



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

Television, a novelty in the 1950s, became a family mainstay in the 1960s! By 1970, TV ads were considered so influential that cigarette ads were banned from television! TV ad taglines & spokespeople had become part of our collective social culture & jargon! Late-night hosts & comedians often satirized TV ads! The famous taglines, like "*I can't believe I ate the whole thing!*", "*Where's the beef?*" & "*Tastes great, less filling!*"; were often punchlines! The spokesmen like Colonel Sanders, Orville Redenbacher & Ricardo Montalbán were also spoofed; none of these more so than *Post Grape-Nuts'* health food pioneer, Euell Gibbons!

Pine Trees: Euell Gibbons was born in Texas in 1911 & grew up around New Mexico. As a young person, due to necessity, he foraged for edible plants & berries. He drifted from job to job & was a Dust Bowl Era hobo. He worked repairing ships in Hawaii during WWII & afterwards went to the *University of Hawaii*, studying anthropology. In the 1960s he began writing about the plants & berries he had incorporated into his diet, focusing on often overlooked plants such as rose hips, amaranth & dandelions. Appearances on TV led to his *Post Grape-Nuts* sponsorship, with the tagline, "*Ever eat a pine tree? Many parts are edible.*" Mr. Gibbons took the ribbing in stride, joining in the fun, sometimes by eating fake wood on TV shows! But he truly was a pioneer, advocating the importance of eating plants long before the current health industry trends! His love of nature was deeply set, writing, "*I am not satisfied with being a mere onlooker, or nature tourist. The spicy teas & tasty delicacies I prepare from wild ingredients are the bread & wine in which I have communion & fellowship with nature!*" So the next time you are noshing on a pine tree (*we prefer just the pine nuts*), thank this pioneer.

Industry News: Hawaiian coffee *KonaRed* closed a \$3.5M round of equity & debt financing, led by *Venice Brands*, with *Spiral Sun Ventures* & *Decathlon Capital* participating. *Ahold Delhaize USA's Stop & Shop* will acquire *King Kullen*, thought to be the USA's first supermarket. *Caper*, an AI-shopping cart, raised \$3.5M from investors including Nick Taranto (*Plated*) & Max Mullen (*Instacart*) with plans to expand to a shopping basket with scanning & sensor technology. *Emmi Roth*, specialty cheese producer, plans to acquire *Great Lakes Cheese's* plant in Wisconsin. *H.I.G. Capital* has acquired distributor *Lipari Foods* (\$1B in sales across 14 Midwest states). *Roland Foods* acquired *Albert Uster Imports*, specialty pastry, baking & confectionery ingredients & supplies importer. *Starboard Value LP*, a 1.7% stakeholder in *Dollar Tree*, urged the discounter to sell *Family Dollar* & raise prices to drive growth.

Lamb Weston's 2nd QTR net income rose 22¢, to 74¢, as sales rose 11%. *Constellation Brands'* stock price dropped as it lowered guidance following 3rd QTR sales rising 9%, on beer sales, but net income falling almost 40% as new investments impacted earnings. *Target* reports same store sales growth of 5.7% during the holidays, growing from 3.4% in 2017.

Kroger & *Microsoft* will develop a Retail-as-a-Service platform to be tested, near each of their headquarters, that will allow the stores to, with sensor technology, access a suite of cloud applications to support KPIs, inventory control, merchandising & customer insights; boost

productivity & improve customer experience & personalization. *Natural Grocers by Vitamin Cottage* will launch a six-week free Keto Reset Program, centered around the book *The Keto Reset Diet* by Mark Sisson. *Publix* will have on-line cooking classes through its *Aprons Cooking School* program. *Hannaford* is updating some stores in a pilot to provide customers with more digital interaction through touch screens & digitally tagged products, providing greater product information. *Whole Foods* is updating its digital product catalog, adding nutritional information, diet preferences, ingredient lists & allergen alerts. The retailer also stated that 33% of its customers shop by dietary needs. In a report from *RBC Capital Markets*, *Amazon Go* could be a \$4B business by 2021, as cashier-free stores bring in 50% more revenue than regular C-stores. Rumors abound that *Amazon* is looking to start up a fresh meal delivery business. Also, *Amazon* may look to the *Sears* bankruptcy for locations to expand *Whole Foods*. *Sprouts Farmers Market*, which plans to open 30 stores this year, will open nine in second quarter, including stores in three new states, Louisiana, New Jersey & Virginia. *Walmart* will add another driverless pilot with *Udelv*, in Surprise, Arizona, northwest of Phoenix. *DoorDash* will be testing driverless delivery. *Robby Technologies* & *Pepsi* will partner to test autonomous delivery bots on college campuses. *Pepsi* is introducing a new tagline, "For the love of it." *Renmatix* & *The Ingredient House* will introduce *Simple Cellulose*, a plant-based egg substitute for baked goods. *Mondelez* announced that after current leases in Deerfield, IL expire they will move their corporate headquarters to Chicago. *Koia* will offer an indulgent plant-based protein keto-compliant drink at *Whole Foods* called *Keto Koia*. *Horizon* will offer a protein enhanced organic milk with protein concentrates that are naturally found in milk. *Rhythm Foods* will expand with a fruit line as kale loses its market steam. *Chobani* will offer a new plant-based coconut *Non-Dairy Chobani*, not describing it as milk or yogurt. *Impossible Burger* will be gluten-free after reformulating to remove wheat protein in favor of soy. *Caulipower* will launch a frozen cauliflower-based tortilla. California may ban paper receipts by 2022 & *Big Y* will ban plastic bags by 2020. *Ancient Nutrition* & co-founder Dr. Josh Axe have developed a 'Clean-Keto' certification label. *Target* has appointed Stephanie Lundquist to a newly created position, President, Food & Beverage.

Sustainable fast-moving consumer goods reached \$128.5B in 2018 with a CAGR of 3.5% since 2014, according to *Nielsen*. Millennials drove the growth & the market will continue to rise to \$150B by 2021. From the *Retailer Preference Index* by *dunnhumby*, the top five grocers were *Trader Joe's*, *Costco*, *Amazon*, *H-E-B* & *Wegmans*, based on several consumer factors. *JAMA* reports that almost 11% of adults (26M) have food allergies, with about one-half developing allergies in their adult years. A *Forrester Consulting* study found that 85% of grocery consumers consider the checkout process important to their overall experience with more 50% willing to change stores for a better checkout experience.

Market News: The markets continued on the upswing, the Dow now up nearly 7% since 12/21/18 with the S&P up 7.5% & Nasdaq up 10%. CPI data released indicates prices are well below inflation targets & not impacted by recent tariff increases. Small business optimism was 104.4 for December, down from 104.8 in November, but higher than economists forecasts of 103. Durable goods manufacturing job openings rose to 324K, the highest since January, 2001.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malanga*

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