

# The State of Food & Beverage

*Key Trends, Transactions, and Technology Shaping the Industry*



**CONSUMER INDUSTRY**

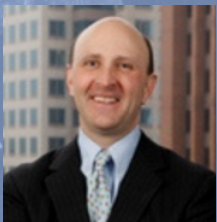
Carleton McKenna & Co



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## CARLETON MCKENNA FOOD & BEVERAGE BANKERS



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# The State of Food & Beverage

## *Key Trends, Transactions, and Technology Shaping the Industry*

### KEY TAKEAWAYS

Carleton McKenna & Co is pleased to share its latest food & beverage report. In this report, we explore macro-industry and private label marketplace trends, consolidation activity and noteworthy transactions. We also explore what the future deal-making landscape may look like for these product and service providers to help sector participants shape their strategies for the near- to medium-term.

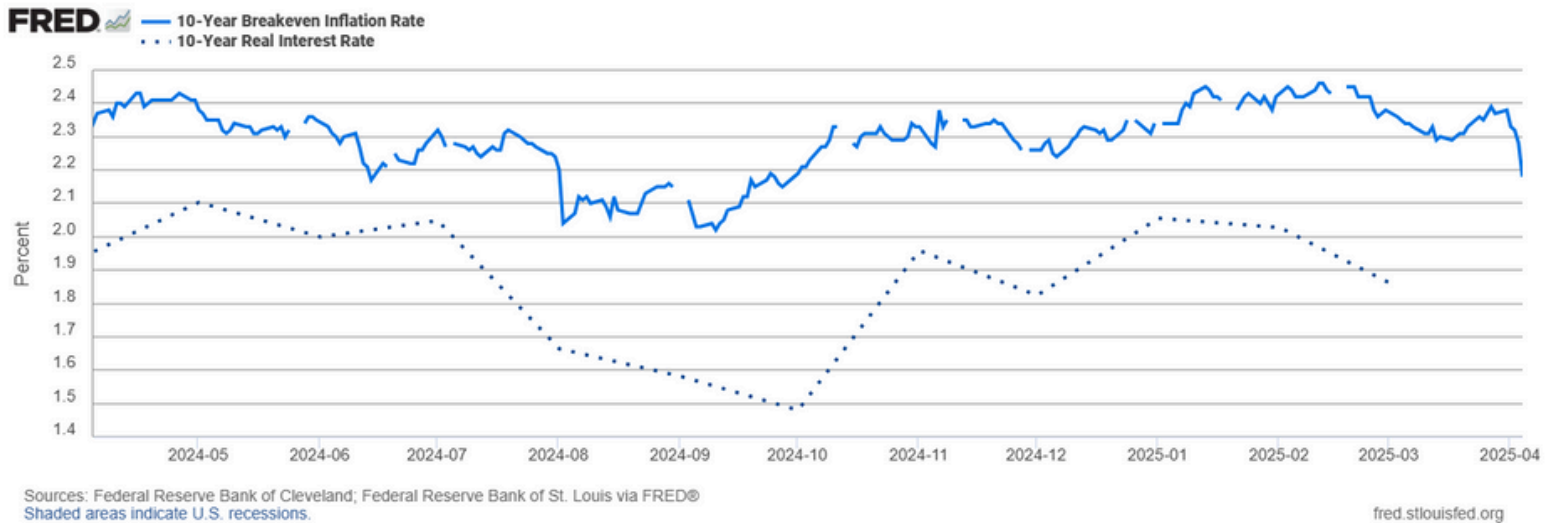
1. **M&A Surge Fueled by Innovation and Exit Demand:** The food and beverage sector is poised for a major M&A year, with strategic buyers targeting health-focused and premium brands, and Baby Boomer-owned businesses entering the market. Favorable interest rates and strong balance sheets are helping unlock deal flow.
2. **Private Label Market Expands with Consumer Shift:** With rising grocery prices, 70% of shoppers are turning to private label options, pushing manufacturers to improve product quality and branding. E-commerce and discount channels are accelerating distribution, though competition from national brands remains intense.
3. **Technology and AI Reshape the Industry:** Companies are investing in AI-driven tools and logistics platforms to improve forecasting, optimize supply chains, and personalize wellness offerings. Tech-focused acquisitions are becoming common as firms seek operational efficiency and digital relevance.
4. **Tariffs Create Cost Pressures, Opportunity for Domestic Players:** A sweeping universal tariff and country-specific levies are raising food import costs, especially on staples like coffee, produce, and seafood. While domestic producers may benefit, the broader market faces price hikes, supply disruptions, and consumer strain.

Carleton McKenna has substantive experience in the Consumer industry, with further focus in Food & Beverage Manufacturing, Private Label, and Distribution services. To learn more about Carleton McKenna's wide range of transaction experiences, strategies for growth or exit, and current Consumer industry trends, please [contact us](#).

## M&A Growth and Market Drivers

The food and beverage industry is poised for significant M&A activity in 2025, with expectations for one of the biggest years for deal-making in the past decade. After a period of slower transactions, the industry is set to see acceleration, driven largely by smaller strategic acquisitions focused on fast-growing areas such as premium products, snacking, and health and wellness. Larger companies are looking to acquire innovative brands that align with health-conscious, sustainable, and diverse consumer preferences. Additionally, Baby Boomer generation business owners seeking exits will contribute to increased M&A activity.

Economic factors are also playing a crucial role in fostering M&A growth. Declining interest rates are making it more affordable for businesses to finance transactions, while many companies have improved their balance sheets by paying down debt from prior acquisitions. Private equity firms, under pressure to deploy capital and deliver returns, are expected to play a significant role in driving transactions. Moreover, expectations of a more favorable regulatory environment may provide additional incentives for M&A.



## Types of M&A Transactions Expected in 2025

Three primary types of transactions are anticipated to dominate the deal landscape in 2025. First, large-scale sector-shaping deals will redefine industry dynamics. Second, sizable horizontal consolidation efforts will allow companies to gain stronger market share in key industries. Finally, companies will look to divest brands or business units with limited synergies and growth potential through targeted spin-offs.



**CASTILLO HERMANOS**

has been acquired by



**HARVEST HILL**  
BEVERAGE COMPANY

## Castillo Hermanos Acquires Harvest Hill Beverage

Harvest Hill Beverage, founded in 2014 and headquartered in Stamford, CT, is a manufacturer and distributor of beverages catering to retail and food-service channels. Harvest Hill Beverage announced a definitive agreement to be acquired by Castillo Hermanos and Centerview Capital for an estimated \$1.5B on April 3, 2025. The company also raised debt financing on an undisclosed date.

Harvest Hill Beverage has focused on expanding its portfolio through add-on acquisitions, including Sunny Delight Beverages and Nutrament, as well as other beverage-related businesses.



## *Technology and Digital Transformation in the Industry*

Technology is a major force shaping the industry. Companies are increasingly integrating AI and automation to optimize supply chains, improve forecasting, and enhance operational efficiency. As a result, businesses are also acquiring AI-powered and automation driven companies to maintain a competitive edge. The expansion of e-commerce is another factor reshaping the food and beverage sector, with online retail accounting for 35% of dollar sales growth despite only making up 10% of the total market share. Additionally, there is a rising demand for personalized wellness products often AI-enabled, including prebiotic, probiotic and fermented food offerings.



has been acquired by



VONZU develops a logistics management platform aimed at digitalizing delivery operations. VONZU was acquired by Moova on April 7, 2025, for an undisclosed amount.



has been acquired by



Shuket develops a mobile ordering and delivery application that allows users to order products from local supermarkets for home delivery. The company was acquired by Aswemake on April 4, 2025 for an undisclosed amount.



has been acquired by



Byways develops logistics and supply chain software aimed at enhancing the loading and unloading processes at logistics hubs. The company was acquired by Ehrhardt Partner Group on March 31, 2025, for an undisclosed amount.

## **Evolving Consumer Preferences and Product Innovations**

### *Health and Wellness Trends*

Consumer preferences are shifting significantly, with a heightened focus on health and wellness. Demand for "better-for-you" foods, featuring higher protein content, and reduced sugar levels, continues to grow. Many brands are adopting a "stealth health" approach, incorporating healthier ingredients without compromising taste. The alternative protein market is also expanding with projections indicating it will reach \$26 billion by 2030.

### *Sustainability and Ethical Consumption*

Sustainability has become a critical driver of consumption choices, with eco-friendly sourcing and ingredient transparency gaining importance. Many brands are implementing waste reduction strategies such as improved expiration date management and first-expiry first-out (FEFO) inventory systems.

### *Sustainability and Ethical Consumption*

Flavor innovation remains a key differentiator in the industry. Consumers are showing increased interest in globally inspired and exotic flavors, including tropical fruits such as mango, dragon fruit, and coconut, as well as international spices like coriander, turmeric, and star anise. Unexpected flavor pairings such as cayenne chocolate, spicy plum and orange espresso, are also gaining popularity. Similarly, nostalgic flavors are making a comeback, with "Milky Maple" being named the 2025 flavor of the year, due in part to the growing popularity of boba and milk tea. The use of aquatic ingredients, including sea moss, kelp, and duck weed, is on the rise as consumers seek healthier, plant-based alternatives or additives to boost immunity, protein intake, and more.

## Private Label Expansion and Retail Trends

### *Market Growth and Consumer Shifts*

Private label brands are also experiencing rapid growth as the year pushes forward. The global private label food and beverage market is projected to grow by almost \$2 billion from 2024 to 2025. In the US alone, the market is valued at about \$236 billion. This aligns closely with global activity as private label sales are forecast to reach \$270.6 billion and expand by another \$32 billion in 2025 alone.

Rising grocery prices are driving consumers to seek cost-conscious options, with 70% of shoppers shifting toward private label brands. Manufacturers are responding by improving the quality of ingredients to match or exceed brand competitors.

E-commerce has also become a critical avenue for private label expansion, with major retailers like Amazon and Costco increasing their private label offerings.

### *Retail Distribution and Channel Shifts*

Private label distribution channels are evolving, with supermarkets and hypermarkets (e.g. Target, Walmart, Meijer's) continuing to dominate sales, while convenience stores and dollar stores offer consumers a way to compare private labels and national brands.

The online segment is rapidly growing, and hard discount stores, also known as discount food retailers, are becoming more prominent by offering budget-conscious consumers better access to private label alternatives.

### *Challenges and Competitive Landscape*

Despite the market expansion, private label brands face challenges, including intense competition from national brands, the need for continuous innovation, and lower market penetration in developing countries. Overcoming consumer loyalty to established brands remains a key challenge requiring private label manufacturers to differentiate themselves through quality, pricing, and branding strategies.



has been acquired by



The Drinks Company, a supplier of a range of alcoholic drinks, including tequila, liqueurs, vodka, gin and rum, has been acquired by Stock Spirits Group via its financial Sponsor CVC Capital partners. The company was purchased for an undisclosed amount on April 3, 2025.



has been acquired by



8Greens produces organic supplements designed to help consumers maintain health in a convenient and enjoyable manner. 8Greens was acquired by Grove Collaborative (NYS: GROV) on March 11, 2025.



has been acquired by



Biomag is a manufacturer of food flavors intended to enhance the culinary experience. The company offers flavors that are developed with a focus on local tastes and international partnerships. Biomag was purchased by CDG Invest Growth on March 11, 2025 for an undisclosed amount.



## Key Impacts of Tariffs

The recent implications of tariffs under the current administration is having a significant impact on the U.S food and beverage industry, affecting supply chains, production costs, and consumer prices. These tariffs include a universal tariff on all imports, combined with country-specific reciprocal tariffs that vary widely and are highly dynamic. Effects are already being felt across multiple sectors of the industry.

### *Rising Costs for Imported Goods*

Approximately 17-20% of the US food supply is imported and the new tariffs are increasing costs across the board. For instance:

- Chinese imports such as garlic, apple juice, shrimp and spices are facing steep price hikes.
- Mexico, which supplies over 80% of imported avocados and a significant share of berries and tomatoes.
- Coffee, which is almost entirely imported (99%), could see substantial price increased due to new tariffs. Other staples like chocolate, vanilla, bananas, and seafood are also affected.

These rising costs are expected to translate directly into higher consumer prices. Food prices overall are projected to rise by approximately 3.4%\* with fresh produce prices increasing by around 4%\*, according to economic models. The National Restaurant Association has warned that restaurants may struggle with rising ingredient costs and potential shortages, which could lead to higher menu prices and even closures. Moreover, stricter customs checks and port delays are likely to disrupt supply chains further, especially for perishable foods. This disruption could lead to spoilage and compliance issues with FDA regulations. Compounding these challenges are labor shortages in agriculture and manufacturing—exacerbated by immigration policies—which add additional cost pressures.

Retailers like Walmart and Target are attempting to renegotiate supplier prices to mitigate cost increase but have faced resistance from international suppliers. In response to rising prices, consumers may shift their pricing habits toward lower-cost alternatives and domestic products; however, domestic producers may struggle to meet demand at competitive prices. The tariffs are reshaping the US food and beverage market by making imported goods more expensive while hopefully creating opportunities for domestic producers. Nevertheless, this transition is fraught with challenges such as supply shortages, higher operational costs, and potential declines in product quality and availability.

Ultimately, while some sectors may benefit from increased demand for US-produced goods, the overall effect of these tariffs appears to be an added financial burden on households already grappling with inflationary pressures. For consumers, these changes translate to higher grocery bills and altered shopping behaviors as they navigate a rapidly changing market landscape.

# SELECT M&A ACTIVITY

Date	Target	Description	Acquirer	Deal Size (\$M)
Apr-25	Bin to Bottle	Producer of winery beverages intended to serve the beverage industry. The company offers custom winemaking, fermentation, blending, packaging and other services related to the efficient execution and distribution of beverage brands.	West Pike	Undisclosed
Apr-25	Delta Fresh	Distributor and marketer of premium fresh produce. The company offers a range of vegetable products for retail and food service operations.	GrubMarket	Undisclosed
Mar-25	Raisio	Producer of plant-based protein supplement. The company offers protein products and other health drink supplements.	Valio	\$7
Mar-25	Poppi	Poppi produces prebiotic soda beverages aimed at supporting digestive health. The company offers low-sugar, calorie-carbonated drinks made with real fruit juice and apple cider vinegar.	Pepsico (NAS: PEP)	\$1,650
Mar-25	Orion Water Solutions	The company offers brewery wastewater recycling and reuse and dairy wastewater recycling and reuse services, thereby helping clients optimize water reuse, minimize waste, meet regulatory standards, and reduce operational costs.	Hillcore Group, Whitewater Management	Undisclosed
Feb-25	Simple Mills	Producer of various organic, gluten-free, and plant-based food products intended to provide convenient and delicious options for dietary needs.	Flowers Foods	\$795
Jan-25	Farmer's Hen House	The company specializes in sourcing, processing, packaging and selling branded and private label specialty eggs, focusing on a variety of items such as organic, free range and pasture-raised eggs.	British Columbia Investment Management	Undisclosed
Jan-25	Natural Advantage	Manufacturer of natural and kosher flavor ingredients intended for the food, beverage and flavor industries.	Axxence Aromatic, Capiton	Undisclosed
Jan-25	Harris Tea	Manufacturer of private label tea products including black, green, herbal and specialty tea along with services like customization of blends or loose leaf packaging.	TreeHouse Foods	\$205
Jan-25	Prodose	Developer and distributor of private label over-the-counter pharmaceutical products intended to serve consumers and businesses.	Everstone Capital	Undisclosed
Jan-25	Nardone Brothers Baking	Manufacturer of frozen pizza products serving the K-12, private label retail, and broader food service channels and schools nationwide.	Entrepreneurial Equity Partners	Undisclosed
Dec-24	Arcadia Biosciences	Producer and marketer of plant-based food and beverage products. The company's consumer brands in the food, beverage, and body care categories include GoodWheat high-fiber pasta, Zola coconut water and others.	Roosevelt Resources	Undisclosed
Dec-24	Pactiv Evergreen	Manufacturer of products such as food containers, drinkware, tableware, service ware, ready-to-eat food containers, clear rigid-display containers, trays for meat and poultry, and molded fiber egg cartons.	Apollo Global Management	\$6,700
Dec-24	Gelprime	The company manufactures gelatin products catering to food and pharmaceutical markets.	BRF Global	\$52
Nov-24	Right Coast Spirits	The company offers a wide range of products including mule vodka, mule tequila, rum, and bourbon with real, premium distilled spirits, ginger, and all-natural ingredients.	FX Matt Brewery	Undisclosed
Nov-24	FoodScience	The company offers formulations and private labeling services to the nutritional supplement industry and it also sells multiple vitamins, minerals and health supplements.	Morgan Stanley Investment Management	Undisclosed
Nov-24	Empire Coffee Roasters	Producer of roasted coffee products intended for private label and retail purposes including organic, flavored, kosher and fair trade-certified products.	Coffee Holding	\$0.80
Oct-24	SmithFoods	Producer of dairy and plant-based products intended to meet the evolving tastes and dietary needs of consumers including milks, juices, drinks, teas, custom blends and more.	Prairie Farms	Undisclosed
Oct-24	Mat-Pac	The company specializes in global sourcing, private labeling, and contract packaging, including biodegradable and compostable.	AmerCareRoyal, HCI Equity Partners	Undisclosed





**Paul H. Carleton**  
Managing Partner

Paul is founder and Managing Partner of Carleton McKenna & Company. He has more than 40 years of experience in corporate and investment banking focusing on mergers and acquisitions and capital raising activities for both private and public corporations. Prior to establishing Carleton McKenna, Paul was founder and Senior Managing Director of Carleton, McCreary, Holmes & Company, which was acquired by KeyCorp. Paul was previously Senior Managing Director and Head of Corporate Finance at the regional investment banking firm of McDonald & Company.

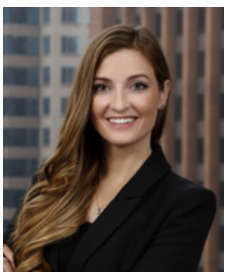
Paul has extensive corporate governance experience serving on corporate boards and not-for-profit boards. He has served on over 15 private company boards and currently sits on the Boards of E & H Family Group, Inc. and Breuer Premium Pet Food, Inc. Paul earned his bachelor's degree from Baldwin Wallace University and his master's in business administration from Northwestern University. He also received an honorary doctorate degree from Baldwin Wallace University.



**Christopher J. McKenna**  
Managing Partner

Christopher McKenna is Managing Partner at Carleton McKenna & Company. Before joining Carleton McKenna, Chris partnered with a private equity firm to buy a Cleveland manufacturing business where he was President and CEO. Previously, Chris was the Director of Financial Analysis with the MacLean-Fogg Company in Chicago where he executed on financial transactions and acquisitions and also managed a business unit.

Chris was an Associate with the investment banking firm of Rodman & Renshaw in New York, where he was involved with private and public transactions to raise equity, subordinated and senior debt. He began his career in commercial banking in New York with Manufacturers Hanover Trust and Security Pacific Business Credit. Chris received his B.A. in Economics from Dartmouth College and his M.B.A. with High Distinction from the University of Michigan Business School.



**Nora T. Mahoney**  
Managing Director

Nora T. Mahoney has experience with securities regulation, corporate governance, commercial litigation and broker dealer registrations. Nora is primarily responsible for the execution of capital raisings and private placement assignments across a variety of industries, as well as M&A advisory for business owners, specifically focused in B2B Services, Manufacturing & Industrials.

Prior to joining Carleton McKenna, Nora worked for Attorney General Mike DeWine and then practiced Commercial Litigation with a national law firm where she was involved in pre-trial practice for securities litigation.

Nora was awarded her Juris Doctor and Masters from Vermont Law School and serves as a Board Member for First Federal of Lakewood and as an executive Board Member for the Union Club of Cleveland. She also serves on the Board of Trustees for Baldwin Wallace University, from which she received her Bachelors in Biology and Sustainability.



## **Alexis M. Becker**

Vice President

Alexis is a Vice President at Carleton McKenna & Company. As part of Carleton McKenna's senior management team, Alexis manages M&A and capital raise transactions, guiding clients from preparation and marketing stages through negotiation and close. As part of transaction processing, Alexis reviews and develops marketing materials, conducts financial and valuation analysis, identifies strategic and financial partners for clients and facilitates due diligence processes. Alexis is also actively involved in building and maintaining client and partner relationships for Carleton McKenna.

Alexis completed her M.B.A. in Business Administration from Baldwin Wallace University in May 2018. She received her B.S. in Business Administration with a concentration in Marketing and a minor in Spanish from the Honors Program at Edinboro University of Pennsylvania, where she graduated top of her class.



## **David T. Jeziorowski**

Associate

David is an Associate at Carleton McKenna & Company. His current job responsibilities include industry and sell-side flow research, as well as creation of buyers lists, pitches and other transaction documents.

Before joining Carleton McKenna, David worked as a research and investment intern at Praetorian Holdings Group, a Cleveland-based private equity firm. During his internship, David performed extensive research on Industrial and Renewable Energy industries, communicated directly with sell-side M&A advisors and executed business and financial analysis utilized by members of the firm's investment committee.

David graduated from the University of Dayton in May 2022 where he received his B.S. in Business Administration with a concentration in Finance.



## **Emily A. Kuznik**

Marketing & Communications Manager

Emily is the Marketing & Communications Manager at Carleton McKenna & Company. Her primary responsibilities include researching and developing marketing content and industry reports, enacting website development, maintaining a social media strategy and regulating web-based management services.

Prior to joining Carleton McKenna, Emily worked as a Leadership Development Fellow for Baldwin Wallace University's Carmel Boyer School of Business. As a member of the pilot program, she coordinated a variety of marketing initiatives for both graduate and undergraduate programs including social media and email marketing campaigns, advertising, event planning, and recruiting.

She graduated magna cum laude from Baldwin Wallace University in 2021 where she earned a B.A. in Digital Marketing and again in 2022 with an M.B.A. in Management.





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Adirondack Vacation Destination  
• OLD FORGE NY •

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*Private Equity-backed chocolate manufacturer, wholesaler and retailer seeking acquisitions*

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*has successfully closed on the sale of equity financing*

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# ENDNOTES

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