

Last Week's News from Kraft Heinz is a Shot Across the Bow for Legacy CPG Food Companies

Are food and beverage products infused with hemp seeds, hemp seed oil or CBD, a solution for legacy brands with stagnant growth?

DENVER, CO, USA, February 24, 2019 /EINPresswire.com/ -- When 3G Capital bought Heinz, it initiated major cost-cutting to improve price margins. Many rival food companies followed its lead, cutting costs to avoid being a 3G Capital acquisition target.

Last week 3G Capital's Kraft Heinz operation was forced to deal with reality when it wrote-down assets including its Oscar Meyer and Kraft brands by a whopping \$15.4 billion.



There was no single reason for this massive write-down. It included underinvestment in Kraft Heinz's existing brands. The company's management was also asleep at the wheel by ignoring the decline in interest in legacy food brands by consumers. Americans are ignoring the brands that they grew up with. They are instead increasingly focused on healthier products, including those with organic and natural ingredients.

Jorge Paulo Lemann, a co-founder of 3G was quoted in the Wall Street Journal as publicly-stating at a Los Angeles conference last April, "I'm a terrified dinosaur. I've been living in this cozy world of old brands (and) big volumes....All of a sudden we're being disrupted in many ways." Lemann also was quoted as saying, "We bought brands and thought that they would last forever. Now, we have to totally adjust to new demands from clients."

Stagnant growth is a nightmare for most CPG food product CEOs, not just Kraft Heinz. While revenue growth is a challenge, it is a difficult time for the industry. Revenue growth for CPG companies has only been slightly more than Gross Domestic Product (GDP).

Consumers are switching to on-trend products with more-modern and healthier ingredients. Are food and beverage products infused with hemp seeds, hemp seed oil or CBD, a solution?

Both hemp and CBD have become America's coolest ingredients in food and drinks, and both have become part of the trend in wellness.

Michael King- Sadick, CEO of [Phyto Intel](#), a consultancy focused on enabling CPG food companies to enter and succeed the market for products formulated with hemp or CBD stated, "In December, when the Farm Bill was signed into law, hemp was removed from its Schedule 1 status as a controlled substance. This enabled American-grown hemp seeds and hemp seed oil

to be used as additives in food and beverages. While the Farm Bill also legalized CBD, the ability to produce and market CBD-infused products is waiting for the FDA to formalize regulations.”

King-Sadick also stated, “We are encouraging CPG food brands to proceed in developing, manufacturing and marketing products including hemp seeds or hemp seed oil today. We are also suggesting that brands formulate and develop food or beverage products infused with CBD today so that once the FDA clarifies its regulations, the products will be ready to manufacture and market.”

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