



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

On January 17, 1920, Prohibition went into effect & the Twenties began to *roar*. It was a period of economic, technological & social/cultural upheaval. As workers’ wages grew, radio, automobiles, phonographs & movies became available to common man. Movies created new icons, a *Lost Generation* of authors wrote classics, sports stars set records & Jazz was all the rage. There were significant changes in attitude concerning cultural & social morals. Organized crime & a new black market for bathtub gin made drinking an act of defiance & in many cases, dangerous. In reality, nothing about the 1920s seemed prohibitive!

The Roaring Twenties: Bootleggers used industrial alcohol laced with unsafe chemicals. Every criminal in the supply chain then stretched his supply by adding anything with a kick, such as paint thinner. This *rotgut* made people sick, sometimes leaving the imbiber blind, paralyzed or dead. To cover the taste, mixers & the mixed drink became popular. The *roar* ended with the Great Depression in 1929. In 1933, Prohibition was repealed! And though drinking is certainly not the cure for *depression*, at least people could drink legally & safely. Adolphus Busch had a 1920s recipe for beer that, of course, could not be distributed. It was announced this week that *Anheuser-Busch* will release *1933 Repeal Reserve Amber Light* (6.1% ABV) made from that recipe!

Industry News: *Renewal Funds* invested \$4.25M in *FoodLogiQ*, a provider of a SaaS based supply chain safety service. *Utz Quality Foods* will acquire Phoenix-based *Inventure Foods* for \$165M (\$4 per share). *Albertsons* reported a 19% increase in 2nd QTR ecommerce sales while same store sales growth fell 1.8%. While revenue was down for *Coca-Cola’s* 3rd QTR, the company did beat analyst estimates for revenue & earnings (up 38%), citing diversification from its traditional beverage lines. *Dr. Pepper Snapple* reported a small increase in sales but lower earnings, citing 3rd QTR weather impacts. *McDonald’s* showed a reduction in 3rd QTR revenue due to refranchising efforts but a 48% increase in EPS, with a 4% increase in same store USA sales. *McDonald’s* will continue to push its premium offerings. *AB InBev* had a 13.8% increase in revenue but fell short of analyst 3rd QTR estimates. Revenue fell 3.6% on weather impacts & consumers migrating to craft beers. *Pinnacle Foods* increased their market share in 3rd QTR but sales fell 1.2% & earnings fell 12%. *Hershey* had 3rd QTR gains for sales (1.5%) & income (2.3%). *GNC* missed analyst 3rd QTR forecasts but did show growth in same store sales & transactions.

Lidl will partner in South Carolina for delivery with *Shipt*, who has a successful Midwest relationship with *Meijer*. Canadian *Mann Packing* recalled 20 fresh-cut packaged vegetables from stores such as *Meijer*, *Walmart* & *Albertsons*. *Amazon Prime Now* is partnering with *Serious Eats* & other recipe sites so shoppers can buy recipe ingredients. Per *Reuters*, *Amazon* is finding restrictions on where it can open new *Whole Foods* stores, restraints on merchandise offerings,

delivery & adding *Amazon* lockers. These restrictions are written into the lease agreements of other retailers, such as *Target*, *Lidl*, *Best Buy* & *Bed, Bath & Beyond*. *Mars Wrigley* will release *Alert Caffeine Gum* (40mg caffeine) which was pulled in 2013 over health safety concerns. Sandy Douglas, President of *Coca-Cola NA*, will retire in 2018 as *Minute Maid* President Jim Dinkins takes over. Unsweetened products now make up 45% of *Califia Farms* SKUs. *Plum Organics*, whose flexible pouch disrupted the baby food market, has redesigned the packaging for its solid baby food, making it easier to use for parents & children. *Arizona Beverages* is introducing *Crazy Cowboy* jerky, their first natural food product line. The Atlanta Hawks will partner with *Aketta* to offer cricket-based foods at games this year. *Spam*, popular in Hawaii because of the mid-century military influence, is being stolen off the shelves in Hawaii for quick resale to get money for drugs.

Per an *Acosta* study, frozen food purchases for most categories are rising for all demographics & mostly driven by millennials. Convenience is the top driver along with health, transparency & low-sodium. Per the *OTA*, millennial purchases are trending toward organic, which should only grow as millennials have children, a segment growing from 15% with children now to 80% within 15 years. *Food Dive* reported that once again food prices at grocery stores are not benefiting from the general retail price increase & food-at-home prices are offsetting increases in dining-out prices. Per a *Jefferies Food & Convenience Retail* report, lower poultry prices are offset by increases in pork & eggs. Beef prices are lower recently but still up for the year. Several studies indicate increasing C-store sales as grocery store sales decline. At #1, *Hershey*, along with *Coca-Cola*, *PepsiCo*, *Quaker* & *ConAgra* rose in the most recent *American Customer Satisfaction Index* report on nondurable products as overall satisfaction with Big Food packaged goods fell 2.4%.

A *Journal of Alternative & Complimentary Medicine* study reveals that for hypothyroid, KSM-66 Ashwagandha can normalize thyroid hormone levels & maintain normal thyroid function for healthy people. A sponsored *Nielson* study shows plant-based foods have topped \$3.1B with an 8.1% growth rate. Plant-based dairy alternatives (excluding milk) is the fastest growing segment at 20%. Plant-based milk is up 3% while dairy milk has fallen 5%. *The University of Missouri's Food & Agricultural Policy Research Institute* shows that in 2018 more acreage will be devoted to corn & less to soybeans, a reversal of 2017 acreage trends. Studies show soda taxes in cities such as Philadelphia & Berkeley are being passed along to consumers.

Market News: The markets continued their winning ways this week. Despite hurricane impacts, growth *roared* at 3%, consumer sales rose 2.4% & inventory spending showed healthy gains. September new homes sales growth hit its highest mark since 1992. Amazon crushed its earnings. Since Brexit, British manufacturers have had a 24% increase in jobs.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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