



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

It appears that 2018 is starting just the way 2017 ended. And we don’t mean the frigid weather that has been covering the USA this week. Even after a *record* 71 DOW records in 2017, early signs indicate a strong start to the new year as markets continue to show room to grow. Indices started the year off with 4 days of records, the first time since 1964 for the S&P 500! With nearly \$6T in wealth created, companies are searching for M&A options, as we will discuss below in Industry News. So maybe 2018 should take as its theme the Carole Bayer Sager & Peter Allen song from Bob Fosse’s *All That Jazz: Everything Old is New Again!*

New Again: Ms. Sager, of course, wrote many hit songs during the 1970s, some with her husband, Burt Bacharach & with many others, such as Mr. Allen & Marvin Hamlisch. Starting with *A Groovy Kind of Love* in the ‘60s, her songs were recorded into the ‘70s & ‘80s by no less than Neil Diamond, Melissa Manchester, Barbara Streisand, Carole King, Michael Jackson, Aretha Franklin, Dolly Parton, Judy Collins & other icons, including Dionne Warwick’s 1985 Grammy-winner, *That’s What Friends are For!* And 2018 economic news sounds like a repeat of 2017, with factory activity climbing significantly in December & new factory orders rising to its highest recorded level since January, 2004. Also, ADP reported that businesses added 250,000 jobs in December led by robust hiring in health care, retail & professional services. Importantly, the unemployment rate for black Americans reached its all-time low, 6.8%! Finally, last year recorded the lowest ‘job loss total’ since 1990. *Yes, everything from 2017 appears to be new again in 2018!*

Industry News: *Campbell Soup* will buy snacks company *Snyder’s-Lance* for almost \$5B, betting on the increasing popularity of snacking. *Hershey* will buy the stock of *Amplify Snack* brands, owner of *Skinny Pop* & *Tyrell’s*, for almost \$1B & debt. New York subscription service *Daily Harvest*, offering frozen, plant-based & prepped foods, attained \$43M in funding led by *Lightspeed Venture Partners* with *VMG Partners*, chef Bobby Flay, Olympian Shaun White & actress Haylie Duff partaking. *Go Veggie*, a leading cheese alternative brand in 12,000-plus locations & food service businesses, was acquired by *GreenSpace Brands* in a cash & stock deal. *Dole* is looking for \$2.5B to sell itself & *Nestlé* finalized long reported plans to sell its USA confectionary business. *Nestlé* acquired supplement maker *Atrium* for \$2.3B. *Fireman Capital Partners* & *Dunn’s River Brands* have created a new strategic beverage platform & acquired the *Sweet Leaf Tea* & *Tradewinds* businesses from *Nestlé Waters North America* (terms not disclosed). *Apollo Global Management* picked up *Qdoba* for \$305M. *Wind Point Partners* & food executive Milt Liu acquired *Pacifica Foods* (soups, sauces, dressings & salsas) & *Stir Foods* (soups, sauces, dressings & muffin batters), both manufacturers for retail & foodservice. *Cleveland Avenue* & *Tyson Ventures* placed \$55M in *Beyond Meat*. Raising \$3M in funding, Israeli company *SuperMeat* plans to take to market products made by growing cells extracted from chickens.

ConAgra's earnings rose 83% to \$223.5M in 2nd QTR on a 4% revenue increase, beating analyst predictions. Snack sales rose 6% while refrigerated & frozen sales were up 2%. *General Mills* saw a 2.1% revenue increase but an 11% drop in earnings for its 2nd QTR. *UNFI* saw a 2¢ increase in earnings on a 7.9% sales increase, beating analyst 1st QTR estimates. Despite growth in its Food Ingredients & Applications segment, *Cargill's* 2nd QTR earnings fell 6%. *Cargill, Techstars & Ecolab* will form *Techstars Farm to Fork Accelerator*, to improve the safety & security of the food supply.

Ace may be the hardware place inside a *Kroger* store amid reports that the two retailers are in partnership discussions. *Kroger* will expand its *Simple Truth* brand (currently more than 1,400 products) which experienced a 19% sales bump in the last quarter. *Aldi* reports that 200 of its private label brands won industry awards. Analysts are suggesting an *Amazon* takeover of *Target*, the benefit being both an off-line presence & a shared consumer demographic. Per reports, *Amazon* captured 44% of all on-line sales in 2017. *Fresh Thyme* will focus on fine-tuning operations in its 68 stores while adding 10 new stores in 2018, half as many as 2017. *Shoprite*, following the lead of many larger companies, will distribute bonuses to its workers & invest in employee training & development due to the President's tax cuts. These tax cuts may help retailers offset earnings pressure caused by minimum wage hikes affecting 18 states. Analysts also suggest that tax cuts will bring a 27% increase in grocery retailer's earnings.

The *Wall Street Journal* reports a glut in the organic milk supply & falling prices as consumers shift to plant-based alternatives. Until 2017, organic milk had not seen the oversupply & downward price pressure that conventional milk had been experiencing. Sales of organic milk fell 2.5% in 2017 while plant-based alternatives rose 2.9%. Protein consumption is on the rise & per the USDA, the average USA consumer will eat 222 lbs. of red meat & poultry in 2018, a record high! Producers are expanding herds & domestic production is expected to hit an all-time high as demand, prices & exports are up, which has not happened in more than a decade. *Pollock Communications & Today's Dietitian's* "What's Trending in Nutrition" survey polled 2,050 RDs & indicated that fermented foods (kombucha, yogurt, kefir, sauerkraut, kimchi) will be the top superfood trend & that clean eating & plant-based diets will be the two most popular 2018 diets. *Google* shows keto & plant-based diet searches are up 300% & 190%, respectively. C-store food service options & sales (including healthier meals & products such as fruits & vegetables, yogurt, nuts & protein bars) grew in 2017 & will continue to gain ground in 2018, per a *NACS* survey.

Partnership Brand Update: *Genius*, the delicious & satisfying coconut smoothie, is partnering with *LA Distributing* to increase its SoCal market penetration. *LA Distributing*, a premiere distributor in Southern California, reaches thousands of independents & natural chains.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

V4issue29.01.06.18

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