To: KC Farm Bureau
Date: June 18, 2026
Re: Agriculture Trade Report
From: Aaron Hegde

<u>Executive Summary</u>: *The June 2026 Agriculture Trade Report highlights moderating food prices alongside persistent inflation driven by elevated energy costs. Declines in key staples have reduced consumer food costs, with the Bakersfield Breakfast Barometer down 14% year-over-year, though some items like coffee and orange juice continue to rise. Despite this relief, higher energy prices are sustaining input and transportation costs, limiting broader price stability. Structural pressures remain significant, as most family farms operate with thin margins and elevated financial risk, particularly among smaller operations. At the same time, the U.S. agricultural trade balance has shifted into a growing deficit as imports outpace exports. Overall, while near-term consumer price pressures are easing, underlying cost challenges, farm financial strain, and trade imbalances continue to shape the agricultural outlook.*

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<u>The Economy – Macroeconomic Conditions</u>

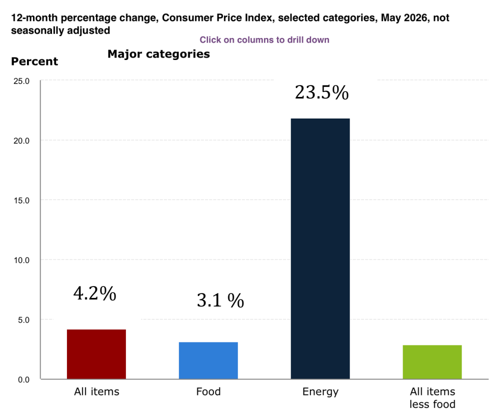

Figure 1 Twelve-month CPI Change. *Source: BLS*

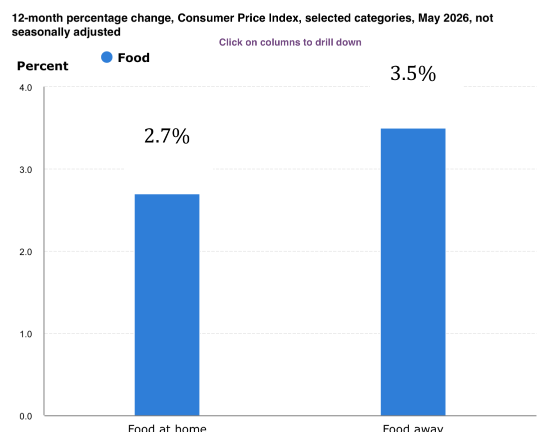

Figure 2 Change in Food CPI. *Source: BLS*

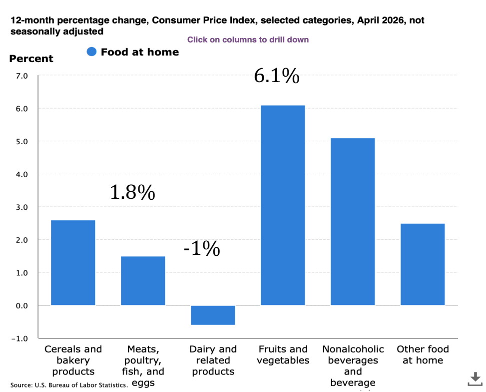

Figure 3 Food at Home. *Source: BLS*

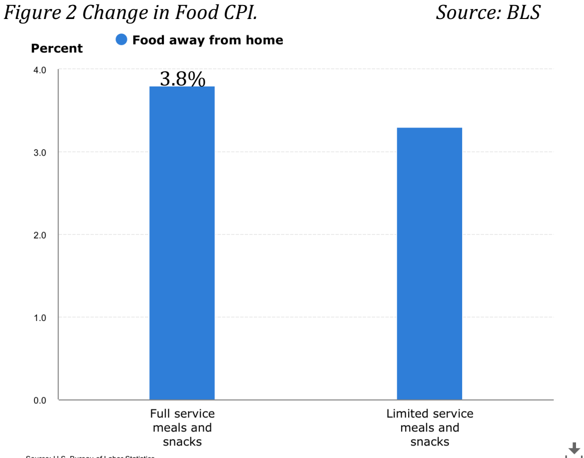

Figure 4 Food Away From Home. *Source: BLS*

Grimm Family Center for Agricultural Business
California State University, Bakersfield
9001 Stockdale Hwy. • Mail Stop: 12 AE • Bakersfield, CA 93311

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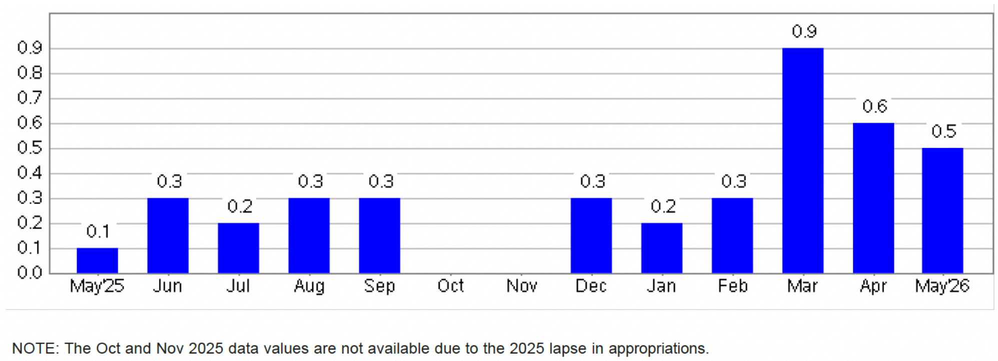


Figure 5a One-month Percent Change in CPI (4/25-4/26) *Source: http://www.bls.gov*

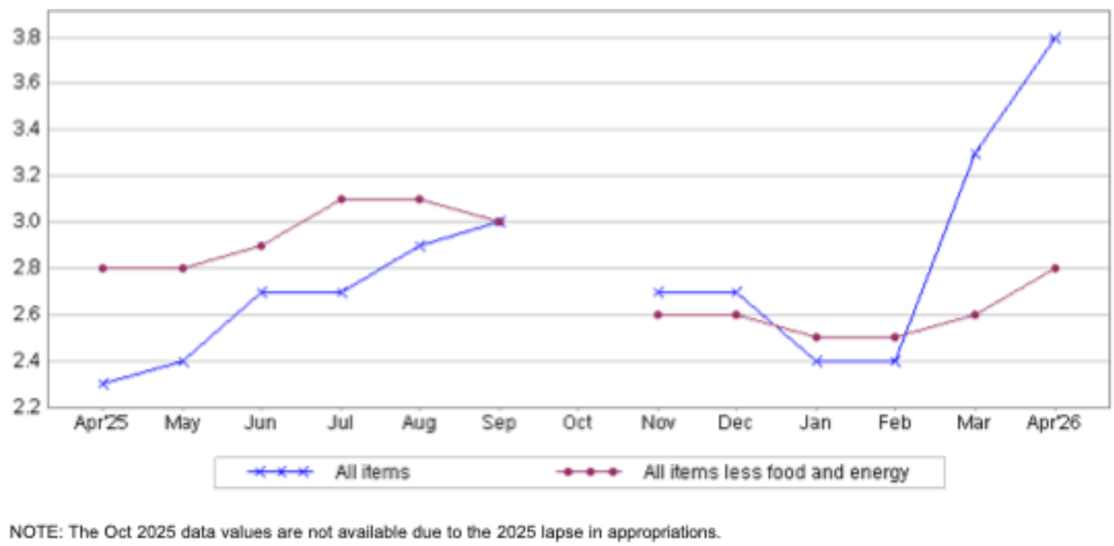


Figure 5b Twelve-month % change in CPI *Source: BLS*

Bakersfield Breakfast Barometer – Consumer Food Costs

Item	Q	Price (Jun '26)	Cost	Percent Change (MoM)	Percent Change (YoY)
Toast	2	$5.04/ loaf	$0.63	0%	0%
Butter	1 tbs	$4.23/lb	$0.13	**-23%**	**-33%**
Egg	1	$5.73/dozen	$0.48	0%	-15%
Bacon	2 slices	$8.24/ 12 oz	$1.18	**-5%**	-23%
Orange Juice	8 oz	$5.05/ 52 oz	$0.78	**+12%**	-6%
Coffee	8 oz	$23.24/33.7oz	$0.10	-3%	**+16%**
Cream	0.4 oz	$4.28/ 32 oz	$0.05	0%	0%
Total			**$3.35**	**-0.6%**	**-14%**

Table 1 Cost of breakfast in Bakersfield for 1 person

The regularly tracked Bakersfield Breakfast Barometer showed a 0.6% decrease in the cost of a typical breakfast in Bakersfield for June, compared to the same in May. Butter prices declined the most within the index for June and were 33% lower than year-ago levels. The price of eggs, while unchanged for June, were lower by 15%, compared to last year around the same time. Bacon prices also decreased by 5% this month and were 23% lower than a year ago. OJ was the only commodities to see an increase in price (12%) for June. For the year, coffee prices increased by 16%. However, the overall basket cost 14% less in June 2026 than it did around the same time in 2025. While easing food prices provide some short-term consumer relief, persistently high energy costs suggest that overall inflationary pressures are unlikely to fully subside in the near term, continuing to affect producers through higher input and transportation costs.

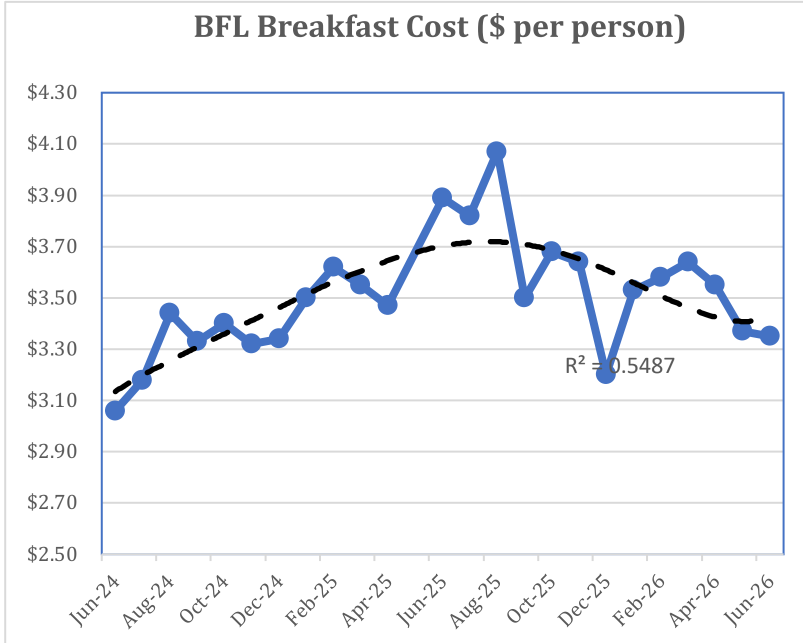


Figure 6 Breakfast cost over 24 months

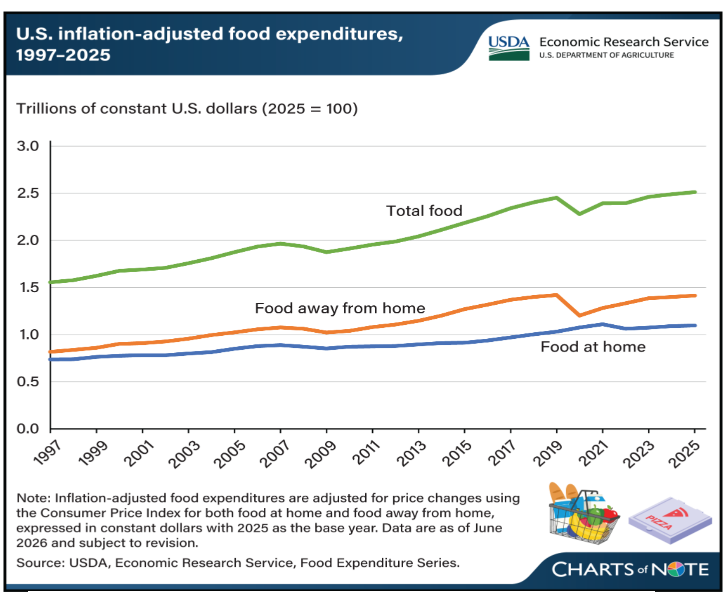


Figure 7 Food Expenditures, 1997-2025 *Source: USDA*

Food Expenditures: Figure 7 displays the amount of money spent on consuming food, both at home (FAH) and away from home (FAFH). As seen in Figure 2, food inflation, both for FAH and FAFH, has been higher than overall inflation. So, part of the reason for the increase in such expenditures can be attributed to their respective inflation. *Implications:* Rising food expenditures reflect not only higher prices but also sustained demand, indicating that households continue to absorb increased food costs despite inflation pressures.

Inflation Redux

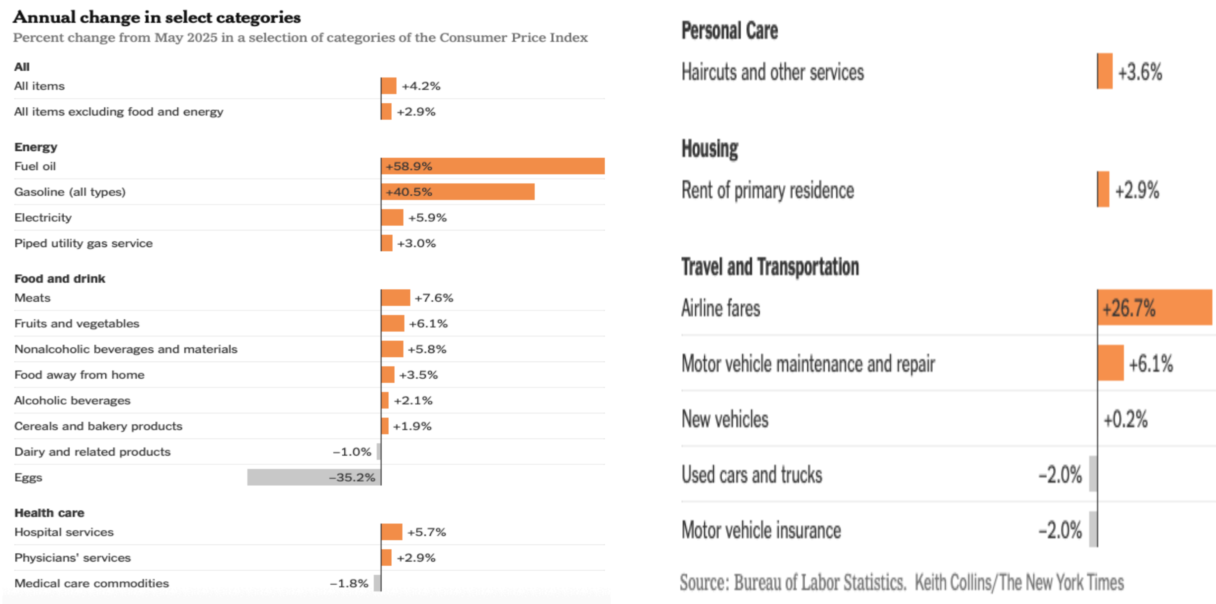


Figure 8 Inflation select products *Source: NY Times*

Figure 8 shows the continuing inflation in some select goods. The largest increases in the past twelve months are related to the Iran war – oil and its derivatives. The energy price spike has resulted in the overall inflation also increasing to its highest level in some time. The higher energy costs have also resulted in higher airline fares, almost 27% compared to last year. The largest decrease is seen in the price of eggs (35.2%). These price trends directly affect farm profitability.

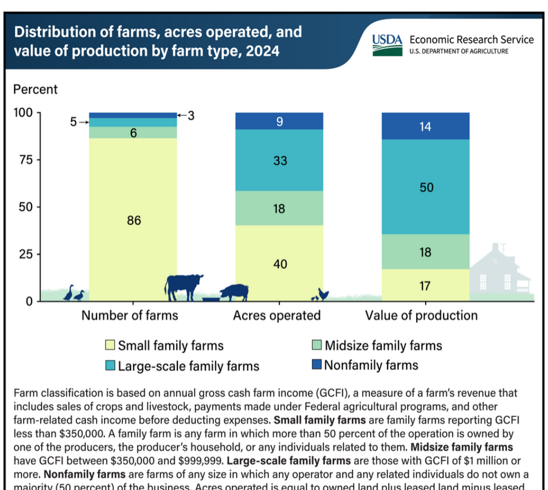


Figure 9 Farm Size

Family Farms – Farm Structure and Financial Health

According to the USDA, 86% of all farms are small family farms (Gross Cash Farm Income [GCFI] less than $350,000 per year). Forty percent of farmland is owned by small family farms and produces 17% of the total agricultural production. However, 97% of total farms are family owned and produce 85% of total agricultural production and operate on 91% of agricultural land[1]. There is a relationship between the size of a farm and the type of commodities

[1] https://www.ers.usda.gov/data-products/charts-of-note/114161

grown. Majority of poultry and eggs (62%) are farmed on small and mid-size family farms. Whereas 88% of specialty crops are grown on large-scale and non-family farms. The same is true of dairy (88% for large-scale and non-family farms)[2].

Fifteen percent of all farms in the US participated in the Federal Crop Insurance program. The highest participation by commodity was row crops (62%), while the lowest were specialty crop (19%) and livestock operations (12%). Direct to consumer sales was the largest share (47% of sales) for small family farms. However, large-scale family farms had the most direct to consumer sales (51% of total sales). The distribution of organic land ownership varied by region, with the majority of it operated by family farms. Small farms operated more than 40% of total organic land, while less than 15% of total organic land was operated by nonfamily farms.

Most farms operated with a low operating profit margin- 71% of farms had an operating profit margin below 10%, considered high financial risk. Debt-to-GCFI levels were highest among small family farms, while large family farms carried the highest average debt. Small family farms did receive the largest share of government agricultural payments.

Implication: The combination of low profit margins and higher debt levels, particularly among small farms, underscores growing financial vulnerability and raises concerns about long-term farm viability without continued policy support.

Trade - Outlook

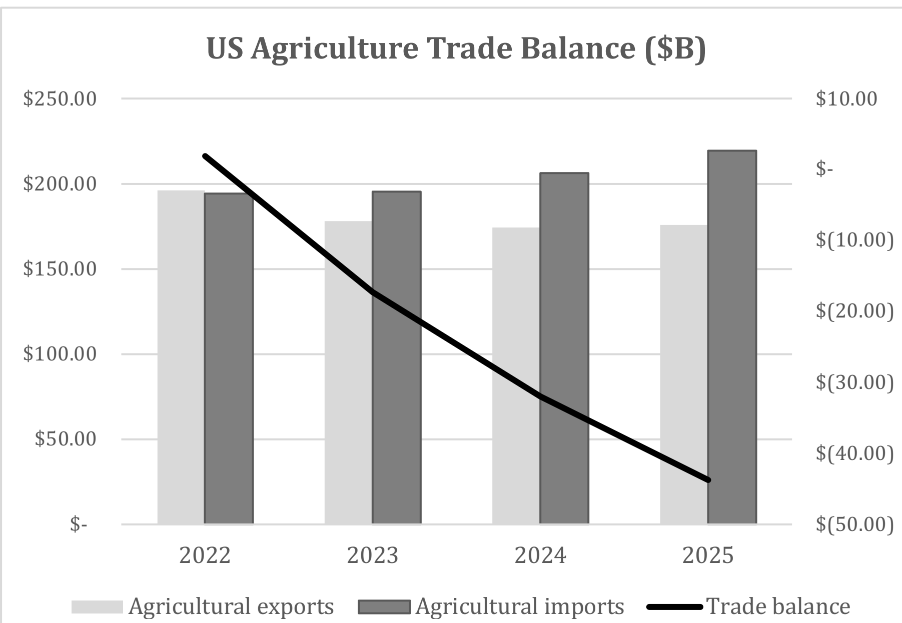
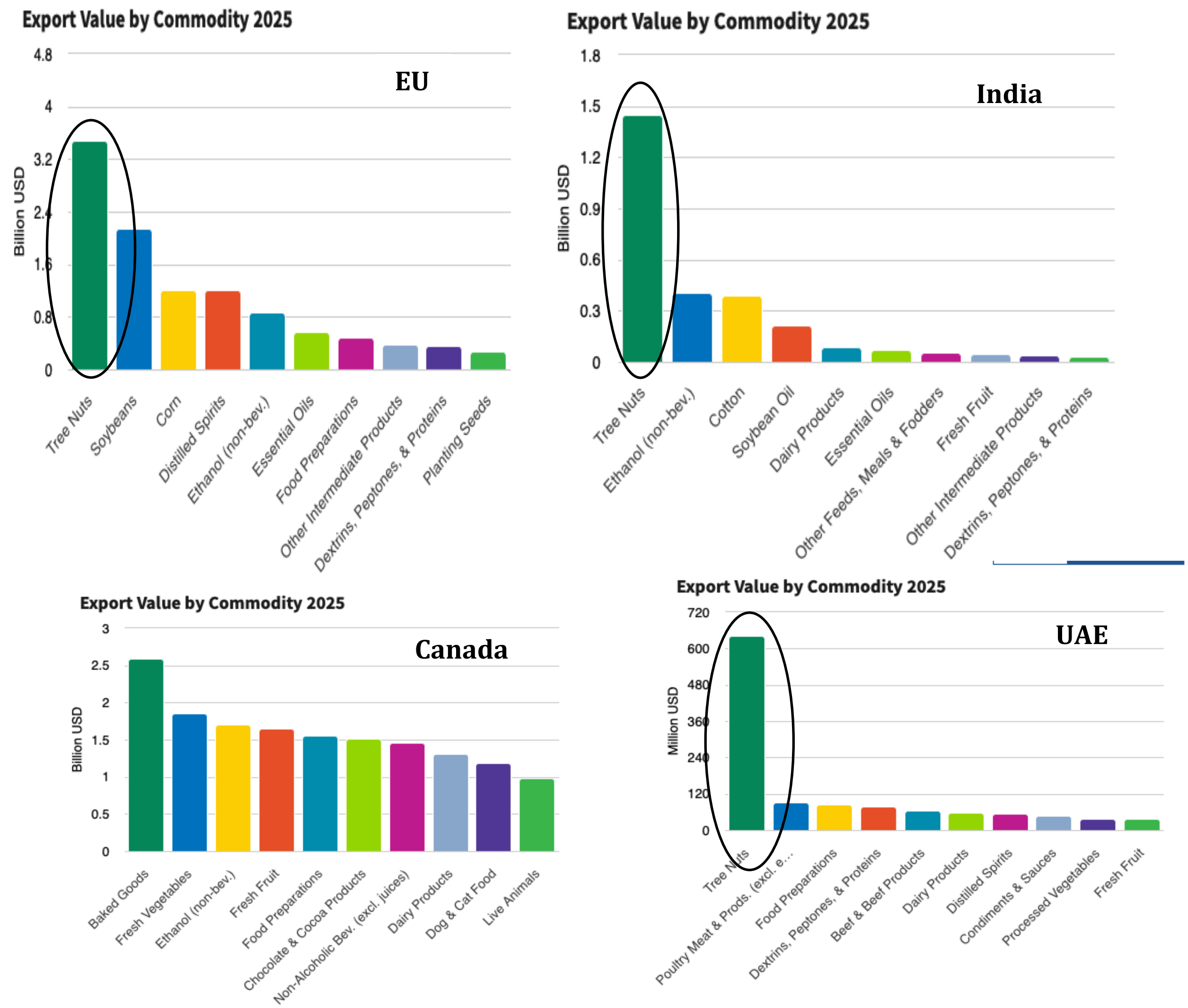


Figure 10 US Ag Trade Balance

[2] Lacy, K., Fuller, K.B., Raszap Skorbiansky, S., & Lim, K. (2026). *America's farms and ranches at a glance: 2025 edition* (Report No. EIB-299). U.S. Department of Agriculture, Economic Research Service.

Top 4 Importers of Tree Nuts



Figures 11 a-d: Top US exports to select countries

In 2025, the US exported $10.82B worth of Tree Nuts to the rest of the world. Of this, 32% ($3.49B) went to the EU, while India received $1.45B (13%), Canada imported $816.5M (8%) and UAE imported $641.02M (6%) worth of tree nuts.

Implication: The widening agricultural trade deficit signals increasing reliance on imports and potential competitiveness challenges for U.S. producers, even as strong export sectors like tree nuts demonstrate continued global demand.