How Cadbury was sold to Kraft

From the sweeties.net wiki

For 186 years Cadbury was a British company. It began in 1824 as John Cadbury's shop in Birmingham, built the model village of Bournville, and gave the country Dairy Milk. Then, in the winter of 2009 and 2010, it was bought by the American food giant Kraft, in a takeover battle that drew in the Prime Minister, the Business Secretary and Parliament.

The hostile bid

On 7 September 2009, Kraft Foods made a hostile bid for Cadbury worth £10.2bn. Cadbury's board turned it down, saying it undervalued the company. Kraft came back with a formal hostile offer on 9 November. The Business Secretary, Peter Mandelson, publicly warned Kraft not to try to make a quick buck out of the deal.

The deal

On 19 January 2010 the two sides agreed terms: 840p a share, valuing Cadbury at £11.5bn. Kraft had to borrow about £7bn to pay for it. Hershey, which already made Cadbury chocolate under licence in the United States and had shown an interest in buying Cadbury itself, announced on 22 January that it would not make a rival offer.

By 2 February Kraft owned more than 71% of Cadbury's shares, and on 5 February it passed the 75% it needed to take Cadbury off the stock market. Cadbury's chairman, chief executive and finance director all announced they were leaving.

Why people were so angry

The takeover was unpopular from the start. The trade union Unite warned that 30,000 jobs could be put at risk, and the Prime Minister, Gordon Brown, stressed how important Cadbury was to the British economy. There was anger, too, that RBS, a bank then 84% owned by the government after the financial crisis, helped to fund Kraft's bid. In effect, a largely state owned bank was helping to pay for the sale of a British institution to an American rival.

The promise that lasted a week

The biggest row was over a factory. Throughout the bid, Kraft said it believed it could keep open Cadbury's Somerdale factory at Keynsham, near Bristol, which Cadbury itself had already planned to close. A week after winning control, Kraft announced that Somerdale would close after all, with production moving to Poland. Staff said they felt they had been sacked twice. The Takeover Panel later publicly criticised Kraft, ruling that it had no reasonable basis for what it said. The full story is in the Somerdale factory promise.

Parliament gets involved

In April 2010 the House of Commons Business, Innovation and Skills Committee said Kraft had acted irresponsibly and unwisely over its Somerdale statement. Kraft's chief executive, Irene Rosenfeld, declined three times to appear before the committee to give evidence about the deal. According to City AM, the affair led to new takeover rules requiring bidders to be clearer about their plans for jobs.

Kraft's side of the story

The Takeover Panel accepted that Kraft honestly and genuinely believed it could keep Somerdale running. Kraft said it had reluctantly accepted, once it saw Cadbury's plans from the inside, that the move to Poland was too far advanced to reverse: Cadbury had already put more than £100m into new Polish factories.

What happened next

In October 2012 Kraft split in two, and Cadbury became part of Mondelez International, the snacks business. From 2015 Mondelez closed Cadbury factories in several countries, including Ireland, Canada, the United States and New Zealand, moving production to lower cost locations. In Britain, Bournville is still at the heart of Cadbury, and in 2014 Mondelez announced a £75m investment there. Then, in December 2024, Cadbury lost the royal warrant it had held since 1854: see why Cadbury lost its royal warrant.

Was it a mistake?

That depends who you ask. For its critics, the sale of Cadbury stood for the loss of a British company to foreign owners. It was not the first: Rowntree's of York, then the fourth largest confectionery maker in the world, was bought by Nestlé in 1988. Others point out that Cadbury's shareholders chose to accept a very large offer, and that Cadbury chocolate is still made in Birmingham today. The facts are all here: make up your own mind. For the bigger picture, see who owns the famous British sweet makers now.