



## GLOBAL: Merger rumours boost confectionery shares

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Shares in a number of the world's largest confectioners have risen amid rumours that the sector could see further consolidation following the Mars-Wrigley tie-up.

Market sources have suggested a potential deal between Cadbury, Hershey, Kraft Foods or Nestlé.



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Since Monday (27 May), Hershey's shares have risen from an open of US\$36.45 to close yesterday at \$40.23.

Over the same period, Nestlé shares rose from CHF4.97 to CHF5.15 as just-food went to press.

Cadbury shares began their ascent earlier as rumours that the group was the takeover target of either Hershey or activist investor Warren Buffet drove prices up last week. The UK confectioner started the week with a price that exceeded GBP7, but dropped off to GBP6.92 at time of press.

"A Hershey-Cadbury tie-up makes the most sense, and is most likely: similar culture, size and products," **James Amoroso** of food industry consultancy **Amoroso**, told just-food. "Hershey needs to expand out of US whilst Cadbury needs to strengthen its US presence."

However, **Amoroso** dismissed the suggestion that Nestlé or Kraft could be looking to buy out Cadbury or Hershey: "From the Nestlé perspective, it doesn't need or even want Hershey. But the merger of the number one and number three player in the US would be problematic. Nestlé and Cadbury would be impossible in the UK, and the UK is Cadbury's biggest market," **Amoroso** said.

"A Kraft bid for Hershey would have been a possibility in the days when Kraft would do anything to divert attention away from its core business, but those days are thankfully over," he added.

While **Amoroso** was open to the possibility that the rumours currently settling the market might be little more than smoke and mirrors, he maintained that a Cadbury-Hershey deal was a logical step that would provide each company with competitive advantages.

"A certain broker has judged it appropriate to nudge investors into getting carried away," **Amoroso** said. "Hershey's price was low due to a poor performance, and maybe too low, so it was due for a rebound. What better way to catalyse this than to make up rumours which most investors will believe?"

"Having said that, the only road block to a merger of Hershey and Cadbury is the Hershey Trust as we know Todd Stitzer [Cadbury's CEO] would like to do it. And the Hershey Trust is an emotional more than a rational beast. If it got spooked by Mars-Wrigley – and it hates Mars with a passion – then a Cadbury deal could materialise."

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