

# Food & Beverage M&A Update

Food inflation slows, buyers focus on volume-driven growth



Cocoa futures have doubled since the start of this year. (Photo: [Shutterstock](#))

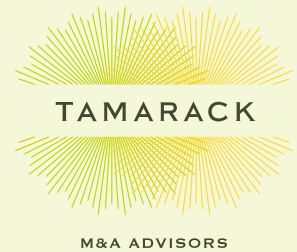
## KEY SECTOR TAKEAWAYS

Tamarack Partners is pleased to share its Food & Beverage M&A Update. March's inflation uptick and strong jobs report suggest the "last mile" of the inflation fight could take longer than expected. Wholesale prices saw the biggest move (2.1% YoY) since April of last year, indicating pipeline pressures that could keep inflation elevated. A bright spot: food prices have come to a standstill. The food index rose 0.1% in March following no change in February and a 0.4% rise in January. We expect the mild rise in food prices to offset some consumer inflationary concerns.

California's [new law](#) raising its minimum wage to \$20 per hour for fast-food workers went into effect on April 1. While more than half a million fast-food workers celebrate the hefty pay raise, it may have unintended consequences that could do more harm to these employees, including restaurant closures, job cuts, reduced hours and increased deployment of automation to bring down expenses.

A [shortage](#) of cocoa beans has caused major cocoa plants in Côte d'Ivoire and Ghana, the two countries responsible for 60% of global production, to stop or cut processing. With chocolate makers around the world reliant on West Africa for cocoa, there is significant concern about the impact on chocolates prices and farmers' livelihoods. The decline in cocoa production is due to environmental, economic-cycle related, and human factors.

In early March, the S.E.C. approved new [climate rules](#) designed to inform investors of business risks from climate change. The rules were rolled back amid opposition from the G.O.P., fossil fuel producers, farmers and others.



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**Barry Friends**  
*Industry Partner*



**Michael Kessler**  
*Founder & President*



## M&A COMMENTARY

Deal volume in Q1 exceeded all previous quarters since we began tracking this data in Q1 2022. 76 transactions were announced or completed, as compared to 63 in Q4 2023. This rebound was due in part to inelastic consumer demand for food products, which has upheld many sector participants’ bottom lines throughout recent input price hikes. As was the case in 2023, corporations continued to spin off and divest non-core assets (including the resurgence of mega-deals), which also contributed to increased levels of activity. Tamarack Partners tracks U.S. domestic acquisitions across select Food Processing, Distribution, Convenience Services, Agriculture and Manufacturing/Equipment sectors.

### Sector Activity by Acquirer Group

Q1 2024	Strategic	PE Platform	PE Strategic	TOTAL
Food Processing	17	12	11	40
Distribution	18	0	2	20
Convenience Services	10	0	2	12
Agriculture	0	0	1	1
Manufacturing/ Equipment	2	1	0	3
<b>TOTAL</b>	47	13	16	76

Strategic buyers represented 62% of total M&A volume in Q1, which remains consistent with the last twelve months (LTM) level and has been driven by the abundance of cash on the balance sheets of large corporations. The majority of strategic acquisitions (77%) were completed by private strategics. At the same time, financial buyers have been more active in 2024 as private equity funds are under pressure to deploy capital. In Q1, 38% of acquisitions were completed by financial buyers, up from 25% in the previous quarter. High interest rate levels will continue to create cautious investor sentiment, so the inflationary outlook will either deter or encourage investment activity.

Food Processing has continued to comprise the lion’s share of sector transaction activity as retailers and food service businesses increasingly rely on food processors as a cost-effective, efficient option for manufacturing needs.

Looking ahead, a surge in M&A activity in the food and beverage category is forecasted for the latter half of the year as inflation levels decline and interest rates are potentially cut. The expected food price deceleration will likely prompt acquirers in the space to increasingly focus on target companies with product volume-driven earnings growth.

### Industry Insight: Let Them Eat Cake?

*“Ultra-processed foods (UPFs), which currently make up over half of the American diet, have been linked to numerous harmful health outcomes. At the same time, the term ‘ultra-processed’ has been misconstrued to mean unhealthy, which scientists say is too simplistic. As UPFs face increasing scrutiny, consumers are confused and food manufacturers are worried. According to one study, if Americans reduce UPFs to 47% of their diet by 2027, companies like Kraft Heinz, General Mills, and Nestlé could experience a 7% [sales decline](#). State [ingredient bans](#) are one approach to protecting population health, but not without threatening interstate trade and creating major headaches for food manufacturers. And, if ingredient concerns weren’t enough, another fascinating hypothetical: the potential impact of GLP-1 drugs on food and beverage consumption. As Ozempic’s weight loss effects have gone viral on social media, some of the world’s biggest food companies are concerned about the impact of these appetite-suppressing drugs on their bottom lines.”*

— Hannah Kessler, Associate

## NOTABLE DEALS



Campbell's (NYSE: CPB) completed its acquisition of Sovos Brands (NASDAQ: SOVOS) after being delayed by antitrust scrutiny (March, \$2.7 billion). The Sovos Brands portfolio includes pasta sauces, dry pasta, soups, frozen entrees, frozen pizza and yogurts under the brands *Rao's*, *Michael Angelo's* and *noosa*.



Kona Gold Beverage (OTC: KGKG) acquired Covert, a CPG company specializing in Delta-8, THCa, THC-P, and Kratom products (March, undisclosed). Covert joins Kona Gold's functional beverage platform and highlights the synergistic fit of cannabis companies and beverage makers.



Sambazon acquired SunOpta's (NASDAQ: STKL) açai and smoothie bowl business in March for an undisclosed sum. The acquisition expands Sambazon's domestic manufacturing capabilities, while demonstrating corporations' increasing divestitures of non-core assets.



Hanwha Foodtech acquired robot pizza brand Stellar Pizza (March, undisclosed) as part of its efforts to drive technological innovation in the food service industry. U.S.-based Stellar Pizza can produce a 12" pizza in 5 minutes and manage multiple orders simultaneously, and is 60% cheaper than other major pizza brands.



Whitsons Culinary Group acquired Fresh Picks Café, a provider of outsourced food service management to schools and summer camps (February, undisclosed). Whitsons Culinary Group is a portfolio company of GenNx360 Capital Partners.



Gellert Global Group announced that it will be backing Vosges Haut-Chocolat, a luxury chocolate maker (January, undisclosed). Given the current fragility of the global chocolate market, this will be an interesting investment to monitor.



## LISTED TRANSACTIONS

Date	Target	Acquirer	Target Business Description
03-26-2024	Food wholesale business of YBB Technology	Fresh2 (NASDAQ: FRES)	Grocery delivery and food wholesaler
03-25-2024	The Modern Milkman	Modern Milkman	Local milkman delivery
03-20-2024	Andretti Petroleum Group	H&S Energy	Convenience and fuel retailer
03-20-2024	BGE Global Distribution	Vibaantta Global	Distributor of food-based commodities
03-15-2024	Shop Quik Convenience Stores	U-Stop Convenience Shops	Convenience store operator
03-14-2024	Prime Source Foods	Navis Food Partners	Center-of-the-plate food distributor
03-14-2024	Sproutman	Mumm's Sprouting Seeds	Direct-to-consumer source for organic sprouting seeds, home sprouting kits, and superfood sprout products
03-14-2024	The Los Angeles Cotton Candy Cart	Beach Town Enterprises	Organic, gluten-free cotton candy brand
03-13-2024	California Custom Fruits & Flavors	Peak Rock Capital	Developer and manufacturer of custom-formulated specialty ingredients and flavors
03-13-2024	Progressive Produce	PTF Holdings	Grower, packer, and shipper of fresh produce
03-12-2024	Sovos Brands (NASDAQ: SOVO)	Campbell Soup Company (NYSE: CPB)	Producer of premium Italian sauces and products
03-12-2024	Covert	Kona Gold Beverage (OTC: KGKG)	CPG company specializing in Delta-8, THCa, THC-P, and Kratom products
03-11-2024	Performance Produce	GrubMarket	Fresh produce business
03-08-2024	Açaí and smoothie bowl business of SunOpta (NASDAQ: STKL)	Sambazon	Provider of frozen açaí and smoothie bowls
03-07-2024	Concord Foods	Sugar Foods	Supplier of custom ingredients and retail food products
03-05-2024	Greenville Produce	Foster	Fresh produce provider
03-04-2024	Stellar Pizza	Hanwha Foodtech	Robot pizza brand
03-01-2024	Northeast Produce	Lipman Family Farms	Fresh produce distributor
03-01-2024	Brawner Paper Company	Imperial Dade	Distributor of paper and janitorial supplies
02-29-2024	Better Than Brittle	Ticket Chocolate	Gourmet, SOFT peanut brittle brand
02-28-2024	CenSea	Captain Fresh	Shrimp importer



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Date	Target	Acquirer	Target Business Description
02-26-2024	Fresh Picks Café	Whitsons Culinary Group	Provider of outsourced food service management to schools and summer camps
02-26-2024	59 c-stores of Applegreen	CrossAmerica Partners (NYSE: CAPL)	Convenience and fuel retailer
02-23-2024	Smith Frozen Foods	Twin City Foods	Frozen vegetable companies
02-20-2024	Crest Foods	Harwood Private Equity	Provider of dairy stabilizers, contract packaging and dry food manufacturing
02-20-2024	Lansing Brewing Company	Detroit Liquid Ventures	Craft beer maker
02-16-2024	Greenfield Beverage Co.	Zink Distributing	Anheuser-Busch InBev distributor
02-15-2024	IWC Food Service	US Foods (NYSE: USFD)	Broadline distributor
02-14-2024	Benson Hill Ingredients	White River Soy Processing	Manufacturer of soy protein ingredients
02-13-2024	Hofmann Sausage Co.	Miami Beef	Sausage and hot dog brand
02-13-2024	Small Batch Organics	RIND Snacks	Manufacturer of granola products
02-13-2024	Whole Earth Brands (NASDAQ: FREE)	Sababa Holdings	Global food company
02-09-2024	45 c-stores of Brewer Oil Company	Shell (NYSE: SHEL)	Convenience and fuel retailer
02-07-2024	Highkey	Creations Foods	Better-for-you snack brand
02-07-2024	RC&E, Inc.	Kelvin Group	Provider of refrigeration engineering and construction services to the food and beverage processing and storage industry
02-05-2024	Five Star Food Services	Sodexo (EPA: SW)	Food services company
02-01-2024	No Man's Land Foods	Bansk Group	Meat snacks brand
02-01-2024	Alter Eco Foods	Trek One Capital	Manufacturer of dark chocolate bars, truffles and granola
02-01-2024	G.O. Fresh	WPS Fresh	Processor of fresh cut produce
02-01-2024	Allston Supply Co.	Imperial Dade	Distributor of food service disposables and janitorial supplies
01-31-2024	R.W. Garcia & Good Health brands of Utz Brands (NYSE: UTZ)	Our Home	Tortilla chip manufacturer & snack maker
01-30-2024	Portfolio of Italian food products of Ajinomoto Foods North America	Seviroli Foods	Frozen food manufacturer



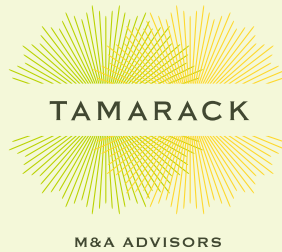
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Date	Target	Acquirer	Target Business Description
01-30-2024	Tessemae's	PANOS brands	Organic salad dressings brand
01-30-2024	U.S. operations of Marley Spoon (ASX: MMM)	FreshRealm	Global subscription-based meal kit provider
01-26-2024	Emulsifiers business line of Corbion	Kingswood Capital Management	Ingredient solutions provider
01-26-2024	B&B Foods Distributors	Raydia Food Group	Full-line food distributor, restaurant equipment supplier and wholesale grocery store
01-26-2024	Pullman Sugar	Verax Commodities	Custom blending, melting, and refining of sweeteners
01-25-2024	Advanced Refreshment Solutions	Five Star Breaktime Solutions	Provider of vending, micro markets, and office coffee services
01-25-2024	Sterling Food Flavorings	Brookside Flavors & Ingredients	Manufacturer of flavoring systems
01-25-2024	Ingomar Packing Company	Kagome Co. (TSE: 2811)	Supplier of industrial tomato products
01-24-2024	Diamond Foods	GS Foods Group	Regional K-12 food distributor
01-24-2024	Dirty Dough	Craveworthy Brands	Cookie brand
01-23-2024	Solo Foods	Saco Foods	Specialty baking ingredient brand
01-22-2024	Saco Foods	Fengate Private Equity	Branded food products company
01-22-2024	Wachusett Brewery	Smuttynose Brewing	Craft beer maker
01-18-2024	Vosges Haut-Chocolat	Gellert Global Group	Luxury chocolate maker
01-18-2024	Juvee	Sprecher Brewing Company	Energy drink brand
01-18-2024	Roasting operations of Caribou Coffee	JDE Peet's (AMS: JDEP)	Global premium coffeehouse
01-17-2024	DC Oil Company	The Kent Companies	Convenience and fuel retailer
01-16-2024	Nutpods	MPearlRock	Non-dairy coffee creamer brand
01-16-2024	Patriot Pickle	H.I.G. Capital	Pickle manufacturer
01-16-2024	Surge Distribution	Loud Beverage Group (OTC: LBEV)	Direct store delivery ("DSD") distributor of F&B products
01-16-2024	JC Cheyne	GrubMarket	Provider of potatoes and onions



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<b>Date</b>	<b>Target</b>	<b>Acquirer</b>	<b>Target Business Description</b>
01-11-2024	Stripes c-stores of Sunoco (NYSE: SUN)	7-Eleven	Convenience store operator
01-10-2024	Bin to Bottle	Hayden Creek Capital	Provider of comprehensive custom crush and alternative alcoholic beverage services
01-10-2024	Campus Cooks	Upper Crust Food Service	Contract food service for Fraternity and Sorority houses
01-10-2024	J.A. Kirsch	Atalanta Corporation	Importer of canned seafood and specialty shelf-stable products
01-09-2024	The Perfect Purée of Napa Valley	PNC Riverarch Capital	Provider of premium frozen fruit purées, concentrates, zests and blends
01-09-2024	K&R Vending Services	Sodexo (EPA: SW)	Vending and food service operator
01-09-2024	Lake Foods	Brakebush Brothers	Poultry processor
01-05-2024	Octopi Brewing	Asahi	Contract beverage production and co-packing facility
01-04-2024	Weaver Holdings	AUA Private Equity	Manufacturer of popcorn and snacking products
01-04-2024	Salm Partners	Johnsonville	Co-manufacturer of co-extruded food products
01-03-2024	HUMM Kombucha	SYSTEM Foods	Kombucha and gut health beverage brand
01-03-2024	Quality Beverage	Martignetti Companies	Distributor of beer and alternative beverages
01-01-2024	Horizon Organic/Wallaby	Platinum Equity	Dairy products brands

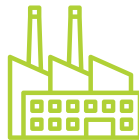


## ABOUT US

**Tamarack Partners is a partnership of senior professionals formed to advise and provide sell-side M&A services to owners of closely-held companies.**

What sets us apart is that we serve our clients with a team that includes successful operating executives who have built and sold businesses across three industry verticals. Their sector insight, combined with our transactional advisors' expertise, can significantly enhance the sale price and terms in an M&A transaction.

For more information, we invite you to visit our [website](#) or contact us directly.



## Contact Us

If you are considering an ownership transition, we would be happy to provide you with guidance. Feel free to start a conversation with us today.

(612) 685-8936  
[contact@tamarackpartners.net](mailto:contact@tamarackpartners.net)