



Testing is essential  
to ensure safe food

Download free compendium  
HERE



About Us

On the Farm

Safety & Sanitation

Quality

Testing

In the Lab

Manufacturing & Distribution

Food Service & Retail

Regulatory

Resources

FQ&S Award

# How FSMA Accelerated Merger and Acquisitions Activity for Small Food Manufacturers

March 4, 2020 • By Frances Brunelle

Tweet

Share 29



Print-Friendly Version

It was nine years ago that the Food Safety Modernization Act (**FSMA**) went into effect. It took several years for the weight, substance, and impact of the new law to be known or quantified. Its enforcement, definition of terms, and implementation delayed the real consequences until 2016—now we know.

## You Might Also Like

[Virtual Reality and 3-D Printing Powering Design of New Food Manufacturing Facilities](#)

[Optimize Food Safety with Smart Manufacturing](#)

[Going Gluten-Free: What Manufacturers Should Know](#)

[Explore This Issue](#)

[February/March 2020](#)

Both small and large food manufacturers must comply with FSMA. Obviously, this is not an insurmountable challenge for manufacturers with \$100 million or more in sales and hundreds (if not thousands) of employees. However, more than 90 percent of U.S.-based food companies generate \$2 million to \$20 million in annual revenue and have fewer than 50 employees.

Meeting the requirements of Hazard Analysis and Critical Control Points (**HACCP**) wasn't nearly as challenging as meeting those of FSMA, because the requirements for HACCP were part of the need for the QA/QC documented process. Large food companies have both the financial resources and staffing to manage the complexities of FSMA. Smaller companies do not, and often find that being acquired by a larger enterprise is a more attractive option than facing the risks of non-compliance.

## Impact on Small Food Manufacturers

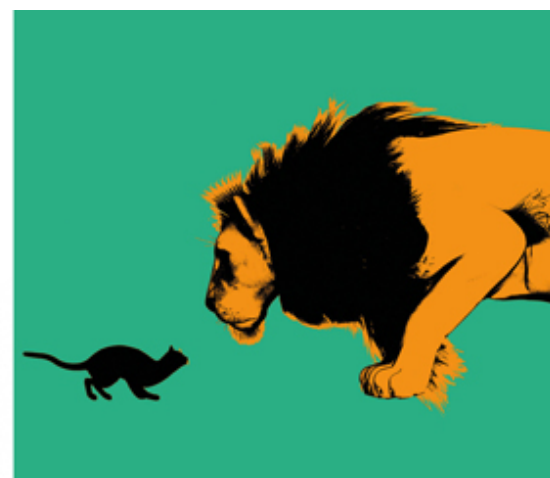
Total food industry deals for the third quarter of 2019 were worth \$10.28 billion, according to GlobalData's deals database. The value marked an increase of 139.6 percent over the previous quarter and a rise of 24.2 percent when compared with the prior year's four-quarter average of \$8.28 billion. In terms of number of deals, the sector saw a rise of 5.5 percent over

the previous four-quarter average, with 211 deals against the average of 200 deals.

In value terms, North America led the activity with deals worth \$3.96 billion. The combined value of the top five food deals stood at \$6.67 billion against the overall value of \$10.28 billion recorded for the month.

The top five food industry deals of the third quarter of 2019 tracked by GlobalData were:

1. KKR's \$2.2 billion private equity deal with Campbell Soup;
2. PepsiCo's \$1.8 billion acquisition of Pioneer Food Group;
3. Best of Nature Bidco's \$1.03 billion private equity deal with Koninklijke Wessanen;
4. The \$1 billion acquisition of VMG Quest Blocker and Voyage Holdings by The Simply Good Foods; and
5. P/F Bakkafrost Holding's acquisition of The Scottish Salmon for \$641.14 billion.



The remaining merger and acquisition activities within the food sector are those smaller food manufacturers that are weighed down in regulatory compliance. A 20-person salsa producer most likely has only one designated person to oversee QA/QC and safety, and often even operations. They lack the time to meet FSMA rules; yet, failure to comply is not an option. Burnout among these positions is very high, with a turnover averaging less than 2.3 years in companies with gross revenue of less than \$20 million.

Having a risk-based hazard analysis and preventive control program in place reduces the occurrence of adverse events such as contamination in processes and products. Corrective action to overcome the contamination, rework the product, or discard it takes time and effort and comes at significant cost. Again, the personnel must be available to execute on the elimination of adverse effects, which is often not the case for small food manufacturing companies.

Sadly, what usually prompts corrective action are not the rigors of compliance, but is often an incidence of foodborne illness. When microbial, physical, or allergen contamination threatens consumer health, a small food manufacturer faces a huge risk that could end the entire enterprise with a single lawsuit.

## Risk to Small Manufacturers

Prior to FSMA, FDA could ask only for voluntarily recalls of food products. Under FSMA, FDA is authorized to order an administrative detention if the agency has credible evidence or information to believe that the food presents a threat of serious adverse health consequences or death. If the risk of health hazards is high, the administration detention may lead to seizure of the food product.

Pages: **1** | **2** | **Single Page**

Filed Under: **Manufacturing & Distribution**

Tagged With: **food manufacturing, Food Quality, Food Safety**

Issue: **February/March 2020**