



2026 REPORTS

Processing Tomatoes Enter Contractionary Phase of Cycle

By Matt Woolf, Ph.D.

REPORT SNAPSHOT

Situation: In January, the USDA released its intended contracted tonnage of 9.8 million tons, the lowest figure since 2001.

Finding: The U.S. processing tomato industry is early in a contractionary phase, with inventory levels still increasing and prices looking for a stabilization point before they can start to recover.

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The last few years have been a wild ride in California's processing tomato industry. Whereas the COVID-19 pandemic hurt many agricultural markets by choking off supply chains, it was a boon for tomato paste.

The surge in demand for canned goods and takeout spiked the need for tomato paste at a time when prices and inventory were low. Eventually, as prices rose,

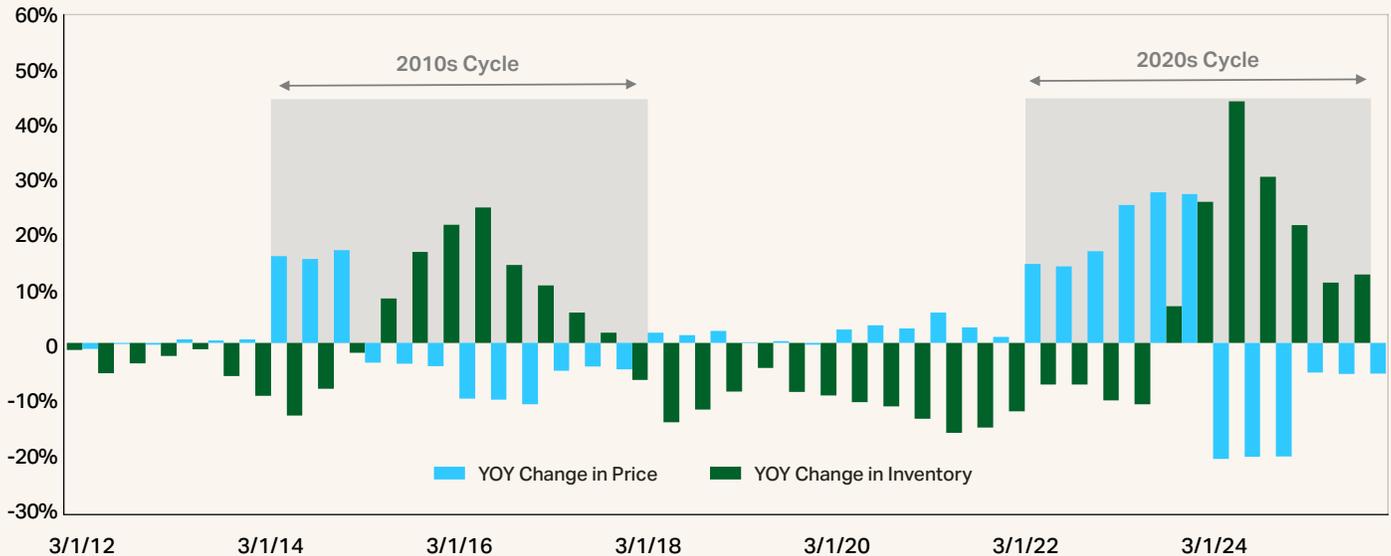
additional supply was created which, in turn, has brought prices back down to earth.

WHAT INVENTORY LEVELS TELL US

California farmers don't always apply the traditional commodity cycle framework to their markets. Many of the state's crops are permanent plantings, where new orchards and vineyards take years to come into production and are costly to remove. Because supply adjusts so slowly, cycles tend to play out over long horizons, limiting the usefulness of the traditional framework as structural factors dominate market outcomes.

While inventory levels are not as high in absolute terms as they were in 2017, they continue to increase.

Processing Tomato Market May Have Ways to Go Before Prices See Uptick



Sources: California League of Food Producers, California Tomato Growers Association, Terrain

With an annual crop like processing tomatoes, however, the framework is far more relevant. The last comparable cycle occurred in the 2010s when drought conditions in California, combined with low global production and record U.S. exports, resulted in a sharp uptick in pricing. Eventually, inventory outpaced demand, bringing prices down with it, a painful memory for those of us who grew tomatoes that year. It was not until inventories declined for several years that prices began to recover.

Even with a 2026 price that is unlikely to be as high as it was last year, higher yields could save the day.

Using that period as a guide, I believe we are early in another contractionary phase of the current cycle. While inventory levels are not as high in absolute terms as they were in 2017, they continue to increase. Historically, prices only rise once inventories begin to

decline, suggesting that the market may still have some distance to travel before prices stabilize or recover.

OUTLOOK

Given that we're still in the contractionary phase of the cycle, with inventories increasing and processors pulling back on acreage, it's unlikely that prices see a meaningful uptick soon. This is a challenge, since back-of-the-envelope math reveals how tight margins are. Assuming 55 tons per acre and a rough cost of \$5,500 per acre, \$100 per ton is now an approximate breakeven in the tomato market.

On a more positive note, however, fewer contracted acres means growers who are contracted to grow processing tomatoes in 2026 will do so on their more productive acres. In 2025, this phenomenon resulted in the highest yields on record. Even with a 2026 price that is unlikely to be as high as it was last year, higher yields could save the day.

ABOUT THE AUTHOR



Matt Woolf, Ph.D., is Terrain’s specialty crop analyst, focusing on tree nuts, fruits and vegetables. He is a native of California’s Central Valley, where his family grows almonds, pistachios and a variety of row crops. Matt has an extensive academic, teaching and research background, including a Ph.D. in economics from the Australian National University.

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