

Capstone Partners Reports: Moderating Food Inflation Provides Relief to Sector Players

Capstone Partners reports that M&A activity in the Food & Agriculture sector has shown signs of acceleration despite uncertainty in deal markets.

BOSTON, MA, U.S., July 27, 2023 /EINPresswire.com/ -- Capstone Partners, a leading middle



The price relief that consumers are starting to see at the store level does not tell the full story.”

Brian Boyle, Managing Director at Capstone Partners

market investment banking firm, released its July 2023 Food & Agriculture Market Update, reporting that disinflation in food prices and easing of supply chain disruptions have fostered optimism for the margin recovery of sector players in the Food & Agriculture sector. While consumer food prices have remained elevated, the sequential improvement in inflation in recent months has allowed select sector players to begin to eye a return to a more normalized operating environment. Notably, food

inflation in June amounted to a 5.7% increase year-over-year (YOY)—marking the lowest level since October 2021, according to the U.S. Bureau of Labor Statistics’ consumer price index.

The improving cost environment has been further exemplified at the wholesale level, with select items registering substantial declines in price. As the stubborn levels of inflation have moderated, sector players have begun to experience softening margin pressure, which has been most evident for branded food processors. However, the elevated cost environment has pushed consumers to increasingly consider prices in their food purchases. This has introduced a divergence in the market, where a trade down effect has benefited value-oriented products, and higher quality, often health-conscious products have remained insulated—creating a softening for product categories lying between value and premium.

Merger and acquisition (M&A) volume in the Food & Agriculture sector has shown signs of acceleration despite a backdrop of uncertainty in transaction markets. Through year-to-date (YTD), sector M&A volume has improved 7.7% YOY as many players have returned to inorganic growth to drive operational synergies, economies of scale, and penetrate new distribution channels. As food costs have moderated in recent months, dealmaking has steadily improved, evidenced by three consecutive quarters of growing M&A volume—with Q2 2023 (82 deals) recording the highest quarterly total since Q4 2021 (92 deals). The sequential improvement in quarterly transaction volume points to the growing optimism in the sector and the opportunities for sellers to achieve a favorable liquidity event. The breadth of transactions, spread across

various subsegments, has also supported a healthy outlook for M&A activity through year-end and into 2024.

"The price relief that consumers are starting to see at the store level does not tell the full story. Wholesale prices, especially certain food items such as grains, cheese, eggs, poultry, and pork, have experienced sharp declines in pricing. Additionally, food processors, especially the large consumer packaged goods, have yet to fully pass on declines in raw materials to retailers and ultimately to consumers," said Capstone Managing Director [Brian Boyle](#), the lead contributor in the newly released report.

Also included in this report:

- How disinflation in food prices has impacted leading sector players.
- Commentary on the drivers of the recent acceleration of M&A activity.
- Insights to the key drivers of the resilience of the sector's transaction market.

To access to full report, [click here](#).

ABOUT CAPSTONE PARTNERS

For over 20 years, the firm has been a trusted advisor to leading middle market companies, offering a fully integrated range of investment banking and financial advisory services uniquely tailored to help owners, investors, and creditors through each stage of the company's lifecycle. Capstone's services include M&A advisory, debt and equity placement, corporate restructuring, special situations, valuation and fairness opinions and financial advisory services. Headquartered in Boston, the firm has 175+ professionals in multiple offices across the U.S. With 12 dedicated industry groups, Capstone delivers sector-specific expertise through large, cross-functional teams. Capstone is a subsidiary of Huntington Bancshares Incorporated (NASDAQ:HBAN). For more information, visit www.capstonepartners.com.

For More Information Contact:

Brian Boyle
Managing Director
312-287-9812
bboyle@capstonepartners.com

###

Rebecca Levesque
Capstone Partners
+1 7817758794
[email us here](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/646719257>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2023 Newsmatics Inc. All Right Reserved.