

Home > [Food Retail](#)

June's Record Bankruptcy Wave Signals Tough Times Ahead for Businesses

MARCY KREITER | JULY 15, 2024



June was a bad month for a number of U.S. businesses with a record 75 new bankruptcy filings, highlighting the fallout from the pandemic. [S&P Global Market Intelligence](#) said June's 75 filings were among 346 filed since the beginning of the year.

Experts contacted by *The Food Institute* said that's only the beginning and that the pace likely will accelerate over the next six months.

"The overall implication seems to suggest tightened credit markets, rising unemployment rates, and deteriorating consumer confidence," said financial expert and attorney Jonathan Feniak.

"For the food and beverage sector, particularly, given their intrinsic link to disposable income, my forecast is a period of stagnation or even contraction, although the extent will vary across market segments."

The restaurant and bar industries were hit hard by COVID-19, starting with forced closures at the start of the pandemic to labor shortages and supply chain issues as things began to normalize to rising inflation, which shrank margins.

Delta Apparel, the parent of Salt Life Beverage, was among the latest batch of filings, saying it had \$337.8 million in assets and \$244.5 million in liabilities. An [auction](#) to sell off the assets for Salt Life and six affiliates was set for August 20.

Rumors also swirled about MOD Pizza, but the company announced July 10 it had been acquired by Elite Restaurant Group.

CEO Joe Camberato of NationalBusinessCapital.com said a lot of companies are finding themselves in untenable positions now that government programs introduced during the pandemic have dried up. Camberato told *FI* these ailing companies should have shut down or reinvented themselves years ago, adding:

"Now, all that free money is gone. On top of that, access to easy private-equity money has dried up."

"We came out of a period where companies relied on raising money rather than building businesses on solid fundamentals and profit. So, it's no surprise that we're seeing a wave of bankruptcies now," he added.

Citing the bankruptcy of [Red Lobster](#) earlier this year, Camberato called the defunct franchise an "outdated concept."

"There's a lot of innovation happening in this sector with new and trendy franchises, but the older ones that haven't kept up will struggle. Newer, healthier options are taking the lead," he said.

Josh Benn, head of corporate finance with the investment banker Kroll, told [Restaurant Business](#) mergers and acquisitions in the sector are part of what he described as a regular cycle. And, experts said they expect M&A activity among private-equity firms to pick up in coming months.

The Food Institute Podcast

Tom Hamill, a food and beverage senior analyst for RSM US LLP, joined The Food Institute Podcast to recap the 2024 Summer Fancy Food Show. Hamill shares his thoughts on burgeoning trends from the show and how emerging specialty food brands can best navigate economic factors in the years to come.

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