Bank of Ireland

Food and Drink Sector H1 2026 Insights and H2 2026 Outlook

August 2026

Right with you

H1 2026 Insights

- The food and beverage sector generated exports valued at €9.1bn in January-June 2026, a modest 3% decline on the exceptionally strong performance recorded in 2025.[1] Prepared consumer foods was the only subsector to match 2025 exports, while exports of meat, dairy, beverages, seafood and horticulture all declined.
- While annual food inflation eased in June 2026 to 0.6% in Ireland, 1.7% in the UK and 1% in the EU,[2] high input costs and weather-related supply pressures mean food prices will remain elevated. The **FAO Food Price (FFPI)** rose 0.6% to **131.1** in July 2026, the first increase in three months. Increases in oils, sugar and cereals were partly offset by lower prices for meat and dairy.[3]
- Following EU Agrifish Council negotiations, proposed reduction in Ireland's mackerel fishing quota was revised from -70% to -48% in March,[4] adding approximately 8,000 tonnes to the annual national quota.[5] This provides some relief to Irish fishers, although the reduction remains substantial. Higher mackerel pricing of €5.85 per kg (+165%) is helping offset some of the volume impact.[6]

-3% YoY

-3% YoY in food and beverage exports (H1 2026 vs 2025)

Inflation

Food inflation: Ireland 0.6%, UK 1.7% and EU 1%

-48%

Mackerel quota revised to -48% vs 2025

Table 1 – FAO Food Commodity Price Indices

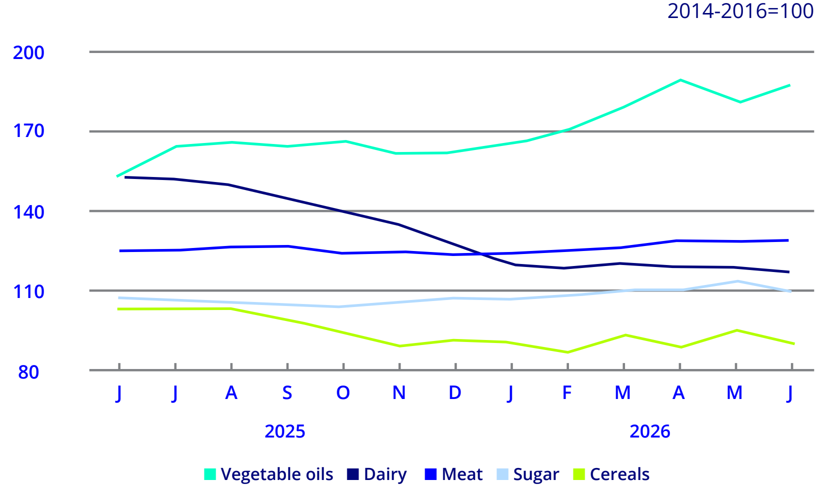

Table 2 – Food Price Index

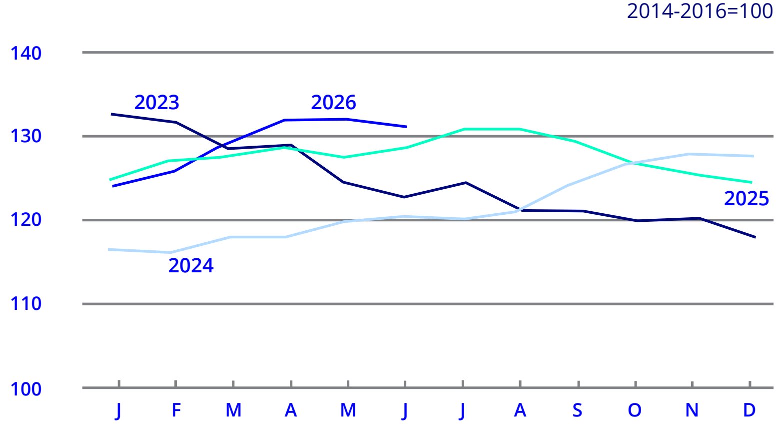

Table 1 and 2; FAO Food Price Index | Food and Agriculture Organization of the United States

[1,2] Key Findings Goods Exports and Imports June 2026 - Central Statistics Office [3] www.FAO Food Price Index | Food and Agriculture Organization of the United Nations [4,5] €32m mackerel agreement secured at EU council [6] Mackerel Price in Ireland - August 2026 Market Prices (Updated Monthly)

Key Trends

- While food inflation has eased, food and beverage producers continue to face margin pressure from high energy, staffing costs, global market disruption, and extreme weather affecting yields and production costs. In June, a report titled 'Building Global Food and Beverage Companies: Key Trends Shaping the Sector in 2026', led by UCC's Professor of Agri-Food Economics, Thia Hennessy, was launched. It highlighted that approximately 91% of food businesses reported an increase in the cost of doing business in 2025 and 85% anticipated further increases in 2026.[7]
- **Extreme heat to impact harvests:** Western Europe experienced exceptionally high temperatures and very low rainfall in summer 2026. Weather volatility and extreme conditions are affecting harvests and the availability and cost of raw materials in Europe, with significant implications for food and drink production costs.
- **Market diversification:** Geopolitical uncertainty and trade tensions, such as those between the EU and the US and between the EU and China, continue to prompt exporters to diversify into new markets and reduce dependence on any single export destination.[8]
- **Operational efficiency and Automation:** Food and beverage producers are increasingly investing in automation, robotics and integrated production methods to improve productivity, offset labour shortages and manage costs. Businesses are also streamlining operations by bringing selected outsourced activities in-house and upskilling employees to support more automated environments.[9]
- In **UK Grocery** retailers got a boost from hot weather and sporting events, with sales **+3.3%** for 4 weeks to 12th July and inflation lower at 2.6%.[10] For 12 week period to 12th July, the top four retailers – Tesco, Sainsbury, Asda and Aldi – were broadly similar to last year. Lidl grew sales +8.6% resulting in largest share growth of +0.5% to 7.8% market share.[11]
- In **ROI**, sales growth for 4 weeks to 12th July was a strong +6.3%, helped by warm weather and sporting events prompting at-home celebrations.[12] Dunnes, Tesco and Lidl saw strongest growth in 12 weeks to 12th July vs LY. Dunnes Stores continued to lead with a 23.7% market share, followed by Tesco at 23.5% and SuperValu at 19.6%. Lidl's market share increased to 14%, supported by sales growth of 10.8%, while Aldi's share declined to 11.1%.[13]

[7] 85% of food businesses expect costs to rise further in 2026 - report - Agriland.ie [8] Export Performance & Prospects 2025 - 2026 [9] Integrated Automation Boosts Food and Beverage Efficiency - Made In Ireland [10, 11] Worldpanel by Numerator: World Cup and heatwave send shoppers out in force as inflation eases to 2.6% [12] Irish grocery sales rise 6.3% as sunshine and sport drive at-home celebrations | Worldpanel by Numerator [13] Sunshine and Sporting Events Boost Irish Grocery Sales by 6.3% | ESM Magazine

Market Dynamics, Conditions & Drivers

- International demand for food and drink softened in H1 2026, reflected in weaker exports to several key markets, while producers and retailers balanced value, private-label and premium offerings for discerning consumers.
- **Evolving EU regulation** continues to shape the evolution of food manufacture and production. Regulation (EU) 2025/40 on **Packaging and Packaging Waste (PPWR)**, applies from **12th August 2026.** The regulation introduces phased recyclability, labelling and reporting requirements and also bans the use of some substances in the packaging. Producers and e-commerce retailers will need to assess rules applicable to their packaging in each EU market.[14]
- From Dec 2026 EU Deforestation Regulation (EUDR) will require companies placing commodities like cattle, cocoa, coffee, palm oil, rubber, soy and wood on the EU market to demonstrate that products are deforestation-free and legally produced, increasing supply chain traceability and compliance requirements for Irish food producers.[15]
- The **UK** Government has confirmed a ban on highly caffeinated energy drinks to under-16s. If passed by parliament, proposed timing is likely to be April 2027. Also in the soft drinks area, the UK government has published a paper on the **Soft Drinks Industry Levy (SDIL)** proposing that the sugar threshold at which a soft drink becomes liable for the levy will be lowered from 5g to 4.5g of added sugar per 100ml.[16]
- **Sustainability:** While managing costs remains a priority, many food and beverage producers continue to invest in sustainability as consumers, retailers and regulators place greater emphasis on environmental performance.[17]
- **M&A** activity continued in the sector in 2026 with the recent acquisition of **Glenhaven Foods**, Co Wicklow by Swedish poultry operator Scandi Standard in a deal worth €127m.[18] This will expand the group's Ready-to-Eat and value-added range.
- In soft drinks, **VITHIT**, founded by Gary Lavin, grew from an Irish start-up into a leading functional drinks brand for health-conscious consumers and was acquired by Nichols plc, a London-listed company for €75m in 2026.[19]
- **Cobblestone Brands**, the Dublin-based spirits company established in 2021 has acquired Bisquit & Dubouché Cognac and Cabo Wabo Tequila from Campari, following its 2025 purchase of Knappogue Castle and Clontarf whiskeys, broadening its presence further across whiskey, rum, gin, cognac and tequila.[20]
- In Northern Ireland the Competition Watchdog approved the planned purchase by Associated British Foods (ABF) of Hovis which will see a merger of two large Belfast bakeries.[21] Despite competition concerns, ABF's Belfast operation was loss-making and likely to close if the deal were not approved.
- **AI adoption** is evolving from experimentation to practical implementation, supporting quality control, predictive maintenance, production planning and supply chain management. Public and private sector initiatives, including Enterprise Ireland and Bank of Ireland programmes, are helping businesses explore and deploy AI solutions.[22]

Outlook H2 2026

Headwinds

- **High staffing and operating costs** are a key challenge for operators. These costs need to be carefully managed to remain competitive, especially for those selling in a global environment.
- **Food security** remains a strategic priority. While Ireland has strong domestic production capabilities, the country remains heavily reliant on imported fruit and vegetables, highlighting opportunities to strengthen local supply and supply chain resilience.
- While **food inflation** has moderated, continued pressures from energy costs, global commodity markets and weather-related impacts on harvests mean cost increases will further impact the sector and consumers in H2 2026.
- **Softening consumer demand** in international markets and heightened competition are creating a more challenging trading environment for exporters.

Tailwinds

- **Sector resilience:** Irish food and beverage producers have strengthened their ability to manage disruption, drawing on experience of recent geopolitical, supply chain and inflationary challenge.
- Ongoing demand for secure, transparent and resilient **supply chains**, creating opportunities for Irish producers, given the country's strong reputation for quality, traceability and trusted production standards.
- **Consumer education** on food provenance and local sourcing continues to grow, with initiatives such as Grow It Yourself (GIY) and Lidl Ireland's recent Lidl Foodies programme for children helping raise awareness of food provenance and the value of local supply.[23]
- **Innovation** remains critical to competitiveness. Enhanced R&D supports, including the increase in the R&D tax credit rate from 30% to 35%,[24] provide additional incentives for businesses to invest in product development, process improvement and technology adoption.

[14] EU packaging regulation 2025/40 PPWR: implications for e-commerce? [15] Deforestation Regulation implementation - Green Forum - European Commission [16] Food law | UK Regulatory Outlook July 2026 | Osborne Clarke [17] Food Market Trends in Ireland: Consumer Insights & Preferences [18] Scandi Standard agrees Glenhaven Foods acquisition - Poultry News [19] A London-listed soft drinks group is buying Gary Lavin's VitHit for €75m - The Currency :The Currency [20] Campari sells two spirit brands to Dublin-based Cobblestone | FoodBev Media [21] Hovis: Merger of two major NI bakeries approved by watchdog - BBC News [22] Bank of Ireland and Google offering 10,000 AI scholarships to SMEs - Bank of Ireland Group Website [23] Lidl Ireland Invests €150k In Free Food Education Programme | Checkout [24] What Are the R&D Tax Credit Changes in Ireland for 2026?

Strategic implications and action points

Despite ongoing market uncertainty, operators have adapted to changing conditions and are expected to maintain a cautious approach to investment, prioritising opportunities that deliver greater efficiency and enhance competitiveness.

Focus areas include:

- Tight cost control to ensure margins and operational efficiencies.
- Investment in automation, digitalisation and AI to improve productivity.
- Advancing sustainability initiatives that meet customer and regulatory expectations.
- Diversifying export markets and product portfolios to reduce geopolitical and trade-related risks remains key.
- Strengthening supply chain resilience and building towards a more sustainable food system.

Despite ongoing cost, inflationary and market challenges, Irish food and beverage companies continue to **innovate**. In the **Love Irish Food and BOI customer survey in Q2**, results showed 62% of operators were positive about their business opportunity despite the wider environment outlook not being as positive as prior years.

Lucy Ryan
lucy.ryan@boi.com
087 766 3661

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