



ALL EARS!!

*The Litchfield Fund
Weekly Newsletter*

“We just don’t hear it on the street, we have our ears spread across all the fields!!!!”



Litchfield

In H.G. Wells’ 1895 novella *The Time Machine*, the protagonist finds himself on Earth in A.D. 802,701. He encounters the Eloi, an elite but naïve community of child-like humans lacking intellectual curiosity & slowly deteriorating. (The Eloi are *definitely* ahead of their time, eating a *fruit-based diet*!) There is also a down-trodden, troglodyte type group that lives underground & keeps the machinery of the carefree Eloi society running. Often, futuristic stories reflect humans evolving into these dysfunctional utopias! So remember to heed the words of Senator Robert F. Kennedy, “*The future is not a gift, it is an achievement!*”

The Future: From Fritz Lang’s 1927 classic, *Metropolis*, through TV shows like *The Outer Limits*, *The Twilight Zone*, *Time Tunnel* & *Star Trek* to movies like *Planet of the Apes*, *Bladerunner*, *Waterworld* & *Mad Max*, it seems as though the future of humanity is doomed. Ray Bradbury saw us burning books in 451° fires & George Orwell of course saw Big Brother calling all the shots! Jules Verne’s 1860 novel, lost for more than a century, *Paris in the Twentieth Century*, is incredibly & *alarmingly* accurate with gas-powered cars, electricity, records & powerful weapons. Mr. Verne’s society is driven by technology & business but has *culturally disintegrated!* Thinking about the future made us wonder about our industry as it does seem like the future is *now!* Ecommerce is growing with delivery getting faster & cheaper, some purchases delivered by driverless vehicles or drones! ‘*Shoppers*’ pick food for us at the grocery store based on our on-line selections. As we shop, our smartphones, with the snap of a photo, give us nutritional & ingredient information about a product. We can get an alert for store deals, grab coupons & scan our purchases to bypass the checkout! Robots roam the store aisles checking inventory. Other robots roam our fields, testing soil quality, water usage, plant health. Drones fly above those fields, snapping photos & using software programs to determine not just that same data, but tell the farmer it is time to harvest! Perhaps the greatest development is in the ingredient sources for our foods! We see ‘*manufactured food*’ designed to look & act like ‘*real food*’! Unlike the chemical laden products of our youth (To this day, *we still wonder what that cheese in our mac & cheese really was!*), these products involve creative uses for plants, seaweed & fungi along with lab grown proteins! As a result, we get healthier but still ‘*real*’ varieties of milk, eggs & meat! Hopefully though we won’t hear Charlton Heston shout, “*Soylent Green is people!*”

Industry News: Germany’s *Intersnack Group*’s UK arm, *KP Snacks*, added *Popchips* to its portfolio which includes recent purchase *Tyrrells*. *Alliance Consumer Growth* closed its fourth fund at \$350M to invest in young brands. *Rethink Brands* raised \$6.7M led by *AccelFoods* for its organic no sugar water for kids. Just a week after closing its door, food consultant & manufacturer *True Food Innovations* has rescued *Chef’d* from bankruptcy & will apparently focus on grocery stores & not ecommerce. *True Ventures* & *Collaborative Fund* invested \$4.25M in *Terramino Foods* &

their fungi-based alternative meat. With investor pressure rising over the last few months, *Supervalu* has been purchased for \$2.9B (including debt) by *United Natural Foods*. This will expand *UNFI*'s reach into conventional outlets. The company believes the takeover will result in a \$175M benefit by year three.

Despite losing 8% on revenue from 2nd QTR a year ago, *Coca-Cola* beat expectations on revenue & earnings with EPS rising to 54¢ from 32¢. Growth was spurred by carbonated diet drinks. *Mondelez* saw a good 2nd QTR revenue increase but the trucker strike in Brazil impacted earnings negatively. *Hershey* beat expectations with a strong 2nd QTR driven by the purchase of *Amplify Snacks* & the restructuring of its product portfolio. *GNC* was down in 2nd QTR for same-store sales, revenue & earnings. *Nestlé* reported 2nd QTR profit up 19%, perhaps settling investor calls for restructuring. Sales continued to sag in *AB InBev*'s 2nd QTR, though net profit rose. The company will restructure, including moving *ZX Ventures* into its marketing group & adding a new role in charge of non-alcoholic beverages to cater to younger consumers.

Sprouts Farmers Market & *KeHe* agreed to continue their partnership through 2025. *Chick-fil-a* joins the *fricassee*, introducing meal-kits at some Atlanta locations to get customer feedback. *HelloFresh* acquired SQF certification at two of its USA production facilities. *JUST* & Italy-based *Eurovo* will partner to manufacture & distribute *JUST*'s vegan egg substitute. *Ahold Delhaize* has reached 46% of its private label brands having a healthy profile in 2017 & is seeking 50%. *Campbell Soup* recalled some *Pepperidge Farm Goldfish* crackers & *Mondelez* recalled some Ritz cracker products due to salmonella fears from the whey powder. *Tesco* will add a discount grocery to compete with *Aldi* & *Lidl* in the UK. It will be called *Jack's* for founder Jack Cohen. *The Vitamin Shoppe* picked *Godiva* president Sharon Leite as its new top executive as the retailer struggles for success. *Walmart* will test driverless vehicles in Chandler, Arizona to pick up shoppers & take them from home to store for online order pickup. Add *Fairway Markets* to those looking to introduce scan & pay technologies. *Amazon* & *Whole Foods* are expanding grocery delivery in New York & Florida while *Postmates* will deliver for *Walmart* in Los Angeles & San Diego. *Food Navigator* reports that *Beyond Meat* has attained non-GMO verification.

Per *Nielson/Wells Fargo*, energy drinks & water rose 6.8% in the last 30-days, part of an overall 5% growth in the snack & non-alcohol drink category. In a study from Maine-based *Forager*, New England shoppers purchase local fruits & veggies but are dissatisfied with the quality.

Market News: The Dow & S&P rose on easing tariff concerns & solid earnings. The GDP hit 4.1% on strong spending. Tech icons Facebook & Twitter experienced chasmic price drops.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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