Merger between Heinz and Kraft likely to destroy thousands of jobs

By Gabriel Black
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H.J. Heinz and Kraft Foods announced Wednesday that they would merge to form the world's fifth-largest food company. The $49 billion deal, which is aimed at vastly enriching predatory investors on the basis of mass layoffs and ruthless cost-cutting, belies claims of any genuine economic recovery underway in the global economy.

The merger is partly the result of declining sales and profit margins at Kraft Foods. The company was reportedly under pressure from its shareholders to transform the $18.2 billion corporation after its gross profit slipped by 17 percent in 2014. Seeing an opportunity, billionaire Warren Buffett and Brazilian investment firm 3G Capital, co-owners of Heinz, swooped in to execute their "rigorous… Cost-Cutting Recipe," in the words of the *Wall Street Journal* .

3G Capital's so-called "zero-based budgeting" strategy has been imposed on Heinz, Burger King, Budweiser, and several other companies it has recently purchased. At Heinz, 6,650 jobs have been cut in the past few years—about half of the company's workforce. At Burger King, the number of employees was reduced from 38,884 to 2,425 in the year 2013 as the company eliminated corporate positions and offloaded restaurants it owned to franchisees.

While no job cuts have been publicly announced, there is no doubt among industry analysts that thousands are coming. In a recent article entitled "Kraft-Heinz Synergy: How Many Job Cuts Equal $1.5B?" Bloomberg's merger and acquisition analyst concluded that the majority of the projected savings from the merger would come from "a lot of job losses."

Heinz currently has about 6,800 employees in North America and Kraft has 22,000. According to *Business Insider*, the "synergies" of the deal are likely to result in 5,000 people losing their jobs.

"Zero-based budgeting" does not stop at dramatic job elimination. According to the *Wall Street Journal*, one chicken processing company that adopted the system "scrutinized... how much soap employees used to wash their hands, and how much Gatorade hourly employees at one processing facility drank during breaks."

Each year, managers are forced to justify every expenditure their division makes as absolutely necessary, as opposed to relying on previous budgets as a guideline. This has led some companies to challenge employees if they asked for simple things like flashlights or color copies for business purposes. *Bloomberg Business*, speaking about Burger King, could not help but describe the system as "creating an oppressive cheapness."

The prospect that Kraft could apply the same regime of layoffs, closures and austerity elicited an ecstatic response from speculators on Wednesday. Kraft's stock jumped 32 percent in early trading. The massive stock surge is a sign of the policies favored by Wall Street: job elimination, mergers, and austerity.

Though the stock market has boomed, fed by cheap cash from central banks, the real world economy has grown at an anemic rate in the past few years. Because companies have such difficulty finding new areas of production and expansion, they have oriented their efforts towards financial speculation, cost cutting, job elimination and mergers. The Kraft-Heinz merger is just the most recent expression of this trend towards monopoly and austerity.

Kraft and Heinz follow a whole host of massive mergers in last year, a record year for mergers and acquisitions. These included Comcast and Time Warner Cable ($69.8 billion), AT&T and DirecTV ($67.1 billion), Covidien and Medtronic ($46.8 billion), Holcim and Lafarge ($46.8 billion), Actavis and Forest Laboratories ($25.3 billion), Facebook and WhatsApp ($19.4 billion), General Electric and Alstrom ($17.2 billion), and Novartis and GlaxoSmithKline ($16 billion).

Many newspapers speculated Wednesday that several other food brands could be up next for acquisition, including Campbell Soup, Kelloggs, and General Mills. These smaller companies, analysts warned, would not be able to compete if they did not also pursue these job elimination measures or merge into larger companies.

Asked by CNBC if Berkshire Hathaway was planning on buying more companies, CEO Warren Buffett said, “We look at everything, there is no finish line in 3G and Berkshire.” The *Financial Times* noted that “times are a-changing” as Buffett’s investment strategy has shifted from growth to “acquisitions… job cuts and factory closures.”

While thousands of workers will have their families’ livelihoods put into dire jeopardy, Buffett is expected to pocket $2.2 billion personally by June 2016 as a result of the deal.