



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

Disruptive technologies! From the wheel to the internet, disruptive & innovative technologies brought about new products, created new markets, improved people’s lives (*social media notwithstanding*) & created jobs! Since the development of a practical steam engine some 300 years ago, technology innovation has disrupted markets & economies. The list seems endless: electricity, combustion engines, jet power, radio transmission, computers, PCs, smartphones. But it was the innovation of television that made many 1950s comedians jest that if it weren’t for Thomas Edison & electricity, *we’d all be watching TV by candlelight!*

Marty: In post-WWII America, movies were king & radio was a presence in every household. But in the late 1940s television began to disrupt these markets & by the mid-1950s, television was well on its way to becoming America’s leading vehicle for entertainment & news. Television was a boon for job growth, especially for struggling Hollywood screenwriters or out-of-work New York playwrights. Every big brand, *Westinghouse, General Electric, Chevrolet, Texaco, etc.*, had a ‘live’ playhouse or theatre which aired (especially by later standards) well written & acted teleplays. A host of unknown writers began their careers on television & found fame & awards later in Hollywood – Rod Serling, Neil Simon, Herman Foote, Reginald Rose & Mel Brooks. But it was Paddy Chayefsky’s 1953 teleplay *Marty*, that when adapted by him for the movies in 1955, made producers pay attention to television’s writing talent! The movie won Best Picture, Best Director, Best Actor & Best Screenplay. The butcher Marty, by his own admission a *fat little ugly guy*, was looking to marry & settle down. Like TV in the Fifties, *Ahold USA* has a new disruptive technology, *a robot named Marty*, that roams the aisles checking for out-of-stock items. The pilot, deemed successful, is being expanded to 12 stores. Unlike our movie hero, Marty the robot is tall, sleek & *obviously has a wandering eye*.

Industry News: *Ganeden*, holding numerous patents for its BC30 probiotic that is used in 750 SKUs, was acquired by *Kerry Group* for an undisclosed amount. Snack maker *Hippeas* added a \$10M investment from *CAVU Venture Partners*. *Fresca Foods* paid \$3.4M for 10% of *34 Degrees*. *Fresca* manufactures the company’s crisps, now sold in 10k locations. *S.C. Johnson* will acquire both of the household product brands *Ecover* & *Method*. Private-equity firm *Apollo Global Management* loaned \$50M to its portfolio company *Fresh Market*. *Bloomberg* suggests this is ammo for a coming grocery price war. *Tyson’s* future expansion will not be transformative, such as its \$4.2B purchase of *AdvancePierre Foods*, more likely targeted add-ons. *Bloomberg* reports that *Hello Fresh* will soon announce an IPO with a possible valuation of \$2B or more, depending on 3rd QTR earnings. *Jessica Alba’s Honest Company* has drastically reduced its valuation (once \$1.7B) in a new \$75M raise. *Shake Shack* founder Danny Meyer has raised a \$200M fund, *Enlightened Hospitality*, to invest in the restaurant industry. Reports show that innovative food

startups (alternative proteins, reduced sugar concepts, etc.) had 17 first-half 2017 investment deals, raising \$206M, a 60% increase from 2016.

Kombucha stalwart *GT* will debut *Alive*, a sparkling probiotic vinegar tonic cider infused with mushrooms. *ConAgra's Slim Jim* will offer *Premium Smoked Sticks* with 100% grass fed beef & 100% premium pork with no MSG, artificial colors or flavors. Recovery & hydration company *Kill Cliff* is introducing a performance endurance drink, *Endure*. Meal kit service *Green Chef* will add gluten-free to its offerings which already include vegan, paleo & keto kits. *Beyond Meat* plans to enter the U.K. market in 2018. Per *Project Nosh*, baking mix *Foodstirs* will be in 7,500 stores nationwide this month. *HEB* is the first supermarket to put plant-based *Soylent* on the shelves. *Arby's* will test venison sandwiches on 10/21 in all its 3,300 restaurants & a limited-edition elk sandwich in 3 locations in Colorado, Wyoming & Montana. *McDonald's* will offer a soy-based *McVegan* burger in Finland for a limited time.

According to *inMarket*, *Lidl's* initial traffic surge took a step back after June, with a slight rebound in September. *Walmart* will build fewer new stores in the coming year & focus on remodels & ecommerce, which they expect to grow 40% by 2019. *Walmart* will double its click & collect locations to 2,000 stores. *Kroger's* stock rallied as the grocer said it might sell its \$1.4B, 18 state c-store business (*Turkey Hill Minit Markets, Loaf 'N Jug, KwikShop, Tom Thumb & QuickStop*). *Kroger* plans to slow new store growth, invest in data & technology & expand its private label brands & meal kit options. Per *Food Dive*, *Kroger* held its first Natural Food Innovation Summit & plans to hold additional such meetings regularly.

Per *SPINS* data, natural channel growth continues & is a bright spot in conventional retailers. *IGD* reports that on-line grocers will grow at 18% CAGR & double their piece of the market to 2% by 2022. Hard discounters will grow at 7.6% CAGR, more than twice as fast as other grocery retailers. A study from *Packaged Facts* suggests that broccoli & collard greens are growing rapidly in sales but that kale is still the growth leader. The USDA reported that the Florida citrus crop, which has been declining since 2011 due to citrus disease, will fall 21% (more than 600K tons) after Hurricane Irma. Several trade groups have applauded recent tax reform proposals, with *FMI* this week asking that the slim-margined grocery industry get relief from the \$32K in annual taxes it pays for each employee. With sagging store sales & low tax revenue, the controversial Cook County soda tax was repealed & will end November 30.

Market News: Markets continued to seek & find new records. The University of Michigan consumer sentiment index hit a 13 year high & September retail sales rose 1.6%!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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