



Industry trends – Food and beverages

Production growth and decreasing food prices, but downside risks remain

Global overview

Output and sales growth to accelerate in 2025 and 2026

We expect global food production and sales to increase by more than 3% annually in 2025 and 2026. Decreasing inflation, real wage growth, and monetary easing are key drivers behind this forecast, which should benefit a demand rebound for non-essential food products.

Food commodity prices continued to decrease in 2024, but still remained higher than before Russia’s invasion in Ukraine February 2022, which triggered a sharp increase. The price decrease seen last year was supported by higher production and generally favourable weather conditions. We expect that

the food commodity price trend will remain downward in 2025, while levelling off in 2026. However, food price inflation remains elevated in some markets for the time being.

Adverse weather conditions remain a downside risk as they could disrupt global food supply, putting upward pressure on prices. A trade war between the US and other countries could have adverse effects on supply chains and raise the price of agricultural imports.

In the long-term, emerging markets will lead sectoral growth. In many emerging economies populations are increasing and the size of the middle-class is expanding. As disposable incomes rise, consumers substitute low value-added staples with higher value-added goods.

Industry performance forecast					
Europe		Asia and Oceania		Americas	
Austria	Netherlands	Australia	Phillipines	Brazil	Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend. Good The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend. Fair The credit risk situation in the sector is average / business performance in the sector is stable. Poor The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend. Bleak The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.
Belgium	Poland	China	Singapore	Canada	
Czech Republic	Portugal	Hong Kong	South Korea	Mexico	
Denmark	Slovakia	India	Taiwan	USA	
France	Spain	Indonesia	Thailand		
Germany	Sweden	Japan	UAE		
Hungary	Switzerland	Malaysia	Vietnam		
Ireland	Turkey	New Zealand			
Italy	UK				



Industry trends

Food and beverages

Key figures food and beverages	2023	2024*	2025*	2026*
Production	0.8	2.6	3.0	3.4
Gross output (sales) (real, USD)	1.4	2.3	2.9	3.4
Investment (real, USD)	5.1	7.7	4.1	3.6
Gross operating surplus (profits)	10.8	3.2	0.4	5.0

Year-on-year, % change /*forecast
Source: Oxford Economics

Output per region	2023	2024*	2025*	2026*
Asia Pacific	2.5	3.8	4.2	4.6
EU & UK	-1.1	2.6	1.4	2.0
North America	-0.7	0.7	1.4	2.0
South America	-0.9	0.6	3.1	2.8

Year-on-year, % change /*forecast
Source: Oxford Economics

Strengths and growth drivers

Structural resilience. Demand is inelastic, due to the essential nature of food.

Emerging markets growth. Disposable incomes are increasing leading to growth in higher value-added goods.

Changing consumer tastes. Consumers are increasingly demanding foods with health benefits.

New technologies. Big data solutions are helping to improve efficiency; there is also growth in scientifically engineered ingredients and products.

Constraints and downside risks

Margin issues. Profit margins for many food producers are structurally thin and under pressure.

Susceptible to sudden crisis. Price volatility, disease and extreme weather are difficult to predict.

Critical consumers. Consumers are increasingly demanding full transparency from producers.

Sustainability. Short-term investment is needed into clean energy, green supply chains, food waste reduction and eco-packaging.





Food and beverages outlook Americas

Food and beverages output	2023	2024*	2025*	2026*
Brazil	3.3	1.2	0.0	1.9
Canada	-1.0	-1.2	0.9	1.6
Mexico	-1.3	0.9	1.7	2.5
USA	-0.6	0.8	1.4	2.0

Year-on-year, % change /*forecast – Source: Oxford Economics

USA

Price competition weighs on the margins of food businesses

We expect US food and beverages output to increase by 1.4% in 2025 and by 2.0% next year. Consumer spending is underpinned by a tight labour market and growth of real wages. Consumer confidence has improved in recent months due to interest rate cuts and decreasing gas prices.

That said, food price inflation will continue to put pressure on household budgets despite some easing in 2024, which affects purchasing patterns. In the grocery retail sector, US households still face food prices that are almost 30% higher than pre-Covid. Consumers are seeking affordable options, and competition in the food sector is increasingly focused on price, which is creating margin pressure for food and beverages producers as well as retailers. Increasing merger and acquisition activity will put additional pressure on the margins of smaller food businesses.

An imposition of tariffs by the new administration is a downside risk for the US food industry. It could complicate supply chains, reduce food production by raising the price of agricultural imports, and lead to higher food prices (e.g. more than 50% of US fruit and vegetables imports come from Mexico).

Brazil

More pressure on margins

We expect Brazilian food output to level off in 2025, followed by a 1.9% increase in 2026. Household consumption is forecast to slow this year as high food prices weigh on disposable incomes, the labour market is weakening and interest rates have increased. Discount promotions by large retailers are likely to result in lower margins for food producers. However, the mid- and long-term prospects are good, due to rising disposable incomes and a large, young population.

Mexico

Outlook for sector remains positive

Food and drink spending in Mexico is expected to maintain robust outturn this year, despite a slowing economic environment. Food consumption will continue to prioritise staples such as meat and poultry. With a growing population and a large middle-class compared to other countries in Latin America, there are opportunities for premiumisation as consumer increasingly opt for higher quality food products.

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	Mexico
	USA
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Food and beverages outlook Asia Pacific

Food and beverages output	2023	2024*	2025*	2026*
China	3.5	5.4	4.9	5.5
India	8.0	-1.0	8.1	9.3
Indonesia	4.6	3.3	3.6	3.8
Japan	-2.3	0.3	0.2	0.0

Year-on-year, % change /*forecast – Source: Oxford Economics

China

Growth remains robust despite lower consumer confidence

China’s rising middle class is more willing to spend than to save on food compared to previous generations. It is also less price-sensitive and seeks higher quality food products. This is partly reflected in growth projections where we expect Chinese food and beverages output to continue growing by about 5% annually in 2025 and 2026. Growing consumer preference for healthy, organic, and functional foods, driven by increased health awareness is also one of key drivers for the sector. However, in the currently difficult environment with lower economic growth and subdued consumer confidence, demand for more expensive food and beverages items could weaken. At the same time, food safety and quality issues remain a top priority for the industry. The market is also highly competitive with numerous local and international players vying for market share. This can lead to price wars and slim profit margins. Downside risks facing the industry include labour shortages and an escalation of the trade dispute with the US under the Trump administration.



India

Robust sales growth, but elevated food prices remain an issue

After a 1% contraction in 2024, we expect Indian food production and sales to increase by more than 8% annually in 2025 and 2026. Growth will be driven by population growth and rising household incomes and living standards. Rapid urbanisation is driving demand for convenient and packaged foods as urban consumers seek quick and easy meal solutions. However, food price inflation is currently still high, as food producers have been affected by a sharp increase in costs for energy, fertilisers, packaging and transport. We expect only a slow inflation decrease in the coming months, further affecting discretionary spending. Adverse weather conditions during the monsoon season could lead to a reduction in cereals and vegetable output, increasing food price pressures.

Indonesia

Solid growth, but also challenges

In Indonesia, the food and beverages industry provides a significant contribution to economic growth and job creation. We expect production and sales to grow by about 3.5% annually in 2025 and 2026. The increase is driven by population growth and a rising middle income class with higher purchasing power. There is potential for this expand to international markets with products like packaged snacks and beverages. In the coming months decreasing inflation and lower interest rates should support food sector expansion. However, despite the expansion the food sector is facing some challenges, such as fierce competition in the retail segment, rising production costs, complex government regulations, and infrastructure/logistics issues. Volatility in commodity and energy prices and a weaker exchange rate against the USD remain potential downside risks.

Industry performance forecast	
	Australia
	China
	Hong Kong
	India
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Food and beverages outlook Europe

Food and beverages output	2023	2024*	2025*	2026*
France	-1.2	1.1	0.0	2.2
Germany	0.1	2.6	-0.3	2.0
Italy	-1.2	3.2	1.7	1.3
United Kingdom	-2.7	2.2	1.9	1.3

Year-on-year, % change /*forecast – Source: Oxford Economics

European Union and UK

Despite a decrease, food prices still stay above 2019 levels

After a 0.4% increase in 2024, food and beverages sales in the EU and UK are forecast to grow 0.1% in 2025 and 0.7% in 2026. While easing inflation and lower interest rates should support sector growth, prices for food items remain above 2019 levels. Cost drivers in the industry have been higher energy, transport, labour and increased loan costs.

In many European markets the profit margins of food producing and processing businesses are structurally thin and under pressure. This is due to a fiercely competitive environment, in which the bargaining power of major retailers and discounters is very strong. Consumers

remain price-sensitive, which means that across Europe large discounters and private label products will remain very popular. Price wars will continue as food retailers compete for price conscious customers.

Premium, organic and artisanal products have become increasingly popular in Western Europe, due to a shift towards health-conscious and sustainable food options. However, for smaller producers and retailers in this segment another surge in food price inflation and economic issues that negatively affect household purchasing power are downside risks. Adverse weather conditions such as the heatwaves that scorched southern Europe last summer, as well as the likelihood of more floods remain a downside risk for agri-food output and price developments.



Industry performance forecast	
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Czech Republic	
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