

# Sector Insights



## CAGNY 2026: What is ahead for Consumer Staples

**Fiona Sullivan**

Equity Sector Analyst, Consumer Staples

### Summary

We attended the Consumer Analyst Group of New York (CAGNY) conference in late February, which featured presentations from around 30 Consumer Staples companies across the food, beverage, household products, and tobacco categories. The tone was cautiously optimistic, with companies highlighting a value-focused consumer, rising demand for health and wellness, continued e-commerce and omnichannel expansion, artificial intelligence (AI)-driven productivity initiatives, and a stabilizing merger-and-acquisition backdrop.

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## Overview

The Consumer Staples sector has lagged the broader market in recent years, reflecting its traditionally defensive nature. We remain unfavorable on the sector as it continues to face several persistent headwinds. In 2025, Consumer Staples underperformed meaningfully as investors favored AI-driven growth names. Throughout the year, sentiment was pressured by the rising adoption of glucagon-like peptide-1, or GLP-1, medications, shifting consumer behavior, tariff uncertainty, and broader consumer spending fatigue. While most of these challenges are likely to persist in 2026, we believe they will gradually normalize as companies adapt their strategies and reposition for long-term growth. Notably, the sector has started 2026 on a strong note. The S&P 500 Consumer Staples Index is up 13% year to date through March 4, supported in part by February's AI-related market disruption.

### Strengths of the sector

We believe Consumer Staples companies remain attractive due to their stability, resilience, and consistent cash-generating capabilities. A key strength of the sector is its ability to produce robust free cash flow (the amount of cash left over after all operating and capital expenditures), which management typically teams deploy toward value-enhancing initiatives such as mergers and acquisitions (M&A), share repurchases, debt reduction, and dividend growth.

M&A activity continues to be a core strategy for Consumer Staples companies seeking to expand market share or diversify into new, higher growth categories. These acquisitions can provide scale benefits, broaden brand portfolios, and enhance long-term competitive positioning. Share repurchases can also play a meaningful role, especially when valuations are depressed, in helping support earnings per share and overall shareholder returns.

Given ongoing inflationary pressures, the sector's dividend-paying profile has been increasingly important. Consumer Staples companies have historically offered relatively high dividend yields and a strong track record of dividend growth, providing investors with a valuable income stream during periods of elevated costs of living. We believe stocks with a focus on dividend growth remain attractive for long-term returns.

## CAGNY 2026 key insights

We attended the CAGNY annual conference in late February, which featured presentations from approximately 30 publicly traded companies across the food, household products, beverages, and tobacco categories. Overall, we believe the tone of the conference was cautiously optimistic with an understanding of reality. Companies highlighted a consumer environment defined by caution and value-seeking behaviors, the growing importance of health and wellness, continued e-commerce and omnichannel expansion, operational productivity (including cost savings enabled by AI), and a steadier M&A landscape. Despite the volatile consumer and macroeconomic environment, most companies reaffirmed their long-term financial targets.

### Category trends by sub-sector

#### Food and Beverage

Many food manufacturers presented throughout the week. The sector faced early pressure after a major U.S. food company issued a guidance cut to start the weekend, weighing on food-related stocks. Across presenters, common themes included a cautious U.S. consumer, heightened focus on price-pack architecture, volume pressure, and increasing demand for health and wellness alternatives. Companies consistently cited challenges among the middle- and lower-income consumers, who are increasingly purchasing on promotion. Additionally, several companies noted the rising demand for products free from artificial dyes.

Mondelez International, Inc. (Mondelez) outlined its plans to strengthen its North American business, which constitutes roughly 28% of corporate revenue. The company emphasized its strategy to address value- and budget-conscious consumers through refined price-pack architecture and enhanced in-store visibility. Mondelez aims to leverage formats such as single-serve variety packs and club-sized packages to meet consumer needs. The company also highlighted growth in on-the-go consumption, as consumers increasingly seek convenience and new snacking experiences. From a health and wellness perspective, Mondelez plans to expand its portfolio of better-for-you options, including Oreo Zero Sugar, and enhance its high-protein snack bar offerings.

PepsiCo Inc.'s (Pepsi) presentation echoed similar consumer dynamics. The company intends to broaden its offerings within its iconic brands to reflect evolving preferences. Some examples include low- and zero-sugar beverages, reduced artificial colors and flavors, and alternative cooking oils and methods such as baked and avocado oil formulas. Pepsi also emphasized the importance of functional benefits highlighting innovation tied to fiber, protein, whole grains, hydration, and energy support.

Coca-Cola Company delivered an upbeat presentation that was led by its Chief Executive Officer-elect Henrique Braun, reinforcing its track record of delivering strong, consistent growth. The company reiterated its commitment to leveraging “digital as a superpower,” as stated in the presentation, across marketing, commercial execution, and consumer engagement.

## Home and Personal Care

Multiple Home and Personal Care companies presented throughout the week, although surprises were limited. Across presenters, common themes we picked up on included heightened focus on omnichannel engagement, innovation within core brands, premiumization, a shifting retail environment, and the utilization of AI across business processes. Companies consistently cited challenges among consumers who remain value oriented.

Procter & Gamble Co.'s (P&G) presentation was broadly in line with expectations. Management discussed several market “interventions” in their presentation, aimed at accelerating growth and outlined the external challenges the company faces, including media fragmentation, inflation, and shifts in the retail landscape. Consumers are changing how they shop, traditional retail formats are consolidating, and the line between retailers and media platforms is increasingly blurred as each evolves into the other. In response to the external challenges, the company plans to adopt a more consumer-first strategy, tailoring products to regional preferences; transforming brand building through AI and user generated content; strengthening retailer partnerships with shopper-led initiatives and exclusive product lineups; and driving stronger core brands through increased innovation. Like many peers, P&G emphasized the importance of consumer data, which will further enable its AI capabilities. Overall, management appears focused on accelerating growth, and we believe they have the scale and capabilities to do so despite current headwinds.

Church & Dwight Co., Inc. (Church & Dwight) centered its discussion on scaling and expanding its core brands, particularly Arm & Hammer and TheraBreath. Management detailed its plan to grow Arm & Hammer from \$2 billion to \$3 billion in sales through opportunities in laundry, cat litter, and premiumization supported by a good/better/best pricing framework. Church & Dwight also outlined its strategy to grow the TheraBreath oral care brand from \$1 billion to \$1.5 billion by leveraging the mouthwash and toothpaste categories. Additionally, management highlighted international growth opportunities through M&A and globalization of its high-growth personal care brands such as Touchland, Hero, and TheraBreath.

Colgate-Palmolive Company (Colgate) provided additional clarity around its long-term growth strategy for the Hill's pet food business as it exits the private label pet food business. The company plans to drive growth through its innovation framework, which includes strategy, discovery, incubation, and scale. Colgate intends to integrate AI throughout its innovation process to improve both efficiency and accuracy. Caroline Chulick, Senior Vice President of Hill's Pet Nutrition,

emphasized the brand's importance to the broader Colgate portfolio. Management sees a strong runway for growth in the pet category, supported by trends among younger consumers (millennials and generation Z), who increasingly own multiple pets and exhibit what Colgate refers to as pet "humanization." As with other companies, Colgate intends to deepen engagement with target consumers through its omnichannel capabilities and the use of AI to scale and diversify its content.

## Where to invest

We believe the CAGNY conference carried a tone of cautious optimism, but more importantly, it highlighted examples of how companies are adapting to an evolving consumer and retail environment. The sector appears to be at a turning point with management teams balancing near-term consumer caution against longer-term strategic reinvention. While Consumer Staples continues to face headwinds, companies are increasingly responding through focused innovation, disciplined portfolio management, and deeper omnichannel engagement.

Across food, beverage, home, and personal care categories, presenters emphasized the importance of meeting consumers where they are today in an effort to drive sustainable future growth. We continue to maintain a selective stance on Consumer Staples given ongoing fundamental and macroeconomic challenges; and our takeaways from the conference did not change this view. By sub-sector, we remain favorable on Beverages (particularly Soft Drinks), Merchandise Retail, and Household Products. In our view, companies within these segments have the flexibility and scale to navigate ongoing changes in both the consumer and retail environment due to their strong pricing power, global brand recognition, and diversified brand portfolios. The sector's stability, resilience, and strong cash generation profile remain strengths, particularly in periods of economic or political uncertainty. The sector's outperformance during recent market volatility highlights the appeal of defensive names. Looking ahead, we believe relative performance across Consumer Staples will depend largely on macroeconomic conditions, consumer spending trends, and overall market volatility.

## Appendix table: Companies discussed

Company	Symbol	Price
Mondelez International, Inc. Class A	MDLZ	\$58.69
Procter & Gamble Company	PG	\$158.30
Colgate-Palmolive Company	CL	\$95.28
Church & Dwight Co., Inc.	CHD	\$102.47
PepsiCo, Inc.	PEP	\$163.92
Coca-Cola Company	KO	\$78.10

Sources: FactSet, Wells Fargo Investment Institute. Prices as of March 4, 2026.

## Consumer Staples equity recommendations

Ticker	Company name	Market cap (billions)	Price	Dividend	Dividend yield	Estimated NTM EPS	NTM P/E	Core	DSIP	Growth	Focus	High Yield	SMID	Value
CHD	Church & Dwight Co., Inc.	\$24.82	\$102.47	\$1.18	1.2%	\$3.81	26.9x		X					
CL	Colgate-Palmolive Company	\$79.47	\$95.28	\$2.06	2.2%	\$3.91	24.4x	X	X					
COST	Costco Wholesale Corporation	\$448.66	\$1,006.74	\$5.06	0.5%	\$21.31	47.2x	X	X		X			
DG	Dollar General Corporation	\$34.39	\$151.60	\$2.36	1.6%	\$7.25	20.9x							X
KO	Coca-Cola Company	\$350.77	\$78.10	\$2.04	2.6%	\$3.27	23.9x	X				X		
KR	Kroger Co.	\$43.19	\$67.99	\$1.34	2.0%	\$5.28	12.9x							X
MDLZ	Mondelez International, Inc. Class A	\$78.94	\$58.69	\$1.94	3.3%	\$3.09	19.0x		X			X		X
MKC	McCormick & Company, Incorporated	\$19.07	\$65.70	\$1.80	2.7%	\$3.16	20.8x		X				X	
PEP	PepsiCo, Inc.	\$231.98	\$163.92	\$5.62	3.4%	\$8.72	18.8x	X	X			X		
PG	Procter & Gamble Company	\$388.57	\$158.30	\$4.18	2.6%	\$7.21	22.0x	X	X			X		X
POST	Post Holdings, Inc.	\$5.10	\$106.59	\$0.00	0.0%	\$7.73	13.8x						X	
SYU	Sysco Corporation	\$43.66	\$87.63	\$2.13	2.4%	\$4.91	17.9x	X						
TGT	Target Corporation	\$51.52	\$120.08	\$4.52	3.8%	\$7.66	15.7x					X		X
WMT	Walmart Inc.	\$1,019.78	\$127.81	\$0.94	0.7%	\$2.95	43.3x	X	X					

Sources: FactSet, Wells Fargo Investment Institute. Prices and data as of March 4, 2026. NTM = next-twelve-months. EPS = earnings per share. P/E = price-to-earnings.

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