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'Premiumization' and Slow Organic Growth Are Likely to Feed Food and Beverage M&A

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Key Points

- With growth in the food and beverage sector coming primarily from premium and insurgent brands, legacy companies whose organic growth has stalled are looking to M&A to compensate. That is likely to drive more dealmaking in 2026.
- A bifurcation of the market, with some consumers opting for cheaper house brands while others move upmarket, has further strained companies with products in the middle.
- The Trump administration's Make America Healthy Again initiative has focused public attention on the quality of ingredients and healthy foods, another factor that is likely to spur M&A in the sector in 2026.

PepsiCo's acquisition of the prebiotic soda line Poppi and Hershey's acquisition of healthy snack maker LesserEvil reflect an ever-growing theme in the food and beverage space: premiumization.

From "cleaner" ingredients and functional benefits to sustainable sourcing and value-aligned messaging, many shoppers are demanding more from the products they purchase and are willing to pay higher prices for. In 2024, global sales volumes for premium brands rose by 3%, while mainstream brand volumes declined by 1%, according to market research company Circana. Looking ahead, Circana's forecast for 2026 projects industry price/mix gains between 2% and 4%, while volume sales are anticipated to be flat or slightly negative, underscoring the ongoing challenge for brands to drive organic growth.

Premiumization: The act of highlighting quality ingredients or distinctive features to elevate a product's status.

This shift in consumer preferences is forcing legacy consumer packaged goods (CPG) players to rethink their traditional business models in an effort to find new sources of growth. Unilever and Nestlé have even announced premiumization as a core strategic focus.

The trend toward premiumization appears only to be increasing and may force many legacy food and beverage companies to explore acquiring insurgent brands that consumers view as "premium" in order to realign their portfolios with evolving tastes — a dynamic that positions the sector for a wave of M&A activity in 2026.

The Stalling of Organic Growth for Legacy Companies

Despite efforts to drive sales through product line expansions, packaging innovations and social media marketing campaigns, CPG conglomerates' revenue growth has plateaued, according to global consulting firm BCG.

While the food and beverage industry's sales increased by 2.1% in 2024, sales for large players (those with over $1 billion in sales) grew just 0.5%, according to BCG. These stagnating sales are attributable not only to macroeconomic pressures such as continued inflation, but more fundamentally, to shifting customer behavior.

The consumer landscape has become increasingly bifurcated, with lower-income shoppers gravitating toward more affordable private label products and higher-income shoppers favoring premium offerings. At the same time, the market has seen the emergence of the "unscripted consumer": someone willing to trade down on one grocery item and splurge on another.

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Consequently, incumbent food brands are being challenged in both directions, losing market share to private labels on price and to premium products on quality.

The Rise of Insurgent Brands

The trend toward premiumization, including younger consumers demanding greater transparency from food and beverage companies, has fueled the rise of insurgent brands, according to management consulting firm Bain & Company.

Insurgent brands: Niche products, such as plant-based yogurt and chili-infused honey, that are generating $10 million to $25 million in annual revenue and growing more than 10 times their category's average growth rate over the past five years.

Such products often use higher-quality ingredients and/or place an emphasis on brand awareness.

These innovators are disrupting the industry and capturing an outsized share of its growth. Insurgent brands drove more than 27% of food sector growth in 2024 while representing less than 1% of market share. The nonalcoholic beverage category shows a similar pattern, with insurgent brands delivering 32% of growth despite comprising less than 3% of the market for that category.

Notably, insurgents have captured this disproportionate share of growth almost entirely through volume expansion, in contrast to legacy food and beverage companies, whose 2024 sales gains were attributable primarily to price increases.

Poising the Industry for Sustained M&A Activity

The growing focus on premiumization will create two key near-term tailwinds that are expected to help continue to fuel M&A activity:

- **Incumbent CPG companies will continue their recent trend of acquiring premium food brands to help stimulate further growth.** For companies that are not perceived as offering premium products, acquiring premium brands has been — and will likely continue to be — the most efficient path to capitalize on trends. In 2025 alone, Pepsi completed its $1.2 billion acquisition of Siete Foods, which is branded as a better-for-you Mexican American food brand, and its $1.95 billion acquisition of Poppi.
- **Robert F. Kennedy Jr.'s appointment as the Health and Human Services secretary and his focus on the Make America Healthy Again (MAHA)** movement has further increased the spotlight on the food supply chain and Americans' eating habits. The regulatory push for healthier food products and ingredients will put additional pressure on legacy CPG companies to expand their offerings of products that both consumers and regulators view as healthy. Premium products in the better-for-you category are perfectly positioned to benefit from M&A activity.

What We're Watching

While tariff uncertainty muted food and beverage M&A activity for much of 2025, we believe that the forces impacting the food industry will help propel M&A activity in 2026. Shifting consumer tastes, a wealth of insurgent brands and increased regulatory scrutiny all provide the conditions for robust food and beverage dealmaking.

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