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Food and Beverage

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The latest on the impact of the Trump administration on Food and Beverage companies

Below we outline the potential impact of the new US administration's policies on Food and Beverage (F&B) companies in the consumer goods and retail (CG&R) sector.

Tariffs

The Trump administration's recent tariff policies and executive orders (EOs) are likely to significantly impact the F&B industry. New tariffs on imports from key trading partners could lead to retaliative tariffs as well as increased costs for companies relying on materials and commodities from those markets. The tariffs on Canada and Mexico proceeded on 4 March 2025 and then were again paused as of 7 March at midnight. The Chinese tariffs increased from 10% to 20% and remain there (for now). Although the new tariffs will boost US agriculture and food production, making it harder for foreign importers to compete, any additional costs are likely to be passed on to consumers. China has already imposed retaliatory tariffs, including on chicken, wheat and corn imported from the US.

The US exports nearly a third of its agricultural produce. Retaliatory measures from other countries could make these products more expensive or block access to some markets, reducing their competitiveness.

The US imports 17% of its food supply, with Mexico and Canada accounting for 42% of these imports. Tariffs against these two countries have already led to retaliatory measures, which could affect US goods such as wine, fruits, and vegetables. Canadian retailers are promoting "Buy Canada, Bye America" as Canadian consumers look to purchase domestic goods, or non-US origin goods. Meanwhile US brands with a Canadian presence are promoting their products that are manufactured by Canadians with Canada-grown produce in Canadian facilities and there are reports of US produce withering on Canadian grocery store shelves.

Tariffs against the EU and other trading partners could similarly result in retaliatory measures against the US.

Taxes

President Trump continues to prioritize making permanent many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) set to expire at the end of 2025. This includes key business deductions, like immediate R&D expensing, and the 20% pass-through business income deduction, which could impact small and mid-size businesses in the supply chain if it expires.

The new administration has also proposed lowering the base corporate tax rate to 20%, with an additional reduction to 15% for companies manufacturing goods within the US. Trump opposes the OECD's two-pillar tax approach to address tax avoidance and promote a transparent global tax environment, and Congressional Republicans have proposed a retaliatory tax on foreign countries enacting discriminatory taxes.

Separately, orders to impose increased tariffs on specific countries or classes of goods will likely impact the price of foreign goods (including agricultural products) and possibly affect the valuation of those goods for purposes of transfer pricing and indirect taxes.

For those in the food service industry, early in the campaign Trump proposed no taxes on tips or overtime. It is unclear whether any resulting legislation would apply both to income taxes and payroll taxes, which fund Medicare and Social Security, and whether there would be any limitations (such as phase-outs at higher income thresholds).

M&A

The Trump administration's recent policies may create a more favorable environment for mergers and acquisitions in the F&B sector. By reducing regulatory hurdles, the administration could facilitate faster approvals for mergers, making it easier for companies to pursue strategic deals.

The administration may also streamline reviews for foreign investors from aligned countries, but scrutiny may increase for investors from countries with strained relations with the US.

Trade tariffs on imports and a general reduction in food regulation may boost US agriculture and food production, leading to increased investment in the sector, but this investment is subject to tariff risks, including import restrictions and potential global retaliatory tariffs. The potential loss of agricultural subsidies, resulting from the new administration's efforts to reduce wasteful spending, could lead to increased pricing of agricultural commodities, which may reduce profitability for F&B companies, making them less attractive M&A targets.

ESG

Environmental impact and sustainability credentials are increasingly critical for F&B businesses, but the divergence in ESG approaches taken by different countries could increase operational complexity and costs for multinational F&B companies. While the EU and UK are advancing ESG policies, the Trump administration is expected to adopt a less aggressive approach, potentially halting, or reversing planned pro-ESG policies.

Despite this, the F&B sector has made notable progress in ESG, driven by consumer demand and international regulations, particularly from the EU. This progress is evident in the adoption of sustainable agricultural practices, increased ESG disclosure, and commitments to deforestation-free supply chains. Overall, while the Trump administration's policies may ease some ESG regulations, the broader global ESG landscape will continue to drive sustainability efforts in the F&B sector.

Employment

President Trump has signed EOs focused on stringent immigration requirements, which could affect the availability of labor for F&B companies that depend on immigrant workforce. Companies may need to reassess their hiring practices and workforce planning to adapt to these changes.

New EOs on diversity, equity, & inclusion (DEI) aim to dismantle diversity programs across the federal government. This will affect F&B companies with federal contracts and existing DEI programs, forcing them to reconsider their hiring practices and diversity initiatives. Multinational F&B companies operating in countries with competing DEI regulations may need to adopt different strategies for different regions.

How can we help?

Our consumer goods and retail experts in trade, tax, M&A and ESG are here to help advise you and your business on reviewing the potential impact of these policies and advising on next steps.