



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



ARGOSY, THE FIRST PULP MAGAZINE, debuted in 1896. These magazines derived their name from the cheap wood pulp used for the paper, unlike the higher end magazines' slick, glossy paper. The genre followed the dime novel & preceded the comic book, but like both, featured hero cowboys, crime solvers, space travelers & superheroes. The venerable *Street & Smith's* followed *Argosy* & success led to many other publishers of these 200-page action packed stories, the success lasting well past mid-century. The heroes included Nick Carter, The Shadow, Buck Rogers, Hopalong Cassidy, Conan & one of the world's most recognized literary heroes, Tarzan!

TARZAN: Tarzan creator Edgar Rice Burroughs did not begin his literary career until his late 30s. He graduated from the Michigan Military Academy & failing the entrance exam to West Point, enlisted. He was assigned to the historic 7th *U.S. Cavalry* at Fort Grant Arizona, but a heart problem was diagnosed & he was discharged. From there, he worked in his father's battery factory, then his brothers' Idaho ranch & mining company. With a third child on the way, he was selling pencil sharpeners! Bored, he was reading pulp fiction & thought the stories were terrible, but realized people were getting paid to write them! Thinking he could write stories just as entertaining & make some money, he submitted some science fiction stories to publisher *A.C. McClurg*. So successful was his Mars series, *Barsoom*, featuring hero John Carter, that his next series of stories, *Tarzan*, were published in 1912. *Tarzan* was immediately successful, capturing imaginations worldwide. Interestingly, Mr. Burroughs may have invented the concept of omnichannel marketing! Aspiring to capitalize on the success of *Tarzan*, he wanted to put the character into comic strips, movies & merchandise! But business experts told him that doing so would destroy the brand & cannibalize sales. But Mr. Burroughs moved forward & *Tarzan* appeared not only in his novels, but was also syndicated for merchandise, comic strips, radio, movies & eventually, TV. From Elmo Lincoln in the silents, to Olympic heroes Johnny Weissmuller & Buster Crabbe in the talkies, Ron Ely on TV (let's not forget Carol Burnett's *Tarzan* yell!) & most recently, Alexander Skarsgard, dozens of actors have portrayed the King of the Jungle! *Disney's* 1999 animated feature earned almost \$500M! When he passed in 1950, Mr. Burroughs was considered to be the highest earning novelist whose books were turned into movies! His ranch, *Tarzana*, is the site of the Los Angeles neighborhood. His Sci-Fi works, themes & characters influenced generation of authors, earned him induction to the Science Fiction Hall of Fame & a Mars' impact crater was named for the author! Mr. Burroughs' idea of modern multichannel mass media marketing, defying the advice of experts, was clearly a success! A quote from one of his characters seems to recognize this, "If I had followed my better judgment always, my life would have been a very dull one."

INDUSTRY NEWS: *Hershey* will buy protein bar maker *One Brands* for \$397M. *Amazon* will buy 3.58% of *Future Retail*, an Indian retail company with 1,500 stores, for \$104M. *Cargill* added \$75M to a previous investment in *Beyond Meat's* pea-protein supplier *Puris*. *Nestle Health Sciences* acquires Snoqualmie, WA, personalized vitamin start-up *Persona*. *Stonewall Kitchen* will acquire *Vermont Village*, organic applesauce & apple cider vinegar products. Gourmet-cookie maker & retailer *Christie Cookie's* was acquired by *Rich Products*. *Hain Celestial* completed the sale of *Tilda* (premium basmati & specialty rice) to *Ebro Foods* for \$342M in cash, with plans to use the cash to reduce debt. *Pilgrim's Pride* will acquire the U.K.'s largest pork processor, *Tulip*, for \$354M. AgTech robot start-up, *Advanced Farm Technologies*, raised \$7.5M from

Yamaha Motor Ventures & Laboratory, with participation from Kubota Corporation, Catapult Ventures & Impact Venture Capital.

During 2nd QTR, *Target* had a 22% increase in EPS, a 3.6% increase in revenue, a 34% increase in eCommerce, remodeled 500 stores & opened 100 small format locations. Sales rose 1.1%, comparables 0.6% & adjusted EPS 12.1% in *Sam's Club's* 2nd QTR. *Smucker* saw 1st QTR sales dip 6% with all segments contributing, but net income rose 16%. Income rose 11% & sales grew 7% for *Lancaster Colony's* 2nd QTR, driven by acquisitions. *Hormel's* net earnings of 37c per share was down 5% from last year's 3rd QTR. Net sales fell 3% due to the divestiture of *CytoSport* business.

Costco closed on opening day as crowds overwhelmed their first store in China. Japan's supercenter retailer *Don Quijote*, with 3 Hawaii stores, will expand into the USA. *Panera* will expand its delivery with *DoorDash*, *Grubhub* & *Uber Eats*. *Instacart* has removed *HEB* as an option in the Dallas area, just days after announcing that *HEB* was on their platform. *Boxed* will partner with New York-based department store *Century 21* to offer an assortment of beauty & apparel items. *Grocery Dive* reported that consulting firm *Kantar* has *Whole Foods* ranked #1 in USA grocery advertising spend during 2nd QTR. *Walmart* launched a clean private label skincare line, *Earth to Skin*, claiming a "luxurious experience for under \$10." *Lucky's Market* is offering *Kroger's Simple Truth* products in all its stores. *Kroger's* pharmacy has attained Community Pharmacy Practice Accreditation (CPPA) from the *National Association of Boards of Pharmacy*, attesting to the high quality of clinical care, including immunizations & wellness screenings. *PepsiCo* & *JetBlue* have entered into a partnership to refresh *JetBlue's* beverage offerings. *Kentucky Fried Chicken* is partnered with *Beyond Meat* to test plant-based chicken nuggets & boneless wings, selling out in 5 hours. *Hardee's* has plans to test two *Beyond Meat* burgers. *Nestlé* has added a *Garden Gourmet Incredible Mince* (ground 'beef') & new recipe for its *Garden Gourmet Incredible Burger*, juicier & meatier. *BlueNalu*, a cell-based seafood startup, released plans for commercializing its products, though they are still 2 to 3 years from pilot testing. Phoenix-based *Spinato's Pizza* (our favorite local pizzeria) announced nationwide distribution for its broccoli crust pizza. *Reed's Zero Sugar Ginger Beer*, as is sister brand *Virgil's Zero Sugar*, is now certified ketogenic. *Kombucha Brewers International* is working through the process of creating a regulatory standard of identity to protect the integrity of the fermented beverage. *Ginseng Up* is investing \$2M in expanding its co-packing business & providing development help to beverage start-ups.

Wells Fargo reports that 68% of C-stores are interested in selling CBD products, with 15% waiting for federal approval. According to *Acosta*, year-round grillers have grown to 46% of consumers, up from 42% a year ago. In a 30-year study, the *Journal of the American Heart Association* notes that emphasizing healthy plant foods in a diet is associated with a lower risk of cardiovascular disease, death from cardiovascular disease & death from all causes. *Nielson* found 80% of consumers have adopted a "food as medicine" approach to eating. New research from *Innova Market Insights* indicates there is a holistic interest in nutrition for mental, emotional & physical health across all consumer age groups.

MARKET NEWS: Markets rallied at month end on strong economic reports that once again surpassed the experts' estimates. The administration announced a new trade agreement with Japan which includes the purchase of \$7B of USA agricultural products. *Bloomberg* reported that Americans' view of the economic health of the country & prospects for job growth is at the highest level in 19 years.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenjo*

V6issue11.08.31.19

The Litchfield Fund is a family owned & operated limited liability corporation. We do not solicit or accept investment from outside individuals or entities. Opinions contained in *All Ears!!* are ours & should not be considered investment advice or recommendations.