

The growing trend of M&A in the healthy food and beverage industry

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The food and beverage industry has witnessed a significant shift in recent years as consumers increasingly prioritize their health and overall well-being. This has increased demand for healthier options, spurring numerous innovative companies dedicated to producing nutritious and sustainable food and beverages. Food manufacturers are offering more plant-based, organic, and locally sourced options, along with gluten-free, vegan, and other specialized products.

The functional or adaptogen beverage market, which contain herbs, roots, and other plant substances that help our bodies manage stress and immunity, has been growing rapidly.

To keep pace with this evolving market within the industry, companies are increasingly looking at mergers and acquisitions (M&A) as a strategic initiative to expand their product portfolios, gain a competitive edge, capitalize on the healthy food and beverage trend, and make strategic acquisitions to meet consumer demands.

When considering acquiring a food & beverage company for potential buyers, it is vital to consider U.S. FDA requirements and their implications on the target's business.

One example of M&A activity in the food and beverage industry is what has been happening in the snack section. The Wall Street Journal recently covered the significant rise in snacking in the United States, noting that snack sales were up 11% from last year. This has led some brands to go on a buying spree to acquire foods which are viewed as a healthier alternative to typical salty snacks.

Similarly, the functional or adaptogen beverage market, which contain herbs, roots, and other plant substances that help our bodies manage stress and immunity, has been growing rapidly, and the adaptogen market in total is expected to reach over \$13 billion by 2026, according to data from The Business Research Company's adaptogens market research report.¹

M&A in the healthy food and beverage industry offers many advantages. When considering acquiring a food & beverage company for potential buyers, it is vital to consider U.S. FDA requirements and their implications on the target's business. Buyers should be well versed from the start on regulatory issues so that they are aware of all the problems throughout the due diligence and negotiation process.

The healthy food and beverage industry is experiencing a dynamic period of growth, and M&A has become an important tool for companies to adapt to this evolving landscape.

Acquiring or merging with companies that specialize in different healthy food and beverage segments allows for a broader range of products.

Here are some reasons why and some key benefits:

- **Market expansion:** M&A allows companies to expand their market presence by acquiring or merging with other businesses. This enables access to new geographical regions, distribution channels, and customer bases. It can help companies establish a stronger foothold in the healthy food and beverage industry and increase their market share. M&A activities enable companies to diversify their product offerings quickly and efficiently by acquiring brands that align with their health-focused vision. This allows companies to enter new segments, tap into emerging trends, and capture a broader consumer base.
- **Diversification of product portfolio:** M&A provides an opportunity to diversify product offerings. Acquiring or merging

with companies that specialize in different healthy food and beverage segments allows for a broader range of products. This diversification helps companies cater to a broader customer base and reduces dependence on a single product or market segment. The healthy food and beverage market is highly competitive, so staying agile, adaptable, and responsive to consumer needs is important. Regularly assess market trends and consumer preferences to stay ahead of the curve and ensure your market expansion efforts align with health-conscious consumers' evolving demands.

- **Synergy and cost efficiency:** Combining resources, technologies, and expertise through M&A can create synergistic effects. Companies can streamline operations, eliminate duplicate functions, and achieve cost efficiencies by consolidating production, distribution, and marketing activities. It has increased operational efficiency through economies of scale. Additionally, companies can leverage each other's expertise and research and development capabilities to accelerate product innovation and create cutting-edge offerings that meet the evolving needs of health-conscious consumers. This can lead to economies of scale, improved profitability, and increased competitiveness.
- **Innovation and R&D capabilities:** M&A can bring together multiple companies' research and development (R&D) capabilities. Sharing knowledge, expertise, and resources can foster innovation and accelerate product development. It allows companies to leverage each other's strengths to create new and improved healthy food and beverage offerings.
- **Branding and reputation:** M&A can enhance a company's brand image and reputation in the healthy food and beverage industry. Acquiring or merging with reputable brands known for their quality, sustainability, or ethical practices can positively influence consumer perception and loyalty. It provides an

opportunity to leverage the goodwill and brand equity of the acquired company.

- **Access to new technologies and distribution channels:** M&A can grant access to advanced technologies, production processes, and distribution networks. Acquiring or merging with companies that have developed innovative technologies or possess strong distribution capabilities can provide a competitive advantage. It enables companies to stay ahead in terms of product development, production efficiency, and market reach.
- **Talent acquisition and human resources:** M&A allows companies to acquire skilled and experienced employees from the acquired company. Access to a larger talent pool can strengthen the workforce, enhance organizational capabilities, and promote knowledge sharing. It can also provide opportunities for career growth and development for employees of both companies.
- **Financial strength and stability:** M&A can improve financial stability by pooling resources, increasing revenue streams, and achieving cost synergies. Combining the financial strength of two companies can lead to improved access to capital, increased investment capabilities, and better financial performance. This can support future growth initiatives and provide stability in a competitive market.

By leveraging the benefits of M&A, companies can position themselves as leaders in the healthy food and beverage sector, catering to the growing demand for nutritious and sustainable options. As the industry evolves, we expect further M&A activities to shape the landscape and drive innovation.

Notes

¹ <https://bit.ly/3OHqITG>

About the authors



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