

# Philadelphia Business Journal

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## Food and beverage scene in 2019: How will it shake out?

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2018 was a year of transformative mergers and acquisitions and consolidation in the **food** and beverage and consumer packaged goods industries.

The industry story that made the biggest wave came in the form of the months-long proxy contest between [Campbell Soup Co.](#) and activist investor Daniel Loeb and his hedge fund Third Point.

The Campbell-Third Point battle began in August when the Camden-based company announced it would sell its fresh and international divisions. The two sides were in a tiff over Campbell's board of directors — Third Point wanted to refresh it and the soup maker wanted to keep it intact.

The two entities in late November eventually reached an agreement before a pivotal annual shareholders meeting. Campbell as part of the agreement expanded its board to 14 members, by adding two Third Point choices.

2018 has been a challenging year for many companies in food and beverage, and while Campbell's stock took a hit this year, it wasn't nearly as bad as other food companies, said Brittany E. Weissman, consumer analyst at Edward Jones.

“We saw a lot of them focus on a back-to-basics approach when it came to sales growth — more investment in marketing and advertising and brand building and product innovation – to drive sales growth,” Weissman said.

Retailers weren't as accepting to company price increases; they demanded more in terms of value in addition to the increases — including larger product sizes or more innovation.

Campbell's goal to divest two of its business segments follows a trend in 2018: consolidation and mergers and acquisitions.

“Consolidation and change are being driven by concerns over competitiveness in the marketplace,” said Louis J. Biscotti, national food and beverage services leader at Marcum.

Major deals this year include [Conagra Brands Inc.](#)'s \$10.9 billion deal to buy New Jersey's [Pinnacle Foods](#); [United Natural Foods Inc.](#)'s \$2.9 billion buy for [Supervalu Inc.](#); and [Walmart Inc.](#)'s \$16 billion investment in e-commerce marketplace [Flipkart](#), among others.

2019 will still focus on growth, but as opposed to this year, the market may not see as much M&A activity from the “bolt-on acquisition perspective,” Weissman said.

What we might see is more divestitures and the swapping of assets, she said — Campbell selling Arnott's, for example — because there are not a lot of willing buyers.

“You'll see more companies looking internally — what makes the most strategic sense to own? What can we leverage [and what] segments of businesses might be a better fit elsewhere?” Weissman said.

“I don't think the large-scale M&A is front and center,” she said. But an acquisition, though smaller in scale, could still be meaningful and make a difference for the acquirer.

As far as Campbell goes, is the company able to go back to basics and get its soup category back on track? And are they able to reshape their portfolio, pay down debt and sell its fresh and international businesses?

“Is there interest at all?” is the better question,” Weissman said of its business segments. “Strategic things will be more important to Campbell than the simpler things like sales and growth margins that will be more impactful and meaningful for other food companies.”

Other things to expect in 2019 are more companies going into the delivery space.

“Everybody is getting into the delivery business. [Walmart](#) as the largest food retailer is responding to that concern by buying [FlipKart](#), a delivery service,” Biscotti said. “Companies are also seeking to expand product lines and to diversify in order to grow.”

Biscotti projects “the technology explosion will continue and even accelerate with cashier-less stores, artificial intelligence, smart shelf technology, the use of robots and facial recognition.”

Also forecast is the expansion and acceleration of alternative products and new categories like plant-based food, sea greens and cell-based meats.

Also in the horizon include cannabis going mainstream with beverage- and food-infused products; probiotics in more products; expansion and growth for frozen foods; and growth in eco-packaging “amid a growing concern over sustainability,” Biscotti said.