US/SWITZ: Nestle, Hershey mum over tie-up talk

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Nestlé and Hershey today (23 September) stayed silent over rumours of a possible tie-up - while analysts cast doubt on whether a deal would emerge.

A report in the UK had claimed that Hershey and Nestlé were in talks over a possible merger or stake sale.

The Daily Telegraph cited anonymous market sources who claimed Hershey had been working with investment bank JP Morgan over a deal and that Nestlé had been identified as a possible buyer.

According to the report, one possible deal being mooted was Hershey selling a 25% stake in the business to Nestlé and giving the Swiss food giant the option of buying the rest of the company in two years time.

However, Nestlé refused to comment when contacted by just-food. "We don't comment on market rumours," a spokesperson said from Nestlé's HQ in Vevey, Switzerland. The spokesperson also refused to be drawn on Nestlé's ambitions in the US chocolate market, where it is the number three player while Hershey leads the category.

Shares in Hershey closed more than 4% up in New York yesterday (22 September) amid the Nestlé rumours and stock in the US firm rose again in early trading this morning, inching up 0.16% to $42.57.

A spokesperson for Hershey declined to comment when contacted by just-food, while officials at The Hershey Trust could not be reached for immediate comment.

The future of Hershey has long been the subject of intense speculation and the rumours intensified earlier this year when rival candy makers Mars and Wrigley agreed to merge but industry watchers played down the prospect of deal with Nestlé.

James Amoroso, a food industry consultant, highlighted the reluctance of The Hershey Trust to give up control of the company, as well as possible anti-trust issues in the US.

"I am sceptical because of the anti-trust problems with Hershey and Nestlé in the US and I can't see the Hershey Trust playing ball," ***Amoroso*** said.

Industry watchers have long speculated that Hershey and Cadbury would join forces in the future and ***Amoroso*** flagged the UK confectionery group as a "better partner" for the US firm.

"If the Hershey Trust is going to compromise on something, then it ought to get together with Cadbury," ***Amoroso*** said. "Cadbury has very little chocolate in the US, so there is a complementarity in the US that will combat the complementarity of Mars and Wrigley in the US. Hershey would also get Cadbury's strong positions outside the US and Hershey is struggling to establish an international presence."