

Food & Beverage Year-in-Review

“Cautious Optimism” for 2024 M&A Rebound



Climate change is the biggest issue for food brands in the post-WWII era. (Photo: Shutterstock)

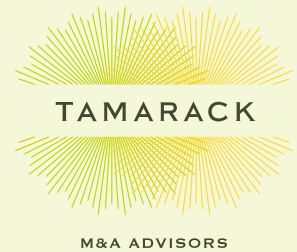
KEY SECTOR TAKEAWAYS

Tamarack Partners is pleased to share its Food & Beverage M&A Year-in-Review. The major challenge for sector participants in 2023 was inflation, albeit significantly moderated than in 2022. The U.S. economy also avoided a recession this year, as interest rate hikes seemed to have tamed inflation without ushering in the recession many predicted.

Inflation and the resulting price increases have served as a “cheat sheet” for consumer packaged goods (CPG) companies to grow dollar sales while, in many cases, turning in lower unit sales. From 2020 to the present, CPG giants have had a great run and valuations soared. This will change as economists predict deflation in 2024, which will force operators to put a renewed focus on unit sales growth. Just days into the new year, grocer [Carrefour pulled Pepsi](#) products from its shelves in France, Spain, Italy and Belgium due to “unacceptable price increases”.

The Federal Trade Commission (FTC), with its increasingly aggressive enforcement stance against CPG and food retail M&A, challenged several notable deals this year. The agency tried to block the Kroger-Albertsons merger and is currently conducting an antitrust review of Campbell’s \$2.7 billion acquisition of Sovos Brands. Sector players can expect more FTC scrutiny in 2024 than at any time in recent history.

The pandemic deprioritized environmental issues as supply, food safety and price became the primary concerns of U.S. consumers. However, with COVID-19 in the rear-view mirror and food inflation waning, climate change has resurfaced as the biggest issue for food and agribusiness in the post-World War II era. Brands must address climate change, water and plastic packaging or risk sales declines and an erosion in brand equity.



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Contact Our Food & Beverage Experts



Barry Friends
Industry Partner



Michael Kessler
Founder & President



M&A COMMENTARY

Transaction volume in 2023 was nearly identical to the prior year with 244 transactions announced or completed. This consistency solidifies the Food & Beverage segment as a standout within the broader Consumer industry, which has largely struggled from a transaction volume standpoint. Tamarack Partners tracks U.S. domestic acquisitions across select Food Processing, Distribution, Convenience Services, Agriculture and Manufacturing/Equipment sectors.

Food Processing deals made up exactly 50% of transaction volume in 2023—down 5% from the prior year—as major manufacturers sought to redefine their portfolios through acquisitions or disposals. Snacking and indulgence competed with an ongoing interest in health and wellness to become dominant deal trends. JM Smucker (NYSE: SJM) bought Twinkies maker Hostess (NASDAQ: TWNK) in the biggest packaged foods deal of the year (September, \$5.6 billion). Smucker recouped a small part of the expenditure by divesting its Sahale Snacks business to Second Nature Brands, backed by CapVest (November, \$34 million). Private label heavyweight TreeHouse Foods (NYSE: THS) was also reshaping its portfolio, offloading its snack bars business to John B. Sanfilippo & Son (NASDAQ: JBSS) (September, \$63 million) and picking up pickle brands from Smucker (October, \$20 million). Other noteworthy deals include Flagship Food Group’s acquisition of guacamole and salsa maker Yucatan Foods (February) and Unilever (LON: ULVR) scooping up frozen Greek yogurt brand Yasso (August).

Deal activity was up in Convenience Services and Distribution, with 14.6% and 8% more transactions announced or completed, respectively, than the prior year. The convenience store industry is rapidly consolidating as small, single-store operators are challenged by declining categories (tobacco and fuel) and rising operating costs. In fact, declining tobacco and fuel are reshaping the convenience landscape as larger operators shift to invest in food programs and tech. Leaders like Casey’s (NASDAQ: CASY)—the nation’s third-largest convenience store chain and fifth-largest pizza chain—are increasingly competing with quick-service restaurants (QSRs) and even taking a page out of their playbooks.

Steady demand has also persisted for both broadline and specialty distribution. Leading sector players have been active acquirers, as evidenced by Sysco’s acquisition of foodservice equipment distributor Edward Don (October). Within the specialty distribution segment, Sysco’s specialty produce platform, FreshPoint, agreed to acquire BIX Produce, a produce specialty and fresh cut distributor (June). Despite the scale of industrial farming, the produce supply chain has remained fragmented and produce distributors have garnered significant buyer appetite. GrubMarket, one of the largest suppliers of South American produce in the U.S., continued its acquisition streak in 2023 with five add-ons. Another active acquirer was FreshEdge, backed by Wind Point Partners, who scooped up three produce businesses.

Sector Activity by Acquirer Group

FY 2023	Strategic	PE Platform	PE Strategic	TOTAL
Food Processing	78	23	21	122
Distribution	37	5	12	54
Convenience Services	43	0	4	47
Agriculture	9	2	2	13
Manufacturing/Equipment	5	2	1	8
TOTAL	172	32	40	244

“Cautious optimism” seems to be the outlook for 2024. Inflation is easing and consumer spending remains strong, despite high interest rates. There is a willingness from the sell side to come to market, and on the buy side, private equity funds are under pressure to deploy capital. Financial buyers are expected to be more active in 2024 while strategics will continue consolidating. That said, executives will take a disciplined approach to M&A, prioritizing growing their existing portfolios and pursuing smaller acquisitions in niche categories or geographies rather than engaging in transformative deals due to current market uncertainties.

INDUSTRY INSIGHT: A “GREEN” OPPORTUNITY

The cannabis industry is currently in the Scale stage of the [consolidation curve](#), which should indicate a high rate of M&As. However, between 2021 and 2022, there was a 68% decrease in deal volume. There are several factors that affect this. 2020 and 2021 experienced record cannabis sales due to the COVID-19 pandemic. Since then, rising interest rates, limited access to capital, and regulatory challenges have stood in the way of M&A deals that would typically be fervent during this period.

Despite slower deal activity, 2023 brought a few new cannabis ventures of note. In June, Canadian company TerrAscend (TSN: TSND) acquired four dispensaries in the newly opened Maryland market. In August, Planet 13 announced that it would acquire VidaCann, cementing Planet 13’s entry into the rapidly expanding Florida Market. These deals show that M&A is taking place in emerging markets, particularly on the East Coast, where there is the most potential for market capitalization.

In the adjacent Food & Beverage industry, Tilray Brands (NASDAQ: TRLRY), the largest cannabis company in the world, bought eight beer and beverage brands of Anheuser-Busch InBev (August, \$85 million). The move made Tilray the first cannabis brand to enter the U.S.

alcohol market and highlighted the synergy potential of adult-use and medical cannabis, beer, spirits, and infused foods.

2023 included historic news such as the HHS’ recommendation to move marijuana from Schedule I to Schedule III under the Controlled Substances Act (CSA)—the biggest movement that has happened at the federal level in decades. “Federal legalization opens up big changes for the industry, including relieving cannabis businesses of major federal tax burdens unique to this industry, namely the [280E tax](#),” cannabis lawyer Carol Moss comments.



Carol Moss
Attorney, Cannabis Law
Hellmuth & Johnson

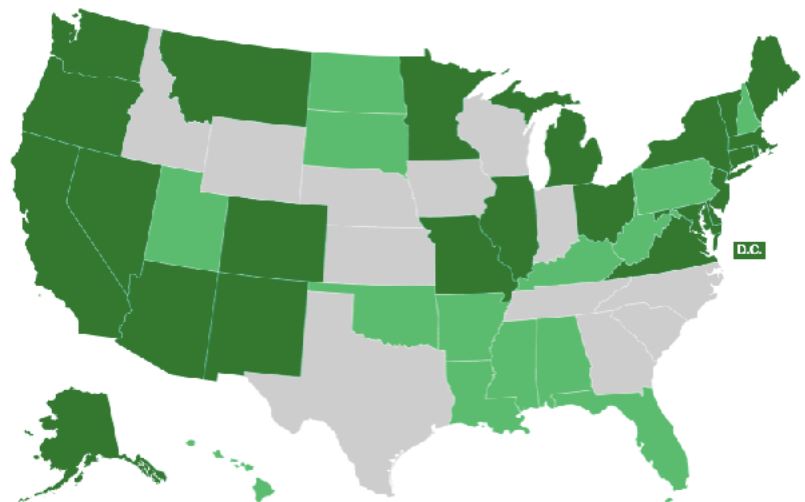
Even as federal drug policy reform efforts picked up, U.S. states continued to lead the push for marijuana legalization during the past year. Five more states passed recreational marijuana, with Ohio’s passage tipping the balance so that more than half of Americans reside in legal cannabis states.

“Minnesota has taken a unique approach to cannabis regulation, prohibiting “seed to shelf” businesses in order to protect the craft cannabis industry,” Moss explains. “In 2022, state law allowed the sale of hemp-derived THC edibles in mainstream retail outlets, which unleashed a cannabis boom and led to recreational marijuana legalization in 2023. Of note, Minnesota has employed cross-licensing limitations that discourage vertical integration for larger businesses. This has not stopped national operators ([Cheech & Chong’s Cannabis Co.](#), [Chill State Collective](#)) from pursuing partnership opportunities in Minnesota’s THC-infused beverage market, highlighting M&A potential in newly legal cannabis states.”

Marijuana legalization by state

As of Nov. 8, 2023

■ Legal ■ Medical ■ Illegal



Note: Some states categorized as illegal permit CBD for medical use. Source: Axios

NOTABLE DEALS — Q4



Sysco (NYSE: SYY) agreed to acquire Edward Don & Company, a leading distributor of foodservice equipment, supplies, and disposables (October, undisclosed). The acquisition will allow Sysco to create a specialty Equipment and Supplies platform while complementing its existing business.



Redwood Holdings agreed to buy food ingredient company Newly Weds Foods (October, \$4 billion). The deal, one of the biggest to be carried out by a family office, underscores how these investment vehicles have accumulated resources and capabilities for large buyouts that have typically been the domain of private equity firms.



Grupo Bimbo (BMV: BIMBOA), the world’s largest bakery company, acquired Mile Hi Bakery (October, undisclosed). Mile Hi Bakery is a supplier of buns and English muffins for the quick-service restaurant (QSR) channel. Bimbo has dramatically expanded its presence in the QSR market since 2017 through acquisitions.



Chicago-based food retailers, Foxtrot Market and Dom’s Kitchen & Market, agreed to merge under a new entity, Outfox Hospitality (November, undisclosed). The deal exemplifies the upscale convenience store trend by offering premium food and wines as well as an e-commerce platform.



Clayton Dubilier & Rice (CD&R), a private investment firm, agreed to acquire Shearer’s Foods, a contract manufacturer and private label supplier serving the snack industry in North America (December, undisclosed). The acquisition reflects snacking and indulgence as a dominant deal trend.



GrubMarket acquired Florida-based A&B Tropical Produce, a top provider of Central and South American tropical fruits and vegetables to the United States (December, undisclosed). The acquisition expands GrubMarket’s presence on the East Coast and strengthens its position in the food supply chain industry.



LISTED TRANSACTIONS — Q4

Date	Target	Acquirer	Target Business Description
12-29-2023	Graffiti Foods	New Horizons Baking Co.	Supplier of customized liquid blend solutions
Pending	Yai's Thai	DayDayCook (NYSE: DDC)	Ready-to-eat Thai food brand
12-21-2023	American Natural	Giant Oil	Convenience store operator
12-20-2023	A&B Tropical Produce	GrubMarket	Tropical fruit and vegetable provider
12-19-2023	Red Rover c-stores of Santmyer	Par Mar Oil	Convenience store operator
Pending	Revela Foods	ADM (NYSE: ADM)	Dairy flavor manufacturer
12-15-2023	La Colombe	Chobani	Ready-to-drink coffee company
12-14-2023	5 c-stores of Fuel Service – DJ's Mart	Pops Mart	Convenience store operator
12-14-2023	Demakes Enterprises	TowerBrook Capital Partners	Specialty protein products manufacturer
12-13-2023	Shearer's Foods	Clayton Dubilier & Rice	Snack foods manufacturer
12-12-2023	Scully Oil	Pops Mart	Convenience store operator
12-11-2023	Benestar Brands	Palmex	Producer of pork snacks
12-08-2023	Cool River Beverages	GlacierPoint Enterprises	Specialty beverage distribution platform
12-01-2023	11 EZ GO c-stores of Love's Travel Stops	Casey's (NASDAQ: CASY)	Convenience store operator
12-01-2023	Saladino's Foodservice	US Foods (NYSE: USFD)	Foodservice distributor
Pending	Branded dry mix business line of Summit Hill Foods	Homegrown Family Foods	Flavor and ingredients company
Pending	Commercial dry mix business line of Summit Hill Foods	The Mennel Milling Co.	Flavor and ingredients company
12-01-2023	The Sproutman	Jonathan Sprouts	Produce grower and distributor
11-30-2023	Summit Hill Foods	EagleTree Capital	Flavor and ingredients company
Pending	1 c-store of Mosers Foods	PFSbrands	Convenience store operator
11-29-2023	Wickles Pickles	Fenwick Food Group	Pickle brand
11-28-2023	World Fresh Produce	South Mill Champs	Global fresh produce sourcing organization

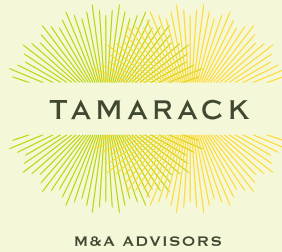
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Pending	Dom's Kitchen & Market	Foxtrot Market	Convenience store operator
11-21-2023	Cubeicle Ice	Big Ice	Specialty ice producer
11-17-2023	Assets of New Horizon Farms	Hord Family Farms	Farrow-to-finish swine operator
11-14-2023	Newport Lobster Company	Bellevue Asset Management	Fresh seafood wholesaler
11-10-2023	14 Holiday franchised c-stores of Coburn's	Holiday Stationstores	Convenience and fuel retailer
11-09-2023	Neighbors Coffee	Quench	Office coffee supplier and service provider in South Florida
11-09-2023	Saugatuck Kitchens	Catalina Finer Food Corporation	Producer of premium handcrafted frozen foods
11-08-2023	Green Giant business line of B&G Foods (NYSE: BGS)	Seneca Foods (NASDAQ: SENE)	Shelf-stable vegetable product line
Pending	22 Lone Star Food Stores of Douglass Distributing	Casey's (NASDAQ: CASY)	Convenience store operator
11-07-2023	Five Boroughs Brewing Co.	Smuttynose Brewing Co.	Craft beer maker
11-02-2023	9 c-stores and 1 travel center of Springer Eubank Co.	Petroleum Marketing Group	Convenience and fuel retailer
11-01-2023	192 Mapco-branded c-stores	Majors Management	Convenience and fuel retailer
11-01-2023	112 fuel & retail sites of MAPCO Express	Alimentation Couche-Tard (TSX: ATD)	Convenience and fuel retailer
11-01-2023	Austin Eastciders	Blake's Beverage Company	Hard cider brand
11-01-2023	Piece of Cake	Chicken Salad Chick	Specialty cake bakery
10-31-2023	Love Grown Foods	Hive Brands	Cereal and granola brand
10-30-2023	Mt. Vikos	Atalanta Corporation	Greek feta brand
10-26-2023	Mile Hi Bakery	Grupo Bimbo (BMV: BIMBOA)	Supplier of buns and English muffins for QSRs
10-24-2023	PA China Farm	GrubMarket	Provider of specialty fruits and vegetables sourced from a global network
10-24-2023	High Pressure Processing (HPP) assets of Texas Food Solutions	Universal Pure	Provider of HPP and food innovation solutions
10-23-2023	Vita Specialty Foods	SVB Foods	Seafood and condiment manufacturer
10-23-2023	SVB Foods	Homegrown Brands	Condiment manufacturer



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Date	Target	Acquirer	Target Business Description
Pending	Jelly Belly Candy Company	Ferrara Candy Company	Manufacturer of Jelly Belly jelly beans and other candy
Pending	Newly Weds Foods	Redwood Holdings	Food ingredient company
10-17-2023	Leathers Enterprises	S&S Petroleum	Convenience and fuel retailer
Pending	Pickle branded assets of The J.M. Smucker Co. (NYSE: SJM)	TreeHouse Foods (NYSE: THS)	Pickled vegetable brands
10-17-2023	Excent	Sprecher Brewing Company	Packaging company
10-16-2023	210 c-stores	SQRL	Convenience and fuel retailer
10-13-2023	Certain assets of Sunrise Growers, SunOpta's (NASDAQ: STKL) frozen fruit operations	Nature's Touch	Provider of private label frozen fruit
Pending	Edward Don & Company	Sysco (NYSE: SYY)	Distributor of foodservice equipment, supplies, and disposables
Pending	J&K Ingredients	SK Capital Partners	Manufacturer and supplier of natural, organic, and clean label ingredients
Pending	Cibo Vita	Citation Capital	Better-for-you snack brand
10-10-2023	Zumex	Columna Capital	Provider of fruit and vegetable juicing technology
10-05-2023	Junkless Food	Impact Capital	Granola bar manufacturer
10-04-2023	Mac & Jack's Brewing Company	Ackley Brands	Craft beer maker
10-04-2023	Ooh La Lemin business line of Kona Gold Beverage (OTC: KGKG)	Sprecher Brewing Company	Lemonade brand
10-03-2023	Sugar Foods	Pritzker Private Capital	Producer of crunchy toppings, croutons, beverage ingredients & pizza toppings
10-03-2023	Edward Marc Brands	Promise Confections	Chocolate producer
10-03-2023	Primary Colors Corporation	Bendon	Sweets and snack manufacturer featuring kids' characters
10-03-2023	Egg production assets of Fassio Egg Farms	Cal-Maine Foods (NASDAQ: CALM)	Egg producer
Pending	Colony Gums	Brenntag (ETR: BNR)	Gums and stabilizers manufacturer for the pharmaceutical, chemical & food industries



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