



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

As the Constitutional Convention ended in Philadelphia, Benjamin Franklin was asked by a curious lady outside Independence Hall, what sort of government was formed? "A republic," Dr. Franklin replied, "if you can keep it!" Franklin was unsure how his new country would fare, as a government with the power in the hands of the people, *with its own powers limited to not infringe upon personal liberties*, had never been attempted. He wrote French physicist Jean-Baptiste Leroy, "Our new Constitution...has an appearance that promises permanency; but in this world nothing can be said to be certain, except death & taxes."

Taxes: Dr. Franklin was not the first to use the phrase 'death & taxes.' The phrase was in Christopher Bullock's *The Cobbler of Preston* in 1716 & in (*Robinson Crusoe* author) Daniel Defoe's *The Political History of the Devil* in 1726, which as much as it would seem, is not the prequel to *The Political History of the IRS!* Oliver Wendall Holmes said, "Taxes are what we pay for a civilized society." It seems at current tax rates; we should be much more civil! The Old Redhead, good natured entertainer Arthur Godfrey, was proud to pay his USA taxes, but said, "I could be just as proud for half the money!" Sir Winston Churchill thought there was *no good tax*, President Coolidge thought collecting more tax than necessary was *legalized robbery* & about taxes, Plato wrote, "the just man will pay more & the unjust less on the same amount of income." Advice columnist Ann Landers felt, "A person doesn't know how much he has to be thankful for until he has to pay taxes on it." Herman Wouk, Pulitzer Prize winner for *The Caine Munity*, said, "Income tax returns are the most imaginative fiction being written today." Radio Comedian Fred Allen quipped, "An income tax form is like a laundry list - either way you lose your shirt." So as you do your laundry & taxes this weekend, remember these words from Mark Twain, "The only difference between a tax man & a taxidermist is that the taxidermist leaves the skin."

Industry News: *SunOpta* acquired *Sanmark B.V.* (sourcing/trading of organic oils for the food, pharmacy & cosmetic industries) for €3M (\$3.4M). *Tofurkey* took in a \$7M equity placement, its first outside investment in 30 years. *H.I.G. Capital* acquired Jenny Craig weight management from *North Castle Partners*. *C.H. Guenther & Son* acquired *Mid-South Baking*, supplier of buns & English muffins to quick-service restaurants. *Mars Petcare* created a \$100M venture arm to invest in pet related product start-ups. *Mondelez's* attempt to acquire *Campbell's Arnott's & Kelsen Group* appears to be stalled, per *CNBC*. *Post* will offer an IPO for 20% of its *Active Nutrition* segment (*PowerBar*, *Joint Juice*, etc.). *Kettle Cuisine*, with \$300M in backing from *Kainos Capital* to acquire brands, picked-up *Harry's Fresh Foods*. Meat snack *4505 Meats* closed a funding round led by *Encore Capital*. *The Food Institute* reports that the M&A food segment saw deals fall 11% in 2018, but *A.T. Kearney* sees 2019 M&A activity in the segment topping 2018 activity. Supermarket M&A rose 73% in 2018.

The Fresh Market is undertaking a complete overall of its beverage offerings. *Stop & Shop's* 31K employees went on strike at more than 240 stores in Connecticut, Massachusetts & other areas of New England. *Albertsons* will reduce costs at *Plated* by eliminating 25 roles, 10% of the

corporate staff. *Amazon Go* appears to be planning to accept cash payments. A *BMO Capital Markets* analysis suggests that *Whole Foods*, *Lidl* & others could be a good fit for closed *Sears* locations. *Food Lion* has \$40M of upgrades planned in Virginia seeking to expand local, natural, organic & gluten-free offerings. *Sprouts Farmers Market* will open 13 stores in 6 states in the second half of the year. *Wegman's* will open its first store in North Carolina. *Walmart* revealed more details on its \$800M plan for store remodels, client conveniences, grocery, etc. *Walmart* will make a push for customers to buy & use reusable bags. Also, *Walmart* is going all in on automation, adding some 3K devices, including floor cleaners, shelf scanners, unloaders & pickup towers. *Giant Eagle* will pilot the shelf scanning robot, *Tally* from *Simbe Robotics*. *Takeoff Technologies* (automated grocery fulfillment) will partner with *Knapp* (warehouse logistics & automation solutions) to open 50 USA micro fulfillment centers, costing \$150M & processing \$1.5B in annual eCommerce sales. Trying to encourage industry transparency, *KIND Snacks* has launched an online database for consumers to research their favorite snacks for sugar & nutrition content. *CVS* is expanding same-day delivery of prescription orders to 6K stores. *Rite Aid* follows *CVS* & *Walgreens* & will sell CBD creams, lotions & lip balms in Washington & Oregon. *Ikea* is growing lettuce in shipping containers at 2 stores in Sweden, with plans to begin serving the greens at its onsite restaurants. *Vital Proteins* has launched bottled R-T-D collagen water, sweetened with monk fruit & containing 10g of collagen. *General Mills* is rethinking its kernza cereal plans after crop failure caused shortages. *Unilever* will introduce a hemp-oil deodorant under its *Schmidt's Naturals* brand. *Life* cereal (a *PepsiCo*, *Quaker Oats* subsidiary brand) will reboot the famous, "We'll ask Mikey, he hates everything!" commercial. *Axiom Foods* has chosen *Univar* as the USA distributor of its plant-based proteins. *Maple Leaf Foods* will build a \$310M plant-based protein food processing facility in Indiana that will double its production capabilities. *Fairlife* will build a 300K sq. ft. production & distribution facility in Goodyear, AZ (investing \$200M million in the plant) which will house production lines for the company's dairy-based products. *Hostess* is moving its category management & marketing function to a new Chicago corporate office. *Nestlé* will launch *Nestlé R&D Accelerator* in Switzerland, bringing together company scientists, company resources, students & start-ups to improve innovation & speed to market.

Per *NPD*, Gen Z represents 10% of all food service traffic, making 14.6B restaurant visits a year. They are less brand loyal; snack more & seek clean functional foods. Gen Z spent more than \$500M on food delivery in 2018. Per the *Retail Feedback Group*, 63% of shoppers interact with a supermarket digitally, a 7% increase from 2017. Per the report, 55% of shoppers look at the digital circular, 47% create digital shopping lists & 44% look for special promotions, but just 12% order groceries digitally. The *Wall Street Journal* reports that yogurt sales fell 6% in the last year. Greek yogurt sales dropped 11%. *Skyr* (Icelandic yogurt) increased 23%. Per the *American Baker's Association* & the *FMI*, bread & bakery store sales totaled \$59B in 2018 with almost 100% household penetration. Per *Wells Fargo* & *Nielsen*, C-store sales were flat last month.

Market News: Markets rose, though the Dow was flat. The CPI rose just 1.9% YOY & the import price index was lower than expected, as concerns over tariff impacts are not being realized. New jobless claims for the week came in at 196K, the lowest number since October, 1969.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

V5issue43.04.13.19