



# 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**

**You pay a *price*, but what you get is *value*.** This is no more apparent to a consumer than when buying a car! Is a used or economy car the best choice or does a luxury, pricy car add real or superficial value? This perceived value comes in many forms, from the practical (maintenance, quality, miles/gallon) to the emotional (*this car will make me SO cool*). Patriot Patrick Henry valued liberty so highly that he thought it worth his life, as did the signers of our Declaration of Independence, who also pledged their fortunes & their *Sacred Honor*. Like Thoreau, they saw the value of anything as the amount of life, *the price*, you must pay for it!

**Price & Value:** Award-winning screen & playwright Tom Stoppard (*Shakespeare in Love*, *The Russia House*, et. al.) said “*Age is a very high price to pay for maturity*,” though it seems many of us pay the price but don’t get the value!!! For many years, *Whole Foods* told consumers they provided value for their prices, yet *Amazon* purchased the grocer with an apparent indication that they would lower prices. But this week, *Bloomberg* reported that a *Gordon Haskett Research Advisors* study found prices at *Whole Foods* have dropped just 1.2% since the *Amazon* merger & just 0.1% since a previous study last November. Produce prices at *Whole Foods* are still more than double the prices at *Sprouts Farmers Market*. But the price war does appear to be on, both in brick & mortar & e-commerce! *Amazon*, *Walmart*, *Aldi*, *Lidl*, *The Dollar Store* & others are doing battle. Per a *Profitero* study, *Walmart’s* on-line grocery prices are 1.8% higher than *Amazon*, though *Walmart* & *Amazon* match prices on 53% of items. *Target* & *Jet.com* (*Walmart*) were still higher priced than both retailers. Also, consumers making the price versus value decision may be leaning more toward price. Data from various studies show that ‘dollar stores’ are continuing to grow in visits & traffic, with well-heeled millennials (earning more than \$100K a year) shopping at dollar stores more often. The master of suspense, Alfred Hitchcock, thought the quality of his films would be valued against the cost of a babysitter, dinner & admission, or converted to the present day, a nanny & *Door Dash* & *Netflix* subscriptions!

**Industry News:** Food safety platform *FoodLogiQ* raised \$19.5M led by *Renewal Funds*, with participation from *Tyson Ventures*, *Greenhouse Capital* & others. *Altos Ventures* led an \$8M round in *82 Labs*, maker of hangover detox shot *Morning Recovery*, with *R7 Partners* & *Slow Ventures* involved. *Impossible Foods* raised a convertible note of \$114M from *Temasek* & *Sailing Capital*. *Dunn’s River Brands* acquired a majority stake in Daniel Sullivan’s wellness shot *Temple Turmeric* for an undisclosed amount. *UAS Laboratories* is acquiring *Nebraska Cultures*, makers of custom-manufactured probiotic solutions, including spore-based *ProDURA* & the DDS-1 strain of *Lactobacillus acidophilus*. *Buderim Group* acquired *Royal Hawaiian Orchards* (*Royal Hawaiian Macadamia Nut*), merging it with its retail macadamia nut brand, *MacFarms*. *Buderim* will now be responsible for more than 65% of USA macadamia nut production. Coffee-maker *La Colombe*

has retained the services of investment bank *Moelis & Company* to explore a capital raise, asking for a \$1B-plus valuation. *J.M. Smucker* will buy *Ainsworth Pet Nutrition (Nutrish)* for approximately \$1.7B (after an estimated \$200M tax benefit), expanding its pet food presence. Meanwhile, *Smucker* continues to seek buyers for its baking business.

Lower ethanol prices & higher European manufacturing costs drove *Cargill's* 3<sup>rd</sup> QTR earnings down 24% despite a 2% revenue gain. Milk oversupply & price pressure led to a 2017 loss of \$10M for *Organic Valley*, the first loss in 20 years. *Starbucks* will double its food business with an emphasis on protein & snacking innovation. *Campbell Soup* is restructuring to improve its focus on soup, snacks, health & wellness products to meet changing consumer demands. *Hershey* will invest \$500M through 2030 in *Cocoa For Good*, its cocoa sustainability strategy. The program focuses on West Africa & addresses poverty, nutrition, at-risk youth & environmental health in a region that grows 70% of the world's cocoa. Following the expansion of its *O Organics* private label, *Albertsons* will expand *Open Nature* with 240 additional products, including home care products. *Ahold USA* is introducing Guiding Stars, a labeling system that assigns 1 to 3 stars to a product based on the nutritional content. *Sprouts* will open 16 stores through June & will expand from 16 to 19 states by the year's end. *Shipt* will do same-day delivery for *Winn-Dixie* in Florida & for *Target* in the Northwest. *Thrive Market* will deliver frozen beef, pork, poultry & seafood through a new subscription service. *Chef'd & Innit* will partner to provide customized meal advice, cooking instruction videos & smart appliance connectivity using *Innit's* app.

Despite a 61%, 5-year increase in dairy-alternative sales, studies from *Cargill & Dairy Reporter* found that 67% of consumers use dairy products on a regular basis & 50% of those consuming plant-based dairy alternatives still use dairy products. Taste is a concern for 55% of dairy consumers, while for dairy-alternative consumers, taste is a concern for only 40%. A *FONA International* survey found that for more than 40% of consumers under age 45, organic food makes up half their diet. Organic is now a tradition for millennial parents, with 42% buying organic & 52% of millennials eating more veggies than their 2 previous generations! Arizona is on the verge of changing the sell-by date on Grade A shell eggs from 24 to 45 days. *University of Arizona* experts say there is no health risk. The change can reduce waste & lower prices as out-of-state producers will have more time to bring eggs into the Grand Canyon State. *Mintel* reports that global Easter season chocolate launches rose 24% this year. A very extensive study published in *Cell Metabolism* indicates a low-calorie diet reduces aging biomarkers.

**Market News:** Markets remained choppy as investors attempt to understand trade negotiation rhetoric & job numbers.

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

The Litchfield Fund

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