



Navigating Ingredient Supplier M&A Activity

Late last summer, Kraft Heinz [announced](#) it would sell its powdered cheese business to Kerry Group. The sale sent shockwaves through the ingredient industry that continue today. The Kraft/Kerry acquisition had major implications for Kerry and Kraft customers and suppliers and with end consumers purchasing a wide range of products listing powdered cheese as an ingredient.

The Kraft and Kerry agreement is far from the only deal shaking up supply chains. Change is constant in the food manufacturing sector. First Choice Ingredients was acquired by DSM. Milk Specialties was acquired by Butterfly Equities. These are just some of the most recent examples. Manufacturers across all kinds of products and specialties face the same question – how can you best prepare and respond when one of your suppliers is acquired?

M&A activity, including divestitures, partnerships, and agreements remain a driving force in the food and beverage industry landscape. M&A activity in the sector slowed last year – down 18% in the first three quarters of 2022. But analysts [say](#) deals are likely to increase in 2023.

How Mergers Can Impact Ingredient Supply Chains

For food manufacturers, the takeaway is clear: Ingredient supplies are constantly subject to unexpected disruption. M&A deal activity anywhere in the supply chain can have major business implications. It can impact the cost of key ingredients or products. In some instances, it can impact the formulation of end products.

Just as crucially, these supply disruptions can impact services. Logistics and production timing, market and trend analysis, and all the other aspects of a supplier partnership are in jeopardy when that partnership ends or evolves.

In the case of the Kraft acquisition by Kerry, existing customers are grappling with whether supply is stable and how a different powdered cheese may impact production as well as the customers palate.

Tackling these type of challenges should start with understanding all the ways operations may be affected by a supplier's merger or acquisition. In the ingredients business, there are a number of steps food manufacturers can take before, during, and after M&A activity to ensure minimal disruption.

Before – Anticipate Disruption and Prepare

For as common as these deals are, food manufacturers are often caught off guard when M&A impacts their products and production processes. Getting ahead of these disruptions starts with recognizing that supplier M&A can (and likely will) happen to suppliers you work with sooner or later.

Before – Shore Up Supplier Agreements

Kerry's acquisition of Kraft Heinz's powdered cheese business should serve as a prompt for food manufacturers to review their existing supplier agreements and purchasing order terms and conditions. Make sure the terms of the contract align with the working relationship between your two organizations. Also make sure to review the lead time suppliers are required to provide should changes or M&A activity occur.

Before – Keep up with M&A Trends

Companies are legally prohibited from talking about mergers or sales until the deal goes public, so it's not realistic to expect a lot of notice from a supplier. However, people monitoring [Kraft's M&A activities](#) over the last few years may have been able to read the tea leaves. The company has closed multiple deals as part of a stated corporate strategy to focus on brands with name recognition and growth potential. Staying on top of food and beverage M&A news can help anticipate potential deals to come.

Before – Explore Redundant Supply Plans

Manufacturers need to be aware of – and have approved – secondary and tertiary suppliers to assure a valid response to any disruption, M&A or otherwise. This is a 180-degree reversal from the past decade, when manufacturers were making great efforts to streamline suppliers. Yet as COVID-19 and other disruptions have shown, those with limited suppliers tend to be more impacted by changes than those who had backup suppliers approved and active.

During – Maximize Remaining Time with Your Current Supplier





Once a deal is announced, find time with your current supplier's team to start planning the transition. Act fast, as you'll be competing with the organization's other customers for limited time. Work to ensure you have the information you need to work with a new supplier and minimize the loss of institutional knowledge.

During – Ask the New Supplier the Tough Questions

Whether you're working with the acquiring organization or finding a new supplier, it's always a good idea to ask tough questions up front. Look for hard numbers and transparency over broad commitments on metrics like On Time In Full (OTIF). Prioritize new partnerships that are rooted in deeper levels of trust and collaboration.

[*Read more: 5 Questions Every Product Developer Should Ask Their Ingredient Supplier*](#)

During – Look to Strengthen Existing Partnerships

When supply chains get disrupted, existing relationships can be a valuable source of not just stability and support, but innovation. These disruptions represent an opportunity to expand relationships with existing suppliers and explore new capabilities. Organizations like Bluegrass Ingredients have evolved their approach in order to serve as trusted partners and key collaborators in monitoring food industry trends and developing leading products and solutions.

[*Read more: Navigating Supply Chain Disruptions – 3 Best Practices for Food Manufacturers*](#)

After – Pay Close Attention to the New Relationship

In the weeks and months following a new or updated partnership, maintaining due diligence is key. Monitor the relationship and deliverables across key categories, including OTIF, agility, cost, inventory, responsiveness, and more.

A Partnership Rooted in Trust

Bluegrass Ingredients has a full suite of solutions and services to help manufacturers navigate supply chain disruptions and anticipate consumer trends. Our Agile Ingredient Innovation approach and Agile Kitchen are purpose-built to foster greater trust with our partners.

Our application experts and culinary specialists serve as active partners in inventing and improving the future of food. [Contact us](#) today to learn more.