The Ugly, the Bad, and the Good
The State of the AgTech & FoodTech Sector in 2026

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2025 provided something for both critics and supporters of AgTech and FoodTech, with a few notable high-profile bankruptcies and restructurings along with emerging companies that grew rapidly and managed to achieve commercial revenue of $50+ million. Against this backdrop, total sector investment increased, but the number of investments decreased, according to Pitchbook, indicating that those companies which attracted capital received larger checks, a reflection that money is starting to gravitate towards sector leaders. A fair reflection of the industry as we enter 2026 is the Ugly, the Bad, and the Good, an homage, though juxtaposed, to Clint Eastwood and the "Spaghetti Western" film genre. The AgTech and FoodTech sector seems to be at the stage of a movie where things look their darkest before the hero arrives to save the day. Sadly, I think it is unlikely that any hero will be arriving until at least 2027, so 2026 is shaping up to be another challenging year for the industry and its participants.

The Ugly – Zombie companies fail to execute

It is easy to see "the Ugly" side; it has been over three years since the air came out of the AgTech and FoodTech investment bubble. Between 2018-2022, over $40 billion was raised by AgTech and FoodTech companies, according to Pitchbook. Since then, many investors have continued to fund portfolio companies, despite these businesses struggling to grow revenue or attract new capital. These "zombie" businesses have been funded, typically with SAFE financing rounds, by existing investors in the futile hope that their portfolio companies could gain market traction and/or the financing markets would return to early 2020s "hype" mode. In reality, many of these zombie businesses have been dead for the past couple of years and 2026 will likely be the year that investors are forced to acknowledge this reality and throw in the towel.

Based on my two decades of experience in the CleanTech sector, I estimate that around 70% of invested capital into early- and growth-stage companies in new and emerging sectors, like AgTech and FoodTech, will be wiped out by bankruptcies, restructurings, and company fire sales. Not surprisingly, I expect that in 2026 there will be the largest number of AgTech and FoodTech bankruptcies, restructurings, and fire sales to date. Given that less than $10 billion, or 25%, of invested capital has been written down, or off, by investors, so far, there still is a long way to go before this industry is rightsized.

The positive, however, is that those companies that do survive will have developed viable business models and a near-term path to profitability. If they have demonstrated resilience during challenging business environments, it could potentially position them for long-term success. . Another ancillary benefit will be the removal of the negative overhang the sector has faced from the overhype and underperformance associated with zombie companies which hurts even successful companies that are dealing with skepticism from many media sources and pundits who are questioning the sector's viability.

The Bad – Few exits limit amount of investable capital

Besides poor corporate financial performance, the second biggest issue remains the lack of exits through IPOs or M&A, which is "the Bad". Outside of some acquisitions of early-stage companies by large corporations between 2018–22 and a few public listings as part of "SPACpalooza" period from 2020–22, the industry has seen very few meaningful positive exits, although hopefully the Denso acquisition of Axia Seeds in 2025 is a positive sign. This is a particularly big issue for the AgTech and FoodTech sector as it is making it extremely difficult for current investors to raise new funds or for new investors to raise capital to invest into the sector. This lack of exits has created a vicious circle whereby there is very limited investible capital because current investors have reached the maximum fund life, have deployed all of their capital and are unable to raise new funds; and/or few new funds are emerging, particularly to support pre-EBITDA-stage companies, as they are unable to attract LPs looking to invest into AgTech and FoodTech, since investor returns have been so low. This situation poses a challenge even for companies with the potential to be industry winners because, without an infusion of new capital, they will struggle to raise the capital necessary to drive rapid growth and achieve profitability.

It is becoming more apparent that building an AgTech or FoodTech company is not a quick or easy proposition, and it will likely take upwards of a decade to achieve success, the outer limit of most institutional investors' time horizon. Additionally, if the past two decades of investing into AgTech and FoodTech has taught us anything, it is that typically this industry will take longer to build companies than those focused on technology (AI, enterprise software, SaaS), FinTech (blockchain, crypto), Consumer (gaming, social media), and Healthcare (biotech, digital health) and likely will deliver lower returns. Investors need to have realistic expectations about how long it will take to achieve an exit, typically at least a decade, and at a valuation of $300 million or less, based on recent experience. Given that a billion-dollar exit is unrealistic for most AgTech & FoodTech companies, investors need to take care initially not to overfund companies and push them to grow too fast, but to keep equity investment and equity value as low as possible, maximizing the chance of achieving VC level returns. Additionally, a company's ability to obtain

non-dilutive capital, either government grants or subsidized debt, will be an increasingly valuable method to help investors improve returns.

It is easy to identify AgTech and FoodTech companies that have failed due to overcapitalization. During the heights of the bubble earlier this decade, the curse of overcapitalization caused companies to use capital inefficiently on non-core areas and/or spend money on employees and equipment, with the goal of scaling up operations quickly. They expected that the capital markets would remain highly liquid forever and thought of investors as an ATM that would always be available with unlimited capital. Conversely, companies that struggle to raise capital are often the most effective at building profitable businesses as, from an early stage, they are forced to operate on tight budgets, knowing that they need to achieve positive EBITDA and profitability if they are ever to raise large amounts of capital in the future.

However, difficulty in achieving rapid market traction rather than available capital is more often the key issue hindering a company's ability to scale up rapidly. AgTech customer adoption is typically slow because farmers are hesitant to embrace new technology without multiple years of proof points. FoodTech suffers from different, but equally challenging, issues, including consumer adoption, whereby product distribution as well as formulation and taste issues are stumbling blocks. It is not enough to have a product that fits the latest trends and has positive health and sustainability metrics, but it also needs to have a taste, texture, and cost to compete against incumbent food products.

The Good – Impact of sector megatrends is becoming clearer

Despite all the doom and gloom, there is also "the Good", which I believe is the opportunities that will emerge due to the looming problems of food security and weather volatility, as well as changes to immigration and trade policies (tariffs), which are causing growing concerns globally about the resiliency of our food system. Additionally, there is a renewed focus on health and nutrition, given that an obesity crisis is occurring in almost all countries around the globe. Building on the theme of health and nutrition, another area starting to attract more attention is longevity, as people look for ways to maximize quality of life rather than just extending years of life. These global trends are the main reason that I remain bullish on the AgTech & FoodTech sector longer term, even as I have short-term concerns for the industry, and drive my belief that the sector will overcome the corporate and investor challenges outlined above.

Automation & Robotics and Digitization are driving innovation in agriculture

In the meantime, certain AgTech & FoodTech companies are already showing signs of real market traction and are a reason for optimism, particularly in automation & robotics and digital agriculture. Labor remains a major and growing challenge for farmers, whether in North

America, Europe, or Asia, who struggle to find workers and, even if they can, they are costly and increasingly can't be counted on in future years, even if they make it through the current growing season. Today, the first attempts at automation & robotics are taking hold, but in most instances, this implementation is just helping drive more efficiency on the farm rather than fundamentally replacing workers. In the future, this will shift as technology improves and costs decline. The farm of the future will have more robots than workers, similar to what is happening in next-generation industrial manufacturing facilities and warehouses.

Digitization in agriculture is another area generating impactful, real-time opportunities. Although many people have questions about AI and the viability of AI business models for the ag sector, I am more optimistic, having seen companies using AI computer vision technology on farms that is improving yields and decreasing crop input costs. The benefits are clear and apparent, potentially leading to improved ROI and profits for farmers. AI has the potential to be a transformative technology for the agriculture sector, as models are developed using current data to enhance performance. One of the biggest indications that automation & robotics and digitization are poised for strong market traction is the continuing funding growth. Whereas many other AgTech and FoodTech areas struggle to raise capital, these areas both received significantly more investment, with companies including Ecorobotix, EarthOptics, Solinftec and SwarmFarm Robotics each raising over $30 million.

GLP-1 drugs and MAHA are causing disruption in the food sector

In contrast to the digital revolution happening on the farm, the biggest trends upending the food sector are tied largely to the growing use of GLP-1 drugs and "Make America Healthy Again" policy initiatives centered around the availability of healthier and more nutritious foods. According to a UC Davis study, 69% consumers on a GLP-1 regimen are eating more fruits and salads and over 84% are eating fewer desserts. In 2026 the use of GLP-1 drugs will likely increase, as new GLP-1 combinations emerge that are more effective, with lower doses and fewer side effects along with new pill versions, with the first oral option approved by the Food & Drug Administration in January 2026. Other uses for GLP-1 will soon likely include treating alcoholism, cardiovascular disease, kidney disease, and sleep apnea. Another major driver of GLP-1 use will be the Trump Administration's announcement that it has struck deals with GLP-1 providers Eli Lilly and Novo Nordisk to provide much lower-priced products on TrumpRx, a federal direct-to-consumer purchasing platform where Americans will be able to purchase prescription drugs.

While GLP-1's are hitting the food industry from one side, by reducing consumption, MAHA policies are starting to have an impact on the type of food products that are sold and the ingredients they contain. MAHA has already had some victories in removing artificial colors and

dyes as well as eliminating the ability of SNAP recipients to use those funds to buy ultra processed sugary foods and drinks in a number of states. These may be only small victories, but the real prize is reducing the consumption of ultra-processed foods, which are defined as industrial formulations of processed food substances that contain little or no whole food and typically contain high calories, fats, sugars, salts, and carbohydrates. These products provide unique health risks because the high levels of processing change the physical and chemical structure of the foods, which affects how humans digest them.

It is likely that one of the beneficiaries of the new food pyramid will be functional foods, or food as medicine. Robert F. Kennedy, Jr., U.S. Health & Human Services Secretary, has been a strong proponent of reducing the use of prescription drugs by encouraging or persuading consumers to eat healthier. Even prior to RFK Jr. assuming his current role, there has been a growing transition towards functional foods and clean label products, especially among Gen Z consumers. This helps explain the recent acquisitions of Good Culture by L Catterton; Siete Foods by PepsiCo; and Simple Mill by Flowers Foods.

Between the new food pyramid—with its focus on protein, produce, and dairy and away from artificial ingredients and sugars—that was announced by the Trump Administration in early January 2026, and the lawsuit against "Big Food" by the City of San Francisco filed in December 2025, it is clear that food manufacturers, and particularly ultra-processed foods, have become a target for politicians on both sides of the aisle, which will continue to weigh on the worst offenders and force them to rethink their portfolio of products and brands.

Will out-of-favor areas recover as megatrends take hold?

Based on the key megatrends outlined above, the reasons for optimism for alternative proteins (which I refer to as “future proteins”), ag biotech, and indoor farming are more in the long term. Right now, these sectors are facing headwinds to various degrees, ensuring that volatility will remain in their respective industries for the foreseeable future, but there have been some noteworthy bright spots.

Future proteins, which include products made using plants, biomass & precision fermentation, cultivated meat, mycelium, and insects, received over $16 billion in funding during the past decade, more than any other area of AgTech & FoodTech. However, in 2025, Aqua Cultured Foods, Believer Meat, Meati, and Ynsect made headlines in a series of high-profile bankruptcies leading to businesses ceasing operations, restructurings, and asset & IP sales. Many more are still struggling to develop, grow, and find a customer base (either business or consumer), leaving many to wonder if emerging players may have already missed their opportunity.

There are some reasons for optimism for the sector in 2026, following some successful financing rounds in 2025 for Liberation Bioindustries, Mosa Meat, The Better Meat Co., and The EVERY Company. The consumption of proteins is likely to get a further boost from the recently updated food pyramid, which encourages people to increase protein consumption by 50% - 100% compared to the previous food pyramid. Additionally, sales are growing of beverages containing protein. This is a trend that is likely to continue in 2026 with companies like Starbucks introducing new protein-rich products and Beyond Meat expanding its product offerings into the beverage sector.

There is growing interest in future proteins that can replace highly volatile ingredients, like egg proteins, with products that offer advantages of consistent availability, cost, and quality compared to animal proteins. Furthermore, given that the price of traditional animal proteins continues to rise due to the devastating impact of zoological disease outbreaks, and the gap between protein demand and supply continues to widen, these trends will provide an opening for future protein companies that are able to consistently deliver a product that is comparable to animal protein in taste, texture, and cost. Finally, there is a growing movement in Europe and the U.S. to blend future proteins with traditional animal proteins, which is an important step towards filling the growing gap between protein demand and supply as well as getting consumers more comfortable with eating future proteins.

Ag biotech received the second largest amount of capital during the last 10 years with funding going to support areas such as engineered microbes, including biofertilizers, biofungicides, bioherbicides, biopesticides, and bio-stimulants; and genetic engineering / genetic modification of seeds, including CRISPR. Similar to future proteins, ag biotech has also experienced some high-profile bankruptcies in 2025 (Benson Hill Bio and Oerth Bio). One of the biggest challenges facing the ag biotech sector is the complex regulatory framework, which has only become more complicated since the start of the Trump Administration. There remains uncertainty around regulations for CRISPR, biologicals and microbial products, not only in the U.S., but also in Europe and many of the other largest potential markets. Whereas synthetic biology was once at the forefront of the VC investment boom and seen as the “Next Big Thing”, like almost all other areas, it has been forced to take a backseat to current VC darling, AI, and synthetic biology funding has been hit hard.

Another major issue for ag biotech companies is the declining profits of farmers, who are being squeezed as prices for commodity crops remain low while at the same time crop input prices have been increasing. History shows that during periods when farmers are more profitable, like the beginning of this decade when the ag biotech sector appeared to be on the rise, they are more likely to try and adopt new types of seeds, biologicals, and other crop inputs which tend to be more expensive. Right now, there doesn’t seem to be a near-term catalyst that could

cause farmers to take a chance on new seed genetics or engineered microbes, but as weather volatility continues and current synthetic options are unable to solve growing disease and pest issues, new biological and bio-stimulant options will gain traction. With the long term in mind, it is not surprising that seed genetic companies continue to raise plenty of capital, including $100+ million financings completed by Inari and Profluent Bio in 2025. Additionally, the acquisition of Axia Seeds, a vegetable seed genetics company, by Denso, a Japanese Fortune 500 industrial company, is a positive sign that the ag biotech industry has significant value to investors and corporates both within and outside of the agriculture sector.

Undoubtedly, indoor farming is one of the most contentious areas. Over one-third of the $7+ billion capital invested into the sector during the last decade went to companies that have either ceased operations, reorganized in bankruptcy, or been liquidated at fire-sale prices. Nevertheless, the sector enters 2026 in a better position, having consolidated somewhat following a number of bankruptcies and reorganizations (Eden Green Technology, Freight Farms, Plenty) and as well as a major merger between 80 Acres Farms and Soli Organic.

Industry leaders are emerging, with at least five indoor farming companies, including two in the vertical farming sector, expected to have $50 million of revenue in 2026. At least two of those companies should achieve positive corporate EBITDA and generate over $200 million in revenue. I expect more bankruptcies and consolidations in this sector throughout 2026, with the survivors likely to employ some combination of greenhouse, vertical farming, and outdoor assets that will enable them to take a larger market share across multiple produce categories and achieve profitability, with the goal of creating a national brand.

Conclusion – Challenges abound, but opportunities are becoming more apparent

While it is easy to look at 2026 with doom and gloom, especially given the challenges experienced in 2025, including high tariffs, growing trade barriers, declining profits for farmers and agribusinesses, and labor shortages & rising labor rates, there is reason for optimism in the year ahead and beyond. Most importantly, capital is beginning to consolidate around those companies with the potential to be sector winners. As upwards of 30% of AgTech & FoodTech companies will run out of capital this year and either face bankruptcy or fire sales, those well-capitalized companies with viable business models will be even better positioned for success, as they will benefit from industry consolidation. Although AgTech & FoodTech companies have struggled to grow organically at a rapid pace, more companies are looking to pursue an M&A strategy to accelerate growth and achieve scale. Therefore, I am cautiously optimistic that 2026 will be the bottom of the market, and by the time we enter 2027, the sector will already be on a more constructive and positive upward trajectory.

ABOUT THE AUTHOR:

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Adam has built industry leading AgTech investment banking practices at Citi and Wells Fargo by creating a broad ecosystem to help drive adoption of technology and innovation throughout the food & ag value chain. Adam established the AgTech cohort for Wells Fargo's innovation incubator (IN2), which was launched at the Donald Danforth Plant Science Center in St. Louis, Missouri, in 2018. He is a technology advisor to Western Growers Association, which represents local and regional family farmers who grow over half the nation's fresh fruits, vegetables and tree nuts. Adam also is an advisor for SeaAhead, a bluetech startup platform in Boston, Massachusetts, whose mission is to support new, innovative ventures.