Mid-Year Report 2025

Food Manufacturing & Logistics in the Midwest
An Analysis of Regional Trends and Developments (2024–2025)

Executive Summary

The food manufacturing and logistics sector in Kansas City and the broader Midwest is navigating a period of significant transformation. Over the past 12–18 months, the industry has been shaped by persistent labor shortages, volatile input costs, resilient but price-sensitive consumer demand, and an evolving regulatory environment. Strategic investments in regional infrastructure signal strong confidence in the Midwest's future as a critical food hub. This report synthesizes these trends to provide a comprehensive overview of the region's challenges and opportunities.

Key Takeaways

- Labor Power Ascendant: Chronic worker shortages have empowered labor, leading to significant wage increases.
- Divergent Cost Pressures: Record-high beef and packaging prices are squeezing manufacturer margins.
- The Frugal Consumer: Shoppers are turning to discount retailers and private-label brands.
- Regulatory Tightening: New rules on meat labeling and trucking safety are reshaping operations.
- Infrastructure Investment: Cold storage investments are enhancing the region's logistical capabilities.

Labor Market Dynamics

Worker Shortages and Wage Pressures: Midwestern food manufacturers – especially meat processors – remain chronically short-staffed. Nearly half of U.S. meatpacking workers are immigrants, and despite hefty pay hikes in recent years, companies still "cannot hire people fast enough" for tough, physically demanding jobs . Southwest Kansas feedlots, dairies, and packing plants depend on foreign-born labor, legal or otherwise, to operate, prompting fears that immigration crackdowns could cripple production . Employers report there simply aren't enough local workers willing to do the difficult work, even at higher wages.

Strikes and Union Activity: Labor organizing has surged. In January 2024, 130 Teamsters drivers at a US Foods distribution hub near Chicago went on strike, protesting stalled wage and safety negotiations. They extended picket lines to dozens of facilities nationwide – from New Jersey to California – effectively paralyzing operations. Within three weeks, the company agreed to a new 5-year contract with $7/hour in raises (including $3 in the first year) plus improved benefits and safety measures, which workers overwhelmingly ratified. Similarly, in October 2023 the United Food & Commercial Workers (UFCW) union representing 1,700 meatpackers at Hormel's Austin, Minnesota plant (and sister plants in Iowa, Wisconsin, and Georgia) leveraged a strike threat to win a "historic" four-year agreement. The deal delivered $3–$6 per hour in total wage increases over the term (about a $3 immediate raise, then smaller boosts each year) along with protected healthcare coverage. These hard-fought contracts underscore the momentum of labor in Midwestern food facilities.

Minimum Wage Increases: Many Midwest states are in the midst of significant minimum wage hikes due to recent voter referendums. For example, Illinois's minimum wage reached $15 as of 2025, and Nebraska's is set to rise to $15 by 2026 under a 2022 ballot measure. Missouri voters had approved a gradual increase to $15 by 2026 (with inflation indexing thereafter); however, in May 2025 Missouri's legislature intervened – removing the automatic inflation adjustment and a new paid sick leave requirement that voters had passed. Lawmakers argued they were easing burdens on businesses, though worker advocates decried the rollback. Overall, rising wage floors in the region have put upward pressure on labor costs for food manufacturers, even as some governments push back on certain provisions.

Labor Law Enforcement: Regulators have intensified scrutiny of labor abuses in the food industry. In late 2022 and into 2023, federal investigations revealed that a major sanitation contractor had illegally employed minors to clean meatpacking plants in at least eight states, including Nebraska and Kansas. The company – Packers Sanitation Services, based in Wisconsin – was fined $1.5 million (the maximum) for these child labor violations. This prompted Midwestern meat processors to beef up compliance, and it sparked debate in state capitals like Des Moines and Jefferson City over proposals to loosen child labor rules. Concurrently, safety authorities are exploring stronger workplace protections (for example, OSHA is considering new heat-exposure standards for food plants and farm workers amid recent heat waves). The overall trend in the past year has been stricter enforcement of labor laws in food manufacturing, given the industry's history of hazardous conditions and vulnerable workers.

Material & Input Pricing Trends

Cooling Inflation, but High Input Costs: After two years of steep increases, food price inflation moderated significantly in 2024. Nationwide food-at-home prices rose about 2.3% in 2024 – a sharp drop from 2023's 5.8% increase and the double-digit spikes seen in 2022. This easing reflects improved supply chains, lower energy costs, and a general economic cooling. However, not all inputs have stabilized. Some key materials and ingredients have continued to surge in price, squeezing Midwestern food producers' margins even as overall inflation slows.

Packaging and Freight Costs: Packaging materials have grown more expensive. For instance, in mid-2024 North American containerboard (cardboard) prices jumped by $30–$40 per ton despite only lukewarm demand. Box manufacturers pushed through these hikes to offset their own higher input and energy costs. Food companies across the Midwest – from cereal makers to meat packers – felt the pinch of pricier corrugated boxes and other packaging. On the logistics side, transportation costs have been a mixed story. Diesel fuel prices, which spiked in 2022, have come down from their highs, offering some relief on freight bills. In the Midwest, diesel averaged about $4.58/gal in Sept 2023, then fell to ~$3.52 by April 2024. (Prices ticked up to ~$3.80 in summer 2024, but remained well below year-prior levels.) Lower fuel costs and improved trucking capacity helped stabilize trucking rates in 2024. Indeed, average Midwest dry-van spot rates in 2024 were roughly flat or slightly down year-on-year, a welcome change after the severe capacity crunches of 2021–22. Rail freight costs have similarly leveled off. Overall, cheaper diesel and an influx of new drivers/trucks eased some supply-chain pressure for food distributors – though regulatory changes (discussed below) could reverse some of those trucking labor gains.

Ingredients and Commodity Inputs: The cost trajectory for food ingredients has varied by sector. Beef prices, in particular, hit record highs in 2024–25. The U.S. cattle herd is at its smallest size in decades (after drought and high feed costs led ranchers to cull herds), and processors are paying a premium for scarce cattle. By May 2025, the average retail price of ground beef reached $5.98 per pound – up 16% from a year earlier and the highest ever recorded. Analysts say beef production in the Midwest dropped year-over-year, creating a tight supply that "pushed prices even higher" going into summer grilling season. Notably, strong consumer demand has thus far absorbed these hikes, and experts don't expect beef to get cheaper until herd sizes recover. Dairy and grain inputs, by contrast, saw more stability. Milk prices stayed relatively flat in 2024 (after a brief spike in 2022) – in part due to federal price-control programs that buffer fluid milk costs. And major Midwestern grain commodities like corn and soybeans became less expensive from 2022 to 2024: for example, soybeans averaged about $14.20/bushel in 2022 but fell to ~$12.55 in 2023, with projections of ~$11 in 2024 as production rebounded. This easing of feed and ingredient costs has helped producers of packaged foods, livestock, and ethanol. Still, fertilizer and other farm input prices remained elevated, preventing a full return to pre-2020 cost levels.

Cold Storage and Supply Chain Investments: To manage costs and improve efficiency, companies are investing in regional supply chain infrastructure. A notable development is the expansion of cold storage capacity around Kansas City – a key Midwestern logistics hub. In April 2024, Americold Realty Trust broke ground on a new $127 million, 335,000-square-foot cold storage warehouse in Kansas City, Missouri. The facility, built in partnership with the newly merged Canadian Pacific Kansas City (CPKC) railroad, will create ~190 jobs and support CPKC's Mexico-to-Midwest Express (MMX) rail service for refrigerated foods. This modern cold depot will streamline the movement of meat and perishables between the Midwest and Mexico, potentially lowering transportation costs per unit. Likewise, CJ Logistics is opening a large new cold storage center in New Century, Kansas (just outside KC) by late 2025. These regional investments should reduce spoilage, improve export capacity, and ultimately help stabilize storage and distribution expenses for Midwestern food suppliers.

Consumer Demand & Market Behavior

Resilient Demand for Proteins: Consumer demand across the Midwest has remained surprisingly robust even as prices climb. In the past year, higher grocery costs have not dampened appetite for certain foods. For example, beef producers report record demand even at record prices. "Beef has differentiated itself as the protein of choice," notes one Kansas rancher, who says U.S. and international buyers are clamoring for quality Midwest beef despite the expense. Supermarket sales data back this up: through 2024, fresh meat sales (beef, pork, poultry) hit new highs – with U.S. meat department revenues topping $104.6 billion, up ~2.3% in volume from the prior year. In short, consumers have so far tolerated inflation in meats, suggesting these items are seen as essentials or valuable indulgences. Likewise, demand for convenience foods and snacks has stayed strong. Major Midwest-based food companies (e.g. Kellogg's, ConAgra) noted steady volumes in 2024 as consumers, emerging from the pandemic, continued to seek out packaged and ready-to-eat products, even if they traded down to cheaper brands.

Inflation's Impact on Shopping Behavior: At the same time, high inflation has undeniably changed how Midwestern consumer's shop. With grocery bills about 20% higher than two years ago, households have become more price-sensitive and resourceful. Many are trading down to discount retailers and private labels to stretch their food budgets. In 2024, sales of store-brand (private label) grocery products surged to record levels – capturing unprecedented market share in both dollars and units. Industry analysts note that even higher-income shoppers “started shopping at Walmart, Aldis, and dollar stores to save a buck”, especially for staples. Retailers have taken note: an FMI survey found 90% of grocers plan to expand their private-label offerings by 2025, betting that consumers will continue seeking value. The shift is visible in the Midwest, where chains like Hy-Vee and Meijer have heavily promoted their store brands and budget lines. Consumers are also buying smaller pack sizes and sticking to sale items. According to a LendingTree survey, nearly 9 in 10 Americans (across income levels) adjusted their grocery habits in 2024 to fight inflated bills, with common tactics being cutting non-essentials, using coupons, and comparing prices between stores. In short, Midwestern shoppers are still feeling the pinch of inflation and expect high prices to persist into 2025, leading them to seek bargains wherever possible.

Growing Food Insecurity and Assistance Needs: One unfortunate effect of persistent food inflation and pandemic aid rollbacks is rising food insecurity in Midwest communities. Food banks and pantries are reporting significantly higher usage over the last 12 months. In the Kansas City area, for instance, demand for free food has “soared.” Harvesters – the regional food bank serving Kansas and Missouri – recorded 2.19 million household visits in the year ending March 2025, up from 1.98 million the year prior. That ~10% jump in clientele includes many working families who still can’t make ends meet as prices outpace wages. At one midtown KC pantry, lines of cars waiting for food donations regularly stretch down the block. The pantry’s director called the situation “alarming,” noting that middle-class parents, seniors, and unemployed folks alike are showing up in droves. This surge comes as federal nutrition programs are in flux – pandemic-era SNAP benefit expansions ended in 2023, and the new administration’s budget has proposed further cuts of $267 billion to SNAP over 10 years. Charitable organizations warn they cannot fill the gap if food assistance is slashed. In sum, many Midwestern consumers are struggling to afford basics, and hunger relief networks are straining under record demand. Nonprofits cite high food costs, layoffs in some sectors, and reduced government aid as driving more people to seek help just to put food on the table.

Evolving Tastes and Product Trends: Within the overall demand picture, there are some shifts in preferences across the Midwest. Health and sustainability continue to influence new product launches – for example, regional meat processors have expanded lines of grass-fed and antibiotic-free meats to meet consumer interest in “clean” foods. Plant-based protein trends have been a mixed bag: growth of meat alternatives slowed in 2024 after the initial surge, but categories like plant-based protein drinks and powders saw an 11%-dollar sales jump as more consumers integrate meatless protein in their diets. Midwest grocery buyers are also responding to economic pressures by cooking at home more and eating out less frequently than before inflation hit. The University of Missouri’s Extension surveys noted an uptick in home canning, gardening, and scratch cooking in 2024 as families seek cheaper, self-sufficient food strategies. Conversely, on the indulgence side, snack and confectionery sales have remained robust (“affordable luxuries” like candies and chips often see stable demand in hard times). Overall, Midwestern consumer demand is a story of resilience – people continue to spend on food (with some volume increases), but how and where they spend has shifted toward cost-saving strategies and essentials.

Regulatory & Policy Landscape

Country-of-Origin Labeling Rule: A significant regulatory change came from the USDA in spring 2024 regarding meat labeling. In March 2024, the USDA finalized a long-awaited rule tightening the definition of "Product of U.S.A." on meat, poultry and eggs. Effective 2026, companies may only label products as "Product of USA" if they are derived from animals born, raised and slaughtered domestically. Previously, imported meat could be labeled as a U.S. product as long as it was processed or packaged here. Midwestern ranchers and farm groups applauded the change, saying it will "significantly help U.S.-based producers' bottom line" by preventing cheaper imported beef from undercutting local beef under a false label. Consumers, too, will get more accurate origin information. Large meatpackers (several of which operate plants in the Midwest) had opposed stricter labeling but are now preparing to comply. This policy shift is expected to benefit cattle producers in states like Kansas, Nebraska, and Iowa, who can better distinguish their American-raised beef in the market.

Trucking and Transportation Regulations: The logistics side of the food industry is adjusting to new federal rules aimed at trucking safety. Notably, in November 2024 the Federal Motor Carrier Safety Administration (FMCSA) implemented a rule that toughens consequences for commercial drivers who fail drug tests. Under the new regulation, any driver who tests positive is marked "prohibited" in the national Clearinghouse and will lose their CDL until completing a prescribed return-to-duty rehabilitation process . This is a stricter approach than before, effectively sidelining violators from driving until they go through counseling, clean drug tests, and follow-ups. As of early 2024, over 235,000 truckers had at least one drug/alcohol violation on record; 69% of those were still in "prohibited" status (had not finished or even started the return-to-duty program) . The rule's November enforcement raised alarms for trucking fleets in the Midwest, who worry it could worsen the driver shortage if many choose to quit rather than undergo rehab. Food distributors, who rely heavily on long-haul truckers to move Midwest grain, meat, and packaged foods, may face tighter capacity and higher wages as a result. On a related note, regulators are weighing proposals to require speed limiters and automatic emergency braking on heavy trucks – safety measures that the trucking industry has met with mixed reactions. While safer roads would benefit everyone (including food transport), smaller Midwest trucking firms fear added costs and productivity losses. Rail regulations have also been under review after high-profile incidents (like the Ohio derailment in Feb 2023). Though no sweeping rail safety law passed in 2024, the FRA urged railroads to improve hazardous material handling and several Midwestern states pressed for stricter oversight of train lengths and track maintenance, given the importance of rail corridors for ethanol and grain transport. In summary, new rules in transportation are forcing logistics providers to adapt, balancing safety compliance with the need to keep Midwest food supply chains running efficiently.

Labor and Food Safety Policy Updates: Beyond wages (covered in Labor Trends above), other policy shifts are affecting Midwestern food production. Worker safety and rights have been a focus: Minnesota, for example, enacted a law in mid-2023 strengthening meatpacking workers' right to refuse dangerous work and mandating more frequent safety inspections in processing plants (a response to high injury rates). Federal OSHA, as mentioned, is moving toward a first-ever heat standard for outdoor and indoor workers – which would affect farm labor, food warehouses, and factories that lack climate control. Meanwhile, food safety regulations continue to roll out under the FDA's Food Safety Modernization Act (FSMA). Small and mid-sized produce farms in the Midwest faced compliance deadlines for the FSMA Produce Safety Rule through 2024, prompting state agriculture departments (e.g. in Missouri and Kansas) to expand training programs on topics like safe water use and hygiene in fruit and vegetable growing. The FDA has also proposed new traceability requirements for high-risk foods – major dairy and prepared food manufacturers in the Midwest are preparing for 2025–26 rules that will require more rigorous tracking of ingredients from farm to fork, to speed up recalls and prevent outbreaks. On the agricultural policy front, the USDA approved changes to the Federal Milk Marketing Order pricing formula in January 2025 – raising the "make allowance" (processing cost deduction) for dairy products, which effectively lets big dairy processors keep a larger portion of revenue and gives farmers a modest $0.26/cwt milk price increase on paper. Dairy farmers in Wisconsin and Ohio protested that this tweak favors processors while their own costs (feed, vet, labor) have climbed faster. As the 2023 Farm Bill debate spilled into 2024 (it was delayed in Congress), Midwest farm groups lobbied to protect crop insurance and conservation funding, and to address issues like meatpacking concentration and cattle price transparency – all regulatory areas that could see movement affecting the food supply chain.

High-profile Transactions

Mars announced its acquisition of Kellanova (owner of Cheez-It, Pringles, RX Bar, Nutri-Grain), a mega-deal valued around $35.9 billion (or nearly $30 bn in earlier reports)

- *Motivation:* Diversify beyond confectionery into salty snacks, healthier snacks; scale up amid slowing growth, rising inflation and weakening stock valuations

Campbell Soup acquired Sovos Brands (owner of Rao's pasta sauce) for $2.7 bn, and Smucker acquired Hostess Brands (~$4.6 bn), reinforcing consolidation in branded, shelf-stable packaged foods, responding to consumer and competitive pressures.

Sector Trends & Volume

- In 2024, deal volume and value surged: total food & beverage M&A reached ~$150 bn across ~350–500 deals, more than doubling 2023 levels (~$83 bn)
- Capstone Partners data reports U.S. Food Sector transactions rose ~5.3% by count year-over-year (~180 deals YTD mid-2024)
- M&A in branded and private label segments elevated: branded space accounted for ~86 deals (private equity consolidation and strategic buyers), driven by settling valuation expectations and strong interest in specialty/organic/health-oriented brands

Valuation Multiples

- In branded/sub-sector deals, valuations normalized after prior volatility; strategic EV/EBITDA multiples rose to ~10–10.3× (1H 2023), EV/Revenue ~1.4× (e.g., General Mills' Yoplait sale)
- Middle-market food & beverage deals averaged ~7.4× TTM EBITDA in Q2 2024
- Manufacturing sector multiples across broader industries rose from ~10.2× to ~11.1× in 2025

(Source: Pitchbook Data)

In Summary

Kansas City and the broader Midwest have seen a dynamic 12 months in food manufacturing and logistics. Companies are raising wages and investing in new facilities (from beef plants to cold storage) to meet strong consumer demand, even as they grapple with labor shortages and higher input costs. Consumers are adapting to inflation by seeking value options, yet regional pride in Midwestern food (from Kansas beef to Wisconsin cheese) remains evident in sustained demand. Policymakers, for their part, are responding with tighter regulations on safety, labeling, and labor standards that aim to ensure a fair and secure food system. The intersection of these labor, cost, demand, and regulatory trends will shape the Midwest's food sector competitiveness in the year ahead.

About Us

DLA Companies is a privately held business advisory firm based in the Kansas City metro area, with over 20 years of experience delivering tailored mergers, acquisitions, and strategic growth advisory services to mid-market companies—particularly those with $10 million to $150 million in annual revenue. Build on referrals and a client-centric focus, DLA has guided over 200 successful business transactions. DLA's proprietary process prepares companies for the highest possible exit value. Their approach is underpinned by a mission to "positively impact lives with a passion for excellence," emphasizing preparation, confidentiality, and long-term relationships.

Dan Loiacono, CCIM MBA

Dan is a seasoned professional with extensive experience working with business owners and C-level executives to improve the performance of their company through top line growth and operational efficiencies – maximizing the value of their business. With over 20 years of management, consulting, and business ownership transition experience, Dan brings a unique and fresh perspective to organizations he is involved with. As a respected mergers and acquisition advisor Dan has closed nearly 200 business transactions and evaluated hundreds of businesses in various industries. Dan is a recognized speaker and trainer and has a strong track record of blending into organizations at a senior advisory level and quickly making a meaningful impact. Dan's vision is "To positively impact lives with our passion for excellence."

Chris Vering

Chris Vering is a highly accomplished executive and strategic advisor with over 35 years of expertise in corporate strategy, mergers and acquisitions, and organizational transformation. As the former CEO and minority partner at Knit-Rite, Chris spearheaded the company through significant growth and strategic decisions, including five M&A transactions including its eventual sale to Thuasne of France in 2020. He continued to serve as CEO and later as Senior Strategic Advisor, member of the Thuasne worldwide management team, and North America board member. Chris concluded his career at Thuasne by leading a final acquisition in 2024.

Currently, as a trusted advisor for DLA, Chris specializes in strategy development, M&A, and guiding organizations in identifying growth opportunities, developing team members, and executing seamless integrations. His expertise encompasses manufacturing, international operations, and the medical device industry. Renowned for his hands-on approach and adeptness at navigating complex transactions, Chris is highly respected by his peers and currently serves as an advisor to the Kansas City Manufacturing Network. He previously held the position of President of the local chapter of Financial Executives International and was the first manufacturing executive to serve on the Wyandotte County Economic Development Council.

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