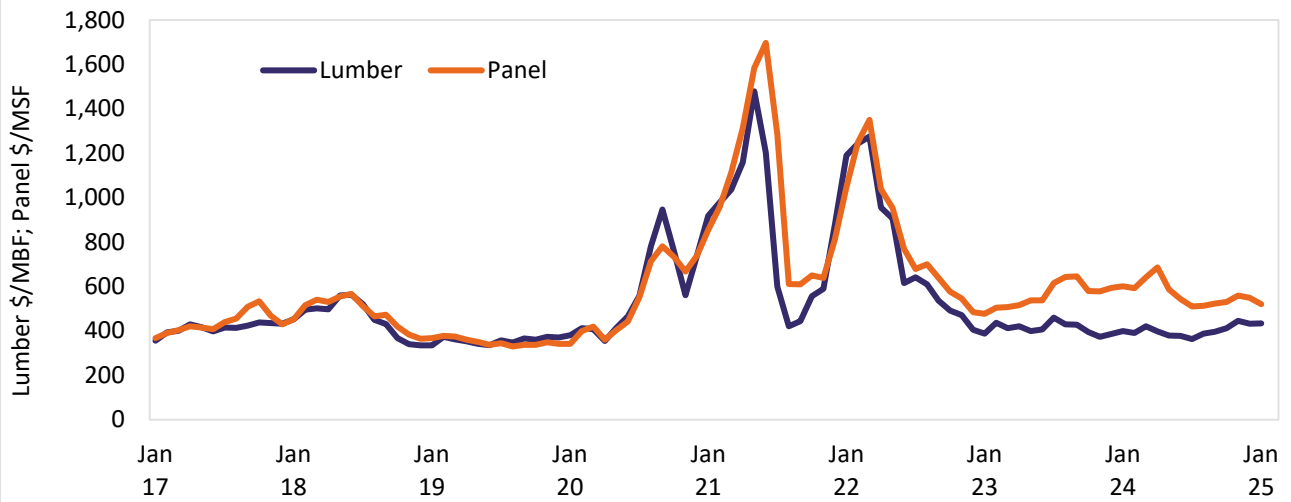
Softwood framing lumber prices are still a challenge for mills, and margins remain under pressure, but in the last four months average prices have been the highest since mid-2023. The composite price rebounded to \$446/MBF in November 2024 and has stayed above \$430/MBF since.²⁴ The lumber futures market is currently pricing in a 5-10% gain through 2Q25.

Recent structural panel prices have been a little more variable. The November 2024 average panel price composite hit \$559/MSF before sliding back 7% in the last two months.²⁴ Current prices are close to the low points of the last two years, and thus, margins are under pressure once again for structural panel processors.

Overall markets are still unprofitable for many forest products producers with continued stress for mills especially in the U.S. South and BC, Canada. Year-end financial reports are not yet available but are expected to show mostly positive EBITDA but red ink in net profitability, even for some of the best positioned companies in the Wells Fargo Bank portfolio.

Forest products (cont'd)

U.S. framing lumber and structural panel monthly composite prices



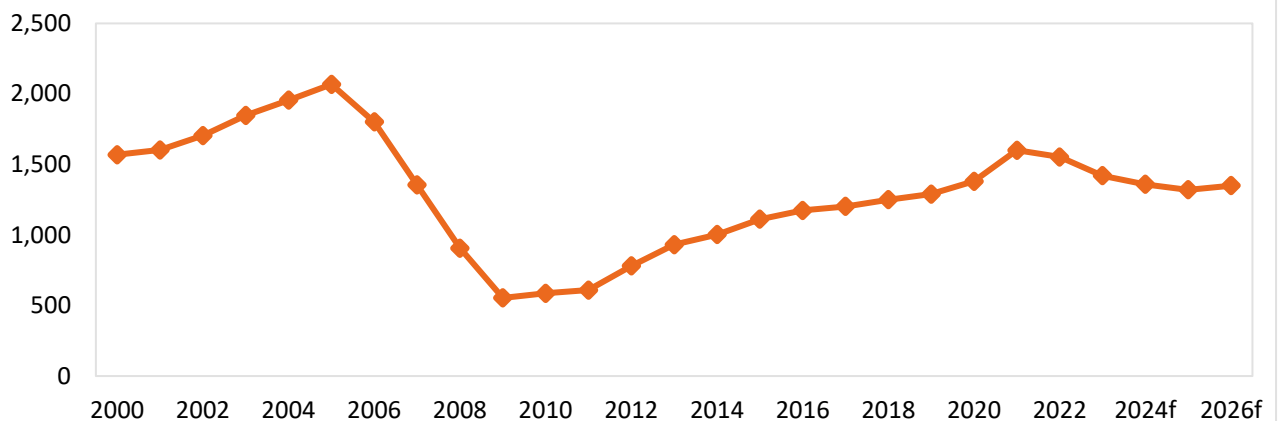
Source: Random Lengths, thru January 2025

In its January 16, 2025, forecast update, the Wells Fargo Economics Group kept its most recent 2024 U.S. housing starts forecast of 1,359,000 total starts but forecasted another year-over-year decline in housing for 2025. This will mark the fourth consecutive year of decline in the housing market, and the lowest housing market since 2019. Wells Fargo Economics forecasts total U.S. housing starts of 1,320,000 in 2025, a 2.9% decline year-over-year but an increase in housing in 2026 to 1,350,000 total starts, a modest 2.3% gain year-over-year.²⁴

Headwinds remain with the inflated cost of housing and challenging mortgage rates, where 30-year fixed conventional rates have bounced around the 7.0% mark.²⁴ Although the Fed Funds rate was cut by 25 bps in December 2024, future rate cut expectations are being dampened, and mortgage rates have not decreased in kind with other interest rates.

Tariffs, or rather the potential implementation of 25% tariffs on products imported from Canada and Mexico, could be a serious headwind, especially for Canadian lumber and panel producers. A likely scenario is one of eventual price increases for domestic lumber and panel producers as the market adjusts to higher-cost foreign sources for competing goods. Thus, a tariff could help U.S.-based mills in this way, but higher costs would ultimately be borne by home buyers and remodelers, with a distinct possibility of added market destruction.

U.S. annual housing starts, 1,000s



Source: US Dept. of Commerce; Forecast by WF Economics Group, Jan 16, 2025

Protein

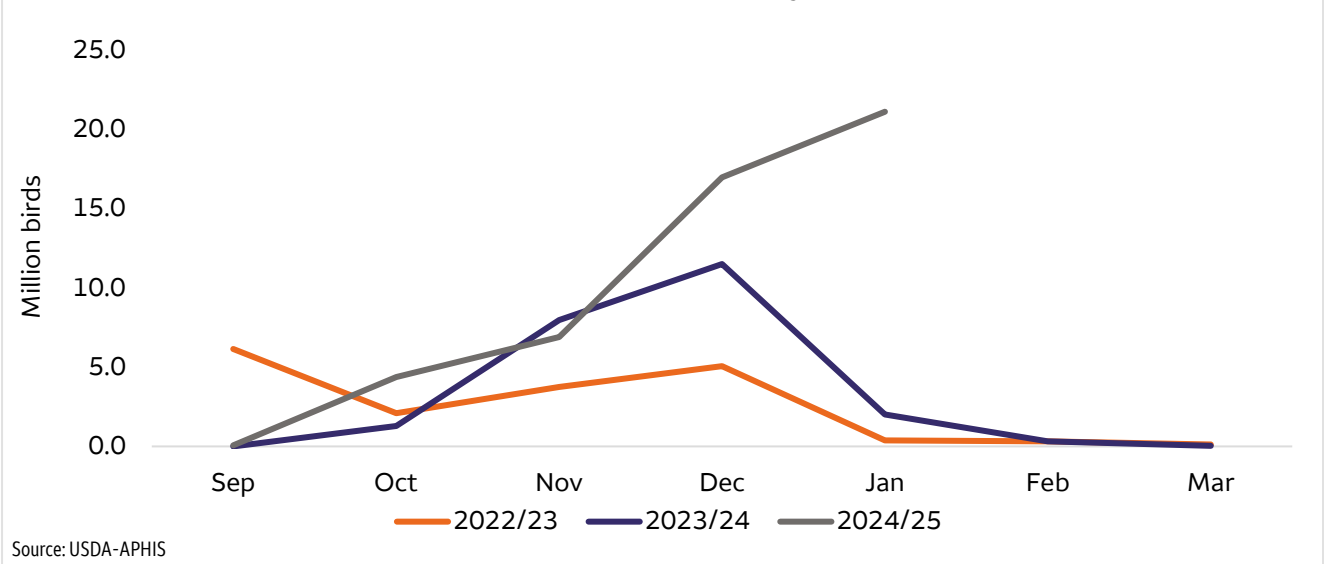
Highly Pathogenic Avian Influenza (HPAI) case numbers in poultry have jumped sharply higher in November '24 - January '25, impacting almost 45 million birds. While HPAI numbers are typically higher in the Winter, this season it is more than double the number of birds impacted versus last year's Winter season (21.5 million birds).²⁵

Table egg layers continue to be the hardest with 35 million birds culled this Winter (Nov – Jan), causing spikes in egg pricing and egg shortages.²⁵ Egg wholesale prices surpassed previous record highs the first week of February, averaging \$7.79 / dozen. The prior price peak occurred in December 2022 at \$5.09 / dozen.²⁶

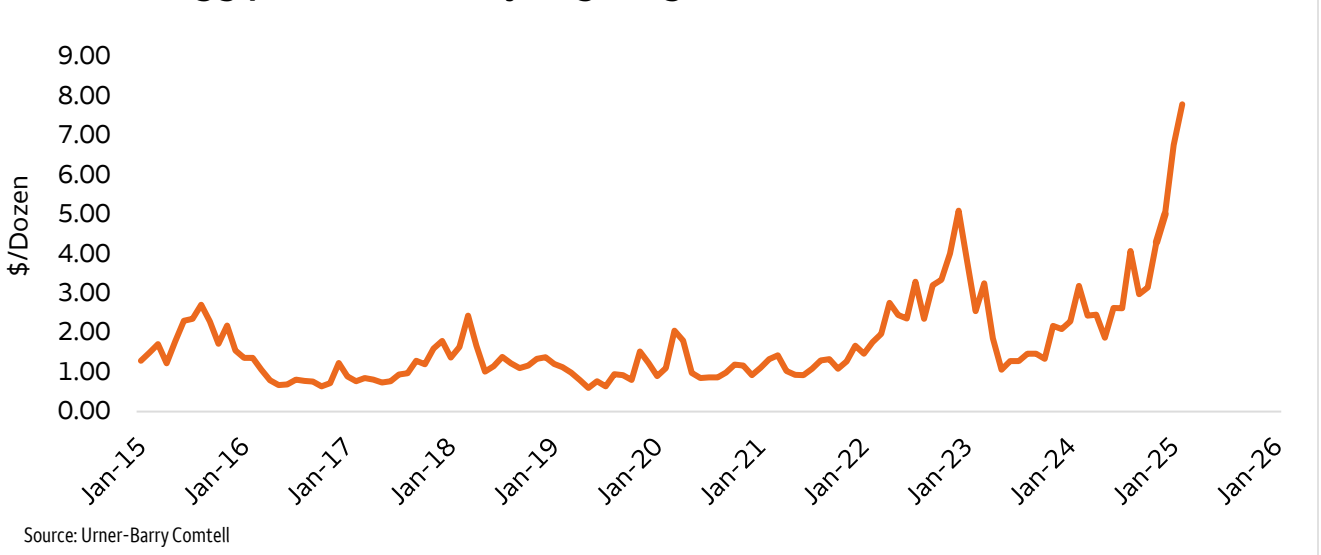
Of increasing concern is the growing infections in broiler flocks. 5.5 million broilers have been affected this Winter (Nov – Jan.). This is 2.7 more million broilers compared to last Winter. While case numbers remain low compared to the overall size of the broiler industry, greater regional impact on weekly slaughter numbers are possible.²⁵

The primary strain of HPAI in poultry is H5N1, but a rarer strain, H5N9, was found in a flock of ducks in California in January 2025. The duck farm was infected with both H5N1 and H5N9 strains. The industry is monitoring closely for any additional cases of this rare strain.²⁷

HPAI - Fall/Winter seasonal pattern monthly, total birds affected



Midwest egg prices, monthly avg. large Grade A



The January USDA WASDE report surprised the markets by lowering yields and stocks for both corn and soybeans. As a result, corn futures prices have been climbing higher, nearing the \$5.00 per bushel area in the March futures contract. Higher feed costs will increase input costs for animal producers.²⁸

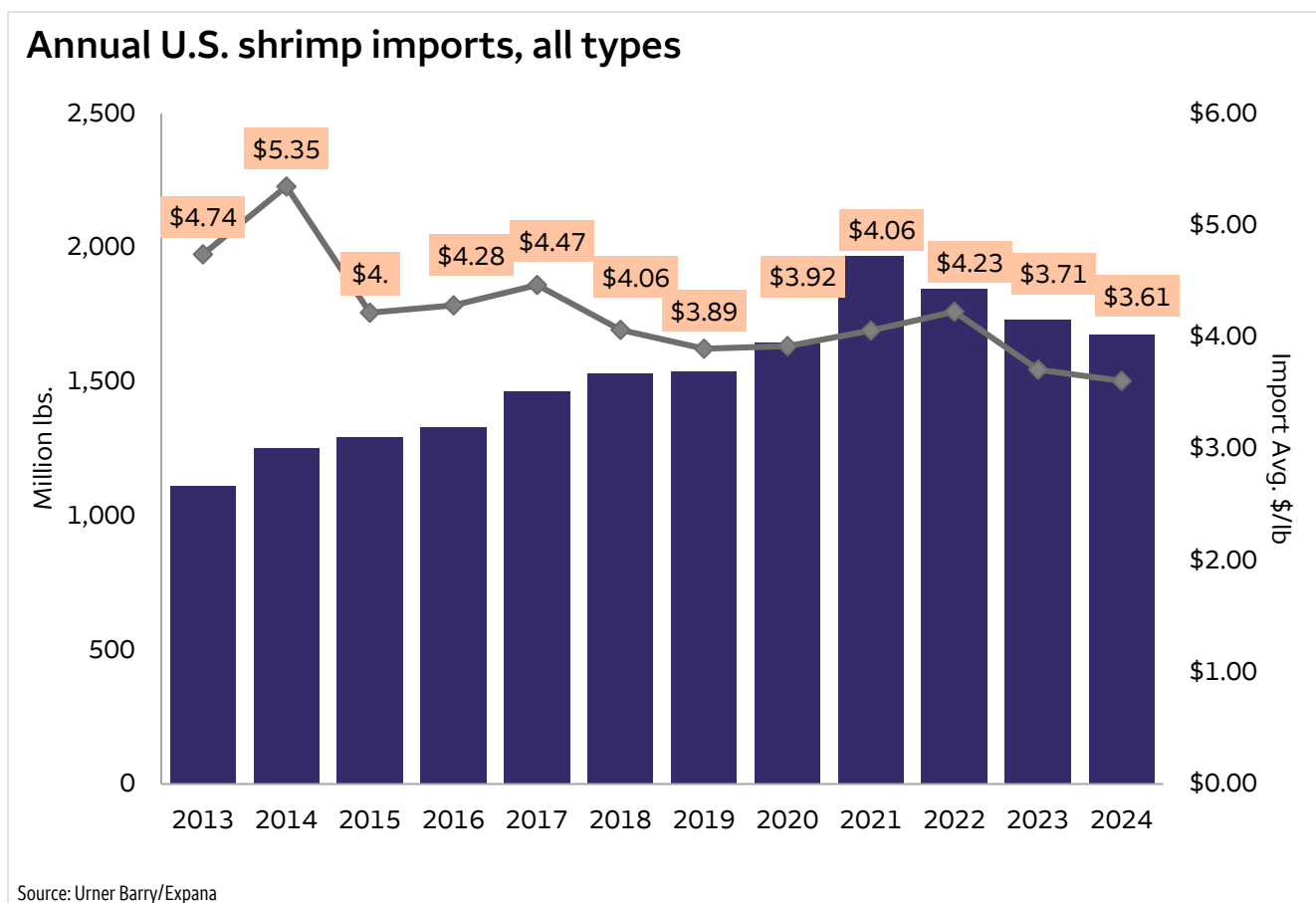
Consumer trends in 2025 are expected to be supportive of the meat and poultry industries. Consumers continue to look for products that increase their protein consumption. New food products geared towards GLP-1 drugs for weight-loss are expected to promote protein consumption ([WF Agri-Food Intelligence: GLP-1 Shifting Patterns](#)). Other trending products include meat snacks with sales up 2.6% y/y and 24% over the last four years.²⁹

The meat and poultry industries continue to monitor potential tariffs between the U.S., Mexico, Canada, and China. As top trade partners, any longer-term tariffs between the countries could impact trade flows and prices on meat and poultry products.

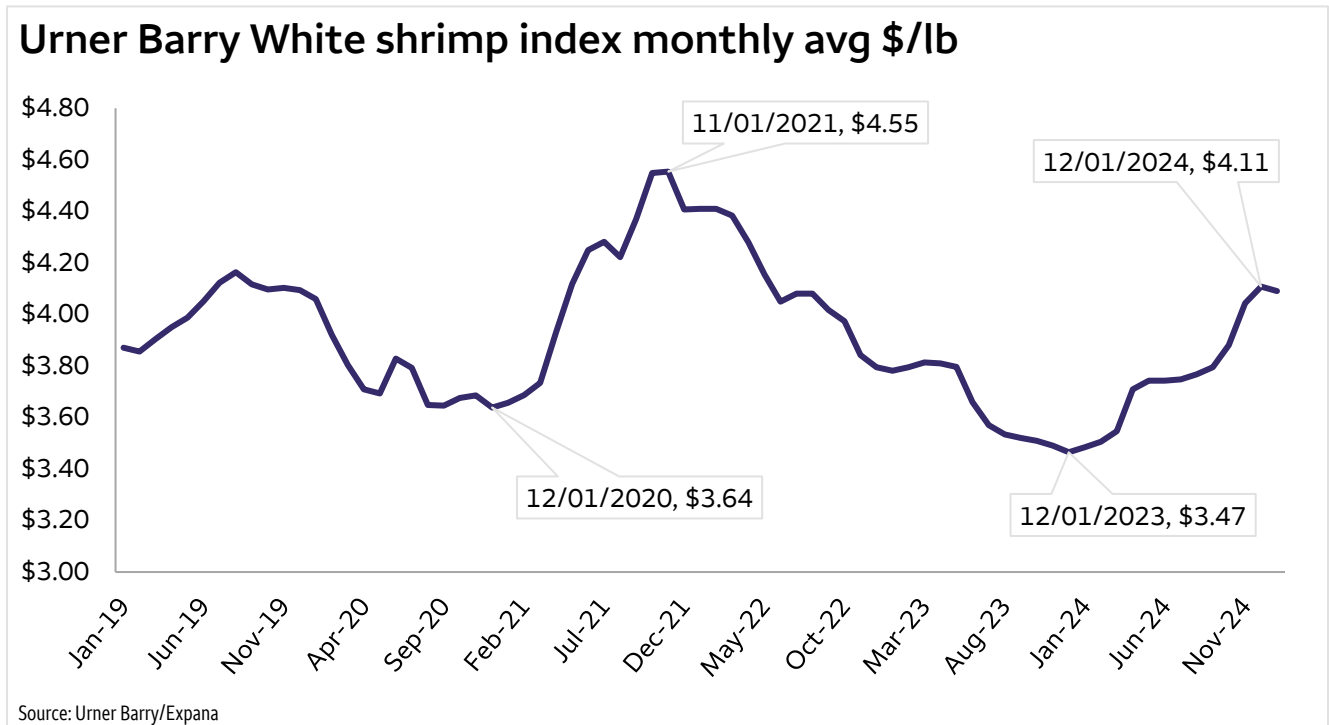
Imports of live cattle from Mexico resumed in early February 2025. ([USDA press release](#)) Live cattle were restricted in November 2024 after a highly invasive insect, the screwworm, was found in a cow in Mexico. The January Cattle on Feed report showed the impact on feeder cattle with December 2024 placements of feeder cattle down 23% Y/Y in Texas and overall U.S. placements down 3% Y/Y.¹⁹ The two-month backlog of feeder cattle is expected to take time to clear.

Seafood

Shrimp imports for 2022-2024 declined 14.9% as the industry worked through this excess inventory built up during Covid. At the recent National Fisheries Institute’s Global Seafood Market Conference held in January 2025, it was noted that for the upcoming year, 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 prior lows.³⁰



Seafood (cont'd)



Coffee and cocoa

Coffee futures (C price) on the Intercontinental Exchange Inc (ICE), have hit record highs, exceeding \$4.30/pound on 2/10/25. Global coffee supplies remain limited due to adverse weather conditions and short crops in major growing regions. Vietnam is progressing slowly with sales of robusta to take advantage of appreciating prices. Arabica is also slower to get to market as farmers continue to hold product as prices elevate and further price gains can be realized.³¹

The cocoa (CC) price continues to be elevated, reaching an all-time record of \$12,565 per metric ton on 12/18/2024. Cocoa prices have increased 143% since January 2024 and have been trading in the \$10,000-\$11,000 per metric ton range the last two months.³² The current price trend is driven by strong demand coupled with the continued global production challenges due to dry weather and crop disease in West Africa, the largest cocoa producing region.³³

Wine grapes

The 2024 crush totaled 2.9 million tons, down 25.2% from the 2023 crush of 3.9 million tons. Red wine varieties accounted for 1.4 million tons, down 27.1% from 2023, while white wine varieties crushed totaled 1.4 million tons, down 18.0% from 2023.²

The bulk wine market is slow due to high inventory levels across California. Despite the lighter 2024 crop, bulk wine prices are lower than 12 months ago. Prices are expected to remain soft, with some predicting ongoing vineyard removal in certain growing regions. Most of these removals are unlikely to be temporary.³⁴

Hay

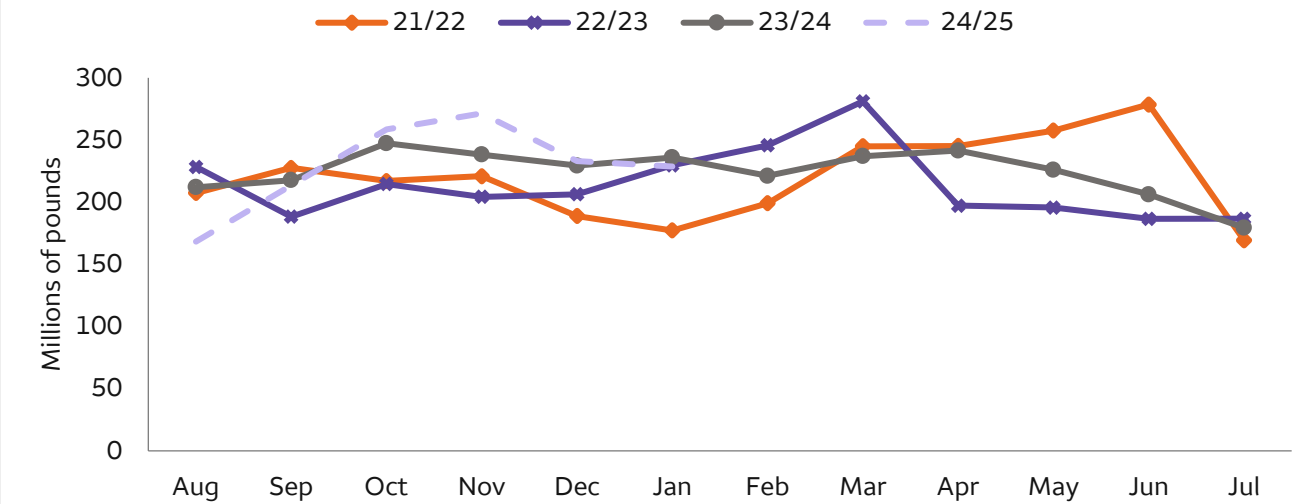
Hay prices on the West Coast have stabilized or improved in recent months.³⁵ Demand has been stable from the U.S. domestic dairy market with solid margins for dairy producers. Hay exports continue to face headwinds due to a strong U.S. dollar with 2024 U.S. export volume well below the 5-year average.³⁶

Tree nuts

Almonds

The 2024 almond crop will be closer to 2.7-billion pounds versus the 2.8-billion-pound Objective forecast. Additionally, shipments are on track to match last year’s volumes. Grower pricing has experienced slight improvement with the industry seeing price quotes with a blended average of \$2.38/lb. for average sizes.³⁷

Total almond shipments

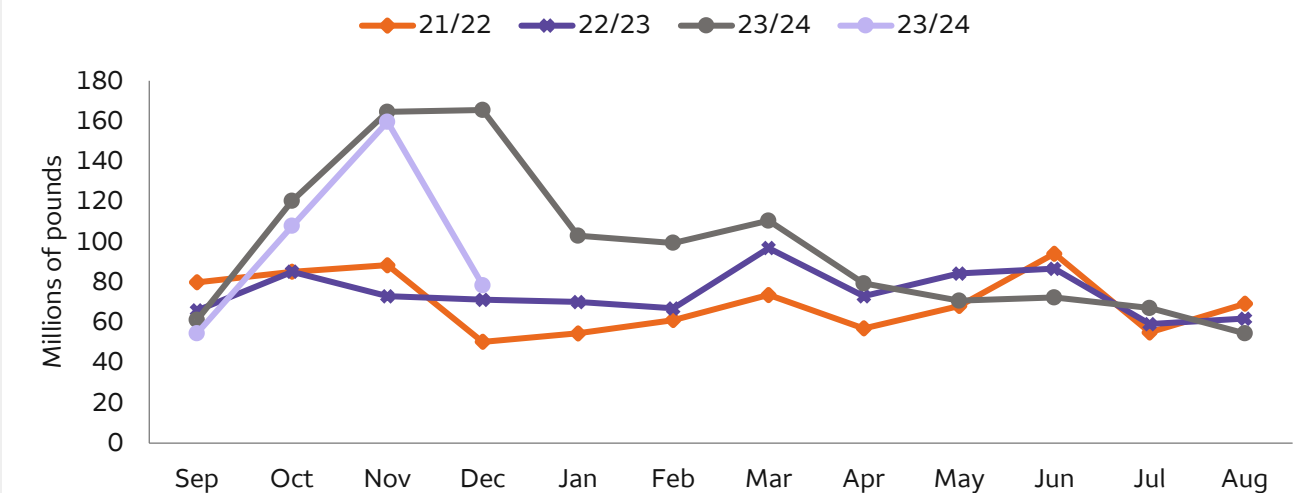


Source: Almond Board of California

Pistachios

The 2025 pistachio crop is estimated to experience record volume exceeding 1.6 billion pounds. The industry has consistent grower pricing ranging from \$1.90 to \$2.10 per inshell pound over the last three years. No variable price swings are expected for 2025.²

Total pistachio shipments

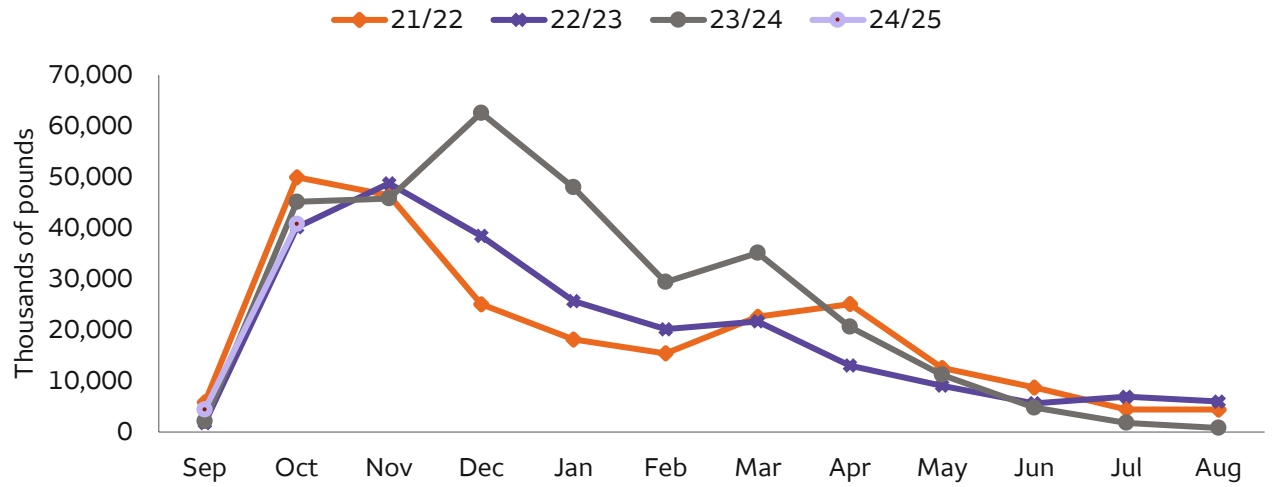


Source: Administrative Committee of Pistachios

Walnuts

Walnut prices are experiencing a favorable increase as the short crop of 2024 is now estimated at 596 million tons. Through January, 56% of the 596 million tons have already been shipped with seven months left in the marketing year.³⁸

Domestic shelled walnut shipments



Source: California Walnut Board

Subscribe to the Agri-Food Intelligence newsletter

General disclosures

The views expressed are intended for Wells Fargo customers, prospects, and other parties covering the Food and Agribusiness industry only. They present the opinions of the authors on prospective trends and related matters in food and agribusiness as of this date, and do not necessarily reflect the views of Wells Fargo & Co., its affiliates and subsidiaries. Opinions expressed are based on diverse sources that we believe to be reliable, though the information is not guaranteed and is subject to change without notice. This is not an offer to sell or the solicitation to buy Wells Fargo product or service including security or foreign exchange product.

Disclaimer regarding data and information provided by Nielsen (NIQ): The NIQ information and data contained and referenced herein ("NIQ Information") consists primarily of compilations and/or estimates based on data from various sources and is for informational purposes only. Wells Fargo's Agri-Food Institute (AFI) utilizes NIQ Information for enhancing understanding of volume, price direction, and distribution analysis of food products across sectors. Wells Fargo AFI and NIQ do not guarantee the accuracy or completeness of such information. The reader must take responsibility for any conclusions, interpretations, and/or action that may result from the NIQ Information contained herein. Consider this data in the broader perspective of sector trends and drivers.

Sources:

1. Wells Fargo Economists
2. USDA-ERS
3. AG Daily
4. AgWeb
5. Restaurant Business
6. Attest
7. NielsenIQ
8. StoneX
9. Brownfield Ag News
10. Farm Journal Scoop
11. USDA WASDE, February 2025
12. Sosland Sweetener Report
13. Baking Business Feb 2025
14. Feedstuffs Jan 2025
15. Ever.Ag Feb 7, 2025
16. Daily Dairy
17. Dairy Herd Management
18. The Cheese Reporter January 2025
19. USDA Annual Cattle Report January 31, 2025
20. Fresh Plaza
21. USDA NASS Citrus
22. University of Florida Institute of Food and Agricultural Science
23. USDA FAS Global Citrus Report
24. Random Lengths January 31, 2025
25. USDA-APHIS, WF Calculations
26. Urner Barry U.S. Weekly Dairy & Egg Market Insight, WF calculations
27. Meating Place
28. CME Group
29. Nielsen Discover as of 12/28/2024 in a 52-week period in the United States
30. Urner Barry/Expana
31. Investing.com
32. International Continental Exchange
33. International Cocoa Organization Market Review
34. Ciatti
35. USDA-NASS, West Coast = California, Idaho, Washington, Arizona
36. USDA-FAS, WF Calculations
37. USDA, DERCO
38. California Walnut Board

Wells Fargo Agri-Food Institute Advisor Team

Robin Wenzel

Head of Agri-Food Institute
robin.wenzel@wellsfargo.com
707-867-8186

Michael Swanson, Ph.D.

Chief Agriculture Economist
michael.j.swanson@wellsfargo.com
612-667-5136

Kevin Bergquist

Forest Products, Rendering, Eggs
bergquK@wellsfargo.com
971-978-4787

Tim Luginsland

Grains and Oilseeds, Dairy, Beans, Rice, Vegetable Oils
luginstr@wellsfargo.com
913-234-2921

Lon Swanson

Crop Inputs, Feed and Forage (non-grain), Peanuts, Seed
lon.k.swanson@wellsfargo.com
913-234-2922

David Branch

Aquaculture, Greenhouses, Nurseries, Seafood, Sugar
david.e.branch@wellsfargo.com
704-410-8997

Brad Rubin

Fruit and Vegetables, Chocolate/Cocoa, Citrus,
Coffee/Tea, Hay, Dry beans, Spices
brad.rubin@wellsfargo.com
805-440-0591

Courtney Schmidt

Protein, Hay, Cotton
courtney.b.schmidt@wellsfargo.com
361-212-1196

Sierra Kenney

Sector Analyst
sierra.a.kenney@wellsfargo.com
913-234-2932