Key Trends Shaping the Future of the Food and Beverage Sector

Building Global Food and Beverage Companies

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This is a marketing communication

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Foreword

Coinciding with the fourth annual Food and Beverage Finance Summit, A&L Goodbody, Allied Irish Banks, Goodbody, KPMG, and University College Cork have come together to produce this publication - Building Global Food and Beverage Companies: Key Trends Shaping the Sector.

The publication opens with an overview of the macroeconomic environment shaping the food and beverage (F&B) sector in 2025. This contextual foundation outlines key global and regional economic indicators, including inflation trends, consumer spending patterns, supply chain conditions, and emerging technologies, all influencing business operations and strategic planning in the sector. Building on this backdrop, the report delves into the major trends and insights drawn from a targeted executive survey conducted in April 2025. The survey, which gathered responses from senior leaders within the F&B industry, specifically those who had previously attended the Food and Beverage Finance Summit, provides a timely snapshot of industry sentiment and strategic priorities.

Executives identified several key opportunities for their businesses in 2025, including: i) the broad economic growth; ii) consumer trends toward health and sustainability; and iii) the integration of artificial intelligence to enhance operational efficiency and customer engagement. On the other hand, the most pressing threats cited included: i) the continued cost of doing business; ii) geo-politics, and potential tariffs; and iii) disruption in global supply chains.

These themes are examined in depth throughout the report, with insights supported by both qualitative responses and quantitative data. In addition, the survey explored broader market sentiment, revealing how optimistic or cautious companies are about growth prospects in the year ahead. It also investigated plans for mergers and acquisitions (M&A) as a means to drive competitiveness and resilience. The findings offer a comprehensive view of how F&B companies are navigating a complex and rapidly evolving landscape in 2025.

Macroeconomic Trends Shaping the Food and Beverage Sector

Towards the end of 2024, the global economy was relatively healthy. Equity markets were trading at record highs, inflation was persistent but slowly receding, and consumer spending remained resilient.

The start of 2025 has been different. The global economy is poised for a significant change as it awaits the implementation of new tariffs under the new US Administration. Markets are volatile, with investors and businesses closely monitoring developments, aware that tariffs could have far-reaching consequences. In the F&B sector, companies that trade with the US are reassessing their strategies, anticipating disruptions in supply chains, and preparing for potential cost increases. Consumers, too, are bracing for the impact, expecting price hikes on everyday goods.

Until the outcome of trade negotiations is known, the outlook is charged with uncertainty. Geopolitics aside, the underlying macroeconomic trends were already dynamic, albeit more stable than a year ago. Here some of the key macro-economic trends are outlined and then examined in more detail in the subsequent chapters.

Commodity and food price inflation

The FAO Food Price Index (FFPI) averaged 128.3 points in April 2025, up 1.2 points (1.0%) from March. This increase was driven by higher prices in the cereal, dairy, and meat price indices, which outweighed decreases in sugar and vegetable oils. Year-on-year the FFPI was 9.0 points (7.6%) higher than its level a year ago but remained 31.9 points (19.9%) below its most recent peak in March 2022. The outlook for the FFPI suggests it will remain sensitive owing to global economic conditions, including inflation rates, and most of all changes in trade policies, the most concerning of which is tariffs.

Consumer trends and preferences

The consumer continues to evolve. While time-poor and convenience-driven, consumers are prioritising health and nutrition. Recently there has been a move back to high protein consumption while growth of meat and dairy alternatives has slowed. Sustainability and clean label are important to the consumer and align with their values. Persistent high inflation and cost pressures mean that consumers are opting for value-oriented products like own labels. When it comes to a choice between a sustainable or a value-oriented product, the value-oriented product tends to win out. Finally, consumers are tech-savvy. Gen Z is beginning to comprise a larger proportion of consumers with buying power, so product digital integration is becoming crucial, as consumers rely on detailed product information and digital experiences to make purchasing decisions.

In terms of the impact of consumer sentiment on company performance, global volumes have been averaging at approximately just 0.5% growth over 2024 and 2025 so far in the F&B sector, compared to a historical average of about 2% volume growth. Having expected an incremental volume acceleration in early 2024, there was disappointment as F&B volumes in both the US and China came in softer than anticipated. Despite this, overall earnings delivery across F&B operators was generally robust supported by net-price actions and margins. In the US and the UK, cost-of-living pressures, particularly for those on low incomes, remained a factor as consumers focussed on core grocery purchases, with an evident softening in demand in more discretionary channels and categories such as in food service, convenience stores, and (some) snacking. Consumer sentiment and spending in China have remained subdued given the tough macroeconomic environment there, with few apparent signs of easing, despite recent efforts by the government there.

Labour availability and cost

Labour shortages and increased costs persist. These trends are underpinned by an ageing workforce and the aftermath of the COVID-19 pandemic and affect all segments of the industry from agriculture to foodservice. Wage pressures also continue. Minimum wage increases and higher wages generally are required to offset employee scarcity placing pressure on margins. This outlook is likely to continue. Immigration is key to labour availability, keeping F&B sector jobs filled globally. Policy shifts towards protectionism and deportation will mean job vacancies will rise. While companies may offset this to an extent with automation, people are key to farming, the production line, and preparing and serving food. Labour shortages will challenge companies' ability to get food to consumers and likely drive further upward pressures to food prices.

Tariffs

The 90-day pause by the US government on the Reciprocal Tariff Policy is due to end on 8 July 2025. Tariffs impact food systems mainly through increased food prices by raising import costs and disrupting supply chains. The USA imports 20% of its total food supply and the current universal 10% tariff is impacting already. Importers, in the main, have initially stockpiled. On implementation of reciprocal tariffs, exporters and importers may initially absorb some of these costs to maintain their competitiveness, but price increases will inevitably flow to consumers. The implementation of reciprocal tariffs (20% for Ireland) would have a material impact on US consumers and Irish exporters alike. Ireland's food and drink exports to the US are in the region of €2.0 billion, with the majority comprising dairy and spirits. While Irish exporters weathered the last regime of US-targeted tariffs in 2019 –

2021, these wide-ranging tariffs are likely to have more of an impact on consumer discretionary spending. A negotiated solution is key.

Regulation and deregulation

Several global elections took place in 2024 and, in the aftermath, an appetite for change and economic competitiveness has followed with varying approaches to regulation.

In Europe, over the last number of years, there has been a strong focus on the regulation of food for example, labelling, nitrate levels, flavour use, and unfair trade practices. However, there is growing recognition in the EU of the trade-off between regulation and competitiveness. In January 2025 the EU introduced the Competitiveness Compass which focuses on fostering innovation, achieving sustainability, and ensuring autonomy to create a resilient EU economy. In 2024 many F&B companies were preparing for the EU Corporate Sustainability Reporting Directive. As part of the Competitiveness measures, most companies will now be exempt from the requirement and the associated cost, which is material.

In the US under the new Administration, there is a strong de-regulation and efficiency agenda which has been widely reported. However, when it comes to food, the opposite is true where the administration introduced its Make America Healthy Again Commission. The most recent of its initiatives is the elimination of certain artificial food dyes from the US food supply by the end of 2026. This is a significant change for the food producers impacted, who will need to reformulate their products. This is one of several initiatives that the current administration has that may impact the formulation of products. Indeed, there are also signs of F&B producers getting ahead of any other pending initiatives with a clear ramp-up in areas like sodium and sugar reduction over the past 12 months.

Disruption

The global market for weight loss drugs is estimated at $6 billion and is estimated to reach $105 billion by 2030. If weight-suppressing medications continue to develop and if a pipeline of new alternatives including orally ingested options continue to grow, consumer eating habits and food preferences may be materially impacted, leading to a decrease in the consumption of high-calorie snacks and fast food. The impact of weight loss drugs will depend on availability, cost, and whether a large proportion of the population can afford them. While this all needs to be played out, companies are assessing the impact of weight loss medication on consumption trends.

F&B provides some defensive solace in volatile equity markets

As noted earlier, global equity markets have been volatile in the year to date with trading in April particularly impacted as the Trump Administration's announcement of broad-based US import tariffs and subsequent 90-day pause saw most global indices sell-off materially before gradually recovering over the rest of the month. As illustrated in the chart below, the European F&B sector (as represented by the STOXX 600 F&B index) has not been immune, down almost 6% in the immediate aftermath but then subsequently rallied by over 8% since then with the sector's defensive characteristics and solid Q1 trading updates underpinning the strong recovery. Overall, the index is up almost 9% in the year to date, following a 12% decline in the index in 2024, as investors have rotated into the more defensive sectors like Consumer Staples given the increased macro uncertainty.

STOXX 600 Food and Beverage Index - € million

Source: Goodbody

Warning: Past performance is not a reliable indicator of future performance.

Combined, the 27 members of the STOXX 600 F&B Index, have a market capitalisation of over $700 billion (stretching to >$1 trillion including food retail) and trade on 16x 12-month forward earnings. The catalyst for the decline in aggregate sector valuation from the c.18x P/E multiple at the start of 2024 has been the generally disappointing volume recovery evident throughout 2024 and into 2025 following the significant pricing actions taken to offset record input cost inflation in 2022 and 2023.

Top 20 F&B operators in Europe

Primary Exchange region	Company name	Market Cap (€bn)	Cal.25 P/E	Cal.25 EV/ EBITDA*
Zurich	Nestle	242,212	20	15.7
Brussels	ABInBev	116,995	17.9	9.5
London	Diageo	56,679	17.9	13.5
Paris	Danone	50,953	19.9	12.4
Amsterdam	Heineken	45,827	16.3	9.7
Amsterdam	Ahold	33,295	13.5	6.4
Zurich	Lindt	30,483	41	23.0
London	Tesco	29,904	13.9	7.5
Amsterdam	DSM-FIRMENICH	25,468	22.5	11.7
Paris	Pernod Ricard	24,591	13.8	11.3
Amsterdam	Heineken	20,249	16.2	7.1
London	ABF	17,306	11.2	6.4
Copenhagen	Carlsberg	16,860	16	8.2
London	Coca-Cola HBC	16,627	17.7	10.3
Dublin	Kerry	15,766	19.3	13.9
Lisbon	Jeronimo Martins	13,442	19.3	6.9
Oslo	ORKLA	10,046	17.8	13.2
Amsterdam	JDE PEET'S	10,633	12.5	9.6
London	Marks & Spencer	8,695	12.6	6.4
Paris	Carrefour	9,214	8.9	4.3

Source: Bloomberg

* Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA), Enterprise Value (EV) and Price-to-Earnings (P/E)

Key drivers and challenges in scaling into global F&B operators

Looking across the top 20 European F&B companies outlined here, the majority have seen rapid sales and earnings growth in recent decades, evolving from local champions to global powerhouses. This transformation has been underpinned by a combination of organic capital investment and M&A. Public and private capital markets play a key role in funding these investments and also in holding management accountable to strategies designed to deliver long-term value for shareholders.

Beyond the foundational challenge of building a scalable business model (e.g. ensuring product/market fit, operational efficiency, infrastructure, cultural cohesion, and access to growth capital), there are several unique hurdles when expanding globally in the F&B space:

- Cultural and Consumer Preferences: Understanding regional dietary habits and taste profiles is key to gaining relevance in local markets.
- Regulatory and Compliance Barriers: F&B companies must navigate a labyrinth of food safety standards, labelling requirements, and import/export restrictions that vary by region.
- Supply Chain and Logistics Complexity: From sourcing raw materials to last-mile delivery, global operations demand robust logistics networks and agile supply chains.

Organic Growth: Slower but Stickier

While organic growth tends to be slower, it often results in stronger customer loyalty, deeper brand equity, and higher returns on capital over the long term. Collectively, the top 20 European F&B operators have invested over €100 billion in capex over the past five years. While some of this has gone toward maintaining existing assets, a significant portion has been targeted at driving new organic growth, including:

- **Local Production and Distribution Expansion**: Investments in region-specific infrastructure enable companies to scale more efficiently and serve local markets more responsively. For instance, Kerry Group operates 124 manufacturing facilities and 70+ innovation centres worldwide—supporting localized product development and market responsiveness.
- **Innovation and R&D**: Companies are increasingly investing in insights-driven innovation to tailor offerings for local tastes. Nestlé, for example, markets over 2,000 brands globally, with tailored offerings like Milo in Southeast Asia, Nescafé blends in Turkey and Japan, and KitKat Green Tea in Japan.

M&A: A riskier but quicker way to scale

Over the past 18 months, M&A activity has moderated with persistent inflation and higher interest rates keeping private equity largely on the sidelines. Recent deals have been dominated by strategic (trade) buyers focused on increasing scale in existing markets or expanding into adjacent categories—e.g., Greencore's proposed acquisition of Bakkavor (UK convenience foods), Carlsberg's acquisition of Britvic (UK soft drinks), and Mars' acquisition of Kellanova. The latter two examples are great examples of companies using M&A to quickly scale in new categories/geographies (Carlsberg expanding in the UK and Soft Drinks and entering the Irish market, Mars' expansion in savoury snacks and emerging markets like Africa).

> "While organic growth tends to be slower, it often results in stronger customer loyalty, deeper brand equity, and higher returns on capital over the long term.

Biggest recent M&A (complete/pending) transaction in the F&B sector

Date announced	Timeline	Geo-graphy	Target	Acquirer	Size (£m)
14/08/24	Pending	USA	Kellanova	Mars Inc	32773
21/06/24	Completed	UK	Britvic	Carlsberg	4845
17/06/24	Completed	USA	Primo Water Corp	BlueTriton Brands	4663
12/09/24	Pending	USA	General Mills N.Am Yogurt	Groupe Lactalis & SODIAAL	1903
07/10/24	Completed	USA	Duckhorn Portfolio	Butterfly Equity	1810
17/03/25	Pending	USA	VNGR Beverage	PepsiCo	1789
20/02/25	Completed	USA	Alani Nutrition	Celsius Holdings	1722
14/03/25	Pending	UK	Bakkavor Group	Greencore	1708
31/03/25	Completed	Spain	Europastry (20% stake)	La Caixa Bank	1500
06/01/25	Completed	USA	Sauer Brands	Advent International	1448
14/11/24	Completed	USA	Whitebridge Pet Brands	General Mills	1375
05/02/24	Completed	Italy	Forno d'Asolo SpA	Invest Industrial, Sammontana	1100
01/10/24	Completed	USA	Garza Food Ventures	PepsiCo	1082

Source: Merger markets

Geopolitical uncertainty, particularly post-Trump's "reciprocal" tariff regime, has introduced further hesitation, with many firms holding back on large-scale investments, both organic and acquisitive, until the outlook stabilizes. Despite the current pause, as outlined in our survey results later in this document, M&A remains a critical part of most F&B operators' strategies for growth. It offers a faster route to scale, especially in regulated or competitive markets, and provides access to established consumer bases, distribution systems, and local expertise. Integration challenges do exist, but the long-term strategic value often outweighs the risks.

Food and Beverage Executive Survey

In April 2025 an online survey targeting senior executives from companies across the F&B industry was conducted to gain timely insights into the strategic outlook for 2025. The objective was to assess executive sentiment around current market conditions, better understand the primary challenges and opportunities companies are navigating, and explore their investment priorities in a rapidly evolving business environment.

The respondent pool was drawn from past attendees of the Food and Beverage Finance Summit, a community comprising high-level decision-makers including CEOs, CFOs, strategy leads, and senior operational executives, guaranteeing input from professionals with a strong grasp of financial and strategic planning within the sector. Over 30 respondents participated in the survey, providing a representation of senior executives from across the F&B sector. Collectively, the companies represented by these respondents reported a combined annual turnover of between €12 billion and €15 billion, reflecting the scale and influence of the organizations involved in this study.

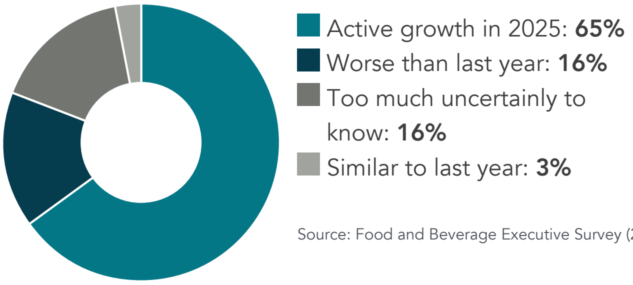
Among these respondents, over 73% represented companies in the food sector, 4% in the beverage sector, and the remaining 23% came from businesses involved in other related areas, such as foodservice, ingredients, and packaging. Most of the companies represented were primarily operating at a global level, with significant portions of their business occurring across multiple regions. The diverse composition of the sample, both in terms of business type and geographic footprint, ensures that the survey results offer a comprehensive and representative snapshot of the current state of the global F&B industry.

Market Sentiment

Executives were asked whether they believed their company would achieve growth in the coming year and how that growth would compare to their performance in 2024. Respondents had the opportunity to indicate whether they expected stronger growth in 2025, anticipated growth at similar levels to the previous year, projected a weaker performance or felt that the current level of uncertainty was too great to make a reliable prediction. This question was designed to capture not only sentiment but also the degree of clarity or ambiguity leaders are experiencing as they plan for the months ahead.

The responses offered a valuable gauge of executive confidence, revealing how industry leaders view their prospects amid an increasingly complex operating environment. Almost 65% of respondents were optimistic and indicated that they expected to achieve growth in 2025, 16% felt that 2025 would be similar to last year while 16% reported that the current level of uncertainty made it difficult to gauge. Whether driven by optimism about new market opportunities or caution in the face of continued geo-political risk, the variety of responses reflects a sector that is both dynamic and divided in its outlook.

Confidence levels

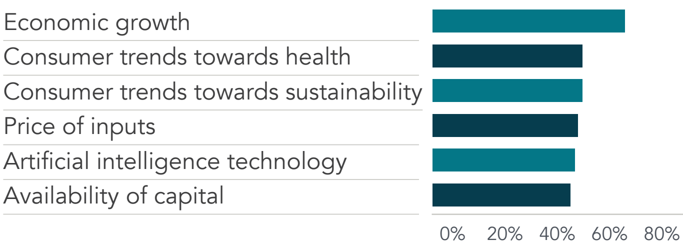


Source: Food and Beverage Executive Survey (2025)

Horizon Scanning

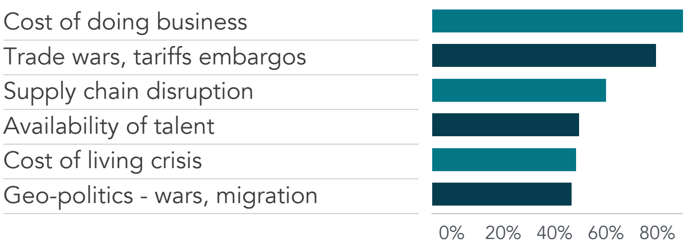
As part of the survey, a dedicated horizon scanning exercise was included to capture how senior F&B executives perceive emerging trends that are likely to shape the industry in the near to mid-term. In this component, respondents were presented with a curated list of 12 to 14 macro and industry-specific trends, ranging from technological advancements and changing consumer behaviours to regulatory shifts and geopolitical developments. Executives were asked to evaluate these trends and rank them according to the extent to which they represented either significant opportunities or critical threats to their businesses. The ranked results provide valuable insight into sector-wide priorities.

Top Identified Opportunities - % of respondents



Source: Food and Beverage Executive Survey (2025)

Top Identified Threats - % of respondents



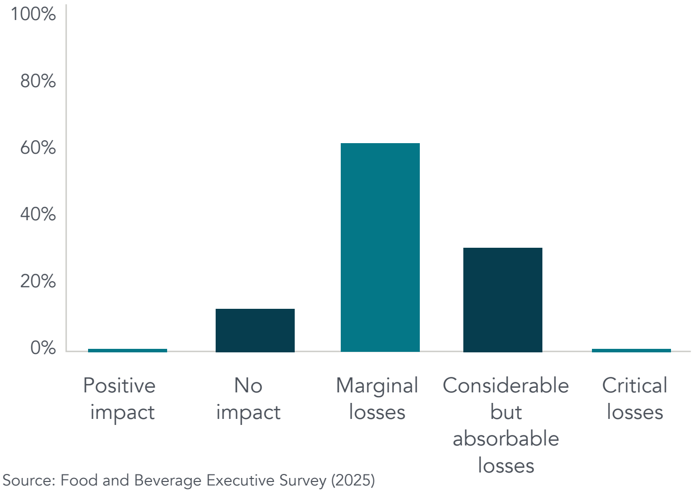
Source: Food and Beverage Executive Survey (2025)

The top opportunities identified by respondents ranked in order of importance, began with broader **economic growth**, which was seen as a key driver of consumer demand and business expansion in 2025. This was followed closely by shifting **consumer trends toward health and wellness**, as companies continue to respond to rising demand for nutritious, functional, and clean-label products. **Sustainability-related consumer preferences** also featured prominently, reflecting the growing interest in environmentally responsible brands and products. The **availability of capital** was also cited as a positive factor, albeit at a lower level, enabling companies to pursue investments in innovation, expansion, and technology. Finally, while the **price of inputs** is often seen as a cost pressure, some respondents viewed current pricing dynamics as an opportunity for improved margin management, strategic sourcing, or renegotiation of supplier terms. Together, these responses suggest that executives are focusing not just on immediate market gains, but on longer-term structural shifts that will define competitive advantage in the years ahead. Interestingly, the **development of anti-obesity medication, wearable technology** and the **availability of talent** were listed as potential opportunities but not selected by the respondents.

The top threats identified by respondents, in order of significance, were led overwhelmingly by concerns around the **cost of doing business** and **trade policy and tariffs**. Over 85% and 75% of respondents respectively identified these two factors in the top 3 threats facing their company. **Supply chain disruption** and the **availability of talent** were also ranked highly. Together, these threats reflect the complex and interdependent risks facing the F&B sector in 2025, as companies contend with geopolitical uncertainty, inflationary pressures, and the growing realities of climate change. **Extreme weather events, sustainability regulation** and the **development of anti-obesity medications** were all listed as potential threats, but not selected as top threats by the respondents.

In response to the threat of new trade tariffs, survey participants were asked to assess the potential impact on their businesses. A majority, almost 60% indicated that the tariffs would likely result in **marginal losses**, suggesting a manageable level of disruption. Meanwhile, almost one-third of respondents anticipated **significant losses**, though they noted these would be **absorbed without threatening overall business stability**. Interestingly, no respondent reported that the introduction of new tariffs would threaten the very survival of their company. These findings suggest that while the prospect of tariffs is broadly viewed as unfavourable, most companies feel sufficiently resilient to weather the impact without severe consequences.

Impact of Tariffs - % of respondents



Source: Food and Beverage Executive Survey (2025)

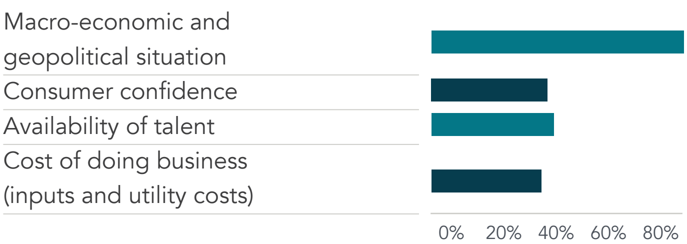
Short-term Strategic Plans

Executives were asked to identify their key strategic priorities for the year ahead. The responses revealed a clear trend toward measured, risk-conscious growth and operational efficiency, as companies continue to navigate an uncertain and volatile economic landscape. The most widely cited priority, by over 80% of respondents, was to **grow sales within existing markets**. This suggests that many firms are choosing to deepen their presence in familiar territories rather than allocate resources to untested or volatile markets. Alongside revenue growth, **cost reduction** emerged as a major focus. In a climate marked by inflationary pressures, high energy prices, and rising labour costs, executives are doubling down on efficiency and margin protection.

Strategies for the Year Ahead - % of respondents

Source: Food and Beverage Executive Survey (2025)

Barriers to Strategic Achievement - % of respondents



Source: Food and Beverage Executive Survey (2025)

By contrast, notably fewer companies reported plans to **enter new markets** or **launch new products** in the immediate term, the relatively lower prioritization of these initiatives likely reflects current caution due to geopolitical uncertainty, regulatory complexity, and shifting consumer behaviours. Many leaders appear to be taking a more defensive posture, focusing on strengthening core operations and protecting profitability before committing to higher-risk growth ventures.

When asked about likely barriers to achieving their strategic plans for 2025, respondents reported **macroeconomic and geo-political risk** (71%) as the most likely barrier followed by **low consumer confidence** and the **availability of talent**.

As discussed earlier, **mergers and acquisitions (M&A)** are often viewed as a quicker, if not riskier, means of scaling businesses and as such, the online survey explored M&A plans for 2025.

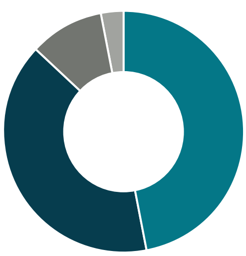
The aim was to understand not only the level of deal-making appetite in the sector but also the broader financial and strategic context shaping these decisions. Executives were also asked to share their views on the availability of capital for M&A activity. This provided insight into how confident companies are in their ability to access capital and execute deals in the current macroeconomic environment. For those planning or considering M&A activity, the survey explored the key shareholder considerations and strategic drivers behind such transactions. Together, the responses offer a clear view of how F&B leaders are thinking about M&A, not just as a growth lever, but as a tool for repositioning their businesses in response to shifting market dynamics, technological disruption, and evolving stakeholder expectations.

Do you expect to pursue M&A activity in 2025?

- Yes: **57%**
- No: **30%**
- Don't know: **13%**

Source: Food and Beverage Executive Survey (2025)

How do you rate the availability of capital for M&A activity?



- Adequate: **47%**
- Limited: **40%**
- Don't know: **10%**
- Readily available: **3%**

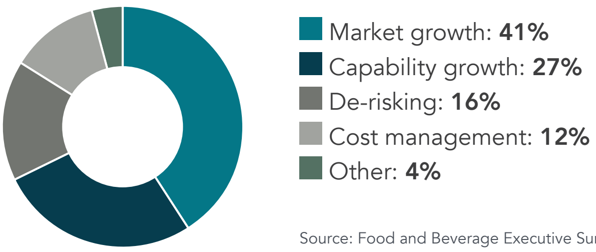
Source: Food and Beverage Executive Survey (2025)

More than half of respondents expect to pursue M&A activity in 2025, reflecting a strong interest in strategic growth and consolidation across the sector. However, opinions on the availability of financing for such transactions were somewhat mixed and inconclusive. Only 3% agreed capital was readily available and just less than half agreed that financing is adequate, while 40% consider it limited, suggesting some uncertainty about how easily deals can be executed.

The most frequently cited driver for pursuing M&A activity in 2025 was **market growth**, with executives viewing M&A as a strategic route to expand their geographic reach, strengthen market share, and access new customer segments more rapidly than through organic growth alone. This reflects a proactive approach by many companies to scale up in a competitive and evolving landscape, particularly in regions or categories with high growth potential.

The second most common motivation was **capability growth**, where acquisitions are being used to accelerate innovation, enhance digital and operational capabilities, or gain access to specialized expertise such as, sustainability, AI, or supply chain resilience. Acquiring new competencies through M&A is often seen as faster and more effective than building them internally, especially in areas where time-to-market and first-mover advantage are critical.

Drivers for M&A Transactions



Source: Food and Beverage Executive Survey (2025)

Risk reduction, or "**de-risking**", was also highlighted as a key consideration. M&A can serve to diversify revenue streams, reduce reliance on single markets or product categories, and create more resilient business models in the face of economic uncertainty, regulatory change, or supply chain vulnerabilities. In this context, M&A is not only a growth lever, but also a strategic hedge against volatility and disruption. Together, these drivers suggest that M&A in the F&B sector is being shaped by a combination of offensive and defensive strategies, as companies seek to position themselves for long-term success in an increasingly complex global environment.

Geo-politics and Trade

Geopolitical uncertainty and the threat of tariffs significantly impact global F&B companies by increasing costs, disrupting supply chains, and affecting market access. Geo-political uncertainty and the threat of tariffs were cited as the greatest risk facing F&B companies by over three-quarters of the respondents who participated in our survey. Almost one-third of respondents said tariffs could lead to significant but absorbable losses for their companies. While geo-political uncertainty was also ranked as the greatest barrier to achieving strategic objectives in 2025.

In his first 100 days in office, President Trump disrupted the global economy and F&B industry by proposing steep and broad-based tariffs. This was met with threats of reciprocal measures from key trading partners and was followed up with a temporary reprieve (notably excluding China, albeit with some derogations including for several chemicals and precursor F&B ingredients). Regardless of the outcome, the ongoing uncertainty has already proved highly disruptive for businesses across the world.

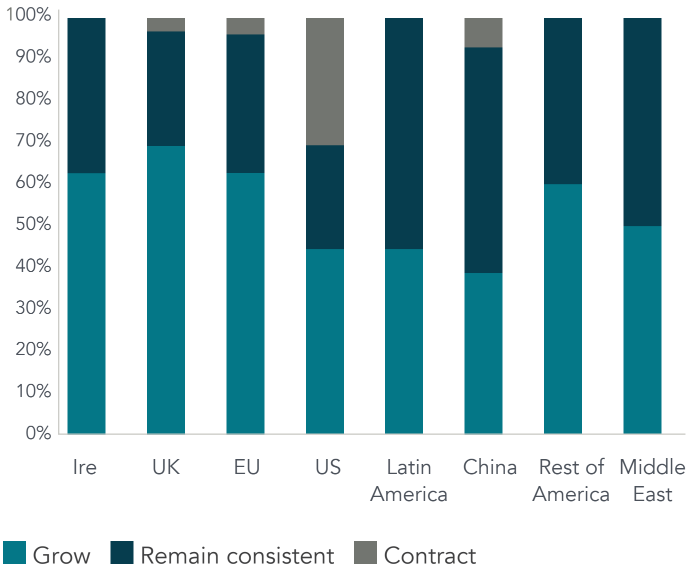
The prospect of tariffs emerged at a particularly challenging time for the F&B sector. The industry was already grappling with rising labour and transportation costs, shifting geopolitical dynamics, disrupted trade routes, extreme weather events, and the ongoing war in Ukraine, all of which have fuelled sustained price inflation. Even before the tariff threat, consumers had become increasingly sensitive to price changes.

When faced with tariffs, firms can respond in several ways. In the short term, they might: i) pass costs on to consumers; ii) absorb the impact to maintain market share while hurting margins; iii) improve operational efficiency; or iv) adjust their product mix and/or formulations to mitigate. Over the longer term, companies may diversify their supply chains, relocate production to tariff-free regions, form local partnerships, lobby for exemptions, or reassess their market focus to reduce exposure. Analysis of tariffs imposed during Trump's first term in office shows that the price transmission rate tends to be low, suggesting that firms, at least initially opt to absorb the additional costs rather than pass them on to the consumer. This is particularly challenging for a sector that already operates on very thin margins.

From an Irish perspective, the US market makes up around 11% of total Irish food and drink exports. Dairy at €830 million and Drinks, predominantly whiskey, at €900 million account for 91% of Irish exports to the US. According to the Irish Whiskey Association, the US accounts for 40% of Irish Drinks exports each year.

Our survey sought to gauge the confidence of respondents regarding the international markets in which they are active in 2025. Specifically, they were asked to predict whether they anticipated business growth, stability, or a contraction in these markets. The findings highlighted a notable degree of pessimism, particularly with regard to the US and China, where 30% and 10% of respondents, respectively, foresaw a contraction in business activity with less than 40% expecting growth in either market. The results reflect the uncertainty around the trading environment with the US, the weak consumer sentiment and inflationary pressure there. Similarly, the outlook for China reflects a complex interplay of economic and geopolitical challenges.

Confidence in Business Performance in International Markets



Source: Food and Beverage Executive Survey (2025)

Within the US, the threat of tariffs extends beyond F&B trade and also affects other operational costs. For example:

- Campbell's CEO Mick Beekhuizen warned that tariffs could raise Campbell's packaging costs and damage its soup brand. The company imports steel and canola oil from Canada and exports soups there, making it vulnerable to tariff retaliation. He said Campbell's is working with suppliers to limit the impact and may raise prices if tariffs persist, while still aiming to offer good value to consumers.
- Coca-Cola CEO James Quincey said tariffs will raise can costs but downplayed the overall impact, calling it a "manageable problem." He noted the company may respond with sourcing changes, lighter cans, price increases, or more plastic packaging, but emphasized the tariffs won't significantly affect Coca-Cola's multi-billion-dollar U.S. business.
- The CEO of Jack Daniel's parent company, Brown-Forman, said Canadian boycotts over U.S. tariffs may be more damaging than the tariffs themselves, with some retailers halting U.S. product purchases. CEO Lawson Whiting warned of similar risks in Europe if new tariffs take effect, potentially distorting the spirits market and hurting American whiskey sales.

Sustainability

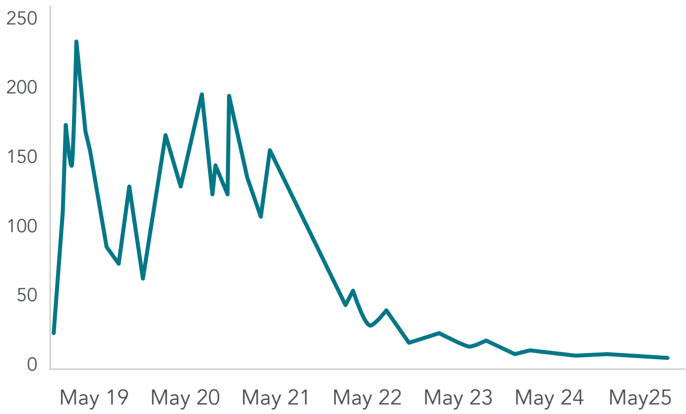
Overall global F&B volumes are expected to grow into the mid-term underpinned by a combination of: i) global population growth (c.1% per annum); ii) higher-calorific diets (c.1% per annum); and, iii) rising disposable incomes which should drive disproportionate consumption growth in the Savoury/Meat and Beverage categories (c.1% per annum).

The global population breached the 8 billion mark in 2023, according to the UN, and has more than doubled over the last 50 years. Put simply, more mouths to feed with still relatively limited resources of arable land and clean water, creates a challenge for the global agricultural and food sectors. While the rate of global population growth may be moderating (now <1% per annum), amid falling fertility rates and higher average standards of living, absolute global population numbers are forecast by the UN to only peak by the latter parts of this century.

With a greater number of mouths to feed globally, what is being consumed has evolved with greater demand for fats and proteins as part of a more varied/balanced diet. In particular, higher standards of living, urbanisation and the expanding middle classes are pushing up demands for more calorific diets, and some areas such as meat and protein consumption are the most sensitive to higher incomes (the recent plant-based boom in developed markets notwithstanding). While there are additional climate and environmental costs associated with animal proteins (e.g. beef), and concerns over the sustainability/desirability of these dietary shifts, adoption of novel solutions (i.e. plant-based or alternative proteins) is required to meet this growing consumer demand.

Along with these macro trends and long-term challenges, theory and practice with regard to sustainability have shifted over the last year or two as the F&B industry has faced the realities of a more persistent inflationary outlook for input costs and with cost-of-living pressures still weighing on consumer sentiment and spending power. Spending pressures along with consumer and industry concerns/backlash against "ultra-processed foods" (UPF) and long ingredient lists/additives have meant that previously "en vogue" segments of the F&B market such as plant-based meats and food alternatives have seen a significant cooling in demand. The rise and fall of plant-based alternative manufacturer Beyond Meat over the past 3 years highlights this trend perfectly (sales of $66 million in 2018, peaked at $240 million in 2022 and are forecast to fall to $237 million in 2025E).

Beyond Meat shares crater as plant-based meat demand falls - Share price ($ cent)



Source: Bloomberg

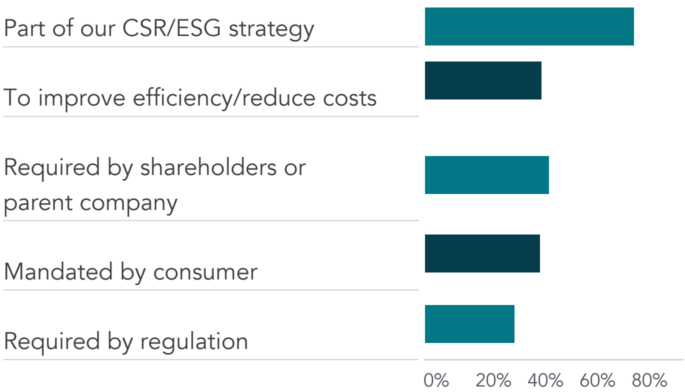
Warning: Past performance is not a reliable indicator of future performance.

All this has meant that F&B producers recently have focussed more on the "how" (i.e. the environmental impact and other costs of production), rather than the "what".

F&B executives agree that sustainability continues to be a major factor shaping the sector. In our survey, 88%, of respondents agreed or strongly agreed that sustainability and ESG (Environmental, Social, and Governance) issues were becoming more important to their company. In terms of the level of engagement of their board with sustainability issues, 97% of respondents rated engagement as strong or very strong. Investment levels were also strong with 84% investing last year, 84% planning to invest this year and 72% reporting that they have a distinct sustainability function in their company.

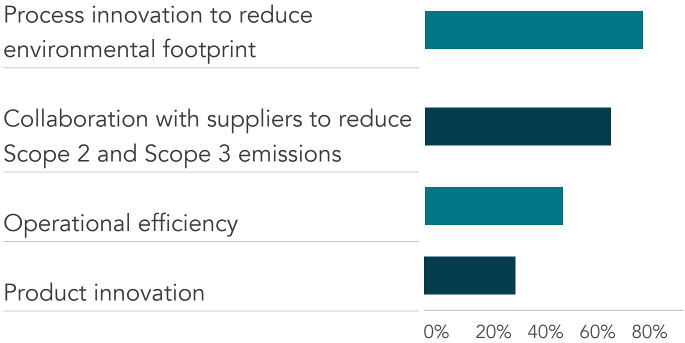
When examining the primary factors motivating sustainability investments among F&B companies, the most commonly cited reason, as reported by 69% of respondents, was **alignment with their ESG strategy** or due to directives from shareholders or parent companies. This suggests that internal corporate priorities and stakeholder expectations are key drivers of sustainability action. **Operational efficiency** was the next most frequently mentioned factor, followed by **required by shareholders or parent company** and **consumer demand**. Interestingly, **cost considerations** and **access to capital** were rarely cited as primary motivations, indicating that sustainability is increasingly viewed as a strategic imperative rather than a financial burden.

Motivators for Sustainability Investment - % of respondents



Source: Food and Beverage Executive Survey (2025)

Type of Sustainability Investment - % of respondents



Source: Food and Beverage Executive Survey (2025)

In terms of the types of sustainability investments being pursued by F&B companies, **process innovation** aimed at reducing environmental impact emerged as the most common approach, reported by 88% of respondents. These efforts are likely to include improvements in energy and water efficiency, minimizing waste, and reducing carbon emissions across production operations.

With a volatile backdrop for grid energy and electricity prices still in many markets (a persistent theme following the spikes seen in 2022 following Russia's invasion of Ukraine), along with reductions and efficiencies in energy usage, several companies in the F&B space are investing in their own on-site wind and solar energy projects, where feasible, in order to: 1) reduce the direct costs and variability for energy consumption; 2) where applicable, look to potentially benefit from selling excess energy back to the grid; and 3) helping to reduce direct carbon emissions in order to meet Scope 1&2 emissions ambitions.

Reducing the environmental footprint, through the minimisation of food waste is another motivator for investment. An estimated 30% of primary food production is wasted or spoiled before being consumed (of which about 70% is wasted at home and 15% within the manufacturing process), the ability to preserve or extend the shelf lives of food will be one key enabler of feeding the progressively larger population, without adding additional stresses to the environment, food supply chain security and prices. There is also a significant environmental impact of this waste, wasted food accounts for 8-10% of global greenhouse gas emissions and up to 25% of freshwater withdrawal. Not only does this waste have a social and environmental cost, but it also can have a meaningful direct cost to operations and is particularly relevant when there is scarcity and record price spikes in some key commodities (i.e. cocoa, coffee), even before incremental tariff pressure potential.

The second most frequently cited area of investment was **collaboration with suppliers to address Scope 2 and 3 emissions**, reflecting a growing recognition of the importance of tackling environmental impacts across the entire value chain. While still early in the process of tackling the more material Scope 3 challenge, major F&B operators continue to progress the agenda through partnering and supporting their suppliers and growers.
For example:

- Mars Inc. is investing over $1 billion to reduce its total emissions by 50% by 2030. Specifically on Scope 3, the Group is focused on scaling regenerative agriculture across more than 1 million acres.
- PepsiCo has issued $2.25 billion in green bonds to fund sustainability projects, including those aimed at reducing Scope 3 emissions – it has set specific sustainability benchmarks for its top 2,000 suppliers and introduced financial incentives to progress the agenda. Since 2019, it has doubled its regenerative agriculture footprint to 1.8 million acres today and aims to lift this to 7 million by 2030.

In contrast, **product innovation**, such as the development of more sustainable packaging or reformulated ingredients, was not as widely reported as a current focus, suggesting that many companies are prioritizing operational and supply chain improvements over consumer-facing changes.

Regulation

There have been a number of legislative and regulatory changes in 2024/25, both domestically and at EU level, which will impact the way organisations, both in the F&B sector and beyond, do business and complete transactions. The overview provided here by A&L Goodbody focusses on ESG and sustainability, competition law and antitrust, foreign direct investment and the introduction of the Agri-Food Regulator. Greater reporting obligations, as described here, will require certain F&B companies to gather, verify and report more information on their own activities and those of other companies in their supply chains over the next number of years.

While there is a significant amount of legislation coming down the track on a diverse range of environmental, social and governance issues, this section of the Report focuses on key legislative updates on sustainability reporting, sustainability due diligence, environmental claims and unfair commercial practices.

Omnibus Package on Sustainability

On 26 February 2025, the European Commission published an Omnibus package on sustainability aiming to amend existing legislation in relation to sustainability reporting and due diligence including the Corporate Sustainability Reporting Directive **(CSRD)**, the Corporate Sustainability Due Diligence Directive **(CSDDD)** and the Carbon Border Adjustment Mechanism **(CBAM)**. A consultation of proposed amendments to the Taxonomy Regulation framework was also launched with feedback sought from industry.

As part of this package, the European Commission published two separate proposals for directives to amend the CSRD and the CSDDD. The first proposal, referred to as the "Stop the Clock" proposal, provides for a two-year postponement of certain upcoming reporting requirements under the CSRD and a one-year delay to the transposition and application of the CSDDD. The second proposal deals with the substantive amendments to both the CSRD and the CSDDD. The "Stop the Clock" proposal has been prioritised by the European institutions to provide certainty to in-scope companies.

On 3 April 2025, the European Parliament approved the "Stop the Clock" proposal with the Council of the European Union providing its final approval on 14 April 2025. This postponement is intended to give EU legislators time to agree on the substantive proposals to amend the scope of the CSRD and the CSDDD and simplify sustainability reporting and due diligence requirements. The final stage in the EU's legislative process is the publication of the "Stop the Clock" directive in the Official Journal of the EU, this is expected in the coming weeks. EU member states must transpose it into national law by 31 December 2025.

The Minister for Enterprise, Tourism and Employment recently indicated that the Department would work toward quickly implementing this directive in Ireland once agreed at EU level. In addition, the Minister welcomed the European Commission's proposals to simplify the sustainability obligations being placed on businesses under the CSRD and the CSDDD.

Specific details on how the Omnibus package impacts existing sustainability reporting and due diligence legislation is set out in the relevant sections below.

Sustainability Reporting

The CSRD entered into force on 5 January 2023. EU member states were required to transpose the CSRD by 6 July 2024. The European Union (Corporate Sustainability Reporting) Regulations 2024 and the European Union (Corporate Sustainability Reporting) (No. 2) Regulations 2024 (the Regulations) transposed the CSRD into Irish law. The Regulations amend the Companies Act 2014 and the Transparency (Directive 2004/109/EC) Regulations 2007.

The CSRD builds on the existing disclosure requirements under the Non-Financial Reporting Directive (NFRD) and extends both (i) the scope of the information currently required to be reported under the NFRD, and (ii) the companies to which the disclosure regime applies. The CSRD introduces reporting obligations on a phased basis. Companies already reporting under the NFRD will be required to report in 2025 (in respect of their 2024 financial year), with other large companies (whether listed or not) required to report in 2026 (in respect of their 2025 financial year). Other companies that fall within the scope, listed SMEs and non-EU ultimate parents, will be required to report in the following years. The European Commission's "Stop the Clock" proposal aims to postpone the application of the reporting obligations for those required to comply in respect of their 2025 or 2026 financial years by two years to 2027 and 2028 respectively.

Companies that are required to report under the CSRD will be required to provide a range of information in compliance with the European Sustainability Reporting Standards (ESRS), which will include information on: (i) environmental matters (for example, climate impacts of business activities; resource and waste management; and biodiversity); (ii) social matters (for example, equal opportunities; gender equality and equal pay; working conditions; and human rights matters); and (iii) governance matters (for example, business ethics and culture; anti-bribery and corruption measures; internal controls; and risk management systems).

The Omnibus package on sustainability includes a proposal that seeks to amend the thresholds for companies falling within scope of the sustainability reporting obligations. The proposal published by the European Commission states that only large undertakings or groups with more than 1,000 employees would be required to comply with the CSRD's sustainability reporting obligations. As set out above, negotiations on the substantive amendments to the CSRD. For those companies no longer required to mandatorily report, a form of the voluntary SME (VSME) standards developed by EFRAG will be adopted as a delegated act with its use to be encouraged. The Commission has also indicated that it intends to adopt a delegated act to amend the ESRS to reduce the number of mandatory datapoints.

The European Commission has also proposed increasing the thresholds for third country undertakings with the net turnover relating to an in scope branch increased from €40 million to €50 million and the threshold for net turnover generated in the EU increased from €150 million to €450 million. Further, those required to comply with the sustainability reporting obligations will be limited in the type of information that they can request from those in their value chain with less than 1,000 employees. Flexibility is also being introduced in reporting on Taxonomy alignment for in scope undertakings with a net turnover not exceeding €450 million.

The Minister for Enterprise, Tourism and Employment has indicated that the Department will shortly introduce amending legislation to clarify and reduce the number of companies currently in scope of the Irish legislation implementing CSRD.

Due Diligence

Corporate Sustainability Due Diligence Directive

The CSDDD entered into force on 25 July 2024 and the deadline for EU member states to transpose it into national law is currently 26 July 2026. The CSDDD is due to apply on a phased basis to very large EU and non-EU companies from 26 July 2027, with full application from 26 July 2029. However, the European Commission's "Stop the Clock" proposal seeks to postpone, by one year, the transposition deadline to 26 July 2027 with the first phase of the sustainability due diligence requirements covering the largest companies applying from 26 July 2028.

Obligations: the main focus of the CSDDD is on conducting due diligence on actual and potential human rights and environmental impacts in respect of (i) the in-scope company itself; (ii) its subsidiaries; and (iii) its direct and indirect business partners throughout its chain of activities. The other key obligation being introduced by the CSDDD is that in scope companies adopt and put into effect a climate transition plan which aims to ensure, through best efforts, compatibility of the business model and strategy of the company with the transition to a sustainable economy and with the limiting of global warming to 1.5°C.

Scope: The CSDDD will apply to companies that are incorporated in an EU member state and have on average, more than 1000 employees and a net worldwide turnover of more than €450 million during the relevant financial year. Non-EU companies with a net turnover of more than €450 million in the EU will also be in scope. Companies with a net turnover of more than €80 million that enter into franchise or licensing agreements with royalties of more than €22.5 million will also be caught once certain conditions are met.

As part of the Omnibus package on sustainability, the following key substantive amendments have been proposed to CSDDD:

1. The requirement for companies to proactively assess actual or potential adverse impacts in their value chains will be limited to direct business partners. This requirement would only extend to an indirect business partner in circumstances where the company has plausible information to suggest an adverse impact in respect of that business partner.

2. As part of their value chain mapping exercise, it is proposed to limit the information that large companies can request from their business partners that are categorised as SMEs or small mid-cap companies to information specified in the VSME standards.

3. Currently, the CSDDD requires that in-scope companies assess the adequacy and effectiveness of their due diligence measures annually. It is proposed to reduce the frequency to every five years.

4. It is proposed to amend the language of the provision on climate transition plans to better align with the provisions of CSRD. This includes removing the reference to a climate transition plan being "put into effect" and replacing this with reference to "implementing actions".

5. The CSDDD provides for a specific, EU-wide liability regime and requires that EU member states allow for victims of adverse impacts to be represented by trade unions or NGOs. The Commission proposes to remove these provisions (while preserving victims' right to full compensation). The proposal would leave national law to define whether its civil liability provisions override otherwise applicable rules of the third country where the harm occurs.

6. It is proposed to extend maximum harmonisation to more provisions of the CSDDD.

There are a number of other pieces of legislation that set out due diligence obligations, including the Deforestation Free Regulation **(DFR)**, the Forced Labour Regulation, the Batteries Regulation and the Conflict Minerals Regulation.

Deforestation Free Regulation

The DFR focuses on deforestation-free supply chains and came into force on 29 June 2023. It was set to apply from 30 December 2024. However, on 2 October 2024, the European Commission proposed a 12-month delay to its application. Implementation will now take effect on 30 December 2025 for large and medium companies. Micro and small enterprises will enjoy a longer adoption period – with the DFR applying from 30 June 2026, as well as other specific provisions. The agreed text reflecting these changes was published in the Official Journal of the European Union on 23 December 2024. Importantly, the delay will have no impact on the substance of the regulation.

The aim of the proposal is to minimise the EU's contribution to deforestation and forest degradation worldwide and reduce the EU's contribution to greenhouse gas emissions and global biodiversity loss. This regulation essentially imposes a due diligence obligation on in scope companies, being those that place or make available on the EU market or export of the following commodities and derivative products – palm oil, cattle, soy, coffee, cocoa, timber and rubber as well as derived products such as beef, furniture, or chocolate listed in the Annex to the Regulation.

The due diligence obligation consists of three steps:

1. collection of information, such as, evidence of legal harvest and the geographic co-ordinates of the plots of land where the product was produced;
2. analysis of this information against a set risk assessment pillar to verify and evaluate the risk of non-compliance; and
3. adequate and proportionate mitigation measures must be made if more than a negligible risk of non-compliance is found in step 2.

Ireland has notified the European Commission that the Department of Agriculture, Food and the Marine will be the Irish national competent authority enforcing the DFR in Ireland. However, Ireland has yet to take steps to implement the national measures envisaged under the DFR.

Agricultural and Food Supply Chain (Unfair Trading) Regulations 2023

Ireland's Agricultural Supply Chain Act 2023 (the **2023 Act**), effective from 13 December 2023, aims to prohibit unfair trading practices **(UTPs)** within the agricultural and food supply chain. The 2023 Act gives further effect to Directive 2019/633 on unfair trading practices in the agricultural and food supply chain. An Rialálaí Agraibhia (the **Agri-Food Regulator**) is an independent statutory office established under the 2023 Act. It is entrusted with enforcing the Agricultural and Food supply (Unfair Trading) Regulations 2023 (the **UT Regulations**) which provide legal protection against specific unfair trading practices. This includes any supplier of agriculture or food products, subject to their annual turnover being lower than the buyer's turnover (once the buyer's annual turnover is greater than €2 million). The remit of the Agri-Food Regulator extends beyond enforcement of the UT Regulations as it is concerned with the broader objective of promoting fairness and transparency in the agri-food supply chain. Companies that buy agricultural and food products were required to submit their first Annual Compliance Report to the Agri-Food Regulator by 31 March 2025.

The list of products covered by the UT Regulations is extremely broad (e.g., fish, meat, dairy produce, cereals, malt, starches or food processed from these products). To protect suppliers, the UT Regulations prohibit 16 specific UTPs. In doing so it distinguishes between "black" and "grey" practices. Whereas black UTPs are prohibited, whatever the circumstances, grey practices are allowed if the supplier and the buyer agree on them beforehand in a clear and unambiguous manner. The rules on "black" or "grey" practices apply to all supply agreements whether these are agreed orally or are in writing.

More Scrutiny of "Foreign Investment" Deals on Security Grounds including in the "Food Security" Space

In 2025, foreign investment deals in the F&B sector are subject to enhanced scrutiny not only from a competition perspective but also on public security grounds. While the EU merger control regulation, embedded in Ireland's Competition Act 2002 continues, to assess mergers and acquisitions for competitive implications, many jurisdictions now also evaluate inbound investments for their alignment with strategic national interests.

Building on this global trend, Ireland's Third Country Transactions Act 2023 is fully in force, mandating that any acquisitions or change of control involving a non-EU non-EEA or non-Swiss purchaser and exceeding a transaction value of €2 million undergo review. Under this regime, affected deals must be notified to Ireland's Minister for Enterprise Trade and Employment who will assess whether the proposed transaction raises any public or security concerns, especially those that could impact food safety. Notably, the legislation specifically cites issues relating to food security as potential ground for intervention This means that F&B transactions falling within the scope of the act could be conditionally approved or blocked based on a determination of public order and security risks. Collectively these enhanced screening requirements reflect a broader legal shift towards ensuring that foreign investment in critical sectors such as F&B along with Ireland's national security and strategic objectives businesses operating in this space should therefore remain vigilant and sure their transactions comply with these new regulations.

Continuing Scrutiny by the Competition Agencies of Deals in the F&B Sector

Any purchaser or seller of a business in the F&B sector should factor in the possibility of scrutiny of a deal by the Competition and Consumer Protection Commission **(CCPC)**. Most of the deals are cleared by the CCPC without conditions being imposed. Occasionally, some transactions raise potential competition issues and the participants (usually, the purchaser) may decide to offer commitments or remedies to the CCPC so as to get the deal approved.

For example, in the grocery retail sector, there have been several deals where purchasers have offered commitments including those relating to information exchange, management separation or selling outlets to secure approval. Since 27 September 2023, the CCPC has the power to "call-in" and scrutinise deals which are below the thresholds for mandatory notification so it is best to assume that all deals should be given an initial review from a competition law perspective to see whether they "substantially lessen competition".

Artificial Intelligence

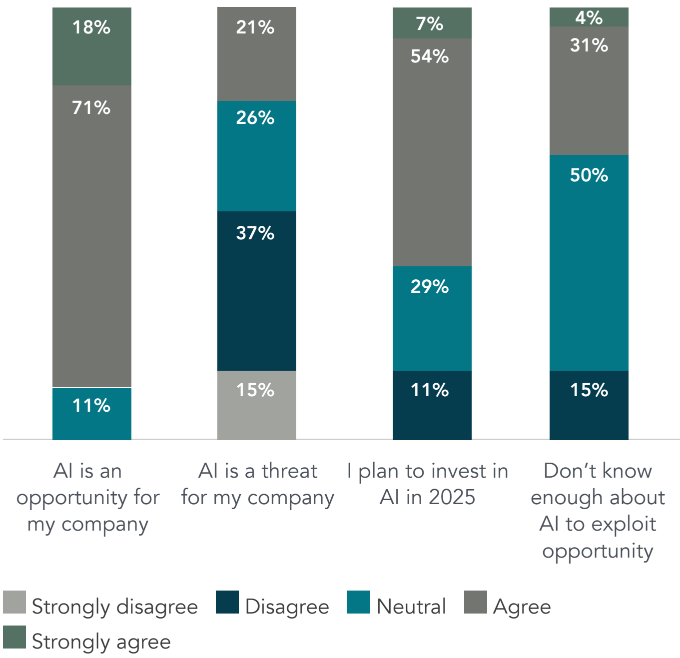
Although it may seem like a recent phenomenon due to the surge in attention and discussion in recent years, Artificial Intelligence (AI) is not a new concept. The idea of machines simulating human intelligence dates back to the 1950s, when researchers first began exploring how computers could be programmed to think and learn. For many years, AI developed gradually, what has changed in recent years is the speed of progress and the visibility of AI's impact, particularly in business. From automating customer interactions to optimising logistics and detecting financial fraud, AI is now driving value across industries. As AI continues to improve rapidly, it is reshaping operations, strategy, and competitiveness across virtually every industry.

AI adoption rates by businesses are increasing, albeit at varying rates depending on the sectors and regions. According to Eurostat (2024), 13.5% of EU businesses with 10 or more employees reported using AI technologies, up from 8% just a year earlier. Adoption is highest in Denmark (27%), Sweden (25%), and Belgium (24%), showing strong regional leadership in digital innovation. In contrast, countries like Romania remain at the lower end with only 3% of businesses using AI. Uptake varies significantly by sector. Unsurprisingly, the information and communication industry leads the way, with 30% of businesses using AI tools, followed by professional, scientific, and technical services at 18.5%. Adoption is notably lower in industries such as construction at 3%. Company size also plays a major role, 41% of large enterprises use AI, compared to just 11% of small businesses. These figures suggest that while AI is becoming more mainstream in the EU, its use is still concentrated among larger firms and digitally mature sectors. Nonetheless, the rapid year-on-year growth signals a broader shift toward AI-driven transformation across the European business landscape.

AI presents huge opportunities for the F&B sector with potential applications spanning the entire value chain. From sourcing and production to consumer engagement, AI is being used to streamline processes, reduce waste, and improve product quality. Technologies like machine learning, predictive analytics, and computer vision help businesses optimise their supply chains by predicting demand, automating logistics, and ensuring consistent quality control.

The current adoption rate of AI in the F&B sector was explored in our executive survey. Overall, F&B executives expressed a largely optimistic outlook on the role of AI. A significant majority, 89%, agreed or strongly agreed that AI represents an opportunity for their companies, highlighting a general sense of enthusiasm around the technology's potential. This optimism was further reflected in investment intentions, a majority of respondents, 61%, agreed or strongly agreed that their organisations plan to invest in AI in 2025. In contrast, only 21% perceived AI as a threat, suggesting that fears of disruption, displacement, or negative consequences remain relatively low across the sector. Notably, there is a relatively high degree of confidence in the industry's readiness to embrace AI. There was limited agreement with the statement that companies lack the knowledge to leverage AI effectively, indicating that most executives feel equipped to explore its potential.

Views on Artificial Intelligence

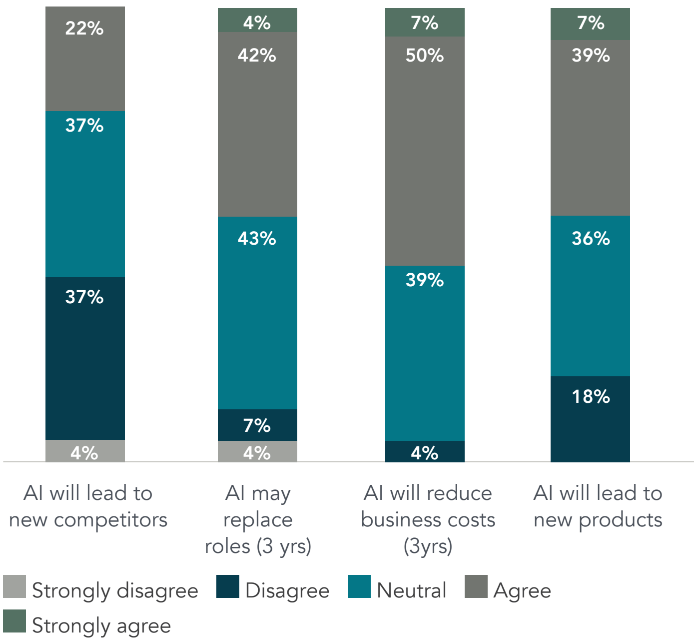


Source: Food and Beverage Executive Survey (2025)

Reinforcing the positive sentiment, just 22% of respondents believed that AI would result in a substantial influx of new competitors. This implies that most industry leaders do not currently view AI as a tool that will radically lower market entry barriers or destabilize existing competitive dynamics. While the innovation potential of AI is widely acknowledged, views are more cautious when it comes to cost reduction. Slightly more than half of respondents, 57%, believe that AI will meaningfully reduce operating costs in the short term. This may reflect the high upfront investment in AI systems, the complexity of integrating them into existing workflows, or uncertainty around the return on investment. Instead of being seen as a quick path to savings, AI is more commonly viewed as a strategic tool for enhancing competitiveness, agility, and long-term growth.

Executives were especially optimistic about AI's role in innovation, with 46% identifying new product development as a key area of opportunity. This may include the use of AI in data-driven consumer insights, formulation of new recipes, predictive modelling of flavour trends, and personalisation of products based on health, lifestyle, or dietary preferences.

Views on Artificial Intelligence



Source: Food and Beverage Executive Survey (2025)

In terms of workforce implications, almost half of executives expect AI to significantly affect roles within their companies over the next three years. These changes may include the automation of routine tasks, the emergence of new tech-enabled roles, and the need for upskilling in data analysis and digital tools.

Among companies that have already invested in artificial intelligence, the most frequently cited reason for doing so was to improve organisational efficiency, with 41% of respondents identifying this as a key objective. This may include using AI to streamline operations, automate routine tasks, enhance supply chain management, and optimise resource allocation. The second most common purpose, cited by a slightly smaller share of respondents, was to better track and understand consumer behaviour. Companies are increasingly turning to AI-driven analytics to gain deeper insights into customer preferences, purchasing patterns, and emerging trends. This allows for more targeted marketing, personalised product recommendations, and faster response to shifts in demand.

Supply chain disruption, increased transport costs and market volatility are all contributing to the need to improve inventory management in the F&B sector. There are some notable applications of AI in the F&B sector in relation to inventory management. For example, Nestlé uses machine learning algorithms to enable more accurate demand predictions to optimise inventory levels, reduce waste, and improve product availability. The company reports a 30% reduction in forecasting errors, leading to better alignment between supply and demand. Additionally, AI-driven automation has enhanced logistics and distribution processes, further streamlining operations.

AI applications are also contributing to the reduction of food waste. Keep-it Technologies, a Norwegian company, has developed an innovative time-temperature indicator that enhances food packaging by providing real-time information on product freshness. This smart label, affixed to perishable goods like fresh fish, poultry, and red meat, visually displays the remaining shelf life based on the product's cumulative exposure to temperature over time. The indicator comprises two chambers with reactive ingredients that cause a colour bar to gradually disappear as the product approaches the end of its shelf life. The rate of this change accelerates with higher temperatures, offering a more accurate reflection of the product's condition throughout its journey from production to consumption. By providing precise shelf-life information, this packaging solution helps reduce food waste, enhance food safety, and improve supply chain management. The technology has been patented in multiple countries, including the USA, and is gaining traction among food producers aiming to optimize inventory and ensure product quality

NotCo, a Chilean food-tech company, is another interesting example. NotCo uses a proprietary AI platform called Giuseppe to create plant-based alternatives that closely mimic animal-based foods. Giuseppe combines several modules to analyse the molecular structure, flavour, and function of ingredients. It scans a vast database of over 300,000 plant ingredients to find unexpected combinations that replicate the taste and texture of products like milk, meat, and mayonnaise. The platform enables close collaboration between chefs, scientists, and AI, accelerating innovation and allowing partnerships with major brands like Kraft Heinz, Starbucks, and Burger King. This AI-driven process also allows NotCo to significantly shorten development times from 18 months for its first product, NotMayo, to just three months for later products like NotBurger. For example, NotCo teamed up with Kraft-Heinz to re-create a plant-based version of Mac&Cheese. Giuseppe identified pineapple and cabbage as key components in replicating the creaminess of dairy in NotMilk. By using AI to reinvent traditional recipes, NotCo is helping to drive sustainability and reshape the future of food. NotCo is not licensing access to the Giuseppe platform transforming the company to B2B player.

Consumer Trends and Emerging Technologies

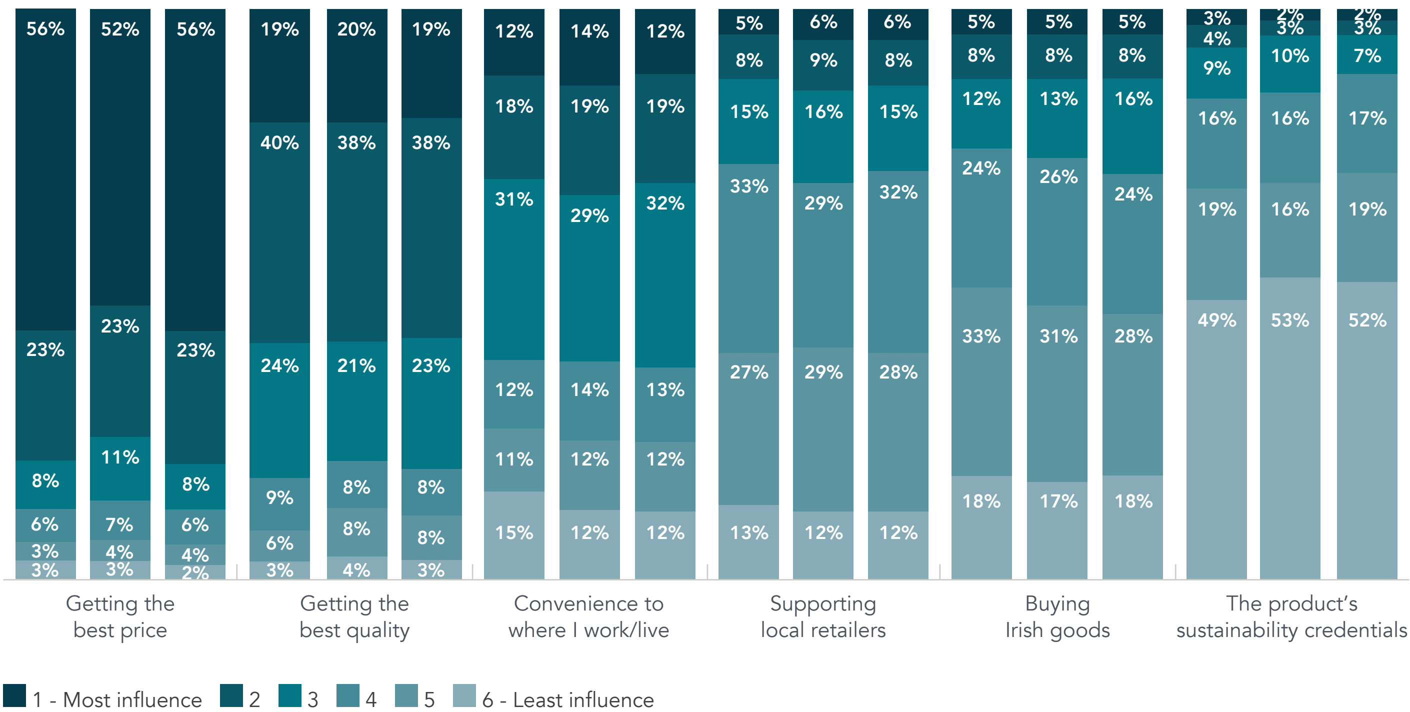
Despite the growing emphasis on sustainability, health, and well-being in recent years, Irish consumers continue to prioritise price, taste, and convenience when making purchasing decisions. This is clearly illustrated by the findings of the KPMG Consumer Retail Tracker, which surveyed over 1,000 consumers in Ireland in April 2025. More than half of respondents identified price as the most important factor when shopping, followed by **product quality**, cited by approximately 20%. Notably, **sustainability** ranked lowest among the factors influencing consumer choices.

These results underline a significant disconnect between consumer behaviour and broader market pressures. While F&B companies face increasing expectations from policymakers, regulators, and investors to improve their sustainability credentials, the reality is that the average consumer remains primarily motivated by cost. This presents an ongoing challenge for the industry: balancing the demand for sustainable practices with the economic realities of consumer decision-making, particularly in a price-sensitive environment.

A significant majority of consumers are **actively participating in Ireland's Deposit Return Scheme**, reflecting growing public awareness and willingness to engage in visible, tangible sustainability efforts.

This high level of engagement suggests that when sustainable behaviour is structured and incentivised, such as through financial returns or convenience, consumers are responsive and willing to adapt. However, while consumers show interest in contributing to environmental initiatives, their attitudes towards broader sustainability efforts remain complex and often contradictory. According to findings from the KPMG Consumer Retail Tracker, most consumers believe that **retailers have a responsibility to educate them about the environmental impact and sustainability credentials of the products they sell**. This expectation signals a growing demand for transparency and clearer communication around sustainability in the retail space. Yet, despite this desire for more information, a significant majority of consumers **express scepticism about the sustainability claims** made by both brands and retailers. Greenwashing concerns and vague or unverifiable claims appear to have eroded trust, making consumers cautious about accepting sustainability messaging at face value. Moreover, while there is increasing awareness of sustainability issues, most consumers are not willing to pay a premium for environmentally friendly products. Price continues to be the dominant factor influencing purchasing decisions, suggesting that unless sustainable options are competitively priced, they will struggle to gain mainstream traction.

Factors Affecting Consumer Choice – three periods April 2024 to April 2025



Source: KPMG Retail Tracker (2025)

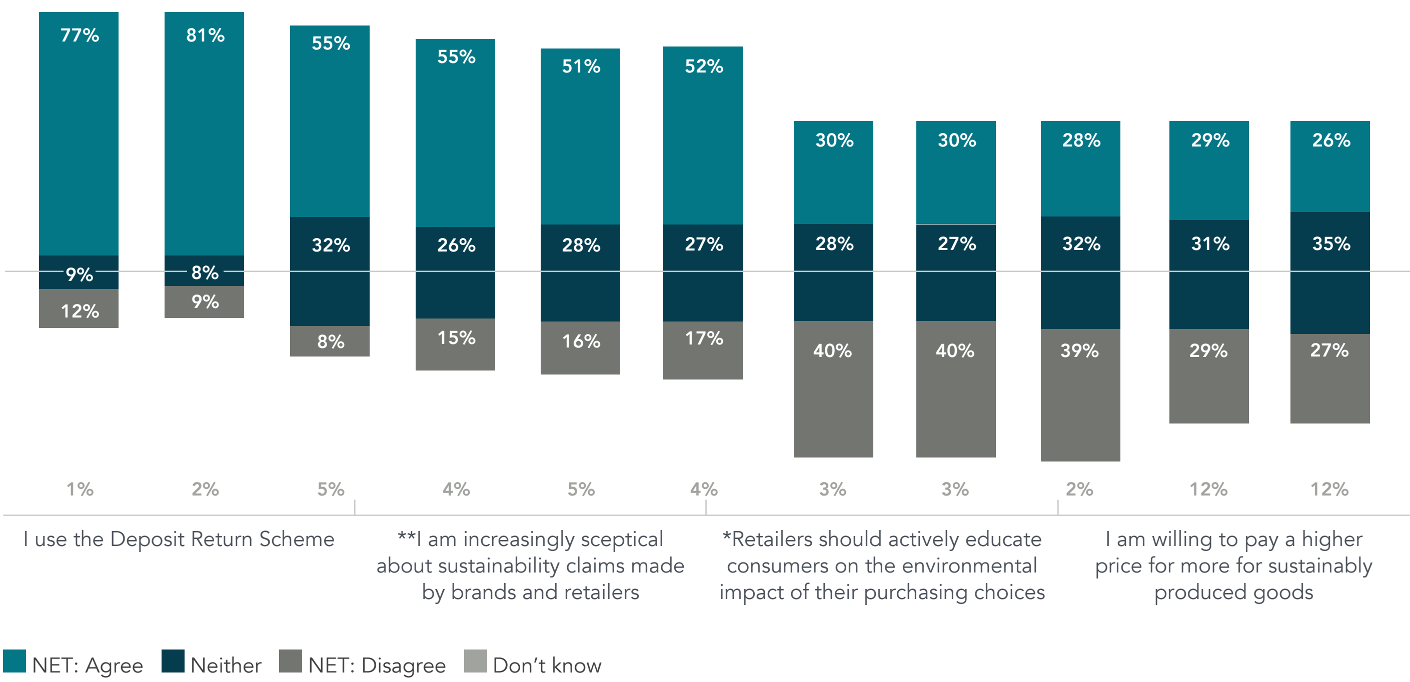
This highlights a major challenge for F&B companies and retailers: bridging the gap between consumer values and actual purchasing behaviour. To build trust and drive meaningful change, businesses will need to offer clear, credible information about their sustainability practices while ensuring that sustainable choices remain accessible and affordable for the average consumer.

In addition to the continued prioritisation of price over sustainability, ongoing inflationary pressures are significantly shaping consumer behaviour. Rising living costs have made households increasingly budget-conscious, pushing many to adopt strategies aimed at stretching their spending power. The April 2025 KPMG Consumer Retail Tracker reveals a marked shift in purchasing patterns, with a substantial proportion of consumers reporting that they are buying **fewer items overall, making greater use of loyalty programmes**, and **actively seeking out promotional offers**.

These behaviours reflect a broader lack of confidence in the economy. Consumers appear to be adopting defensive shopping habits, indicating a cautious approach driven by economic uncertainty. For retailers and F&B companies, this signals a challenging environment. Not only must they navigate increasing input costs and demands for sustainable practices, but they must also remain competitive on price to retain consumer loyalty. Balancing affordability with innovation and sustainability will be critical as companies adapt to a market where financial caution often outweighs aspirational values.

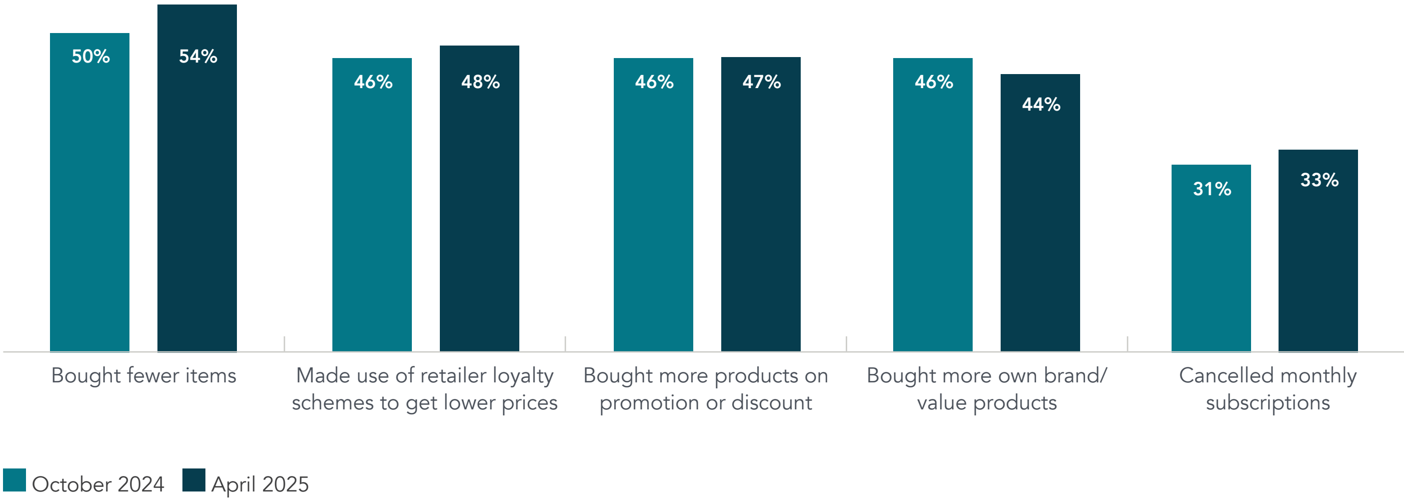
In summary, it seems that **price sensitivity dominates** consumer behaviour, over half of consumers cite price as the most important factor in purchasing decisions, far outweighing sustainability, which ranks lowest in importance. Furthermore, it seems that **trust and affordability** are key barriers to progress on sustainability. A lack of trust on the part of consumers in claims made by companies compounded by an unwillingness to absorb higher costs for sustainable options presents major hurdles for brands and retailers seeking to align with consumer expectations.

Consumer Attitudes to Sustainability



Source: KPMG Retail Tracker (2025)

Saving Methods Employed by Irish Consumers



Source: KPMG Retail Tracker (2025)

Emerging Technologies

According to Mary Shelman, of Harvard Business School, despite waves of innovation and hype about plant-based foods, cellular foods, vertical farming and blockchain for example, none of it has truly moved the needle on mass-market eating habits. The last real shift was driven by the microwave oven in the 1970s, which led to a proliferation of convenient frozen meal and snack options. Changing what people eat is hard, Shelman says. But, she argues that this is about to change with the rise of anti-obesity medication and AI-driven food choices. She argues that, unlike anything that has come before, these technologies have the potential to disrupt the very foundation of how we make food choices, leading to fewer calories consumed and an easier shift towards healthier options. Chemistry beats willpower, she argues.

Anti-Obesity Medication and Health-Conscious Consumer Trends

In recent years, **anti-obesity medications** (AOMs) have gained significant attention in the US and Europe and these medications are changing the face of the food business. Up to 75% of the world's population are potential users of this medication and this will fundamentally change how society interacts with food. The current iteration of the drug reduces calorie consumption by 20% to 30%. Early data shows a 5-10% decline in household food spending for adopters, especially on ultra-processed snacks, fast food, and sugary beverages. Two-thirds of Americans are currently overweight - if AOM penetration reaches 40% of the population, and if users eat an average of 20-30% fewer calories, that translates to a 10% reduction in overall calorie consumption, with the largest impact on ultra-processed, high-fat, and high-sugar products.

Absolute demand for food is likely to fall but new opportunities will emerge, such as nutrient-dense foods, functional foods to manage side effects of AOM treatments, including loss of muscle mass and reduced bone density. In a recent study, researchers at Cornell University and Numerator found that households with at least one AOM user reduced grocery spend by between 6% and 9% within six months of starting the medication. And while Circana, a consumer insights and marketing firm, says its data suggests that spending will bounce back to a level close to users' pre-medication baseline within a year, it's clear that AOM users are changing what goes into their grocery carts.

Despite concerns about consumer demand, companies like Conagra, General Mills, and WK Kellogg view this trend as an opportunity. Conagra reported an 8% increase in sales of "better-for-you" frozen meals, which are portion-controlled and high in protein, attributes appealing to AOM users. General Mills introduced protein-enriched products like "Super Mac" and Progresso soups to cater to health-conscious consumers. However, some sectors are experiencing challenges. Walmart observed a slight decline in overall grocery spending among AOM users, indicating a potential long-term impact on food retail. Some companies are developing foods specifically for AOM users. For example, in September 2024, Nestlé launched a new brand, Vital Pursuit, which, provides a "convenient, real food solution to complement the needs of AOMs users". There is a great opportunity if organizations can develop new products that address the specific needs and tastes of AOM users while also appealing to health-conscious consumers who are not currently taking them or who have never used them.

In Europe, similar trends are emerging, particularly in countries like Germany and the UK, where there is heightened awareness around health and wellness. The EU Food Information Regulation mandates clearer nutritional labelling, which has further fuelled the demand for healthier and more transparent products. Data from Euromonitor

International suggests that Europe's health and wellness food market is projected to grow at a compound annual growth rate (CAGR) of 6.5% through 2025, driven by consumers seeking products that align with weight management and overall well-being.

Interestingly and somewhat surprisingly, our survey did not reveal AOMs as an important threat or opportunity.

AI, Wearable Devices and Personalized Health

The rise of wearable devices like fitness trackers (e.g., Fitbit, Apple Watch) is revolutionizing the way consumers track their health and wellness, which in turn is impacting F&B choices. In the US, the use of wearables has surged, with more than 30% of adults owning a fitness tracker in 2023. These devices allow users to monitor physical activity, heart rate, and calorific intake, influencing their purchasing decisions in the F&B market. Companies are responding by offering products with clear nutritional information that supports consumers' fitness goals, such as high-protein, low-sugar, or low-carb options.

AI is enabling food companies to tailor products and marketing strategies based on individual preferences and health data. By analyzing consumer behavior, purchase history, dietary needs, and even biometric feedback from wearables, brands can develop highly targeted offerings. For example, Nestlé and PepsiCo are investing in AI platforms to analyze customer health data and develop personalized meal or supplement plans.

In Asia, particularly in countries like Japan and South Korea, the adoption of wearable technology has led to a growing interest in personalized nutrition. Consumers are increasingly looking for food products that complement their health data, such as energy levels, metabolic rates, or sleep patterns. This has driven demand for smart food products—items that use technology to offer tailored nutritional content based on the consumer's specific health needs, a trend that has grown particularly popular in South Korea.

AI can revolutionise the future of food retail, with the ability to juggle dietary needs, budget constraints, real-time health data, and grocery prices to create optimized weekly menus with shopping lists. This shift could significantly improve diet quality by removing psychological and behavioural barriers, and reducing the frequency of impulse shopping and the power of brands. When it comes to food consumption, AI will transform decision-making by minimizing human influence and diminishing the impact of traditional marketing. This will present a major challenge for F&B businesses forcing them to adapt to algorithms rather than emotional branding.

Hybrid Working Trends and Consumer Behaviour

The shift to hybrid working in the wake of the COVID-19 pandemic has had a lasting impact on F&B consumption patterns, particularly in the US and EU. In the US, as more white-collar workers return to a mix of home and office settings, there has been a noticeable increase in snacking and meal kits. According to NPD Group, the number of Americans snacking between meals increased by 22% in 2022, with demand for healthier snacks and convenient, ready-to-eat meals growing. This shift has driven F&B companies to innovate with snack-sized portions, healthier ingredients, and more convenient packaging tailored to at-home dining during working hours. In Europe, particularly in countries like the UK, France, and the Netherlands, the hybrid working model has similarly led to a rise in demand for flexible meal options that can be quickly prepared at home. Data from Mintel indicates that the meal kit delivery market in Europe grew by 10% in 2023 and is expected to continue growing, as workers seek to balance convenience and nutrition while working from home.

Meanwhile, Asia has seen a unique variation in hybrid work patterns. In countries like China and India, where work-from-home trends are still emerging, there is a growing focus on convenience and traditional comfort foods that can be enjoyed while working. However, these regions also exhibit increasing health awareness, with many consumers turning to more nutritious, easy-to-prepare options such as plant-based foods and functional beverages.

Key Takeaways

Macroeconomic trends, trade and regulation

The F&B sector is navigating inflation, supply chain challenges, and geopolitical uncertainty. Commodity and food prices remain volatile. The FAO Food Price Index rose 7.6% year-on-year in April 2025, driven by cereals, dairy, and meat. Labour shortages and rising wages persist across agriculture and food service. Immigration policies and an aging workforce exacerbate the issue.

Potential US tariffs and reciprocal trade measures are raising costs and disrupting trade. Regulatory shifts are ongoing, with the EU re-focusing on competitiveness and pausing some sustainability reporting requirements and the US balancing deregulation with new food safety rules. Tariffs and trade risks continue to influence input costs and supply chain decisions. Companies are cautious, prioritizing existing market growth and cost efficiency.

Consumer Behaviour

Consumers are increasingly health and value-focused, driven by inflation and the rise of Gen Z preferences. Demand for protein remains strong, while meat/dairy alternative growth slows. Anti-obesity medications and personalized health tech (AI, wearables) are reshaping food choices toward low-calorie and functional products. Many companies are responding with healthier product lines targeting anti-obesity medication users.

Artificial Intelligence

F&B executives are largely optimistic about AI, with 89% seeing it as an opportunity and planning investments in 2025. Few view AI as a threat, and confidence is high in the industry's ability to adopt the technology. While only 57% expect short-term cost savings, AI is seen as a strategic tool for innovation and long-term growth. Key goals include boosting efficiency and gaining deeper consumer insights.

Sustainability

Despite some pauses in sustainability reporting at an EU level, it is a rising priority for companies, with 84% of companies investing in ESG-aligned initiatives. Process innovation and environmental impact reduction are top areas of focus. However, consumers, especially in Ireland, remain price-driven, and scepticism around greenwashing is growing.

M&A and Executive Sentiment

Despite a slowdown due to inflation and limited capital, M&A remains a key strategy. Over half of executives expect to pursue deals to scale or diversify. Notable recent acquisitions include Carlsberg–Britvic and Mars–Kellanova. Most firms are adopting a defensive posture, emphasizing cost control over expansion. Over two-thirds of F&B leaders expect growth in 2025, though concerns over tariffs, costs, and geopolitical risks remain high. Top threats include rising operational costs, trade disputes, and talent shortages. The outlook is mixed but cautiously optimistic.