# Hovis and Kingsmill explore merger amid UK bread market pressures



The owners of Hovis and Kingsmill have initiated discussions that may lead to a potential merger between two of the UK's most prominent bread brands, amidst what has been described as increasingly challenging market conditions. Associated British Foods (ABF), which oversees Kingsmill through its parent company Allied Bakeries, is currently in negotiations with Endless, the private equity firm that owns Hovis.

Hovis, established in 1890, was acquired by Endless in 2020 from Premier Foods, known for other popular products like the Mr Kipling brand. Should the merger materialise, it would unify Kingsmill and Hovis under a single corporate umbrella, a significant event given their positions as two of the oldest and best-recognised supermarket bread brands in the UK.

ABF acknowledged the difficult market landscape in a statement to shareholders, noting, “Allied Bakeries continues to face a very challenging market. We are evaluating strategic options for Allied Bakeries against this backdrop and we remain committed to increasing long-term shareholder value.” Recent reports indicate that sales at Allied Bakeries dropped in the 24 weeks leading up to 1 March, resulting in a notable loss within its UK grocery sector. This downturn is attributed to a combination of intense inflation pressures and shifting consumer preferences impacting the sliced bread market.

The potential merger would likely come under scrutiny from the UK's competition watchdog. This focus is due to both brands being key players in the market, where Warburtons, a family-owned company established in 1876, is currently the market leader. Warburtons operates under the stewardship of the family's fifth generation and is renowned for its notable advertising campaigns, which have even featured Hollywood actor Robert De Niro.

Allied Bakeries, founded in 1935 by bakery entrepreneur Willard Garfield Weston, encompasses additional brands such as Allinson’s and Sunblest, operating eight bakeries and six depots across the UK from Glasgow to London. Notably, ABF remains partially owned by the founding Weston family and is led by George Weston.

The company is facing challenges in its other divisions as well, with its sugar segment reportedly struggling, while Primark has reported significant declines in UK sales and a loss of market share. This situation has been exacerbated by external economic factors, including the effects of trade policies. Following the announcement of the potential merger talks, ABF’s shares observed a modest increase of 1% in early trading on Tuesday before stabilising at previous levels.

The outcome of these negotiations will be closely watched as it could reshape the landscape of the UK bread market, an industry that is currently navigating difficult economic currents.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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