



# 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**

**Over the years, many methods** have been employed to promote a product. Advertising has evolved from word-of-mouth & testimonials to handbills, clever billboards, mailings, sandwich-board walkers, coupons, catchy radio jingles, radio/TV sponsorship hours & now, internet pop-ups, multi-million-dollar Super Bowl spots & a corner sign juggler advertising the latest blockbuster mattress sale. Today, companies pay just to display their product on the kitchen counter of a Sit-Com! But how about attaching your product to small parachutes & then dropping it from a plane over a busy city? In the 1920s, one company did just that!

**Candy Drop!** In 1916, as WWI raged in Europe, Otto Schnering, to avoid using his German sounding name, used his mother’s maiden name for his new Chicago candy company. The *Curtiss Candy Company* had one confection, called *Kandy Kake*. In 1920, the peanut, coconut & palm oil, sugar & cocoa candy was redesigned into a log shape to become the iconic *Baby Ruth*. While some thought it was named after the Yankees rising star, George Herman “Babe” Ruth, the company insisted it was named for President Grover Cleveland’s daughter, Ruth, whose image was part of a medallion struck for Chicago’s 1893 World’s Columbian Exposition. It was probably a clever marketing ruse, as Mr. Curtiss won a lawsuit & shut down a candy bar actually named for & endorsed by Mr. Ruth. After Mr. Ruth’s famed 1932 World Series called home run shot at Wrigley Field, Mr. Curtiss raised a lighted *Baby Ruth* sign on the roof of a building where the ball likely landed! *Baby Ruth* has been advertised in connection with the Cubs & baseball throughout the years, featured in the movie *Goonies* & in an infamous *Caddyshack* scene, which decorum prevents us from describing! In the early 1920s, Mr. Curtiss promoted his product (& later with *Butterfinger*, introduced in 1926) by tying the candy bars to small parachutes & dropping them from planes over busy cities! (With the parachutes, he avoided having his own Les ‘*I thought turkeys could fly*’ Nessman moment!) In 1964, the *Curtiss Company* was sold to *Standard Brands*, which merged with *Nabisco* in 1981. The Curtiss brands were eventually sold by *RJR Nabisco* to *Nestlé*. This week, as expected, *Nestlé* agreed to sell its USA confectionary business to *Ferrero* for \$2.8B. *Baby Ruth*, *Butterfinger*, *Nerds* & *SweeTarts* will join *Ferrero’s Nutella*, *Tic Tacs* & *Ferrero Rocher* brands. *Perhaps Ferrero can employ drones for a new 2018 parachute promotion?*

**Industry News:** *Cargill* has made an undisclosed investment in Minneapolis-based pea protein supplier, *Puris*. *Urban Remedy*, which offers plant-based organic RTE meals, snacks & cold pressed juices, closed a \$17M round led by *301 Inc*. With \$100M in annual sales, online bulk retailer *Boxed* has received buy bids from *Kroger*, *Target*, *Aldi* & others. *Guayaki* (RTD yerba mate teas) announced a \$6M investment with *Sonoma Brands* partnering. *Sonoma Brands* & *VMG Partners* placed \$10M in *Smashmellow*. Supplement-maker *Nature’s Bounty* acquired real food nutrition bar *The Best Bar Ever* for an undisclosed amount. *Instacart* spent \$65M for coupon & voice-shopping startup *Unata*. *Shelfbucks*, a platform that helps optimize supply chain & merchandising, closed a \$9M funding round. Reports are that *Unilever* has backed away from a

purchase of *Halo Top*. *Unilever*, parent of *Ben & Jerry's* & *Breyers*, recently introduced its own competing high protein low calorie *Breyers'* offering.

With flat 3<sup>rd</sup> QTR sales, *Albertsons* reported a 26.7% decrease in gross profit margin, a 1.8% decline in same-store sales & a 2.7% decrease in traffic. *Albertsons* will sell a 49% stake in its *Mexican Casa Ley* operations for \$345M. *JP Morgan* increased its stake in *Blue Apron* during the 2<sup>nd</sup> half of 2017, causing a small rally in the company's stock price. *Sanderson Farms* faces a February shareholder vote to determine if the USA's 3<sup>rd</sup> largest chicken producer should transition to hormone-free chicken. The company claims the supply of hormone-free chicken has outpaced demand. *Dunnhumby* reports that with price & quality as the main drivers, the top ten groceries consumers prefer are *Trader Joe's*, *Costco*, *Amazon*, *H-E-B*, *Walmart*, *Wegmans*, *Aldi's*, *Sam's Club*, *Sprouts Farmers Market* & *Whole Foods Market*. *One Click Retail* reports that *AmazonFresh* grocery sales increased 35% since the August addition of *Whole Foods'* store brand products. *Amazon* doubled its grocery sales over the course of the year, with 25% of those sales being organic. *Whole Foods* has opened a new Midwest distribution center to better serve 60 stores across the Midwest & Eastern Canada. A variety of sources report that there are widespread shortages on *Whole Foods'* shelves & a deterioration of produce quality, creating widespread customer dissatisfaction. Employees are said to report difficulty in working within *Amazon's* order/inventory chain. *Naturally Boulder* will start *Naturally Bay Area* to connect organic/natural entrepreneurs, investors & innovators in NorCal. *Aldi* is launching *Earth Grown*, a vegan line of products. *Lidl* will only open 20 new stores this year, much less than the 100 expected. *Cargill*, as part of its desire to expand nutritional innovation, has opened its first food-grade potassium chloride operation to bring new lower sodium options to the market faster. The new facility is located at its Watkins Glen, NY salt plant. Potassium chloride will enable food manufacturers to lower sodium content by 50% in food products. *Kroger Edge*, a new technology that digitally displays pricing, nutritional information, video ads & coupons, will be rolled out to 200 of the supermarket's stores. At some point, the app will communicate with customers' smartphones to help them find items on their shopping lists & match customers' dietary, nutrition & allergy needs & restrictions.

The *Center for Food Integrity* (CFI) found only 33% of consumers strongly agree that they are confident in the safety of the food they eat, compared to 47% in 2016. An *IRI* survey suggests that on-line shoppers are seeking cost savings as much as convenience. Plant-based dairy is expected to be a \$34B market by 2024. The USDA indicated that the supply of stored wheat is down 10% across the USA as of December 1. Also, the USDA forecasted 2017 corn production to be down slightly from 2016 & that soybean production will be slightly higher.

**Market News:** Market records were set again this week as jobless claims fell below 1973 levels. The S&P broke a record with 395 days without a 5% drawback. The DOW closed above 26,000 at week's end despite a price drop for IBM & a much ballyhooed government shutdown.

**Seeds, Sprouts, Grow, Harvest!**

The Litchfield Fund

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