



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

In the western classic, *The Magnificent Seven*, seven gunfighters, each of a unique personality, defend a small Mexican village from bandits. At one point, learning that the bandit Calvera (Eli Wallach) has men spying on the village, a few of The Seven leave the village to try to capture them to learn Calvera’s plans. One bandit is able to jump on his horse & flee. Britt (James Coburn) lines up a long shot on a moving target, difficult with a 19th century revolver. He hits the bandit! The youngest of The Seven, Chico (Horst Buchholz), says “*that was the greatest shot I’ve ever seen!*” Britt replies, “*The worst! I was aiming at the horse.*”

Moving Targets: Each week *All Ears!!* covers data concerning consumers’ changing preferences. As we often say, there is no doubt that consumers are seeking a healthier profile to the food & beverage in their diet. Zeroing in on that (*moving*) target market for your brand is important, especially as you introduce your product. This is essential to increasing market depth & penetration to gain sales’ velocity. But to really achieve growth a brand must have broad appeal! Why have a healthy, great tasting product & only sell to those who do yoga, live on a SoCal beach or dwell inside a big city? After all, *Budweiser* did not become the *King of Beers* only focusing on St. Louis beer drinkers. What if someone tried to “*ask the man who owns one,*” (considered among the greatest-ever USA sales pitches) & there were no other *Packard* owners to be found in your city? And what if a consumer was unable to buy *Maxwell House* to find out if that last drop of coffee was still good? Yes, consumer feedback & consumer demographics are important, but why settle for less than you can get? Ralph Waldo Emerson said to “*...aim above the mark to hit the mark.*” Look for ways to build your brand broad & big, remembering the words of cartoonist & epigrammist Ashleigh Brilliant, “*To always hit the target, throw a dart, then call whatever you hit the target.*”

Industry News: *Inspire Brands (Arby’s & Buffalo Wild Wings)* will acquire fast food burger restaurant *Sonic* for \$2.3B. *The Andersons* acquired *Nu-World Foods* (certified organic, kosher, gluten-free food products & ancient grain ingredients) from *Tella Atlantic Holdings* for an undisclosed amount. *Grubhub* is acquiring Israel’s *Tapingo*, a platform for ordering food from college campus foodservice & on-campus restaurants, for \$150M. Italy-based coffee company *Lavassa* will acquire *Mars’* coffee business for a reported \$650M. *Giant Eagle* will acquire *Ricker Oil*, an operator of 56 C-stores with fuel stations in Indiana; terms not disclosed. *The Wall Street Journal* reports that *Campbell* may be in talks to sell its Fresh (*Bolthouse Farms & Garden Fresh Gourmet*) division to a group led by Jeff Dunn, former *Bolthouse Farms* CEO. Purchased from *Bolthouse* for \$1.55B six years ago, the division is valued at \$500M to \$700M.

Revenue rose more than 10% for *Lamb Weston’s* 1st QTR with earnings rising to 73¢ per share from 57¢. *PepsiCo* beat expectations as net income rose 16% & revenue rose 1.5% as the North American sector showed growth (2.5%) in the 3rd QTR. *Costco* reported a 4th QTR sales increase of 5%, income up 10%, comps rose 10.8% & ecommerce gained 26.2%.

Kroger will test on-line order pick-up at 13 *Walgreen's* stores in Cincinnati & those stores will carry some *Kroger* private label products including organic *Simple Truth*. *Natural Grocers by Vitamin Cottage* will introduce a premium line of private label brands with 50 products in 15 categories. *Publix* opened a *GreenWise Market* in Tallahassee with four more locations under development. *Ahold Delhaize* launched a new, fresh-focused format at 21 *Stop & Shop* stores in Connecticut. They will also open a new *Giant Food* neighborhood market, called *Giant Heirloom Market*, in Philadelphia. Food accelerator *Tera (RaboBank & RocketSpace)* announced that *Nestlé USA* will collaborate with *Jackson's Honest, Here Foods & Miyoko's*. *Hershey* has created a mobile version of their research center, a full-size semi to share & collect data while visiting C-stores around the USA. *McDonald's* is continuing to reduce artificial ingredients & preservatives. Due to the tight labor market of a booming economy, *Amazon* is increasing employee wages while eliminating some employee incentive & bonus programs. Per *Brick Meets Click*, *Amazon* has captured 30% of on-line grocery market. *Blue Apron* will launch on-demand delivery in New York City with *Grubhub*. *La Croix* sparkling water is being sued as to its claims of being 100% natural, with allegations of artificial ingredients including a chemical used in insecticide. A court ruling that *Chipotle's* non-GMO claims are misleading opens the door for a class action suit against the fast food chain. Bart Adlam, CEO/President of *Siggi's*, announced he will step down & join *Chef's Cut* as CEO. He will be replaced at *Siggi's* by Carlos Altschul, *Stonyfield* vice-president of sales. *The Wall Street Journal* reported that the new USMCA trade pact is winning praise from many USA farm & industry groups.

Additional studies show consumers buy both plant-based & traditional dairy products. A study from *Magid* finds that consumer interest in private label products is similar for *Trader Joe's, Meijer, Aldi, Kroger, Publix & Costco*. *GMO Answers*, an initiative backed by large biotech firms, reports a survey found that 69% of consumers are not sure what GMOs are, with 67% wanting to understand more about how GMOs affect their health. A *Cargill Food4Thought* survey revealed, that for health reasons, 44% of USA & UK consumers have added more fish to their diet, with poultry second at 41%, beef at 32% & pork at 24%. *The National Retail Federation* says consumers will spend \$2.6B on candy this Halloween. They also report that almost 90% of millennial parents use same-day delivery, 40% use a subscription service & 70% research & shop on their phones. *Forrester Analytics* forecasts that USA grocery ecommerce will reach \$36.5B by 2022 up from \$26.7B in 2018. A study from the University of Alabama & published in *Psychopharmacology* suggests caffeine drinkers have a higher pain tolerance.

Market News: Markets hit records mid-week on strong economic news but swayed as bonds sold & yields rose. The administration worked with Mexico & Canada to replace NAFTA with the new USMCA, better serving USA employers & workers. September private payrolls grew 230K as initial jobless claims fell. The Bureau of Labor reported 134K new jobs in September, below expectations, but the unemployment rate fell to 3.7%, the lowest since December 1969. The 2nd QTR GDP was revised upward to 4.2%. FED Chairman Jerome Powell stated the economy was "remarkably positive."

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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