Food, Agribusiness, & Beverage | October 2025

Industry Update

2025 Beverage Alcohol Outlook

- Only 54% of U.S. adults report consuming alcohol, the lowest level since 1939 (Gallup).
- Shifting cultural norms, particularly among younger generations, reflect a greater emphasis on wellness, mental health, and productivity, which may reduce alcohol consumption.
- Additionally, economic pressures may be contributing to alcohol becoming less of a routine purchase along with trading down in quantity and price point.
- Given recent sales declines and potential structural changes within the alcohol industry, future growth is expected to be driven by acquisitions and product diversification.

Weekly drinks are **down 1.0** from last year[(1)]

4.0 20-year avg.

3.8 Last year

2.8 This year

Alcohol Consumption and Demographics

Persistent Inflation

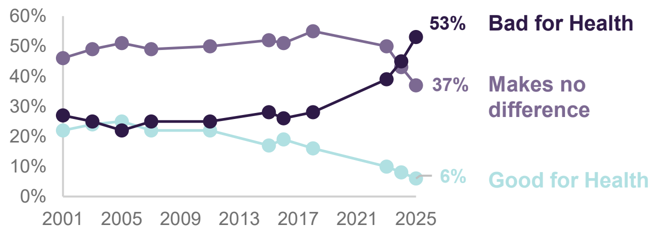
Alcohol prices away from home remain significantly higher than at retail, with stronger inflation in these channels weighing on consumers.

Alcohol Prices YoY	Nov-22	Dec-23	Dec-24	Jul-25
At Home	4.5%	1.2%	1.0%	-0.2%
Away From Home	7.1%	4.6%	1.9%	3.4%

Sources: Bureau of Labor Statistics

Perceived Health Effects of Moderate Drinking[(1)]

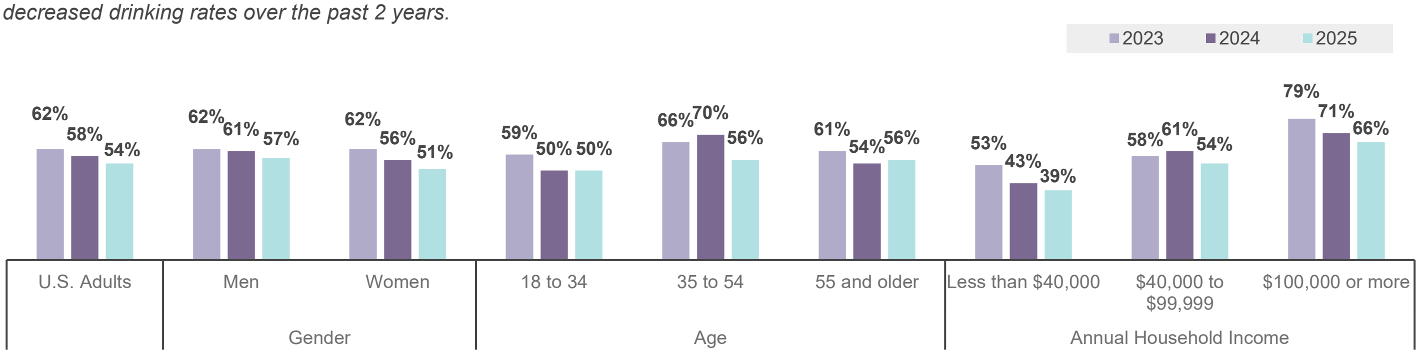
Public perception has shifted significantly, with 53% of people surveyed now believing that even moderate drinking is harmful, marking a profound cultural change.



Sources: Gallup

% of U.S. Adults Who Report They Drink Alcohol, by Subgroup[(1)]

Demographic shifts show a significant decline in alcohol consumption, with young adults, women, and various socio-economic groups all reporting decreased drinking rates over the past 2 years.



Sources: Gallup

(1) Gallup – Results are based on telephone interviews conducted July 7 to July 21, 2025, with a random sample of 1,002 adults living in the District of Columbia area.
Sources: Bureau of Labor Statistics, Gallup

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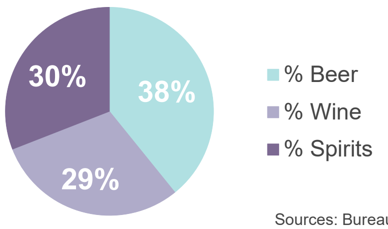
U.S. Drinkers' Preferred Alcoholic Beverage

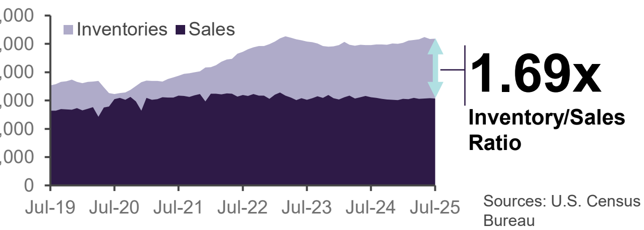
Among U.S. drinkers, beer remains the leading choice, followed by liquor and wine, a pattern consistent with the past 6 years.



Sources: Bureau of Labor Statistics

Beverage Alcohol Wholesale Inventory vs Sales

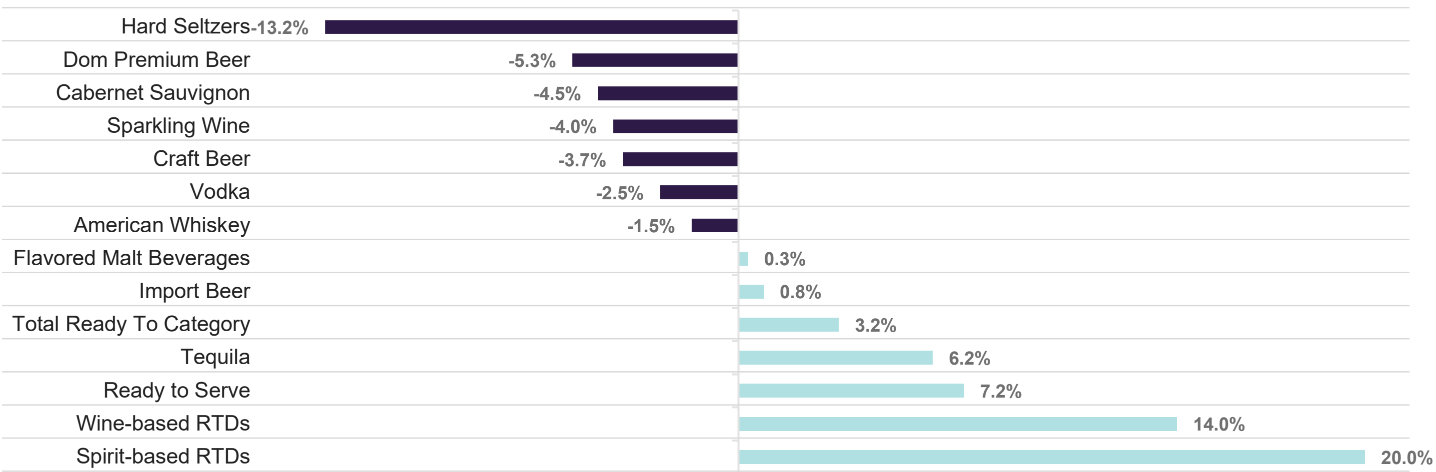
Wholesalers are carrying about 2 months of alcohol inventory, with supply outpacing sales and inventories elevated relative to demand.



Sources: U.S. Census Bureau

Top Beverage Alcohol Segments Revenue % Change vs. Year Ago[4]

While traditional segments like domestic beer and vodka show declines, high-growth areas include spirits-based RTDs (+20.0%), wine-based RTDs (+14.0%), and tequila (+6.2%).



Sources: Nielsen Consumer LLC, NIQ – The Fourth Category, July 2025

2Q25 Earnings Call Insights: Growth & Diversification Strategies

Company	Highlights
ABInBev	• **Low/No-Alcohol Innovation:** Increasing market share by innovating in no- and low-alcohol, low carb, zero sugar, and gluten-free products. • **Premiumization:** Strengthening premiumization and focusing on pack size shifts over brand trade-downs to meet changing preferences. • **Successful Launches**: Lauch of Michelob Ultra Zero and Busch Light Apple, plus RTD spirits, led growth in low/zero with Cutwater and Nütrl.
Molson Coors beverage company	• **New Innovations:** Highlighting innovations (Blue Moon Nitro, Blue Moon Extra, Simply Bold, MAX Margarita). • **RTDs:** Expanding presence in convenience channels and driving growth via RTD/flavor offerings, acquisition of fellow RTD brands. • **Distributor Collaboration:** Collaborating with distributors to target premium consumer trends and adapting to value-seeking behaviors.
Constellation Brands	• **New Product launches:** Launched new products (Ciro, Sunbrew), targeting consumers interested in flavor and moderation. • **Digital Marketing:** Increased investment in digital and high-impact marketing, linked to sector events and MLB collaborations.
DIAGEO	• **RTD & Flavor Expansion:** Growing RTD, flavor-led segments, and portion control options (Guinness 0.0, Tanqueray 0.0). • **Moderation:** Responding to demand for moderation and managing ABV, leveraging personalization for diverse occasions. • **RTDs:** Expanding RTDs to support moderation, allowing control of alcohol and calorie content while enjoying experiences.
BROWN-FORMAN	• **RTDs:** Expansion of RTD offerings to attract new consumers and broaden usage. • **Emerging Market:** Geographic growth in emerging markets like Mexico help offset declines in traditional markets like US, Germany & UK. • **Premiumization:** Continued investment in premiumization and brand refreshes to drive growth and streamline focus on their core business.

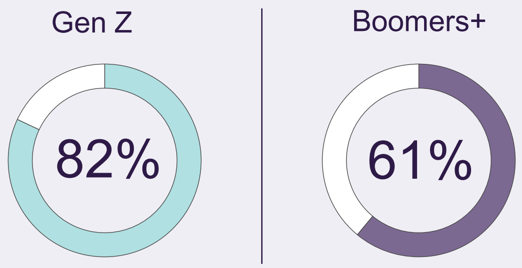
Sources: U.S. Census Bureau. Nielsen Consumer, CapIQ.

2025 Non-Alcoholic Outlook

- The 2025 YTD winners are those who deliver wellness-forward products and disciplined cost management.
- Results are showing consumers prefer functional options including hydration, protein, energy, amino acids, vitamins, minerals, and zero-sugar to fuel lifestyle and activity performance.
- Health-forward Research and Development investments in formulation and flavor are a key strategic lever of repositioning portfolios around wellness.
- The top U.S. Beverage giants are converging on the same playbook: cushioning margins against inflation via pricing and lean operations.
- Cost cutting has been enabled by automation, standardization, and increased use of digital tools and data analytics resulting in strengthening demand forecasts and distribution channels.
- Faced with inflationary pressures on commodities and materials, top performers have leveraged pricing and marketing, as well as technology, to offset the raw materials squeeze.

Functional benefit drives beverage choice[6]

Percentage saying they make beverage choices based on functional benefit:



Sources: Keurig DrPepper – State of Beverages 2025 Trend Report

2Q2025 Non-Alcoholic Beverage Key Industry Trends

As health and wellness reshape consumer priorities, cost-conscious choices and digital innovation are driving a new wave of transformation in the non-alcoholic beverage industry.

Health & Wellness | **Cost Concerns** | **Leveraging Technology**

2Q25 Earnings Call Insights: Growth & Diversification Strategies

Company	Highlights
Coca-Cola	• **Diversification of Brands:** Expansion of RTD offerings along with BODYARMOR, smartwater+, and Topo Chico are key growth drivers. • **Emerging Market Growth:** Geographic growth in Mexico, Brazil & Turkey offset some declines in traditional markets like US, Germany & UK. • **Continued Product investment:** Premiumization, low-calorie options and brand refreshes drive growth and streamline focus.
PEPSICO	• **Functional Beverage Growth:** Expanding Propel, Gatorade Fit, and Celsius partnership to meet wellness demand. • **Portfolio Premiumization:** Launching clean-label hydration and protein beverages. • **Shift from Traditional Colas:** Reducing emphasis on sugary sodas in favor of health-forward offerings, including Poppi acquisition.
Keurig DrPepper	• **Strategic Split:** Dividing into two focused entities—one for beverages (Dr Pepper/Snapple) and one for coffee (JDE Peet's acquisition). • **Direct Distribution Expansion:** Ending Coca-Cola bottling partnerships to expand its own Direct Store Delivery (DSD) model. • **Focus on High-Growth Segments:** Prioritizing energy drinks, hydration brands, and RTD coffee/tea.
CELSIUS	• **Explosive Growth:** Revenue up over 30% YoY, fueled by acquisitions of Alani Nu Brand & Rockstar and alignment with PepsiCo. • **Retail Penetration:** Expanding shelf space in convenience stores, gyms, and e-commerce. • **Brand Positioning:** Strong identity around performance, metabolism boost, and clean energy, driven by Gen Z & fitness-focused consumers.
MONSTER ENERGY	• **Global Expansion:** Aggressive entry into new markets, especially Asia and Latin America. • **Product Diversification:** Launching new lines like Monster Energy Zero Sugar and Monster Tour Water. • **Strategic Partnerships:** Leveraging Coca-Cola's distribution network while maintaining brand independence.

Sources: Keurig DrPepper, CapIQ