



# 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**

**Hank Morgan, a 19<sup>th</sup> century engineer,** takes a blow to the head & awakes in King Arthur’s 6<sup>th</sup> century medieval court! Using his knowledge of the future & engineering skills, he astounds the Anglicans who, coupled with his odd dress & behavior, believe him to be a magician. A jealous Merlin conspires to jail & sentence Hank to be burned at the stake. But Hank knows history, an eclipse is about to occur! He threatens to shut off the sun! After the eclipse, he is released & gains power. He uses his knowledge of the future to try to change history, but fails! All of Malory’s tragedies still befall Camelot, leading to *Le Morte d’Arthur*.

**Eclipsing!** Mark Twain’s *Connecticut Yankee* knew the ancients would see doom in a solar eclipse! Today, the known elliptical orbits of the planets & moons in our solar system make eclipses totally predictable! We know when they will occur, the path they will take, the width of the darkness (about 65 miles as the eclipse spans the entire continental USA for the first time in almost 100 years) & length of time (more than 2.5 minutes of darkness near Hopkinsville, KY). Then again, maybe the astronomers are just taking a *shot in the dark!*

**Industry News:** Meal kit maker *Chef’d* added a \$25M investment from *Smithfield Foods* on top of the \$10M they recently received from *Campbell*. Activist investors *Jana Partners* has taken an interest in *Sprouts Farmers Market* (600K shares) & *Blue Apron* (2%). *Blue Apron* reported a loss in its first public reporting period. *Corvex Management* has taken a \$400M interest (*that’s a lot of interest*) in *Danone*, with the intention of helping the company better align its health & wellness segments. *Hormel Foods* acquired *Fontanini Italian Meats & Sausages* for \$425M to expand its food service options. *InBev’s ZX Ventures* is backing *Canvas*, makers of a high fiber proprietary probiotic drink using beer brewery grain leftovers & mixed with cashew milk. Sparkling water *Waterloo* is gearing up with a \$3M investment from *CAVU*. *Encore Consumer Capital* has taken a minority interest in the *Veggie Noodle Co*. *Veggie Noodle* produces pastas with organic zucchini, sweet potatoes, butternut squash & beets. Canadian grocer *Metro Inc.* has invested in meal kit delivery company *Miss Fresh*. *Reuters* reports that the makers of *Halo Top* ice cream have engaged *Barclays*, seeking a \$2B sale. *Chickapea* pasta won an investment from *George Weston* backed *District Ventures*. Health & beauty delivery company *Birch Box* (\$200M in annual sales) is rumored to be in buy-out discussions with *Walmart*. *Talking Rain Beverages* is partnering with *Tata Global Beverages* to deliver *Himalayan Mountain Water*.

*Target* will continue to expand its fresh food, produce & convenience offerings. The retailer added executives for its grocery division & reported recovery in its food & beverage segment. For 2<sup>nd</sup> QTR, *Target* had a 1.6% increase in sales & a 5¢ increase in EPS (\$1.22). *Walmart* beat 2<sup>nd</sup> QTR earnings by a penny coming in at \$1.08 with a sales increase of 3.3%. Non-fuel

comparables rose 1.8%, with a 1.3% increase in traffic & 0.5% in average ticket. *Walmart* will increase the number of stores providing on-line pickup to 1100 by year end. *Walmart* did offer cautionary comments for 2<sup>nd</sup> half earnings. *SpartanNash* reported growth from its acquisition of *Central Grocers'* business, with a 3.7% revenue increase & a 2¢ increase in EPS. However, its purchase of *Fresh Kitchen* food processing has been progressing slower than expected. *Lancaster Colony Corp.*, after its consolidation of *Angelic Bakehouse*, grew sales while earnings fell due to consolidation efforts. They will look to grow food service options.

*Unilever* purchased Australia ice cream & frozen treat maker *Weis*. *Pinnacle Foods* entered a \$37.5M agreement to acquire a frozen warehouse & vegetable packaging facility from *Ryder*. *Tyson* will add 300 jobs in a \$84M poultry plant expansion in Tennessee. *Flower Foods* will seek to expand its adjacent food categories. *Welch's* will partner with *Global Beverage Corp* to expand its soda line with new flavors & formats. *Coca-Cola* is offering \$1M for a healthy sugar substitute.

A new certification from the *Detox Project* indicates a product is glyphosate residue free. *Health Canada* gave approval to *Ganeden* for the language to use with its *GanedenBC<sup>30</sup>* to make general health claims north of the 49<sup>th</sup> parallel. A survey from *Veganuary* reveals the following favorites among vegans: *Daiya* for cheese, *Gardein* for meat, *Whitewave* for plant-based milks & *So Delicious* for ice cream. *Aldi* will pilot with *Instacart* in Atlanta, Dallas & Los Angeles.

Per a *Nielson* report, on-the-go fresh fruit & veggie snacking has passed \$1.1B with 32% of households purchasing with some regularity. Per a *Supermarket News* survey, retailers see health & wellness as a driver for both their stores & their private label brands. An *IDDBA* report describes Super Consumers, those seeking better-for-you, fun, functional, artisanal foods as a target focus for retailers & producers. Food-at-home prices rose 0.3% in July, the first inflationary result in 19 months. Analysts however feel *Walmart* & *Kroger* pricing will continue to curb inflation, continuing the earnings pressure on grocers. Vanilla prices may not rise as much as projected as cyclone damage was less than expected. *Supermarket News* reported on *Inmar's Future of Food* report, indicating a 25% decline in traditional grocery store sales by 2021 but with growth in limited selection outlets. In other reports, online grocery sales could grow to 30% of all sales over the next 4 to 5 years. A study on probiotics in India indicated a specific strain that reduced childhood risk of sepsis by 40%.

**Market News:** The markets were down this week on political news with little thought given to market indicators such as Canada's interest in the NAFTA renegotiations, the highest retail sales numbers in seven months & a tightening labor market with employers needing more employees!

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

The Litchfield Fund

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