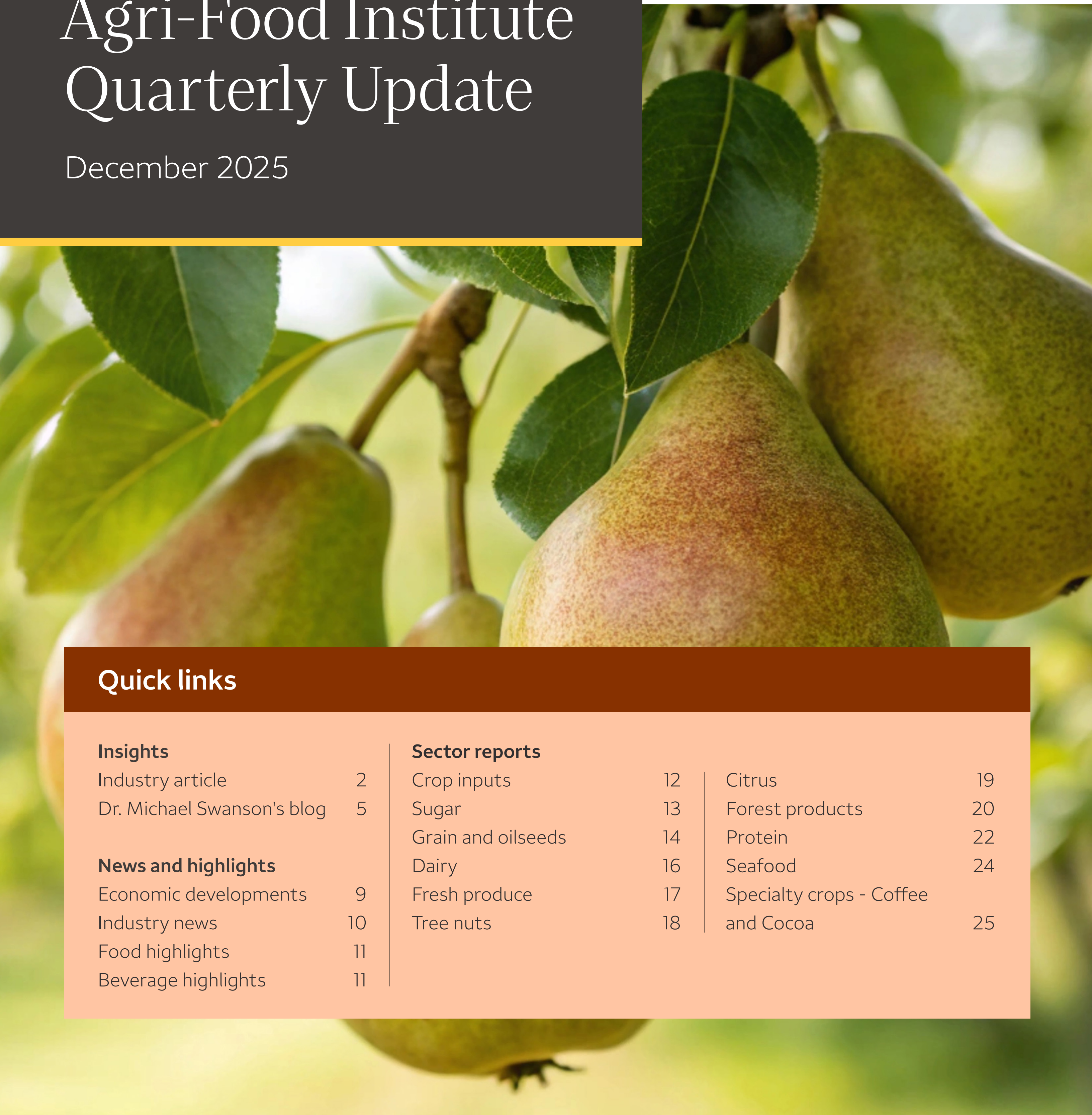
WELLS FARGO

Commercial Banking

Agri-Food Institute Quarterly Update

December 2025



Quick links

Insights

News and highlights

Sector reports

Proteinification & dairy's revival: New trends are reshaping the dairy aisle

By Robin Wenzel, Head of Wells Fargo Agri-Food Institute
and Tim Luginsland, Sector Manager, Wells Fargo Agri-Food Institute

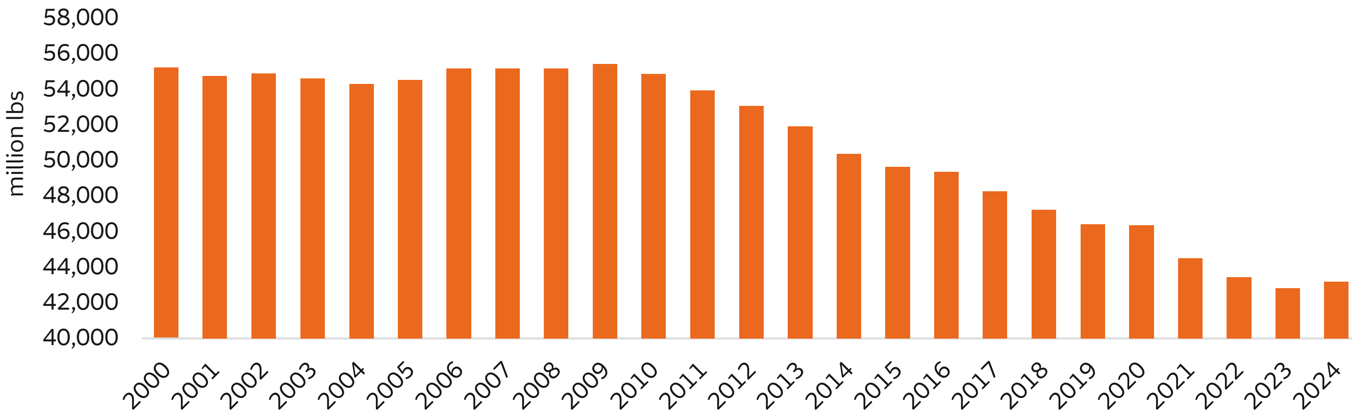
December 15, 2025

The food industry is undergoing a seismic shift, driven by two converging trends: the rise of proteinification—the enrichment of everyday foods with added protein—and the widespread adoption of GLP-1 medications like Ozempic and Wegovy for weight management. Together, these forces are reshaping consumer behavior, fueling innovation, and sparking renewed demand for dairy products.

Holy cow – dairy demand surges

It's a crisp fall afternoon in Edina, Minnesota. Near the high school football stadium, the cross-country team wraps up practice with an honored tradition: gallons of whole chocolate milk. This ritual stands in contrast to a 14-year decline in fluid milk consumption—but it's also a sign of change. In 2024, fluid milk sales increased for the first time since 2009, driven by a growing appreciation for dairy's nutrient-dense profile and protein content.[1]

Fluid beverage milk sales



Source: USDA-ERS

Protein has recently evolved from a niche nutrient for athletes to a mainstream dietary priority. Consumers are increasingly perceiving dairy as a satisfying snack, a compliment to weight control, and as maintenance of overall health. This shift is reflected in grocery aisles, where protein-enriched snacks, beverages, and meals are becoming the norm.

Why the surge?

- **Health & wellness focus:** Protein is seen as essential for muscle maintenance, metabolism, and energy.
- **Convenience:** Ready-to-eat, high-protein options fit busy lifestyles.
- **Marketing & media:** Clear labeling and influencer-driven campaigns have made protein a "must-have" attribute.

According to the International Food information Council (IFIC), 71% of Americans actively seek more protein in their diets.[2] Protein will remain a strategic focal point for food and beverage manufacturers, driving innovation and product development as consumers demand for high-protein increases.

GLP-1 medications: A catalyst for change

GLP-1 drugs are transforming how people eat. Originally developed for diabetes, these medications are now widely used for weight loss, prompting a shift toward nutrient-dense, portion-controlled foods.

Key points:

- GLP-1 users consume 20-30% fewer calories daily.[3]
- They prioritize high-protein, high-fiber meals.
- GLP-1 users cut grocery spending by 6% within 6 months, especially on ultra-processed snacks and desserts.[4]

This shift is accelerating demand for functional foods—and dairy is stepping up.

Udderly innovative: Dairy's response

Food manufacturers are responding with value-added dairy products that meet the needs of health-conscious and GLP-1-driven consumers. Brands like Fairlife (Coca-Cola) are leading the way with high-protein, low-sugar, lactose-free milk. Ultra-High Temperature (UHT) milk is also gaining popularity for its extended shelf life and portability—ideal for on-the-go protein.[5]

Dairy's renaissance isn't limited to milk. Cheese, yogurt, and cottage cheese are all gaining traction:

- Cheese consumption hit a record 40 lbs per person in 2023, with room to grow when compared to France 60.4 lbs per person.[6, 7] Sack lunches would not be complete without sticks of Sargento cheese while bypassing the juice box for a bottle of Muscle Milk.
- Yogurt is a leader in protein fortification, with brands like Chobani and Dannon offering high-protein formats like shakes and pouches. This includes flavored Greek yogurt as well as fruit infused varieties.

- Cottage cheese is the breakout star of 2025, with sales up 20% year-over-year and flavor innovation on the horizon.[8] Cottage cheese is a significant bargain value when compared to meat-based alternatives.

U.S. dairy product production generates $124 billion in revenue, with a compound annual growth rate (CAGR) of 1.2% expected through 2030. While this growth may appear modest, it marks a positive shift for the industry, which experienced an average annual decline of 3.2% from 2020 to 2025.[9]

Running on empty: Processing bottlenecks

Despite surging demand, the dairy industry faces a critical challenge: processing capacity. High-protein formulations require specialized equipment, and current infrastructure is strained. Fortunately, investment is underway. U.S. dairy processors are committing $11 billion across 19 states to expand capacity and support a projected 15-billion-pound increase in milk production by 2030.[10] Major projects include:

- Chobani's $1.2B plant in New York[11]
- Fairlife's $650M facility, also in New York[12]
- Walmart's $350M dairy plant in Texas[13]

Cheese leads investment at $3.2B, followed by milk/cream $2.97B and yogurt $2.81B.[14]

As proteinification and GLP-1 medications reshape the food landscape, dairy is emerging as a strategic choice for consumers seeking functional, satisfying nutrition. With innovation accelerating and infrastructure expanding, dairy is poised to remain a cornerstone of the modern diet—one glass, pouch, or slice at a time.

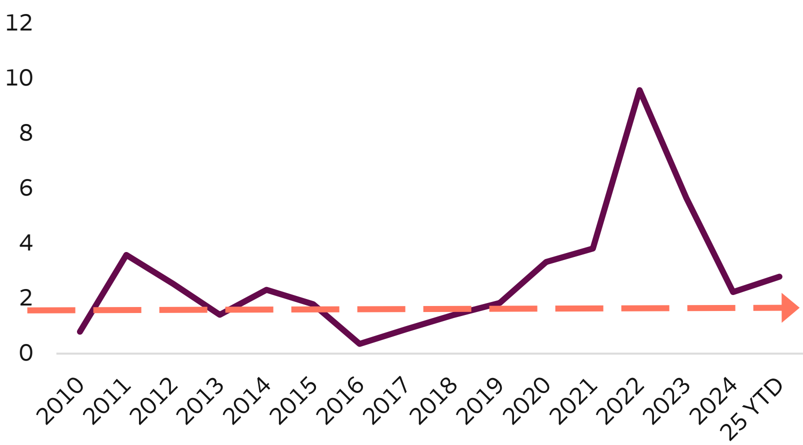
Profitability by segments continue to offer opportunities for investment growth in 2026

By Dr. Michael Swanson | December 15, 2025

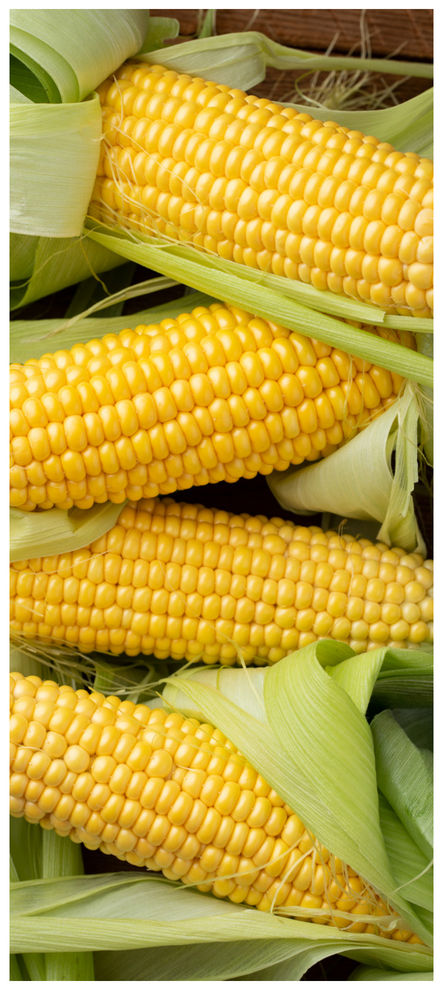
Stay informed with the latest from our Agri-Food Institute

The U.S. food and beverage industries along with restaurants and supermarkets have returned (for the most part) to their pre-COVID profitability. What does that mean for the producers and consumers going into 2026? For the ten years prior to the COVID food inflation event, food and beverage CPI increased at an average of 1.7% annually.[15] A careful look at the chart below confirms that the average is only part of the story. The drought of 2011 and the cattle cycle of 2013-2015 lifted food and beverage inflation above that average. The monster crop of 2016 crushed corn and soybean prices dropping meat and dairy prices for the following four years also contributed to the story.

Food and beverage CPI YOY percent change

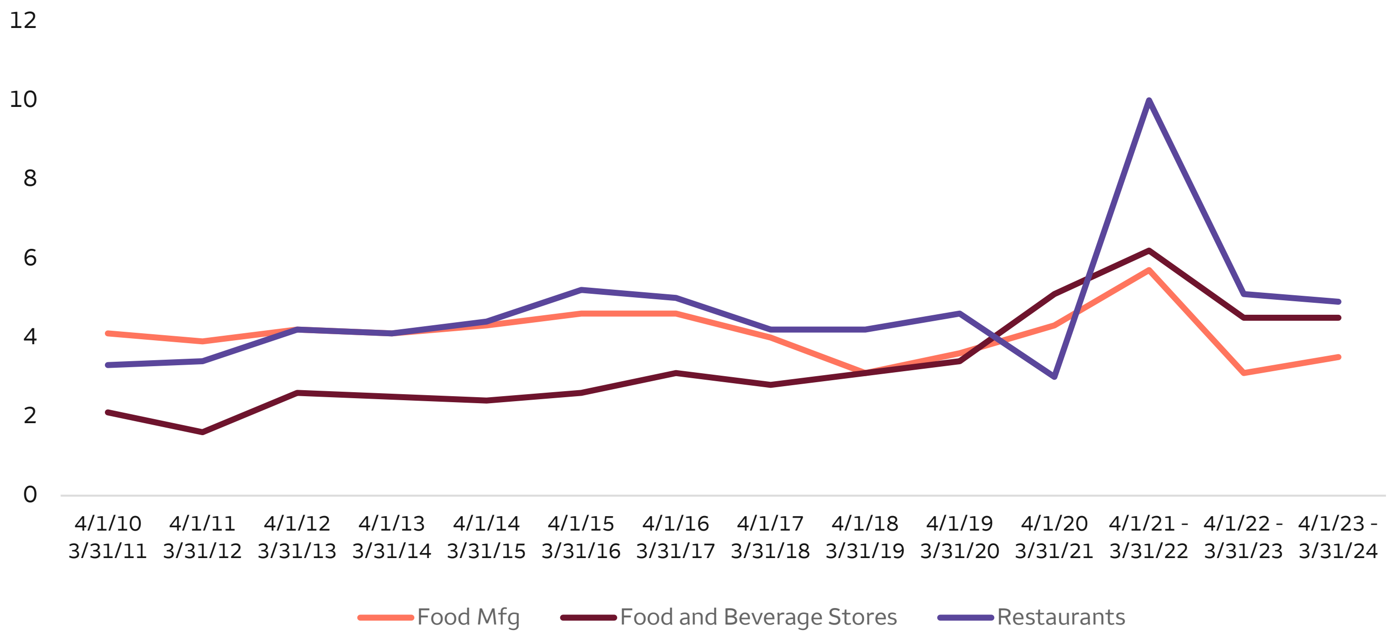


Source: Bureau of Labor Statistics CPI through September 2025



The inflation super cycle that followed was kicked off by the COVID shutdown of the supply chains and turbocharged by the Russian/Ukraine conflict which raised concerns about global supplies. As fiscal and monetary stimulus worked its way through the system resetting wage and input prices, the food and beverage sector saw inflationary pressure raise prices at rates not seen since the 1970s and early 1980s. That cycle has now ended, as another massive crop in 2025 has driven down corn and soybean prices, resulting in record high protein-to-feed ratios that are fueling aggressive production growth. Once again, the cattle cycle is the one protein that doesn't benefit immediately from the cheaper feed prices with its long production lags. Beef and egg prices are the two heavyweight proteins holding up the overall food and beverage CPI, but both of them can expand supply given the excellent profitability they are experiencing.

Profits as percentage of sales

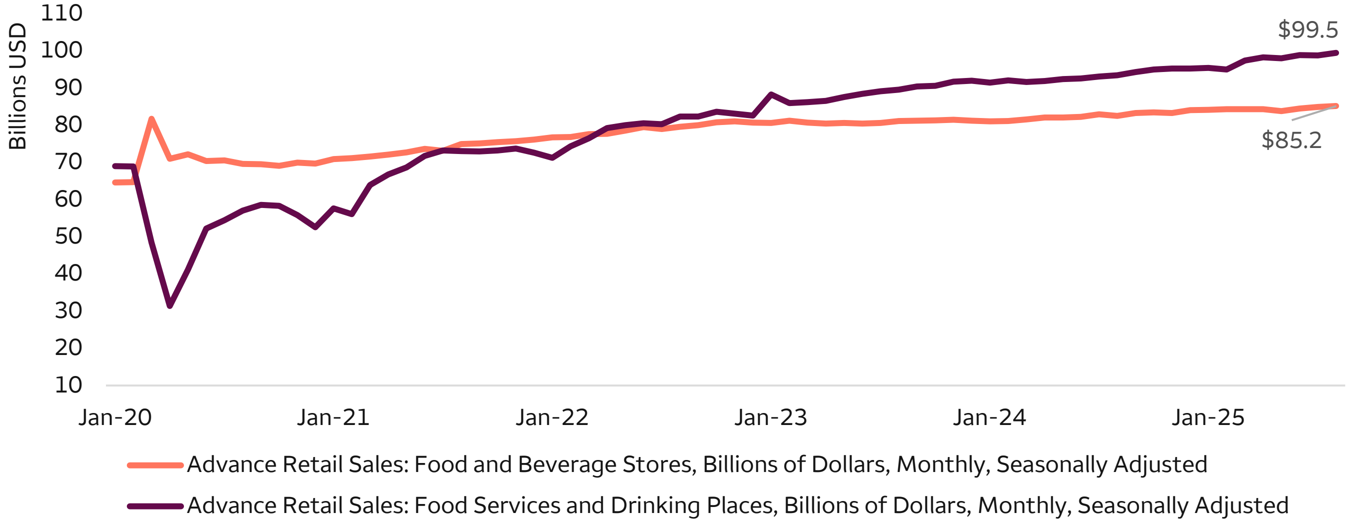


Source: ProSight Financial Association November 2025

Food and beverage inflation translates directly into top line revenue growth for the consumer facing segments of supermarkets and restaurants. The profitability measured as a percentage of revenue has cycled with the overall food and beverage CPI changes.[16] Food manufacturers saw profitability start to compress in 2016 with the last monster crop which reduced their cost of production leading to competition for market share with the lower input prices. The COVID and Russian/Ukraine conflict brought that cycle to a screeching halt, and it allowed profitability to jump to new record levels for the last 15 years. The peak of the profitability cycle coincides with the CPI cycle. The sector was under intense cost pressure, but the price cycle allowed it to generate outstanding profitability.

The restaurant sector had its own unique response. The 2020 shutdown forced many restaurants to permanently close. The ProSight Financial Association database saw a drop in submitted returns of approximately 50 percent from the pre-COVID era.[16] Additionally, the profitability of the remaining submissions hit a decade low. However, after the storm, the industry saw a once-in-a-lifetime opportunity for profitability. Reduced competition and accounting for the fiscal stimulus of programs like the Restaurant Revitalization Fund, and the Paycheck Protection Program created a never to be equaled profitability. This type of profitability has brought back the competition with the number of submissions increasing approximately 40 percent from the bottom.[16] The last two years have seen profitability move back to the same range as the pre-COVID era.

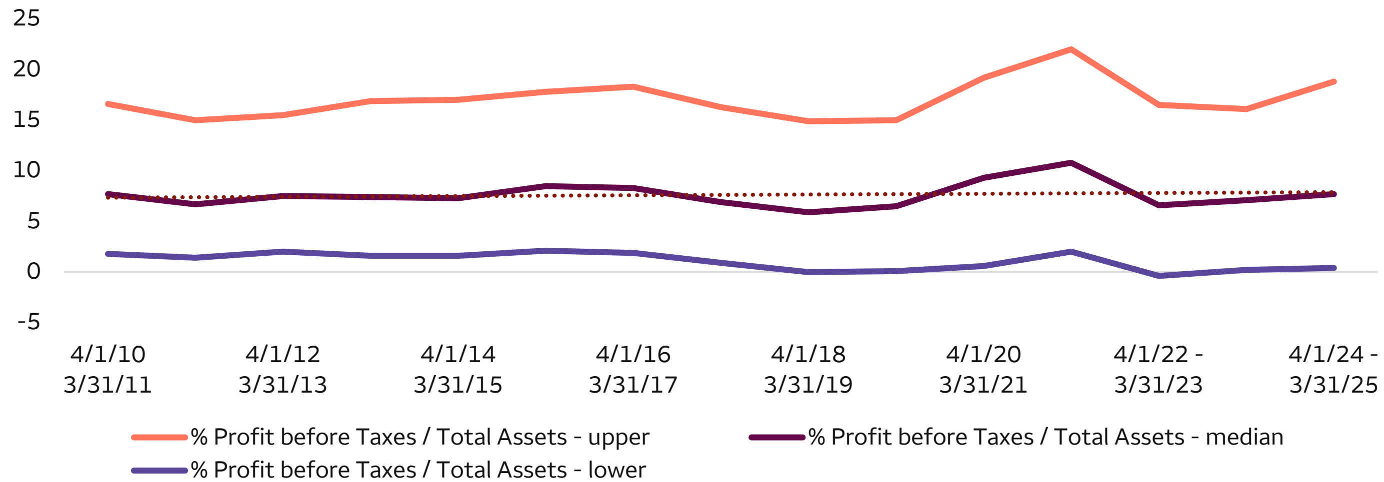
Advance retail sales in billions seasonally adjusted



Source: FRED database September 2025

The supermarket segment has managed to retain stronger profitability compared to the pre-COVID era. It didn't see a large number of closures during the COVID event compared to the restaurant segment. People were forced to shop more for at home food consumption which was very beneficial for sales volumes. The supermarket segment has not grown as quickly as the restaurant segment as measured by Advanced Retail Sales data following the reopening of the economy.[17] However, it has maintained above average profitability as a segment thanks to its cost efficiencies. It is a notably high fixed-cost segment with the same fixed-cost needed to run stores with very little impact from volume. The additional sales volumes have translated into better than average profitability. The industry would argue that the lower food and beverage CPI inflation from 2010 to 2019 hit them harder than the restaurant segment in terms of profitability. That is certainly an argument they can make, but above average profitability attracts investments. As food and beverage inflation continues to ease with the expansion of the meat and dairy supply, it will be a real challenge for the supermarket segment to maintain its current profitability.

NAICS 311 food manufacturing 3 digit



Source: ProSight Financial Association

Food manufacturers are the next link in the chain working back towards the farming and livestock sectors. The chart on profitability already indicates that they have switched back to a very competitive environment. Profitability and returns on assets sit almost exactly on the trendline for the last 15 years. This could be taken as bad news or good news depending on which year the industry is benchmarking its data. The deeper reality follows from the very wide range of performance within the segment. Lower performing companies are under pressure to improve or sell themselves. As different parts of the supermarket benefit differently from the ongoing GLP-1 and consumer interests, the industry will have to make significant capital allocation decisions. The segments benefit will blossom with new products and profitability. The ones that get ignored will consolidate and try to appeal to the protein craze while reducing carbohydrates.

Ultimately, the consumer will benefit from the large corn and soybean crop expanding protein supply and slowing or reversing prices in 2026. According to the BLS16, protein, eggs and dairy account for 17 – 19% of consumer spending at the supermarket level.[18] As noted in our last blog which highlighted the largest crop ever, every protein, egg and dairy producer will benefit from a lower cost of feed. The strongest producers will grow their production accordingly, pressuring future prices with more supply. That combined with export volatility will cap US consumer price pressure. Following the last super crop of 2016, the market saw protein expansion lead overall food CPI toward very low inflation growth rates. It is a good bet that cycle will repeat itself in 2026 and beyond.

Economic developments

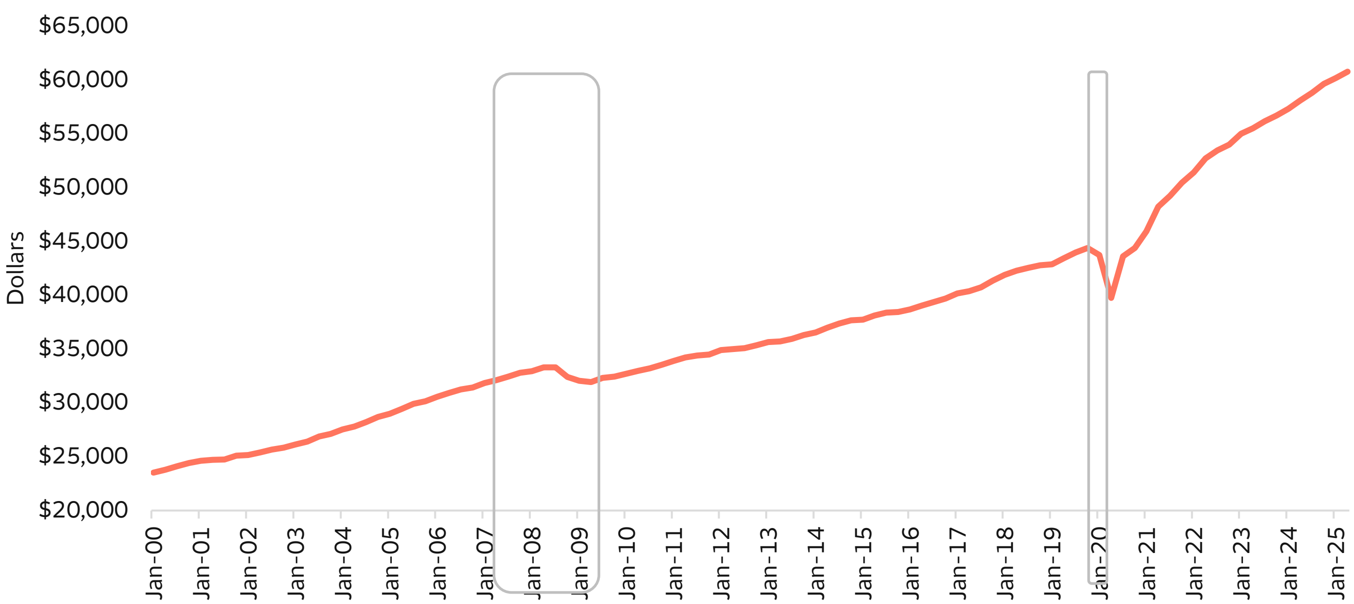
- Wells Fargo Economist modestly upgraded their U.S. economic growth outlook, now projecting real GDP to rise 2.0% in 2025 and 2.3% in both 2026 and 2027. This reflects stronger-than-expected consumer spending, with Q3-2025 personal consumption growing at a 3.0% annualized rate. Labor market signals remain mixed, with federal data delayed and alternative sources like ADP's labor report suggesting continued softness.
- Inflation remains above the Fed's 2% target, driven by rising goods prices and lingering effects from trade policy changes. Core PCE inflation is expected to hold near 3.0% through Q4 before gradually easing in 2026–2027. A Federal Reserve 25-bps rate cut is anticipated in December followed by two more in early 2026, bringing the federal funds rate to a 3.00%–3.25% range by mid-2026.[19]

Federal Reserve rate

cut anticipated in December

Stronger Consumer Spending

Personal Consumption Expenditure,Quarterly, Per Capita, Seasonally Adjusted

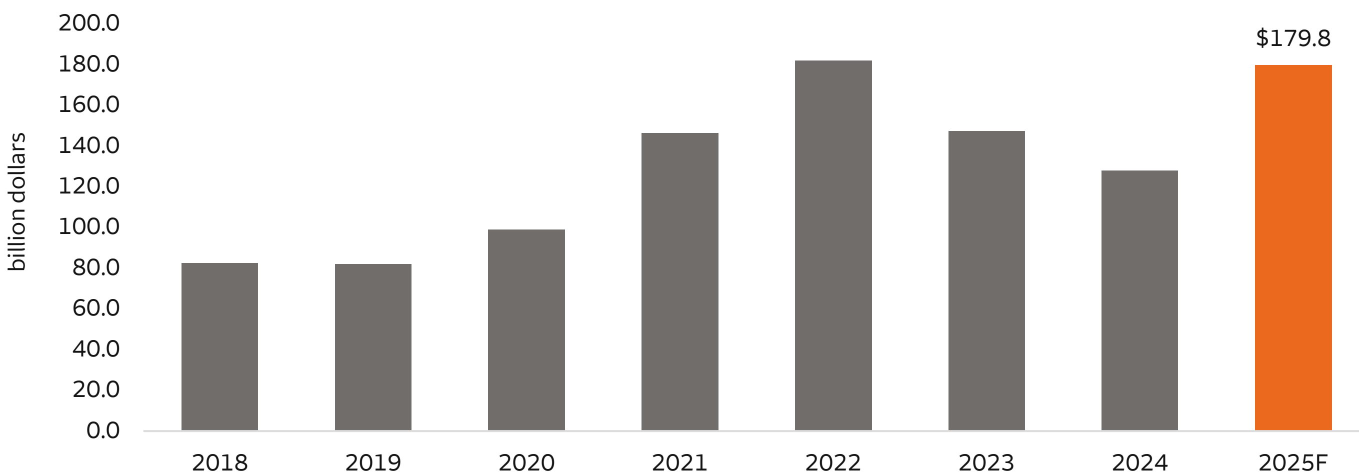


Source: Federal Reserve Bank of St. Louis

What's happening in food & agribusiness

- As of September, USDA ERS forecasts 2025 net farm income to reach $179.8 billion, up 40.7% from $127.8 billion in 2024. This growth is largely attributed to higher cash receipts for meat, poultry, egg, and dairy products (up 11.2%) offset by lower crop receipts (down 2.5%).[20] According to USDA-NASS, 2025 corn yields are forecasted at 186.7 bushels per acre, up from 179.3 bushels in 2024, marking a new record however, projected average price/bushel is down 16.8% to $3.63/bu resulting in a $3.94 Bn decline in cash receipts.[21]

U.S. net farm income



Source: USDA-ERS

- As of November 1, 2025, SNAP (Supplemental Nutrition Assistance Program) benefits have not been fully issued due to limited federal funding. USDA Economic Research Services shows that SNAP benefits have a positive effect on the economy GDP supporting food production, processing, and retail jobs.[22]

Food highlights

- Technology and AI are helping drive the food industry toward a healthier direction. Mobile scanning apps like Yuka allow users to scan barcodes on food products to instantly view a health “report card” based on nutritional value, additives, and organic certification. The apps not only rates products but also suggests healthier alternatives, influencing both consumer behavior and manufacturer reformulations.[23]
- AI is becoming a powerful shopping assistant in food retail, helping consumers make smarter choices by offering personalized recommendations, comparing prices, and streamlining purchases. Retailers are integrating AI into apps and websites to enhance convenience, reduce decision fatigue, and boost customer loyalty.[23]

What are the fastest growing healthy snack options?

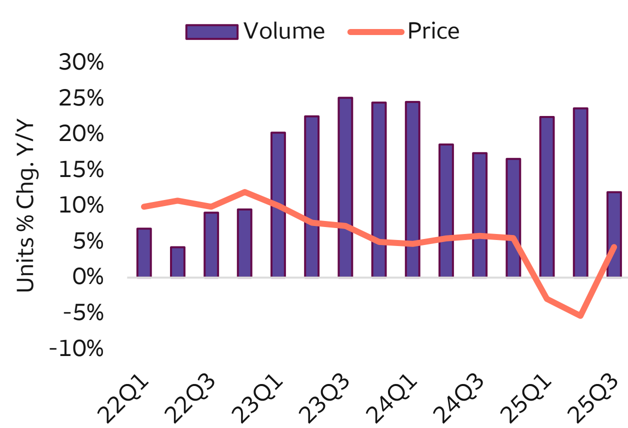
Snack Category	Why It’s Healthier
Protein Pretzels & Crackers	High protein for satiety and maintenance; lower refined carbs.
Chickpea & Lentil Chips	Plant-based, high fiber and protein; better glycemic control than potato chips.
Protein Popcorn	Whole grain base + added protein for fullness; lower fat than traditional snacks.
Probiotic Granola Bars	Supports gut health with probiotics and fiber; often lower sugar.
Superfood Energy Bites	Packed with antioxidants, vitamins, and minerals from nutrient-dense ingredients.

Source: Wells Fargo, Co-pilot data

Beverage highlights

- In 2024, non-alcoholic beverage sales rose by nearly $1 billion, reflecting a strong consumer shift toward moderation and wellness.[24] Ready-to-drink formats especially in spirits and wine-based products continue to lead growth, while flavored malt beverages and hard seltzers attract younger consumers with low-calorie, gluten-free options. Low-alcohol beers like session IPAs and light lagers are gaining traction among health-conscious drinkers.[25]
- The beer wholesaling industry is undergoing a major transformation due to the rise of online sales and alcohol delivery services, allowing wholesalers to reach beyond traditional geographic boundaries.[25] Premiumization is also driving growth in wine and spirits, with higher-priced brands boosting wholesaler revenue. Seasonal peaks in Q3 and Q4, driven by holiday demand, often lead to increased part-time hiring to manage volume.[26]

Non-alcoholic beer Nielsen retail trends



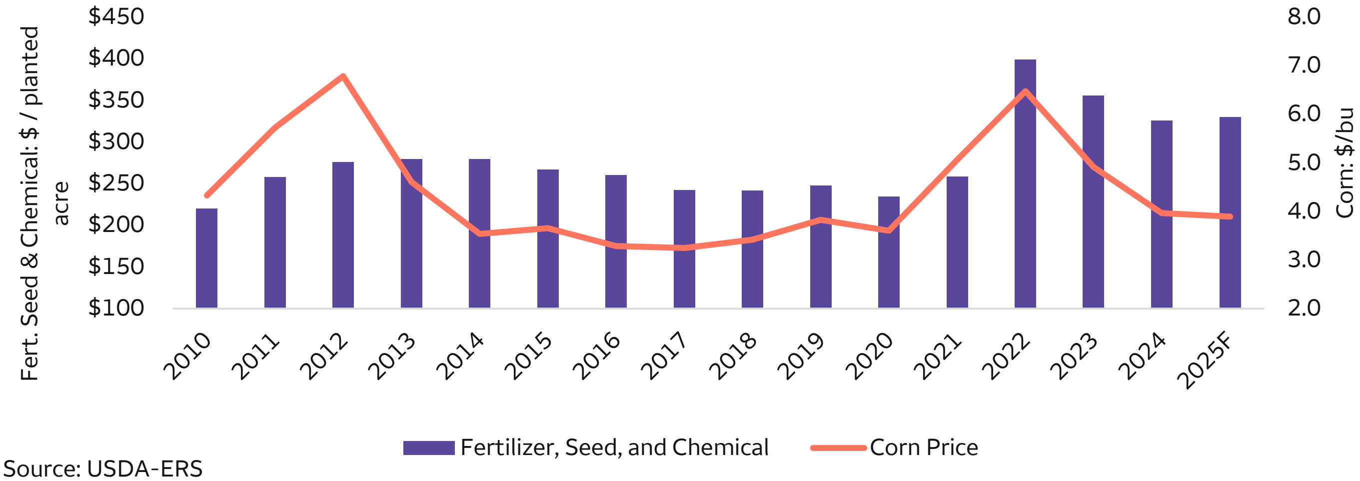
Source: Nielsen Discover using the Beer Retail Measurement program, for Non-Alcoholic Beers, 15-quarters, ending 9/27/2025

Crop inputs

- The USDA has launched an investigation with the DOJ to examine the competitive landscape in agricultural markets, which may be contributing to high prices for crop inputs. Two seed companies account for 72% of planted corn acres and 66% of planted soybean acres. For crops planted predominately with GM seed, such as corn, soybeans, and cotton, seed prices rose by an average of 463% between 1990-2020, compared to commodity prices increasing 56% over the same period. Roughly 70% of the cost of a bag of seed goes to royalties now, compared to 42% just five years ago. The fertilizer industry is equally consolidated with four firms controlling 77% of nitrogen production and 100% of potash and phosphate markets.[27]
- The anomaly of high fertilizer was matched by commodity price run ups from 2020 to 2023. That has dissipated into the current circumstances where there has been a sequence of numerous compounding geopolitical events since May of 2023. These events include Chinese limits on exports of urea and phosphates, issues in the Strait of Hormuz, gas supplies out of northern Africa, and companies limiting exports and curtailing production. The current affordability indexes for fertilizer should result in demand destruction, but at this point there is no evidence of farmers cutting back on inputs.[28]
- The U.S. Geological Survey (USGS) has released its 2025 draft update to the List of Critical Minerals, adding 10 new materials — including phosphate and potash, two core fertilizer ingredients — in a move that expands the government's definition of "criticality" to the agricultural sector. The addition of phosphate and potash to the list underscores the reality that food security and mineral security are intertwined.

- The designation as "critical" carries practical consequences. It allows for faster federal permitting, expanded research funding, and potential tax incentives for domestic exploration and processing. It also elevates fertilizer minerals within the broader national-security framework — positioning them alongside defense-linked metals and clean-energy materials.[29]

The profit pinch: Higher input costs vs. declining corn prices



Source: USDA-ERS

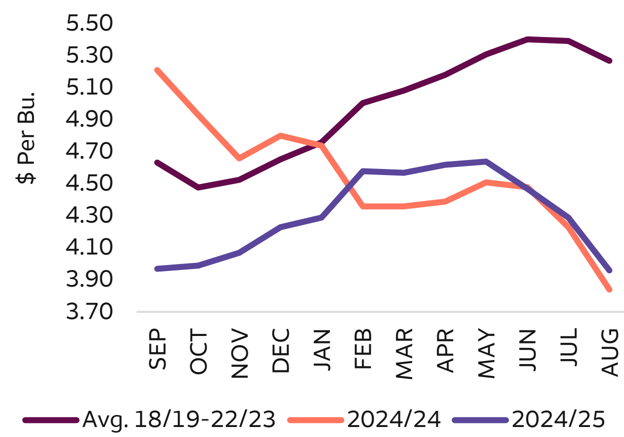
Sugar

- The USDA in its November 14th World Agricultural Supply and Demand Estimates (WASDE) report projected an ending stocks-to-use ratio for the 2025/26 crop year of 15% indicating that supply continued to outweigh demand.[30]
- US cash sugar prices are holding steady as the market continued to focus on the status on current cane & beet harvest progress. However, the industry continued to closely monitor the sharp decline in the No. 11 world sugar futures price which has sunk to a 5-year low due to reports of increased sugar production from Brazil, Thailand, and India.[31] Latest forecasts by the National Supply Company (CONAB), Brazil's crop agency, projected total sugar production for the 2025/26 crop year (April – March) of 45.02 million metric tons (MMT), up 2.04% or 900,000 MT from prior crop year. Driving the increase in Brazil's sugar production is the continued focus on replacing sugar with corn in the country's ethanol production.[32]
- US sugar deliveries for food use for the current 2024/25 marketing year (10/2024-9/2025) are down 380,000 short tons raw value ("STRV") or 3% compared to prior year.[33]
- As a result, current supply (as measured by monthly ending warehouse stocks) for July 2025 are up 403,519 STRV, or 13.6% compared to July 2024.[34]

Grain and oilseeds

- The U.S. corn industry is on track to produce a record 16.8 billion bushels in 2025, harvested from approximately 98.7 million acres. Despite early-season challenges, including uneven weather and disease pressure, yields have held strong across much of the country.[35]
- Demand remains robust:
  - Feed use is projected at 6.1 billion bushels, the highest since 2000.
  - Ethanol production is expected to consume 5.6 billion bushels, up from last year.
  - Exports are forecast to hit 3 billion bushels, driven by strong sales to Mexico, Japan, and Colombia, despite China's continued absence from the U.S. corn market.[36]

Monthly average corn price, received by farmers, U.S., crop year



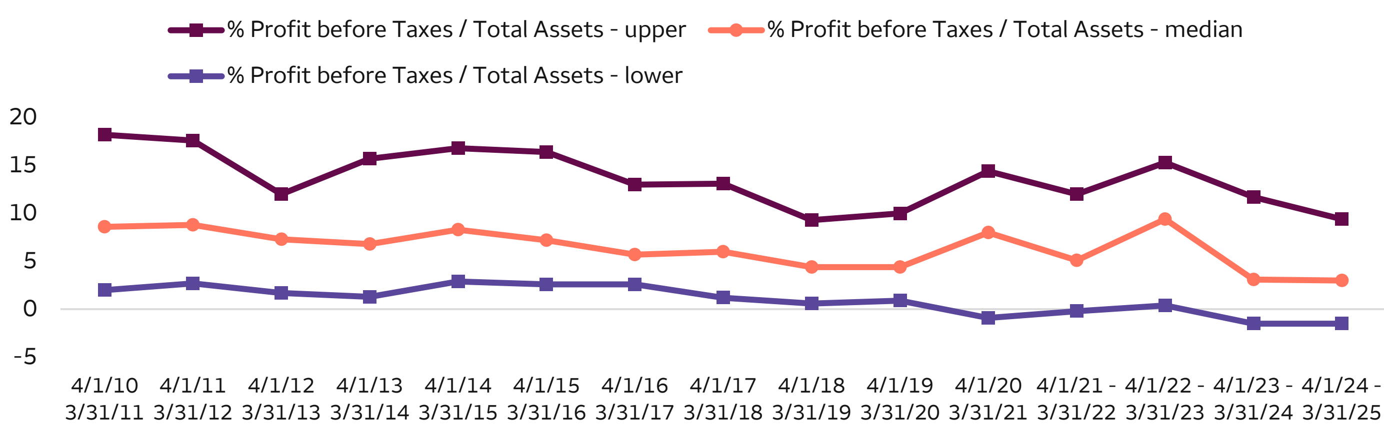
Source: USDA-NASS, LMIC

- Lower corn prices have made U.S. corn more competitive globally, supporting both domestic and international demand.
- After months of minimal purchases, China has agreed to buy 12 million metric tons (MMT) of U.S. soybeans by year-end and 25 MMT annually through 2028. While this is a positive development, it still falls short of historical averages, and traders remain cautious about long-term demand.[37] Brazil and Argentina continue to dominate China's soybean imports due to higher protein content and favorable pricing.[38]
- The USDA has finalized the 45Z program, which incentivizes the use of soybean oil in renewable diesel fuel production. The program is in effect for the 2025 tax year through 2029, with tax credits tied to the carbon score of the crop, graded by farming practices.[39] Renewable diesel production has increased substantially year-over-year, leaping from 4.3 billion gallons in 2022, to 5.6 bb/gal in 2023, and finished 2024 at 6.4 bb/gal.[40] Domestic crushing is increasing in 2025, with new facilities in Iowa, Nebraska, Kansas, and North Dakota.[41]

Grain and oilseeds

- The U.S. wheat flour milling sector performed well in 2025, a result of the relatively low price of wheat. However, the profit margin for the industry has slowly declined as mills expand and update technology resulting in overcapacity. Potential tariffs would have a negligible impact on flour milling as only 1% of wheat flour was exported last year. In addition, only 1.3% of hard red winter wheat is imported.[42] The U.S. does rely on Canada for a portion of the durum flour used in pasta manufacturing. By contrast, the corn milling sector operates entirely on domestically grown corn and milled products consumed within the U.S.

RMA return on assets
NAICS: 3112 grain and oilseed milling



Source: RMA

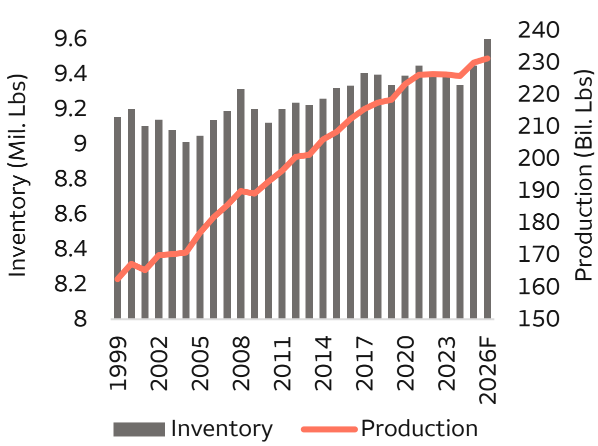
Dairy

- The U.S. dairy sector is experiencing modest growth in milk production, driven by herd expansion and incremental gains in milk per cow. The national milking herd is expected to average 9.6 million head, up from 9.33 million in 2024, while annual milk output is forecast at 226.9 billion pounds, which is up from 226 billion pounds a year ago.[43]
- The all-milk price remains relatively stable at $22.60 per hundredweight. Lower feed prices (current prices for corn of $4.35/bushel and soymeal of $310/ton) have enabled producers to maintain positive margins.[43]
- Domestic dairy consumption continues to favor cheese and butter, with butter demand up 5.8% and natural cheese up 1.5% year-over-year.[44] The high-protein trend is fueling demand for dairy-derived ingredients such as whey protein, supporting Class III milk prices, and reducing whey inventories.[45]
- The U.S. dairy manufacturing industry is undergoing unprecedented expansion, with processors investing $11 billion across 19 states to meet rising domestic and global demand for dairy nutrition.[46] These investments span not just cheese plants but also extended shelf-life beverages, high-protein drinks, butter, ice cream, and other value-added products. This surge in capacity reflects confidence in long-term demand for high-protein dairy products, such as yogurt, shakes, and whey-based supplements. Cottage cheese sales have grown 20% year-over-year, signaling a shift toward protein-rich options.[47]

Demand Increase

Domestic dairy consumption continues to favor cheese and butter, with butter up 5.8% and natural cheese up 1.5% year-over-year.

U.S. milk production vs. milk cow inventory



Source: LMIC, USDA-NASS

BUTTER DEMAND

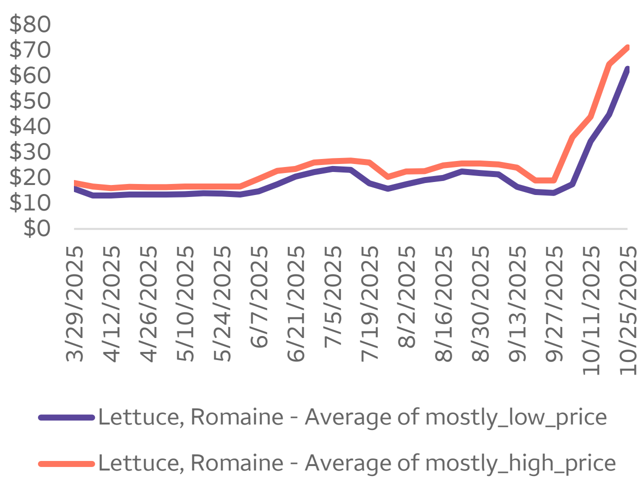
5.8%

Fresh produce

Lettuce and vegetable markets

- The seasonal transition for lettuce and other wet vegetable crops is currently underway. Production in the Salinas Valley is winding down as the region enters its off-season, while Yuma, Arizona is ramping up to take over supply responsibilities. This shift is typical for this time of year, as growers move operations to the desert regions to maintain consistent output.
- As Salinas production tapers off and Yuma is not yet fully online, supply has tightened, leading to seasonal upward pressure on prices. Market prices are expected to remain elevated until Yuma reaches full production capacity, which typically stabilizes supply and eases pricing volatility.

Romaine Lettuce Market, Salinas Valley 2025



Fresh tomato market

- As the winter season approaches, domestic tomato production is transitioning to Florida and Mexico, the primary suppliers during this period. However, recent changes in trade policy are reshaping market dynamics. With the termination of the Tomato Suspension Agreement, U.S. importers are now required to pay duties on Mexican tomato imports. This development has introduced uncertainty and cost pressures into the supply chain.

- In response to the anticipated tariffs, several Mexican growers are reportedly scaling back tomato acreage and shifting toward alternative vegetable crops such as peppers, cucumbers, and squash. This strategic pivot is expected to reduce overall tomato supply from Mexico, which typically accounts for a significant portion of U.S. winter tomato imports. Prices of fresh tomatoes are expected to increase with less varieties available. Further, with the shift to other commodities, the bell pepper and cucumber markets could experience lower prices.
- The industry is currently in a “wait-and-see” mode, closely monitoring how trade negotiations, planting decisions, and early-season yields will influence market conditions.

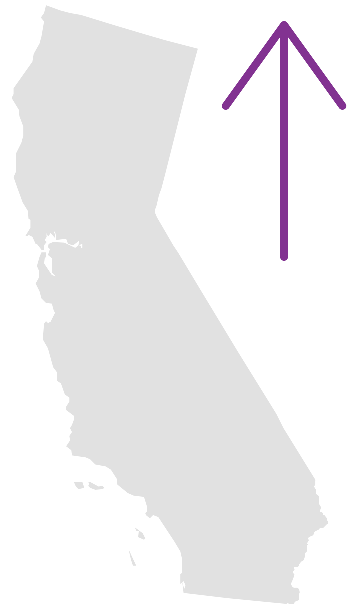
Berries

- As the winter months begin, berry production is shifting to Mexico, Florida, Peru, and Chile. The strawberry market has experienced a strong year with Watsonville, CA wrapping up their season in November. Florida and Mexico will be producing in the winter months to provide year-round strawberry supply. The current blueberry market is experiencing stronger prices with tight supplies.[48] Peruvian production is down, and Mexico crossings have experienced delays due to weather.[49] Raspberries have increased production in both Baja and Central Mexico. The increase in supply has softened the raspberry market.[48]

Tree nuts

Almonds

- Industry estimates and customer feedback suggest the almond crop will fall short of the USDA's 3.0 billion pound projection, with current expectations between 2.5 and 2.7 billion pounds. Late-season rains caused some crop loss and increased harvest costs. The reduced volume is likely to support market prices, especially as recent annual shipments have averaged around 2.6 billion pounds. The market remains focused on final yield data and demand trends to gauge pricing direction.



18%

The USDA projects California's 2025 walnut crop at 710,000 tons, an 18% increase over 2024.

Pistachios

- The 2025 pistachio harvest is on track to hit a record 1.5 billion pounds, with harvest nearly complete and expected to wrap up in November. Despite the large crop, the market remains stable, with prices rising from $1.90 to $2.40 per pound this year. Industry experts project 2026 prices to reach $2.50 per pound, reflecting continued confidence in the market. Among California's major tree nuts, pistachios stand out as the most stable and profitable segment.

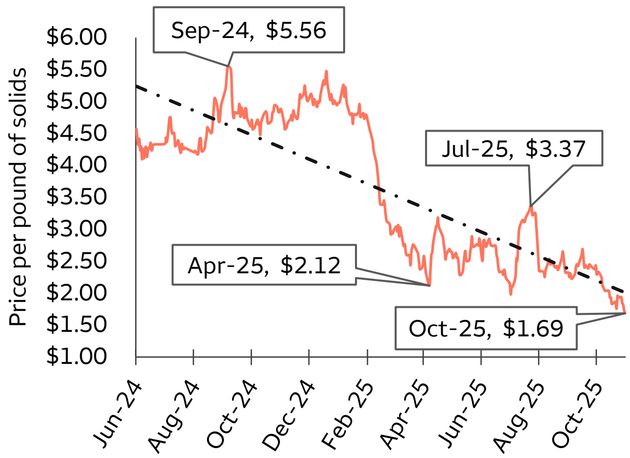
Walnuts

- The USDA projects California's 2025 walnut crop at 710,000 tons, an 18% increase over 2024. The 2024 crop year is closing with one of the lowest unsold inventory levels in recent years, which has supported early-season demand and pricing stability. With mild California weather, quality is expected to be and is being reported as strong.[50] Walnuts remain a tougher market with competition from both China and Chile for global production.

Citrus

- Florida's orange crop for the 2024/25 season ended with the lowest production in over a century, totaling just over 12.15 million boxes, down 32% from prior year. The latest USDA forecast for the 2024/26 season projects total production to remain flat at 12.15 million boxes.[51]
- The Frozen Orange Juice Concentrate (FOJC) futures market continues to experience significant volatility in 2025 driven by weather and disease pressure creating multiple supply-side shocks. Global orange juice production for 2024/25 is forecast 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.[52] While production is forecast to increase, demand from the U.S. and EU continues to decline as consumers are favoring alternative juices given the high prices in 2024. As a result, frozen concentrated orange juice futures (FCOJ) have collapsed, falling 67% from early January's high of $5.26/pound to October's low of $1.69/pound.[53]
- The California 2025/26 mandarin season is kicking off with expectations of a smaller crop, following last year's large harvest in an "on-year." The season begins with clementine varieties, which will be available through mid-January, before transitioning to Tango and Murcott varieties. This year's crop is anticipated to be down approximately 25%, reflecting an "off-year" in the mandarin's alternate bearing cycle. Shipments are expected to start the week of November 10, marking the official beginning of the California season. Pricing is projected to remain in line with last year's levels.[54]

FCOJ nearby futures settlement price (LTM ending 10-31-2025)

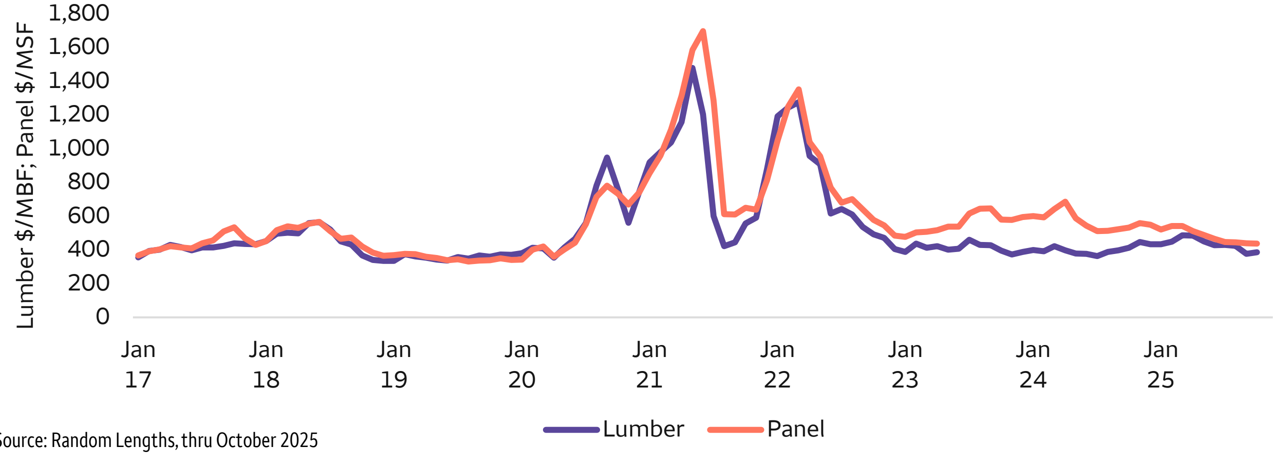


Source: ICE

Forest products

- Simply stated, there is an oversupply of lumber and panels in the market today for the level of demand. Production as a percent of practical capacity through July 2025 is running at 81% in the US and 74% in Canada.[55] Given this circumstance, several companies in the industry are announcing curtailments and closures to initiate a supply correction to hopefully improve the supply/demand balance and positively impact the market.[56]
- Softwood framing lumber prices softened further in 3Q25 as the market malaise continues. Lumber producers are experiencing challenging financial conditions, and recent numbers are not encouraging. The nearby lumber futures market dropped below the cash market, and early 2026 months are not strong. Structural panel prices have also been decidedly weaker in 3Q25.[57]
- An increase in antidumping/countervailing duties on Canadian lumber exports to the US coupled with an added Section 232 investigation finding imposing an added tariff of 10% has put lumber producers in Canada in a difficult position. Other spontaneous tariff announcements from the Administration compound the situation for the industry north of the border. These actions serve as a deterrent to imports of lumber from Canada, a source that currently represents roughly 22.6% of the total volume of softwood lumber used in the U.S. The volume of Canadian lumber exports to the U.S. is already trailing the prior year with a decline of 5.8% YOY through July 2025.[55]
- In its October 8, 2025, forecast update, the Wells Fargo Economics Group projected U.S. housing starts of 1,320,000 total starts in 2025 but forecasted a 3.0% year-over-year rebound in housing to 1,360,000 total starts in 2026 and 1,410,000 starts in 2027, a YOY gain of 3.7%.[19] Although it is a reversal of four years of declining housing numbers, which is a positive trend, it's unknown if these figures are enough of a stimulus to kickstart the market.

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

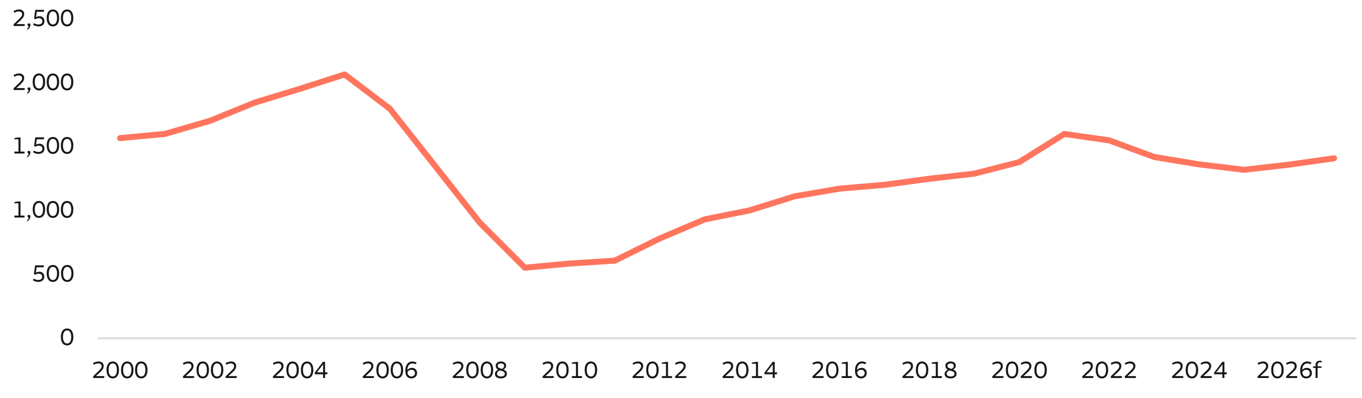


Source: Random Lengths, thru October 2025

Forest products

- Headwinds to any market appreciation are the inflated cost of housing and persisting mortgage rates that are pricing out the low-end marginal buyer. The Wells Fargo Economics Group is forecasting a lower 30-year conventional mortgage rate of 6.20% in 1H26, the low point of its forecast for next year.[58] There may be a positive psychological impact on housing demand if mortgage rates drop well below 6.0%, but that doesn't appear to be in the cards right now.

U.S. annual housing starts, 1000s



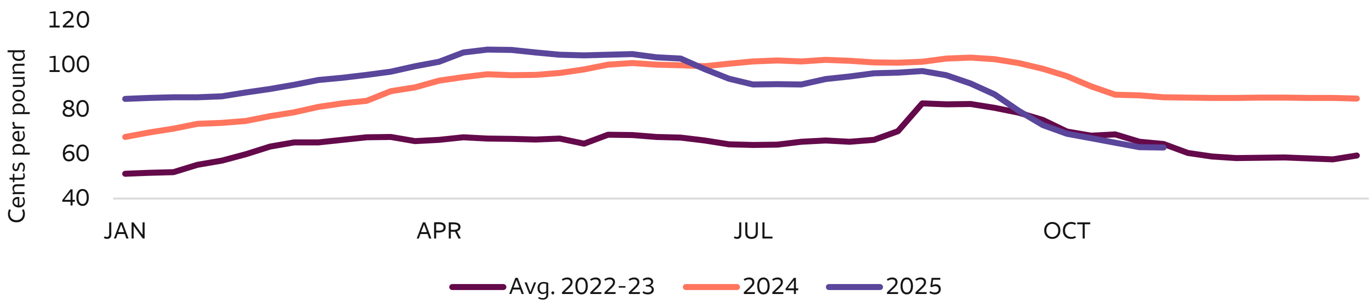
Source: US Dept. of Commerce; Forecast by WF Economics Group, Oct 15, 2025

Protein

Beef

- The Trump Administration in October 2025 unveiled a new revitalization plan to support the U.S. beef industry. The plan includes various programs geared toward the following three priorities: 1. Protecting and Improving the Business of Ranching, 2. Expanding Processing, Consumer Transparency, and Market Access, 3. Building Demand Alongside Domestic Supply.[59]
- The Administration took additional steps towards price relief for consumers by negotiating a deal with Argentina to increase the U.S. import quota for Argentine beef. The deal expands Argentina's beef quota from 20,000MT to 80,000MT.[60] Additionally, tariffs on beef were rolled back by the Administration in mid-November, including the 40% tariff imposed on Brazilian beef.

Broiler cutout value national, FOB, weekly

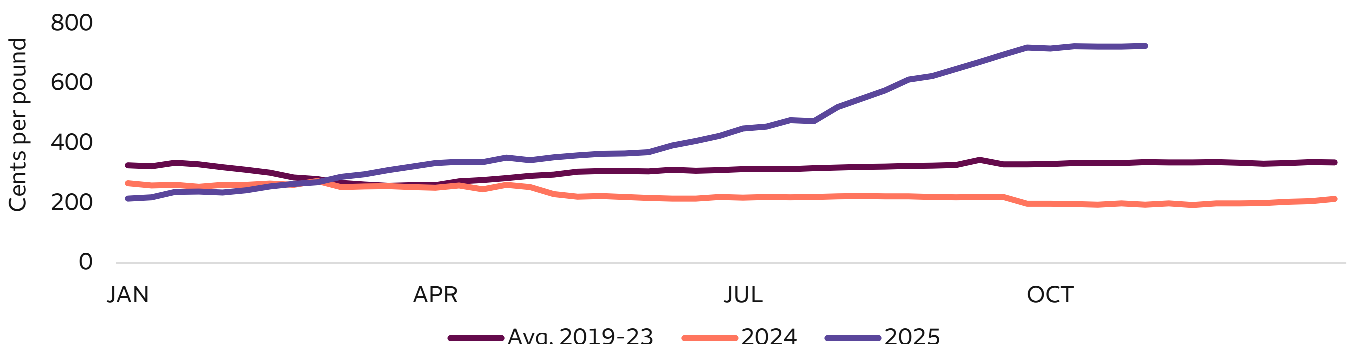


USDA-AMS, Compiled by Livestock Marketing Information Center (LMIC)

Broiler

- Wholesale prices for cuts such as breast meat have experienced significant softness in the 3rd and early 4th quarters of 2025.[61] Seasonality is a key driver in the softness as grilling season ends and consumers shift towards holiday food items.

Wholesale turkey breast prices, national, skinless/boneless, tom, weekly



USDA-AMS, LMIC

Protein

Pork

- U.S. production of pork is expected to be down 1% year over year in 2025 on a smaller sow herd and persistent disease issues impacting herds.[62] The most recent USDA September Hog and Pig report indicated the U.S. sow herd is at the lowest level in a decade. However, improved breeding efficiency and higher hog weights are helping partially offset the lower herd numbers.

Turkey

- U.S. turkey production has experienced significant supply tightening in 2025. This is due to the closure of two major turkey processing plants and continued disease pressure from highly pathogenic avian influenza (HPAI) and other avian diseases.[63] Turkey production in 2025 is estimated to be at the lowest level in 30 years.[62] As a result, wholesale turkey prices have climbed to record high levels.[61]

Highly pathogenic avian influenza (HPAI) update

- Highly Pathogenic Avian Influenza (HPAI) Update: With the Fall migration of wild birds, new cases of HPAI have ramped up across the U.S. Since August 1, 2025, a total of 8 million birds have been impacted, including 5.8 million egg layers, 1.8 million turkeys, and 139,000 broilers.[64]

Seafood

The One Big Beautiful Bill Act (OBBBA), signed into law on 7/4/2025, introduced the most sweeping changes to the Supplemental Nutrition Assistance Program (SNAP) in decades. According to the Congressional Budget Office, these changes result in an estimated $186 Billion in SNAP-related savings over the next decade.[65]

Given the changes to the SNAP program that are occurring, research was done to determine what would be the potential impact to the seafood industry. SNAP benefits can be used to purchase seafood (fresh, frozen, canned, and shellfish) from grocery stores and seafood markets.[66]

- Approx 42 million Americans receive SNAP benefits
- No official USDA breakdown on % of SNAP benefits spent on seafood, but consumer behavior studies and surveys have provided data that offers some insight.
    - According to Numerator's SNAP tracker, seafood likely accounts for around 5% of total SNAP expenditures.[67]
    - To put this into perspective, in 2024 the average monthly participation was 41.7 million people while inflation adjusted SNAP spending for 2024 was $99.8 billion.[68] Doing some simple math, 5% of the total SNAP spending equals an estimated $4.9 billion spent on seafood. [68]
- Based on recent Nielsen IQ data, total retail seafood sales for the 2022-2024 averaged 6.27% of total SNAP benefits paid for these years. Assuming a 5% decline in SNAP benefits under the OBBBA, seafood retail spending would decline by approximately $355 million.[68]
- Most Common Seafood Items Bought with SNAP (based on retail trends and eligibility rules): [68]

1. **Canned tuna and salmon** - 35%
    - Shelf-stable, low-cost, and protein-rich.
    - Popular for sandwiches, casseroles, and salads.
2. **Frozen fish fillets** - 25%
    - Affordable and widely available (e.g., tilapia, pollock, cod).
    - Often sold in bulk or family-size packs.
3. **Frozen shrimp** - 20%
    - Frequently on sale and used in versatile dishes.
    - Available peeled, deveined, and pre-cooked.
4. **Imitation crab (surimi)** - 10%
    - Lower cost alternative to shellfish.
    - Used in salads, sushi, and pasta dishes.
5. **Breaded fish sticks or patties** - 10%
    - Kid-friendly and easy to prepare.
    - Often included in frozen meal sections.

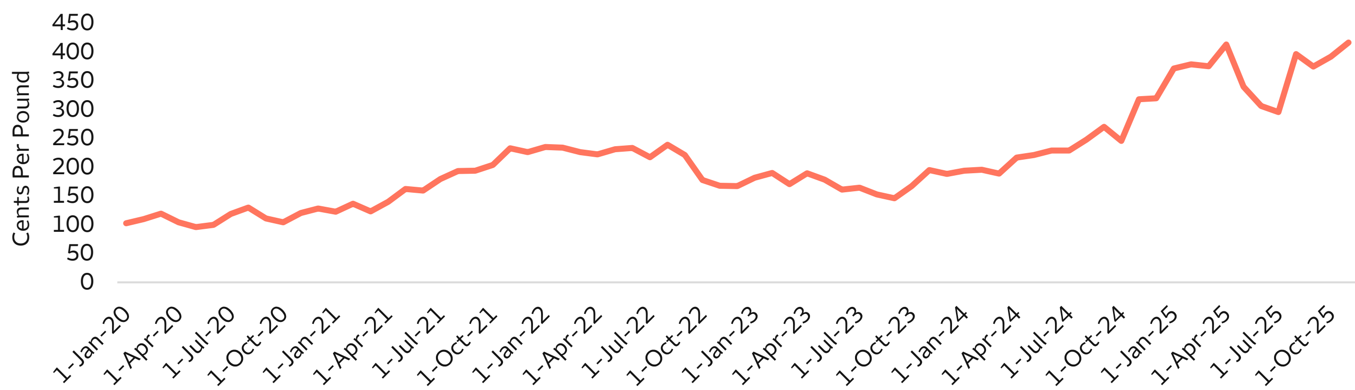
While the impact of the changes to the SNAP program as a result of the OBBBA are positive from a U.S. budget reduction standpoint, based on the historical data it is projected to have a negative impact on the seafood industry as a whole given the estimated decline in retail sales.

Specialty crops

Coffee

- As of November 5, 2025, the Coffee C price is trading at $4.17 per pound. This is slightly below the all-time high of approximately $4.30 per pound from February 2025.[69] The market has been quite volatile due to a combination of factors including supply constraints, rising costs, tariffs, and speculation. Most Wells Fargo customers have managed the commodity coffee market well by either locking in prices for supply at lower costs, hedging, or buying specialty coffee that does not follow the C price market.

Coffee "C" price trends



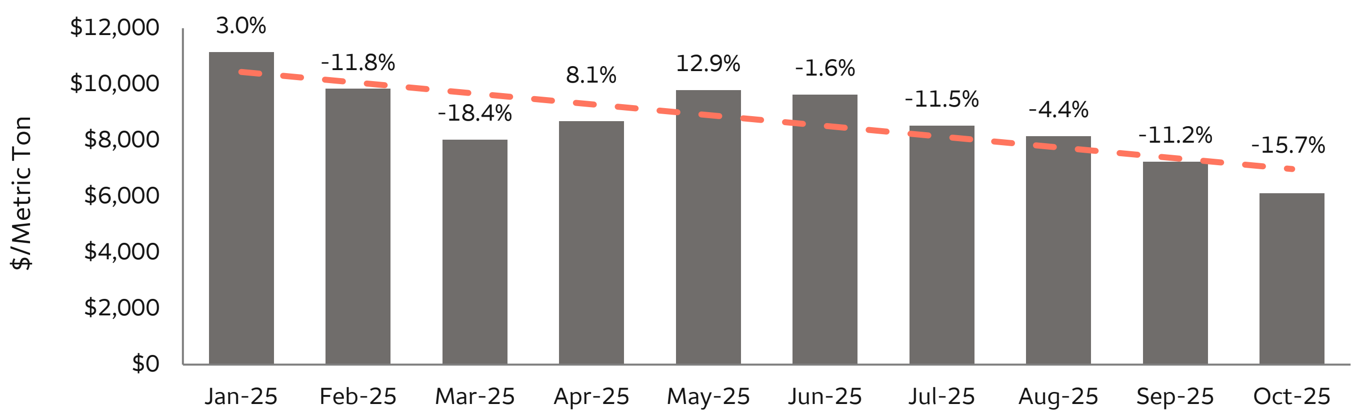
Source: Investing.com: US Coffee C (KCZ5)

Specialty crops

Cocoa

- Cocoa futures prices have dropped from earlier highs due to a forecasted increase in production in West Africa, the main cocoa bean producing region, due to more favorable weather conditions this growing season. Cocoa prices in January of 2025 averaged $11,160 per metric ton (MT) due to continued tight global supply following three consecutive years of declining production resulting in a 494,000 MT supply deficit. For the current crop year, the International Cocoa Organization (ICCO) is projecting total production of 4.84 million MT, an increase of 7.8% over last crop year, resulting in a supply surplus of 142,000 MT. As a result, current average cocoa prices for October have declined over 45% since January to $6,105/MT.[70]

% change in monthly average cocoa futures



Source: International Continental Exchange

- While current prices are down from a year ago, the elevated prices over the last 12 months have resulted in higher chocolate prices which continues to have a negative impact on overall demand for the confection. Chocolate's market share of recent Halloween candy sales fell to 44% versus 52% in 2024 as prices surged nearly 30%. As a result, consumers shifted toward non-chocolate options like gummies and sour candies, which saw a 4.5% Y/Y increase in Halloween sales.[71]

Wells Fargo Agri-Food Institute Advisor Team

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

Read Robin Wenzel's latest insight:
Where's the Beef?

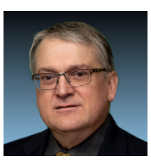
Michael Swanson, Ph.D.
Chief Agriculture Economist
michael.j.swanson@wellsfargo.com
612-667-5136

Read Dr. Michael Swanson's latest insight:
The Biggest Crop EVAH

Kevin Bergquist
Forest Products, Rendering, Eggs
bergquk@wellsfargo.com
971-978-4787

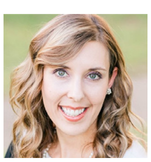
Tim Luginsland
Grains and Oilseeds, Dairy, Beans, Rice, Vegetable Oils
luginstr@wellsfargo.com
913-234-2921

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

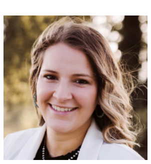


David Branch
Aquaculture, Chocolate/Cocoa, Greenhouses, Nurseries, Seafood, Sugar
david.e.branch@wellsfargo.com
704-410-8997

Brad Rubin
Fruit and Vegetables, 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

Subscribe to the Agri-Food Intelligence newsletter

Sources

1. AgProud – 2024 Fluid Milk Sales End Higher, First Time in 15 Years [agproud.com]
2. Food Business News – IFIC Survey Shows 71% of Americans Seek More Protein [foodbusinessnews.net]
3. Nutrition Considerations for Those on GLP1-RA Weight Loss Medications, Mary Finckenor, MA, RDN, CDCES, BC-ADM, CSSD, CCRP
4. GLP-1 drug use cuts grocery spending by 6%, study finds | Food Dive
5. Fluid Milk Sales Rebound in 2024 as Preferences Change - HighGround Dairy
6. Per Capita Cheese Consumption Was Record 40.54 Pounds In 2023 – Cheese Reporter
7. Cheese in France - Statistics & Facts | Statista
8. IDFA – Cottage Cheese Sales Surge 20% [idfa.org]
9. IBIS World-31151- Dairy Product Production in the US
10. Dairy Processing – $11B Investment in U.S. Dairy Processing [dairyprocessing.com]
11. Chobani Breaks Ground For $1.2 Billion Dairy Plant In Rome, NY – Cheese Reporter
12. Fairlife Breaks Ground on $650 Million Facility in New York - Dairy Herd
13. AgProud – Walmart, Fairlife, Chobani Dairy Facility Investments [agproud.com]
14. As Manufacturing Month Begins, IDFA Highlights $11 Billion In Dairy Processing Investment - Cheese Reporter
15. Bureau of Labor Statistics via the FRED portal October 2025
16. ProSight Financial Association
17. U.S. Census Bureau data via the FRED Economics portal
18. BLS's 2022 to 2025 Relative Importance Table for the Consumer Price Index (CPI)
19. Wells Fargo Economists, U.S. Economic Outlook: October 2025
20. USDA-ERS Farm Income and Wealth Statistics
21. USDA-National Agricultural Statistic Services (NASS)
22. USDA-Economic Research Service (ERS), Supplemental Nutrition Assistance Program Key Statistics and Research
23. NielsenIQ: "What's Really Inside?
24. NIQ Beverage Alcohol Year in Review
25. IBISWorld: Beer Wholesaling in the U.S. – 42481
26. IBISWorld: Wine & Spirits Wholesaling in the US
27. The Scoop 10/30/25
28. The Scoop 11/3/25
29. U.S. Geological Survey 2025 survey
30. USDA World Agricultural Supply and Demand Estimates (WASDE)
31. Sosland Sweetener Report
32. Brazilian Technical Corporation (CONAB); Brazilian Sugarcane and Bioenergy Association - Brazilian Sugarcane and Bioindustry Association (UNICA)
33. USDA Sweetener Market Data Report
34. USDA Farm Service Agency
35. National Corn Growers Association; The Mill Stores
36. Southern Ag Today
37. ABCNews and Center for Strategic International Studies (CSIS)
38. Invezz
39. EverAg
40. Advance Biofuel Association
41. kcur
42. Milling and Baking News
43. USDA.gov
44. McKinsey
45. Dairy Herd
46. International Dairy Foods Association (IDFA)
47. IDFA
48. USDA AMS
49. Agronometrics
50. Derco
51. USDA NASS 2024-25 Citrus Summary)
52. USDA Foreign Agricultural Services (FAS) Citrus: World Markets and Trade, Jan 2025
53. Bespoke, "The Rise and Fall of orange juice futures, 6-3-2025 ; Citrus Industry.net_5-9-2025
54. Fresh Plaza
55. Western Wood Products Association, Lumber Track, October 16, 2025
56. TimberMart-South, Market News Quarterly, 3rd Quarter 2025
57. Random Lengths, October 31, 2025
58. Wells Fargo Economics Group, U.S. Economic Forecast, October 8, 2025
59. USDA Beef Industry Plan White Paper
60. Meat Institute
61. USDA-AMS, Oct. 31, 2025
62. USDA-WASDE – Sept 2025
63. AgricultureDive.com, January 2025
64. USDA-APHIS, as of November 3, 2025
65. noonfoodnetwork.com, Farm Bureau - Final Agricultural Provisions of OBBBA
66. cnbc.com
67. Numerator.com/SNAP
68. USDA ERS Food and Nutrition/SNAP Statistics
69. Investing.com
70. International Cocoa Organization Cocoa Market Review, September 2025; International Continental Exchange
71. cnbc.com, fooddive.com