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EDITORIAL

Big Food

As huge corporations merge and get even huger, we find ourselves yearning for some old-fashioned competition, and maybe a little diversity.

Banks have gotten so big that they can unleash havoc and bill us for the pleasure. Big Oil is so big that Royal Dutch Shell is the world’s 25th-biggest economy, bigger than Norway. Four-fifths of the chips in the world’s PCs come from Intel. In the United States, AT&T and Verizon account for over half of all cellular phone customers. Big companies are likely to become even bigger. Between 2003 and 2007, the number of big mergers reported to American antitrust regulators doubled to 2,201. Though merger activity fell during the financial crisis, it is expected to rebound sharply. There is already another behemoth lumbering toward consumers: Big Food.

The latest news is Kraft’s planned purchase of Britain’s Cadbury to create a mac-and-cheese-to-candy-bar megolith with combined worldwide sales of nearly $55 billion. It comes on the heels of Heineken’s purchase of the beer operations of Mexico’s Femsa to create a $25 billion megabrewer. These aren’t even the dominant companies in their business. Switzerland’s Nestlé is almost twice as large as Kraft. Heineken will now be about the same size as the brewing colossus built in 2008 when Belgium’s InBev bought Anheuser-Busch. At the end of 2008, 10 companies accounted for two-thirds of the world’s beer sales, up from 40 percent in 2000.

Consolidation is sold by corporate gurus as rich in synergy and efficiencies that eventually trickle down to consumers. But the supposed consumer benefits are often unconvincing. Pennzoil’s acquisition of Quaker State led to more expensive motor oil, Procter & Gamble’s purchase of Tambrands led to more expensive tampons, and General Mills’ purchase of the Chex brands led to more expensive cereal, according to one study. Despite limits imposed by antitrust regulators, the merger between Guinness and Grand Metropolitan to create the food and drink giant Diageo led to substantial increases in the price of Scotch.

Price isn’t the only concern. Whether you quaff a Baisha in China, a Diekirch in Luxembourg or a Paceña in Bolivia, you’re paying the same company that sold you that Bud. Call us pessimists, but chances are it won’t be long before they all taste the same.