Atradius
Managing risk, enabling trade

Industry trends – Food and beverages

In some markets the indirect impact of tariffs could dampen higher food spending

August 2025

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Global overview

Production growth and decreasing food prices, but downside risks remain

We expect global food production to increase by 2.4% in 2025 and by 3.1% in 2026. Annual global food sales are in the same range (see chart overleaf). Among regions, Asia Pacific is expected to record above-average growth rates of more than 3% this year and 5% in 2026, while North America's food production is forecast to grow only modestly in 2025 and 2026 (0.4% and 0.3% respectively).

Compared to other industries, the direct impact of tariffs on the food and beverages sector is modest, given a relatively low trade exposure and the perishable nature of output, which makes large cross-border trade costly and less economically viable. The food and drink industry benefits from regional self-sufficiency, although some specific product categories could face vulnerabilities.

However, there is an indirect impact from tariffs in the form of lower economic growth and higher inflation, affecting disposable household incomes. For the food sector this could mean that consumers buy goods at lower price points, reduce spending on non-essential food and drink products, and maintain rather than increase their consumption level.

The slide in food commodity prices, that was set in motion after the shock of the February 2022 Russian invasion of Ukraine faded, has continued. Food prices decreased further quarter-on-quarter in Q1 of 2025, supported by better growing conditions in South America. Due to ample supply conditions global food prices are forecast to decrease in 2025 and then stabilise in 2026. However, any escalation of the current trade disputes could have adverse effects on supply chains and raise the price of agricultural imports. Additionally, adverse weather conditions remain a downside risk as they could disrupt global food supply, putting upward pressure on prices.

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	
Fair	Austria	Fair	Netherlands	Good	Australia	Good	Phillippines	Good	Brazil
Fair	Belgium	Fair	Poland	Good	China	Good	Singapore	Fair	Canada
Fair	Czech Republic	Fair	Portugal	Good	Hong Kong	Good	South Korea	Fair	Mexico
Fair	Denmark	Fair	Slovakia	Good	India	Good	Taiwan	Fair	USA
Good	France	Fair	Spain	Good	Indonesia	Good	Thailand		
Fair	Germany	Fair	Sweden	Fair	Japan	Fair	UAE		
Good	Hungary	Fair	Switzerland	Good	Malaysia	Good	Vietnam		
Good	Ireland	Fair	Turkey	Good	New Zealand				
Fair	Italy	Fair	UK						

Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.

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Industry trends

Food and beverages

Global: Key figures	2023	2024	2025*	2026*
Production	1.0	3.0	2.4	3.1
Gross output (sales) (real, USD)	1.0	2.7	2.3	3.3
Investment (real, USD)	5.2	6.6	1.6	3.5
Gross operating surplus (profits)	12.0	3.7	2.3	6.8

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

Output per region	2023	2024	2025*	2026*
Asia Pacific	3.1	4.2	3.3	5.1
EU & UK	-1.6	2.8	1.9	1.2
North America	-0.7	1.2	0.4	0.3
South America	-0.5	0.8	2.1	2.7

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	3.4	1.4	2.1	2.7
Canada	-1.0	-1.2	-1.6	-1.1
Mexico	-0.8	0.2	-1.1	3.0
USA	-0.6	1.6	0.8	-0.1

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 0.8% in 2025 and to level off next year. The market offers the advantage of a large population with high spending power that is also younger compared to peer markets (e.g. Western Europe). Health and wellness trends will be a major driver of sales of food and drink products.

Despite some easing, food price inflation will continue to put pressure on household budgets, which affects purchasing patterns. Actual price levels remain high, especially in some essential food categories. 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.

Tariffs imposed on Canada and Mexico are an issue. Almost 44% of US food imports come from these two markets, with fruit prices particularly exposed. If retailers look for cheaper products domestically, the excess demand will cause producers to raise their prices. Evidence from the 2018 tariffs show that complementary products saw their prices rise, risking higher food price inflation. Climate is an additional downside risk, as excessive bad weather will also negatively affect food prices.

Brazil

More pressure on retailers' margins

We expect Brazilian food output to grow by 2.1% in 2025, followed by a 2.7% increase in 2026. The food and beverage market shows resilience despite economic headwinds. In March 2025, Brazil's government removed import tariffs on key food items in order to combat rising food price inflation, which nevertheless remains elevated. Discount promotions by large food retailers have resulted in lower margins for food producers. However, the mid- and long-term market prospects are good, due to rising disposable incomes and a large, young population.

Mexico

Long-term outlook for the sector remains positive

Food and drink production in Mexico is expected to slow down slightly 2025, followed by a rebound next year. The impact of US tariffs remains a downside risk in the coming months, as they could increase prices for consumers and disrupt supply chains. Food consumption will continue to prioritise staples such as meat and poultry. Modern retail formats are popular with consumers, and further growth is expected across all retail channels. With a growing population and a large middle-class compared to other countries in Latin America, food and drink spending will grow further in the medium-term. There are opportunities for premiumisation as consumer increasingly opt for higher quality food products.

Industry performance forecast
Brazil
Canada
Mexico
USA

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Sharon Benfer
Atradius Senior Underwriter in Baltimore, USA.
Sharon is our Trade Sector Specialist for food in the Americas.

Food and beverages outlook
Asia Pacific

Food and beverages output	2023	2024	2025*	2026*
China	3.6	5.8	4.8	6.4
India	9.9	0.2	2.9	12.4
Indonesia	4.6	6.0	2.5	2.3
Japan	0.7	1.1	0.3	0.6

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

China

A robust performance in 2025 and 2026

We expect Chinese food and beverages output to grow by 4.8% in 2025 and by 6.4% next year. Household spending is likely to gain momentum in the second half of 2025 due to reinvigorated policy efforts to stabilise jobs, increase wages, and support spending. China's growing middle class in first and second tier cities 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. However, in third tier cities and below (and especially among low-income groups) consumers still prefer to pursue cost-effectiveness.

The rising share of people aged over 65 has led to a demand for 'age-friendly food' in China. Green, low-sugar, high-calcium and health-functional food have become the fastest-growing subsector. 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 in the food processing and services segments and price fluctuations for raw materials and international logistics.

India

An early monsoon supports sector growth

In 2025 food sector growth will be supported by the early onset of the annual monsoon, bolstering agricultural output and increasing rural household incomes (about 60% of workers are engaged in the agricultural sector). Good harvests limit price pressure on food items (those account for about half of the consumption basket). Sector growth will also 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, adverse weather conditions during future monsoon seasons could lead to a reduction in cereals and vegetable output, increasing food price pressures.

Indonesia

A mixed picture of growth and 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 2.5% annually in 2025 and 2026. The increase is driven by population growth and a rising middle class with higher purchasing power. The government rolled out a USD 1.5 billion stimulus package during the school holiday between June and July, including transportation subsidies and cash and food handouts for June and July.

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 or logistics issues.

Industry performance forecast
Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Phillippines
Singapore
South Korea
Taiwan
Thailand
UAE
Vietnam

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Sherly Caroline
Atradius Risk Underwriter
in Jakarta, Indonesia.
Sherly is our Trade Sector Specialist for food in Asia Pacific.

Food and beverages outlook

Europe

Food and beverages output	2023	2024	2025*	2026*
France	-1.0	1.1	1.0	1.9
Germany	-0.3	2.7	2.5	0.7
Italy	-1.4	4.3	2.0	1.1
United Kingdom	-2.5	2.4	0.7	0.0

European Union and UK

Profit margins of food processers and producers remain thin

After a 2.8% increase in 2024, food and beverages production in the EU is forecast to grow by 2.1 % in 2025 and 1.4% in 2026. Foods sales are expected to increase by 1.5% this year. Private consumption is still underpinned by modest gains in employment and wage growth, along with decelerating inflation. The tight labour market continues to drive wages upwards. In the UK food production growth is expected to be feeble, increasing by 0.7% this year and levelling off in 2026. After a 2.6% increase in 2024, food sales will stagnate in 2025 and contract by 1.6% next year. Consumer confidence is weak and wage growth has slowed in the UK.

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. Despite decreasing over the past two years, prices for food items are still above 2019 levels across Europe. 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
Austria
Belgium
Czech Republic
Denmark
France
Germany
Hungary
Ireland
Italy
Netherlands
Poland
Portugal
Slovakia
Spain
Sweden
Switzerland
Turkey
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Yoann Gublin
Atradius Deputy Industry Leader, Paris, France.
Yoann is our Trade Sector Specialist for food in Europe.

Interested in finding out more?

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Atradius
David Ricardostraat 1
1066 JS Amsterdam
P.O. box 8982
1006 JD Amsterdam
The Netherlands
Phone: +31 (0)20 - 553 91 11

info@atradius.com
www.atradius.com