

FutureBridge



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Kottmeyer's Almanac *on* **MIDSTREAM**

The Boardroom Brief: What Global Midstream
Food Business C-Suite Needs to Know

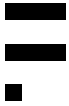


BOARDROOM BRIEF

The winners in midstream food and beverage will not necessarily have the largest portfolios or networks, but fewer things by default, more things for a reason, and carry less capital, complexity and dependency that cannot move when the economics do. The sector is increasingly over-owned and under-optimized: companies have accumulated plants, suppliers and processing networks in the name of scale and resilience, but July exposed how little of that capacity is genuinely interchangeable when conditions move against it. Fairlife lost production to cyber disruption, 2 Sisters to water constraints, whey scarcity exposed technically irreplaceable ingredients, and plant-based processors found that downstream technology cannot compensate indefinitely for inconsistent raw materials. At the same time, Ingredion-Tate & Lyle, McCormick, SuanNutra, Midera, FlavorSum and Intersnack-Utz are concentrating formulation, processing and customer-access capabilities where control creates advantage, while Vitamin Well-EMPWR, Nexira-Keragum and Starco are pulling critical manufacturing and supply capabilities closer to the core. British Sugar, Mars, Agropur, METRO, Nestlé and Conagra are moving the other way, releasing assets or activities that no longer justify ownership. The dividing line is no longer integration versus outsourcing, but whether control is strategically valuable or simply inherited.

That distinction is changing the economics of scale, resilience and capital allocation. Multiple plants offer little protection if they share one digital failure point; multiple suppliers offer little protection if none can meet the same technical specification; and low-cost ingredients lose their advantage if traceability or customer standards make them unusable. Capital is therefore moving toward capability rather than footprint alone. Land O'Lakes is extracting more value from milk, ADM and AAK are using installed infrastructure to commercialise external innovation, Del Monte is converting side streams into ingredients, Nestlé is automating coffee production, and Compass is industrialising foodservice. Agropur can sell a profitable cheese business because the milk and capital can earn more elsewhere; METRO can retain the brand while giving up the factory; Nestlé can release capital from water while retaining economic exposure; and AAK can participate in novel fats without owning the underlying technology. Different moves are converging on the same rule: ownership earns its place only when it delivers capability, optionality or economics that cannot be secured more efficiently elsewhere.

For the midstream C-suite, M&A, capex, sourcing, resilience and compliance can no longer be managed separately. Forced-labour enforcement, USMCA uncertainty, EUDR execution, biotechnology regulation and public support for processing capacity are changing which assets, suppliers and locations remain economically usable, not simply what they cost. Management needs to identify which capabilities are scarce enough to own, which partners are strategically irreplaceable, which plants still deserve capital, and which profitable businesses could release resources for better uses. Procurement should distinguish low-cost supply from recoverable supply; R&D should treat formulation substitutability as continuity infrastructure; operations should measure recoverable rather than nameplate capacity; and strategy teams should price utility security, regulatory speed and policy exposure into asset economics. The boardroom question is no longer how much more the business can own, but where ownership genuinely increases the ability to move when conditions change.



THE 6 STRUCTURAL THEMES

Theme 1

Capabilities Are Consolidating into Integrated Platforms

The consolidation cycle is no longer just reducing the number of suppliers; it is redrawing which capabilities companies cannot afford to leave outside. McCormick and Ingredion–Tate & Lyle are concentrating formulation control, Midera is integrating processing technology, Vitamin Well–EMPWR and Starco are pulling strategically important manufacturing closer to the core, Nexira is moving upstream toward raw-material control, while FlavorSum, SuanNutra and Intersnack–Utz are combining technical capability, manufacturing reach and customer access. The advantage will sit with platforms that control the bottlenecks around innovation, scale-up, supply continuity or customer switching – not simply those with the broadest portfolios.

FORMULATION CONTROL IS BECOMING MORE VALUABLE THAN PRODUCT BREADTH

The strongest ingredient platforms are moving upstream in the customer decision. McCormick and Ingredion–Tate & Lyle can connect formulation, application support and commercialization across more of the brief, while FlavorSum and SuanNutra are adding capabilities that reduce the number of partners customers need. Specialists can still win, but only where their technology creates genuine switching pain. The exposed position is the supplier that is neither broad enough to own the solution nor differentiated enough to remain indispensable.

STRATEGIC DEPENDENCIES ARE BEING PULLED INSIDE THE BUSINESS

Vitamin Well–EMPWR, Starco and Nexira–Keragum show a different form of integration: companies are buying capabilities that have become too important to leave entirely outside. Manufacturing capacity, raw-material origin and technical know-how move from supplier relationships into strategic control when failure can constrain growth, quality or continuity. Vertical integration is therefore becoming selective rather than ideological – own the dependency that can stop the business; outsource the one that can genuinely be replaced.

M&A VALUE WILL BE WON OR LOST IN THE OPERATING MODEL

Buying capabilities does not make them integrated. Intersnack–Utz, McCormick, FlavorSum and Griesson-de Beukelaer will create value only if procurement, plants, specifications, innovation teams and customer relationships can operate as one system. That puts suppliers at greatest risk after closing, when duplicate vendors, overlapping capacity and competing specifications become visible. Scale without integration simply creates a larger organization carrying the same fragmentation.



Theme 2

Capital Is Moving Toward Higher-Value, Flexible Assets

The next capacity shortage may coexist with plenty of installed capacity because the constraint is increasingly having the right kind of asset. Land O'Lakes is extracting more value from milk, Del Monte is recovering value from side streams, ADM and AAK are using incumbent infrastructure to commercialize external innovation, Nestlé is building automation into new coffee capacity, Compass is centralizing foodservice production, while Newon and Phytokana are adding differentiated protein-processing capability. Capital is moving toward assets that create more outputs, absorb more technologies or preserve more strategic choices—not simply those capable of running more tonnes.

VALUE PER UNIT OF INPUT IS REPLACING THROUGHPUT AS THE CAPITAL METRIC

Higher throughput creates little advantage if the additional volume earns commodity economics. Land O'Lakes is moving milk toward higher-value protein, Del Monte is turning processing losses into saleable ingredients, and Hormel is concentrating on value-added protein applications. The common logic is to extract more value from material already entering the system. Plants that remain busy but cannot upgrade their inputs may continue operating while becoming weaker destinations for the next dollar of capital.

FLEXIBLE ASSETS ARE BECOMING OPTION VALUE ON THE BALANCE SHEET

ADM and AAK show why installed infrastructure becomes more valuable when it can commercialize technologies developed outside the company. Nestlé's new coffee plant and Newon's differentiated bar capacity extend the same logic: assets that can support multiple formats, processes or future technologies preserve more strategic choices. The risk is assuming flexibility where none exists. A plant only has option value if new technologies can fit its real process architecture without destroying yield or economics.

CONTROL OF CRITICAL INFRASTRUCTURE IS BECOMING PART OF PRODUCT ADVANTAGE

Product advantage can be created before formulation starts. Vita Coco's Copra acquisition secures crop origin and first-stage processing, while H-E-B's refrigerated infrastructure expands control over freshness, category reach and private-label scaling. Upstream suppliers tied to these systems gain stronger demand but may lose leverage where buyers integrate backward. Midstream and downstream players that control critical infrastructure gain more influence over quality, availability and supplier selection.

Theme 3

Manufacturing Networks Are Being Structurally Reset

The manufacturing reset has moved beyond closing weak plants. Companies are deciding what they should still manufacture, what they should still own and where capital should stop following history. British Sugar and Mars show assets losing their economic right to exist; Nestlé is removing dedicated seasonal capacity; General Mills and Conagra are pushing simplification into manufacturing and sourcing; Agropur is selling a profitable cheese business because capital can earn more elsewhere; METRO is keeping the brand while transferring factory economics to FGF; and Nestlé is separating economic exposure from operating ownership through its water joint venture.

PROFITABILITY NO LONGER GUARANTEES THE RIGHT TO CAPITAL

Some assets should be exited even when they still make money. British Sugar shows structural regional economics overwhelming incremental efficiency, while Agropur shows that a profitable

business can still lose the internal capital-allocation contest. The relevant question is no longer whether an asset earns a positive margin; it is whether it earns more than the next-best use of the capital, raw material and management attention it consumes.

COMPLEXITY IS BECOMING A MANUFACTURING COST

General Mills and Conagra show that simplification programmes eventually reach plants, specifications, suppliers and co-manufacturing relationships. Too many SKUs, suppliers and production pathways consume line time, working capital and management attention. Real simplification therefore requires redesigning how the product gets made – not merely reducing overhead. Suppliers that do not remove system cost can lose relevance even when customer volumes remain healthy.

CAPACITY CAN FAIL FINANCIALLY BEFORE IT FAILS PHYSICALLY

Hope Baking adds another dimension to network risk: a functioning plant can disappear because the financial structure behind it fails. Customers relying on smaller or leveraged co-manufacturers therefore need to understand balance-sheet and liquidity exposure alongside quality and capacity. A supplier can become unavailable without a recall, fire or mechanical breakdown.

Theme 4

Resilience Is Becoming a Capacity Requirement

The weakest point in a manufacturing network may no longer be inside the factory. Fairlife's cyber disruption, 2 Sisters' water constraints, whey tightness and microbial variability in plant-based ingredients show digital systems, utilities and critical inputs removing output even when equipment, labor and demand are available. Upstream suppliers with better consistency, substitutes or data gain leverage. Midstream processors need to accept some redundancy as the price of continuity. Downstream customers will favor suppliers that can prove recoverability rather than simply high utilization.

COMMON DEPENDENCIES CAN TURN EFFICIENT NETWORKS INTO COMMON FAILURE POINTS

The same systems that create efficiency can remove several plants at once when they fail. Fairlife's cyber disruption turned shared digital infrastructure into a multi-site capacity problem, while 2 Sisters lost production because water availability failed outside the plant. Manufacturers need more system separation, local recovery capability, water storage and alternative utility arrangements. Co-manufacturers gain a larger role as contingency capacity. Efficiency built around one common dependency should be treated as concentration risk.

FORMULATION OPTIONALITY IS BECOMING A SUPPLY-CHAIN ASSET

Procurement cannot negotiate its way out of an ingredient that has no validated substitute. Whey combines nutritional and technical functionality that alternative proteins cannot always reproduce, making some formulations vulnerable even at very high prices. Manufacturers need R&D to qualify substitutes before supply tightens. Alternative-protein suppliers will win where they solve specific functional gaps rather than simply offer another source of protein. Formulation flexibility now protects continuity as much as multi-sourcing does.

RAW-MATERIAL CONTROL IS MOVING INSIDE THE FACTORY RISK MODEL

The production line is only as reliable as the ingredient entering it. Plant-based beverage processors cannot keep compensating for inconsistent spore loads through harsher thermal treatment without damaging quality or shelf life. Suppliers able to provide consistent microbial profiles and stronger



batch data gain strategic value. Manufacturers need microbial specifications embedded in supplier qualification, not treated as a downstream processing problem. Capacity becomes unreliable when raw-material variability exceeds what the process can absorb.

Theme 5

Compliance Is Moving into Operating Systems

Compliance is moving upstream from the finished product into the systems that determine how products are sourced, formulated, manufactured and documented. FDA supplier scrutiny, Codex allergen guidance, FDA ingredient reassessments, Bimbo's clean-label programme and UK nutrition proposals all point in the same direction: the commercial risk starts before a recall or final regulatory decision occurs. Ingredient suppliers need stronger evidence; manufacturers need connected formulation and supplier systems; and retailers will increasingly expect proof of control rather than declarations of compliance.

ACCOUNTABILITY IS MOVING BEYOND THE FACTORY WALL

Outsourced activities remain part of the brand owner's risk perimeter. FDA supplier scrutiny makes deeper upstream dependencies harder to treat as somebody else's problem. The critical supplier is not necessarily the largest by spend – it is the one whose failure can simultaneously affect multiple plants, brands or customers. Supplier mapping is becoming a compliance control rather than a procurement exercise.

FORMULATION AND FACTORY CONTROL ARE BECOMING PART OF THE EVIDENCE BASE

Codex allergen guidance raises the burden behind precautionary labels: packaging cannot indefinitely compensate for weak segregation, cleaning validation or supplier control. The wider direction is clear – companies will increasingly need to prove why a formulation, process or label remains safe and appropriate. Compliance therefore becomes an operating-system capability, not a final-stage legal check.

Theme 6

Policy and Regional Economics Are Redrawing Competitive Advantage

A factory's competitiveness can change without anything inside the factory changing. UK manufacturing-cost pressure, USDA-backed beef-processing capacity, biotechnology regulatory reform and Bunge's ability to monetize shifts in oilseed economics show policy, energy, subsidies, trade conditions and approval speed moving profit pools between regions and assets. Location strategy therefore needs to account for how quickly structural economics can change – not just where manufacturing is cheapest today.

HIGH-COST REGIONS CAN LOSE CAPACITY EVEN WHEN DEMAND REMAINS

Demand cannot permanently compensate for an uncompetitive production base. UK food-manufacturing weakness shows how energy, labour, packaging and trade costs can erode competitiveness even when customers still want the product. Plant productivity can delay the decision, but it cannot indefinitely overcome structural regional disadvantage.

REGULATORY SPEED IS BECOMING PART OF THE COST CURVE



The UK and European biotechnology moves show that approval time can affect investment returns as materially as labour or energy costs. A higher-cost jurisdiction can still attract advanced manufacturing if technology reaches revenue faster there. Regulatory velocity therefore becomes a location advantage for higher-value food technologies and needs to be priced directly into capital-allocation decisions.

PUBLIC CAPITAL CAN CREATE CAPACITY THAT PRIVATE ECONOMICS WOULD NOT

USDA support for meat processing changes competitive conditions before the new plants have proven themselves commercially. Subsidies can lower investment hurdles and create new regional competitors for livestock, labour and customers. Incumbents therefore need to distinguish announced capacity from usable economic capacity – because grants can finance a plant, but they cannot guarantee utilization.

VOLATILITY CAN CREATE VALUE FOR THE RIGHT NETWORK

Bunge adds a less defensive dimension to regional economics. Geopolitical volatility can hurt some parts of the food system while expanding margins elsewhere, particularly when energy prices reprice vegetable oils or trade flows redirect throughput. Integrated processors with positions across origination, crushing and end markets can monetize that movement. Resilience therefore is not only about surviving volatility; the right network can profit from it.



STRATEGIC IMPLICATIONS FOR THE C-SUITE

Navigating the 2026 Midstream Control Shift

The next phase of midstream competition will be decided less by who grows fastest than by who can preserve economics when operating assumptions break. Supplier consolidation is changing negotiating power, capital is being withdrawn from structurally weak assets, critical inputs and utilities are constraining usable capacity, and regulation is reaching further into sourcing and production. The boardroom task is therefore not to react to each disruption separately, but to decide where the business needs greater control, where flexibility is worth paying for and where legacy exposure has become indefensible. The following implications translate these shifts into management priorities.

1. Own the bottleneck, not the entire value chain.

McCormick, Ingredion–Tate & Lyle, Vitamin Well–EMPWR, Nexira, Midera and AAK point to a more selective form of integration. Companies do not need to own everything; they need control over the capabilities whose absence can slow innovation, constrain supply, weaken customer access or prevent commercialization. Boards should therefore judge M&A and vertical integration by whether they remove a strategically expensive dependency. The choice is build, buy, secure or deliberately outsource. Portfolio breadth without greater control over a meaningful bottleneck is simply more complexity.

2. Allocate capital on productive optionality, not asset history.

Land O'Lakes, Del Monte, ADM, AAK, Nestlé and Compass show capital flowing toward assets that can create more value from the same inputs or support more future uses. British Sugar, Mars and Agropur make the opposite point: an asset does not deserve capital because it is busy, recently built or even profitable. Boards should assess facilities on value per unit of input, flexibility, recoverable utilization and alternative use, then compare that return with the next-best destination for the capital. Assets that require permanently favorable assumptions to work should be repurposed, separated or exited before the market forces the decision.

3. Decide explicitly what the company still needs to manufacture itself.

METRO, Nestlé's water joint venture, Vitamin Well and Starco show ownership models moving in both directions. Some capabilities are being internalized because dependency has become too expensive; others are being transferred to specialists because ownership no longer adds enough advantage. The decision should not start with an asset-light or vertically integrated philosophy. It should start with how replaceable the external partner is, whether the capability determines customer value and whether internal ownership genuinely improves economics. Outsourcing removes fixed assets; it does not remove dependency.

4. Treat resilience as recoverable capacity, not a risk programme.

Fairlife, 2 Sisters, whey scarcity and raw-material microbial variability expose the same flaw in conventional capacity planning: a plant can exist on paper and still be unavailable when a common system, utility or technically irreplaceable input fails. COOs and CFOs should therefore measure how much output remains recoverable under realistic disruptions. That means identifying common digital dependencies, utility constraints, technical formulation bottlenecks and financially fragile co-manufacturers. Redundancy should be priced against lost throughput and customer failure, not against the economics of a stable operating environment that can no longer be assumed.



5. Put compliance and policy inside operating economics.

FDA, Codex, UK nutrition policy, biotechnology regulation, U.S. trade actions and EUDR all reinforce the same shift: regulation now changes the economics of formulations, suppliers, factories and regions before it necessarily bans a product. Companies should therefore model commercial acceptability, regulatory evidence, tariff exposure and approval speed alongside labour, logistics and processing cost. Supplier qualification needs to extend beyond certificates, formulation teams need substitution pathways before scrutiny intensifies, and new plants should be stress-tested against alternative trade and regulatory regimes. Policy is no longer an external scenario; it is an input into margin, market access and asset value.



OUR TEAM

Meet our author and experts

As Group Chief Strategy Officer and Global Practice Lead for Food, Agriculture & Nutrition at FutureBridge, I have shaped my work over more than two decades of leadership across complex, regulated, and innovation-driven industries. The focus has consistently been on helping organizations navigate structural shifts in demand, regulation, and technology with greater clarity and confidence.

What defines this approach is a combination of strategic rigor, practical insight, and a strong focus on outcomes. Deep experience across food, agriculture, and nutrition continues to inform how clients assess change, unlock opportunities, and make critical decisions in evolving markets.



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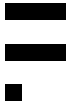
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ABOUT

FutureBridge

FutureBridge is a global innovation and strategy consulting firm that helps companies anticipate disruption, decode emerging markets and technologies, and convert future signals into growth decisions. The firm works with leadership teams across food and nutrition, life sciences, energy, chemicals, mobility and industrial sectors to support innovation strategy, market intelligence, technology scouting, portfolio prioritization and future ready growth planning.

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