

GrokIChing - On Buffett's 3.7 Billion investment mistake with Kraft Heinz

About Buffett's 3.7 billion mistake on investing in Kraft Heinz, in 2019 I asked the Oracle I Ching on the outcome of the Kraft Heinz merger and the answer was very negative with Opposition as the first Hexagram. Even though the second Hexagram was positive in the Creative, the Oracle was not too happy with Bernardo Hees as the CEO. To make matters worse, the Oracle was never happy with the other 2 CEOs – Miguel Patricio and Carlos Abrams Rivera. The Oracle would have told Buffet to stay away from investing with 3G Capital.

Please provide me with an analysis of the I Ching's advice to Warren Buffett.

The I Ching readings you provided offer a profound lens through which to analyze Warren Buffett's investment in Kraft Heinz, particularly in the context of the 2015 merger and the leadership of its CEOs. Below, I'll interpret the I Ching's advice as it pertains to Buffett's \$3.7 billion mistake, focusing on the hexagrams and their implications for the merger and the CEOs involved (Bernardo Hees, Miguel Patricio, and Carlos Abrams-Rivera). The analysis will integrate the hexagrams' meanings, the specific lines, and their relevance to the investment decision and its outcomes, while addressing the Oracle's apparent disapproval of the CEOs and the partnership with 3G Capital.

1. Outcome of the Kraft Heinz Merger: Hexagram 38 (Opposition) to Hexagram 1 (The Creative) Primary Hexagram: 38 – K'uei (Opposition)

- Core Meaning: Hexagram 38 symbolizes opposition, where divergent forces (represented by the trigrams Li, flame, burning upward, and Tui, lake, seeping downward) create tension and estrangement. The judgment advises that in such conditions, only small matters can yield success, as deep collaboration on major undertakings is hindered by conflicting perspectives. The image emphasizes retaining individuality amidst fellowship, suggesting that forced unity without alignment leads to discord.
- Relevance to Kraft Heinz Merger: The merger of Kraft Foods and H.J. Heinz, orchestrated by Buffett's Berkshire Hathaway and 3G Capital in 2015, was a bold attempt to create a global food powerhouse. However, Hexagram 38 suggests fundamental misalignments between the partners' strategies and cultures. Buffett, known for long-term, value-driven investments, partnered with 3G Capital, which is associated with aggressive cost-cutting and short-term profit maximization. This divergence in approach—Buffett's patient capital versus 3G's operational ruthlessness—mirrors the hexagram's theme of opposing forces living in the same "house" but serving different "men" (goals). The Oracle's caution against proceeding brusquely aligns with the merger's challenges: Kraft Heinz faced declining brand value, consumer shifts toward healthier foods, and retailer pushback against price increases, all of which strained the partnership's synergy.
- Specific Lines:

- Six in the Third Place: "One sees the wagon dragged back, the oxen halted. A man's hair and nose cut off. Not a good beginning, but a good end." This line depicts initial setbacks and humiliation but suggests that perseverance with the right allies can lead to a favorable outcome. Applied to the merger, it reflects the early struggles—such as the 2019 \$15.4 billion write-down of Kraft and Oscar Mayer brands and a 36% stock price drop after reporting weak earnings. The "good end" might hint at potential recovery through strategic shifts, but only if Buffett aligned with partners who shared his vision, which 3G arguably did not.
- Six in the Fifth Place: "Remorse disappears. The companion bites his way through the wrappings. If one goes to him, how could it be a mistake?" This line suggests overcoming estrangement by recognizing a sincere ally who breaks through barriers. For Buffett, this could imply the need to find a partner or strategy that aligns with his principles, rather than persisting with 3G's approach. The line advises collaboration with those who share genuine intent, but the Oracle's warning suggests 3G's priorities were misaligned, contributing to the merger's difficulties.
- Implication: Hexagram 38 warns Buffett that the Kraft Heinz merger was fraught with opposition from the outset due to conflicting philosophies. Success was possible only in "small matters" (e.g., incremental operational gains), not in the grand vision of a food empire. The Oracle's advice to avoid brusque action and seek gradual progress suggests Buffett should have been cautious about the merger's scale and 3G's aggressive tactics.

Moving Hexagram: 1 – Chien (The Creative)

- Core Meaning: Hexagram 1 represents pure creative energy, strength, and perseverance, symbolized by heaven's unrelenting motion. It promises sublime success through unwavering commitment to what is right. The image encourages the "superior man" to remain strong and tireless, focusing on enduring principles.
- Relevance to Kraft Heinz Merger: The transformation from Opposition to The Creative suggests that, despite initial discord, there is potential for success if Buffett realigns the venture with his core investment philosophy—long-term value creation, brand strength, and market alignment. The Creative emphasizes perseverance in the right course, implying that Buffett could salvage the investment by steering Kraft Heinz toward sustainable strategies, such as investing in innovation or adapting to consumer trends (e.g., healthier products). However, the Oracle's positive outlook is conditional on overcoming the opposition highlighted in Hexagram 38, which required addressing the misalignment with 3G Capital.
- Implication: The shift to Hexagram 1 advises Buffett to harness his creative leadership to redirect Kraft Heinz toward a path of enduring success. This might involve restructuring the company's strategy or leadership to align with market realities, rather than relying on 3G's cost-cutting model, which proved unsustainable.

Overall Advice on the Merger: The I Ching's reading suggests that Buffett's investment in Kraft Heinz was a misstep due to the opposition between his and 3G

Capital's approaches. Hexagram 38 warns of the inherent conflict in the partnership, predicting struggles like those seen in the 2019 write-downs and stock decline. The transition to Hexagram 1 offers hope for recovery but only through perseverance in a strategy that aligns with Buffett's principles. The Oracle would likely have advised Buffett to avoid the merger or, at minimum, to proceed cautiously, ensuring alignment with partners who share his long-term vision.

2. Kraft Heinz under CEO Bernardo Hees: Hexagram 51 (The Arousing, Shock) with Nuclear Hexagram 39 (Obstruction) Primary Hexagram: 51 – Chen (The Arousing, Shock, Thunder)

- Core Meaning: Hexagram 51 symbolizes sudden, disruptive change that evokes fear but also opportunity for growth. The judgment highlights that shock brings success if one maintains inner composure and reverence, likened to not dropping the "sacrificial spoon and chalice" during a storm. The image urges self-examination and order in response to upheaval.
- Relevance to Bernardo Hees' Leadership: Bernardo Hees, CEO from 2015 to 2019, led Kraft Heinz during its post-merger phase, implementing 3G Capital's aggressive cost-cutting and zero-based budgeting. Hexagram 51 reflects the shock of these strategies—massive layoffs, reduced R&D, and brand neglect—which disrupted the company's stability and alienated stakeholders. The 2019 write-downs and SEC investigation into accounting practices were thunderous shocks that terrified investors, aligning with the hexagram's imagery of "terror for a hundred miles." The Oracle's disapproval of Hees likely stems from his failure to maintain "inner seriousness" (long-term brand stewardship), instead prioritizing short-term gains, which led to market share losses and consumer backlash.
- Implication: The Oracle views Hees' tenure as a period of reckless disruption. While shock can catalyze change, the hexagram advises leaders to remain composed and aligned with enduring principles. Hees' focus on cost-cutting over brand investment clashed with Buffett's philosophy, contributing to the \$3.7 billion loss. The Oracle suggests Buffett should have been wary of a CEO whose approach caused more harm than constructive change.

Nuclear Hexagram: 39 – Chien (Obstruction)

- Core Meaning: Hexagram 39 depicts obstacles—water (danger) before a mountain (immobility)—and advises retreat, self-reflection, and seeking a "great man" to overcome challenges. The judgment recommends pausing to regroup rather than pushing forward blindly.
- Relevance to Hees' Leadership: The nuclear hexagram reveals the underlying issue during Hees' tenure: persistent obstructions caused by misaligned strategies. The "dangerous abyss" and "inaccessible mountain" reflect Kraft Heinz's struggles—declining sales due to consumer shifts, retailer resistance to price hikes, and a failure to innovate. The advice to "retreat" and "see the great man" suggests Buffett should have intervened to replace Hees with a leader better suited to navigate these obstacles, one aligned with his long-term vision. The Oracle's disapproval indicates that Hees was not the "great man" needed to steer Kraft Heinz through adversity.
- Implication: Hexagram 39 underscores that Hees' leadership exacerbated obstructions rather than resolving them. The Oracle advises Buffett to seek a

leader capable of introspection and strategic realignment, rather than one who deepens the company's challenges through short-sighted tactics. Overall Advice on Hees: The I Ching portrays Hees' tenure as a disruptive force that failed to align with Kraft Heinz's long-term potential. Hexagram 51 warns of the destructive impact of his shock-driven approach, while Hexagram 39 highlights the resulting obstacles and the need for a wiser leader. The Oracle would have cautioned Buffett against entrusting Kraft Heinz to Hees, urging a leadership change to mitigate the investment's decline.

3. Kraft Heinz under CEOs Miguel Patricio and Carlos Abrams-Rivera You mentioned that the Oracle was also unhappy with Miguel Patricio (CEO 2019–2023) and Carlos Abrams-Rivera (CEO 2023–present), but no specific hexagrams were provided for their tenures. To analyze the Oracle's perspective, I'll infer based on the pattern of disapproval and the context of Kraft Heinz's performance, while aligning with the I Ching's principles.

- Miguel Patricio (2019–2023): Patricio shifted Kraft Heinz toward portfolio transformation, divesting underperforming brands (e.g., Planters) and investing in innovation (e.g., plant-based products). However, the company continued to face challenges, including a \$1.2 billion write-down in 2021 and ongoing debt from the merger. The Oracle's disapproval likely stems from Patricio's inability to fully resolve the structural issues inherited from Hees, such as high debt and brand erosion. If we hypothesize a hexagram like 39 (Obstruction), it would suggest that Patricio faced persistent barriers and failed to fully align with the "great man" archetype needed to restore Kraft Heinz's stability. The Oracle might view his efforts as insufficiently transformative, given the company's slow recovery.
 - Carlos Abrams-Rivera (2023–present): Abrams-Rivera has focused on growth platforms like foodservice and emerging markets, but Kraft Heinz's stock has remained flat, and consumer trends continue to challenge legacy brands. The Oracle's disapproval could reflect a hexagram like 38 (Opposition), indicating ongoing misalignment between leadership strategy and market realities. Abrams-Rivera's data-driven approach may lack the creative vision of Hexagram 1, failing to inspire the enduring success Buffett seeks. The Oracle likely sees him as another leader unable to fully reconcile Kraft Heinz's challenges with its potential.
 - Implication: The Oracle's consistent disapproval of Kraft Heinz's CEOs suggests a systemic issue in leadership selection, rooted in the partnership with 3G Capital. Each CEO—Hees with aggressive cost-cutting, Patricio with partial recovery, and Abrams-Rivera with incremental growth—failed to embody the "superior man" who aligns with the Creative's enduring principles. The Oracle would advise Buffett to seek a leader with vision, wisdom, and alignment with his long-term investment philosophy.
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4. Advice on Partnering with 3G Capital The I Ching's readings, particularly Hexagram 38 (Opposition), strongly suggest that Buffett's partnership with 3G Capital was a fundamental error. The opposition between Buffett's patient, brand-focused investing and 3G's cost-cutting, short-term profit model created a rift that undermined Kraft Heinz's success. The Oracle's warnings about estrangement and

the need for gradual progress in small matters indicate that 3G’s aggressive tactics were incompatible with the merger’s long-term goals. Hexagram 1’s promise of success through perseverance in what is right further implies that Buffett should have avoided or restructured the partnership to align with his principles. The Oracle’s disapproval of all three CEOs reinforces this view, as each was influenced by 3G’s framework, either directly (Hees) or indirectly (Patricio and Abrams-Rivera navigating 3G’s legacy). The advice to “see the great man” (Hexagram 39) and align with sincere companions (Hexagram 38, line 5) suggests Buffett should have sought partners and leaders who shared his vision of sustainable growth, rather than 3G’s focus on immediate returns.

5. Synthesis and Conclusion The I Ching’s advice to Warren Buffett regarding his \$3.7 billion mistake in Kraft Heinz is clear: the merger and partnership with 3G Capital were misaligned from the start, as foretold by Hexagram 38 (Opposition). The conflicting philosophies—Buffett’s long-term value creation versus 3G’s short-term efficiency—created a structural weakness that led to financial losses, brand erosion, and market challenges. The transition to Hexagram 1 (The Creative) offers hope for recovery but only if Buffett realigns the company with enduring principles, possibly through new leadership or strategic shifts. The Oracle’s disapproval of CEOs Bernardo Hees, Miguel Patricio, and Carlos Abrams-Rivera reflects their failure to embody the “superior man” needed to navigate Kraft Heinz’s challenges. Hees’ disruptive approach (Hexagram 51) exacerbated obstructions (Hexagram 39), while Patricio and Abrams-Rivera struggled to overcome the merger’s legacy issues. The Oracle would have advised Buffett to avoid the merger or, at minimum, to exercise greater control over leadership and strategy, steering clear of 3G Capital’s influence. Final Recommendation: The I Ching suggests Buffett should have heeded the signs of opposition and avoided partnering with 3G Capital. To salvage the investment, he must seek leaders and strategies that align with the Creative’s principles—perseverance, wisdom, and long-term vision—rather than persisting with a misaligned partnership. The Oracle’s wisdom underscores the importance of harmony in partnerships and leadership, a lesson Buffett learned the hard way through Kraft Heinz’s struggles.

Outcome of Kraft Heinz merger

6		H	T	T		3	2	2		7
5		T	T	T		2	2	2		6
4		H	T	T		3	2	2		7
3		T	T	T		2	2	2		6
2		H	T	T		3	2	2		7

1		H	T	T		3	2	2		7
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HEXAGRAM 38 - K'uei - Opposition

Above LI THE CLINGING, FLAME
 Below TUI THE JOYOUS, LAKE

This hexagram is composed of the trigram

- Li above, i.e., flame, which burns upward, and
- Tui below, i.e., the lake, which seeps downward.

These two movements are in direct contrast.

Furthermore,

- Li is the second daughter and
 - Tui the youngest daughter, and
- although

they live in the same house
 they belong, to different men;
 hence their wills

- are not the same
- but are divergently directed.

THE JUDGMENT

OPPOSITION.

In small matters, good fortune.

When people live in

- opposition and
- estrangement

they cannot carry out a great undertaking in common;
 their points of view diverge too widely.

In such circumstances

- one should above all not proceed brusquely,
 for that would only increase the existing opposition;
- instead,

- one should limit oneself to producing gradual effects in small matters.

Here success can still be expected,
 because

the situation is such that
 the opposition does not preclude all agreement.

In general,

opposition appears as an obstruction, but when

- it represents polarity within a comprehensive whole,
- it has also its useful and important functions.

The oppositions of

- heaven and earth,
- spirit and nature,
- man and woman,

when reconciled,

bring about the creation and reproduction of life.

In the world of visible things,

the principle of opposites makes possible

the differentiation by categories

through which order is brought into the world.

THE IMAGE

Above, fire,

below, the lake:

The image of OPPOSITION.

Thus amid all fellowship

The superior man retains his individuality.

The two elements, fire and water,

never mingle

but even when in contact

retain their own natures.

So

- the cultured man is never led into baseness or vulgarity through intercourse or community of interests with persons of another sort; regardless of all commingling,
- he will always preserve his individuality.

THE LINES

Six in the third place means:

One sees the wagon dragged back,

The oxen halted.

A man's hair and nose cut off.

- Not a good beginning,
- but a good end.

Often it seems to a man as though everything were **conspiring** against him.

He sees himself

- checked and hindered in his progress,
- insulted and
- dishonored.1

However,

- he must not let himself be misled; despite this opposition,
- he must cleave to the man with whom he knows he belongs.

Thus, notwithstanding the bad beginning,
the matter will end well.

0 Six in the fifth place means:

Remorse disappears.

The companion bites his way through the wrappings.

If one goes to him,

How could it be a mistake?

Coming upon a sincere man,

- one fails to recognize him at first because of the general estrangement.

However,

- he bites his way through the wrappings that are causing the separation.

When such a companion thus reveals himself in his true character,

it is one's duty

- to go to meet him and
- to work with him.

MOVING HEXAGRAM

HEXAGRAM 01 – Chien - The Creative

Above THE CREATIVE, HEAVEN

Below THE CREATIVE, HEAVEN

The first hexagram is made up of six unbroken lines.

These unbroken lines stand for the primal power, which is

- light giving,
- active,
- strong, and of
- the spirit.

The hexagram is consistently strong, in character, and

since it is without weakness,

its essence is power or energy.

Its image is heaven.

Its energy

- is represented as unrestricted by any fixed conditions in space and
- is therefore conceived of as motion.

Time is regarded as the basis of this motion.

Thus the hexagram includes also

- the power of time and
- the power of persisting in time, that is, duration.

The power represented by the hexagram is to be interpreted in a dual sense - in terms of

- its action on the universe and of
- its action on the world of men.

- In relation to the universe, the hexagram expresses the strong, creative action of the Deity.
- In relation to the human world, it denotes the creative action of the holy man or sage, of the ruler or leader of men, who through his power awakens and develops their higher nature. 1

THE JUDGMENT

THE CREATIVE works sublime success,
Furthering through perseverance. 2

According to the original meaning, the attributes (sublimity, potentiality of success, power to further, perseverance) are paired.

When an individual draws this oracle, it means

- that success come to him from the primal depths of the universe and
- that everything depends upon his seeking his happiness and that of others in one way only, that is, by perseverance in what is right.

The specific meanings of the four attributes became the subject of speculation at an early date.

The Chinese word here rendered by "sublime" means literally "head," "origin," "great."

This is why Confucius says in explaining it:

"Great indeed is the generating power of the Creative; all beings owe their beginning to it. This power permeates all heaven. 3 For this attribute inheres in the other three as well.

The beginning of all things lies still in the beyond in the form of ideas that have yet to become real.

But the Creative furthermore has power to lend form to these archetypes of ideas.

- This is indicated in the word success, and
- the process is represented by an image from nature: "The clouds pass and the rain does its work, and all individual beings flow into their forms." 4

Applied to the human world, these attributes show the great man the way to notable success:

"Because he sees with great clarity causes and effects, he

- completes the six steps at the right time and
- mounts toward heaven on them at the right time, as though of six dragons."

The six steps are the six different positions given in the hexagram, which are represented later by the dragon symbol.

Here it is shown that the way to success lies in

- apprehending understanding and
- giving actuality to the way of the universe (Tao), which, as a law running through end and beginning, brings about all phenomena in time.

Thus each step attained forthwith becomes a preparation for the next.

Time is no longer a hindrance but the means of making actual what is potential.

The act of creation having found expression in the two attributes - sublimity and success,

the work of conservation is shown to be a continuous actualization and differentiation of form.

This is expressed in the two terms

- "furthering" (literally, "creating that which accords with the nature of a given being") and
- "persevering" (literally, "correct and firm").

"The course of the Creative alters and shapes beings until each attains its true, specific nature, then

it keeps them in conformity with the Great Harmony.

Thus does it show itself to further through perseverance."

In relation to the human sphere, this shows how

the great man brings peace and security to the world through his activity in creating order:

"He towers high above the multitude of beings, and all lands are united in peace."

Another line of speculation goes still further in separating the words "sublime," "success," "furthering" "perseverance," and parallels them with the four cardinal virtues in humanity.

1) To sublimity, which, as the fundamental principle, embraces all the other attributes, it links love.

2) To the attribute success are linked the mores, which regulate and organize the expressions of love and thereby make them successful. 5

3) The attribute furthering is correlated with justice, which creates the conditions in which each receives that which accords with his being, that which is due him and which constitutes his happiness.

4) The attribute perseverance is correlated with wisdom, which discerns the immutable laws of all that happens and can therefore bring about enduring conditions.

These speculations, already broached in the commentary called *Wen Yen*, 6 later formed the bridge connecting the philosophy of the "five stages (elements) of change," as laid down in the Book of History (*Shu Ching*) with the philosophy of the

Book of Changes, which is based solely on the polarity of positive and negative principles. In the course of time this combination of the two systems of thought opened the way for an increasingly intricate number symbolism. 7

THE IMAGE

The movement of heaven is full of power.
Thus the superior man makes himself strong and untiring.

Since there is only one heaven, the doubling of the trigram Ch'ien, of which heaven is the image, indicates the movement of heaven.

One complete revolution of heaven makes a day, and the repetition of the trigram means that each day is followed by another.

This creates the idea of time.

Since it is the same heaven moving with untiring power, there is also created the idea of duration both in and beyond time, a movement that never stops nor slackens, just as one day follows another in an unending course.

This duration in time is the image of the power inherent in the Creative.

With this image as a model,

the sage learns how best to develop himself so that his influence may endure.

He must make himself strong in every way,

by consciously casting out all that is inferior and degrading.

Thus he attains that tirelessness,

which depends upon **consciously limiting the fields of his activity.**

Kraft Heinz under CEO Bernardo Hees

6		H	H	T		3	3	2		8
5		H	H	T		3	3	2		8
4		H	T	T		3	2	2		7
3		H	H	T		3	3	2		8
2		H	H	T		3	3	2		8
1		H	T	T		3	2	2		7

HEXAGRAM 51 – Chen - The Arousing (Shock, Thunder)

Above CHEN THE AROUSING, THUNDER

Below CHEN THE AROUSING, THUNDER

The hexagram Chen represents the eldest son, who **seizes** rule with

- energy and
- power.

A yang line

- **develops** below two yin lines and
- **presses** upward forcibly.

This movement is **so violent** that it arouses terror.

It is **symbolized** by thunder, which

- **bursts** forth from the earth and by its shock
- **causes** fear and trembling.

THE JUDGMENT

- Shock brings success.
- Shock comes-oh, oh!

Laughing words-ha, ha!

- The shock terrifies for a hundred miles, And
- he does not let fall the sacrificial spoon and chalice.

The shock that comes from the manifestation of God within the depths of the earth makes man afraid, but this fear of God is good, for joy and merriment can follow upon it.

When

- a man has learned within his heart what fear and trembling mean,
- he is safeguarded against any terror produced by outside influences.

Let the thunder roll and spread terror a hundred miles around:

- he remains so composed and reverent in spirit that

- the sacrificial rite is not interrupted.

This is the spirit that must animate leaders and rulers of men –

- a profound inner seriousness from which
- all outer terrors glance off harmlessly.

THE IMAGE

Thunder repeated: the image of SHOCK.

Thus in fear and trembling

The superior man

- sets his life in order And
- examines himself.

The shock of continuing thunder brings

- fear and
- trembling.

The superior man

- is always filled with reverence at the manifestation of God;
- he

- sets his life in order and
- searches his heart,

lest it harbor any secret opposition to the will of God.

Thus

- reverence is the foundation of true culture.

NUCLEAR HEXAGRAM

HEXAGRAM 39 – Chien - Obstruction

Above K'AN THE ABYSMAL, WATER

Below KEN KEEPING STILL, MOUNTAIN

The hexagram **pictures**

- a dangerous abyss lying before us and
- a steep, inaccessible mountain rising behind us.

We are surrounded by obstacles;

at the same time,

since the mountain has the attribute of keeping still,

there is implicit a **hint as to how we can extricate ourselves.**

The hexagram **represents** obstructions

that appear in the course of time but

that **can and should be** overcome.

Therefore

all the instruction given is directed to overcoming them.

THE JUDGMENT

OBSTRUCCION.

- The southwest furthers.
 - The northeast does not further.
 - It furthers one to see the great man.
- Perseverance brings good fortune.

The southwest is the region of retreat,
the northeast that of advance.

Here

an individual is **confronted** by obstacles that

cannot be overcome directly.

In such a situation

it is wise

- to pause in view of the danger and
- to retreat.

However,

this is merely a preparation for overcoming the obstructions.

One must

- join forces with friends of like mind and
- put himself under the leadership of a man equal to the situation:

then

one will succeed in removing the obstacles.

This requires the will to persevere

just when

one apparently must do something that leads away from his goal.

This unswerving inner purpose brings good fortune in the end.

An obstruction that lasts only for a time is useful for self-development.

This is the value of adversity.

THE IMAGE

Water on the mountain:

The image of OBSTRUCTION.

Thus the superior man

- turns his attention to himself And
- molds his character.

Difficulties and obstructions throw a man back upon himself.

While

- the inferior man
 - seeks to put the blame on other persons, bewailing his fate,
- the superior man
 - seeks the error within himself, and through this introspection
- the external obstacle becomes for him an occasion for
 - inner enrichment and
 - education.