



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

Readers of *All Ears!!* know that one of this writer’s boyhood passions was baseball! On June 10, 1966, just after school let out for the summer, a neighbor invited my Dad & I to join him & his son for a Cleveland Indians game. I was thrilled to go to my first game & ran to tell my Dad as he got home from work. My Dad, who worked an early morning swing shift, quickly said no! I did what any angry six-year old would do: screamed, wailed & sulked. Like every other night, I grabbed the small transistor radio, held it to my ear to hear Jimmy Dudley & Bob Neal call a 2-0 win over the Washington Senators, as *Sonny Seibert pitched a no-hitter!*

The Church of Baseball: My passion for baseball comes from my Uncle Benny, who took me to my first baseball game in the summer of 1967. Leo ‘*The Lip*’ Durocher said baseball was like church -- *many attend, few understand!* For this young boy it truly was church! It was a place of serene beauty, where blue skies met green grass! In old Municipal Stadium, *a cavernous cathedral*, the sound of the bat hitting the ball during batting practice echoed endlessly off the walls! The incense of this church was hot dogs, Stadium Mustard, roasted peanuts, spilled beer & cigars. We worshipped our iconic mascot as nothing less than a deity! Our hymns, *The National Anthem & Take Me Out to the Ball Game*, were sung to the organ! It was the place of Saints: *Feller, Boudreau, Score, Colavito, Doby, Rosen, Lemon, Garcia & The Immortal Joe Azcue!* Centerfield was the church’s alter, from where everyone from Phillip Roth to John Fogarty wanted to preach. The preachers on that alter were *The Grey Eagle, Joltin’ Joe, The Duke, The Mick & the Say-Hey Kid!* And without a time-clock, there is a possibility that the game could last forever, *just like a Sunday service!* Baseball is a game of many infinitesimal battles: pitch vs. bat swing; bad hop vs. fielder’s glove; sweeping tag vs. the hook slide; a right fielder’s arm vs. a runner in no man’s land just past second base. It’s a game of failure, the best doing it right just 30% of the time! But everyone gets up the next day & does it again, be it in the Bronx, in Beantown, on the north side, on the south side, at Chavez Ravine or on the corner of Carnegie & Ontario! When the umpire shouts play ball, it’s a new day & a chance to try again! Yes, *baseball is life!* In the circle of life, it is passed on through generations! For me, from a baseball loving uncle, who passed away in 2008 while I was in Cooperstown, NY, visiting the Baseball Hall of Fame! *Play Ball!*

Industry News: *BFG, Boulder Food Group*, closed its second fund at \$100M as it seeks to build its investment portfolio. *Good Culture* reported an \$8M investment from *CAVU Venture Partners, 301 Inc. & Almanac Insights*. *Monogram Capital, Emil Capital & AccelFoods* invested in children’s frozen meal maker *Kidfresh*. *Central Garden & Pet & Blue Scorpion Investments* invested \$3M in *Back to the Roots*. *Rowdy Mermaid* raised \$3.5M led by private investment firm *KarpReilly*. *Fenwick Brands* invested in *Lemi Shine*, maker of better-for-you household cleaning products. *Hormel Foods* will sell *CytoSport (Muscle Milk & Evolve Protein)* to *PepsiCo* for an undisclosed amount. *Godiva Chocolatier* will sell its retail & distribution operations in four *Godiva* markets: Japan, South Korea, Australia & the future rights to develop New Zealand, to *MBK Partners*. *Saputo*, Canada’s biggest milk processor, agreed to buy the UK’s *Dairy Crest Group* for £975M (\$1.3B), gaining a presence in Europe.

Kraft Heinz wrote down the value of its *Kraft & Oscar Meyer* brands by \$15.4B in 4th QTR. Revenues were flat & margins were impacted by transportation cost increases that were not offset by other cost savings. The company announced an SEC probe into its procurement accounting & cut its dividend by 36%, causing the stock price to fall. *Nestlé* reported a full year 2018 operating profit increase of 5% on a 2.1% revenue increase. *Nestlé* puts consistent improvement in frozen food innovation as a critical 2019 need. *Treehouse Foods* reported a 1¢ gain on adjusted EPS to \$1.03 from 4th QTR last year with sales falling 12.9%. Continued restructuring, nut & trail mix sales impacted full year net income. *Danone* saw a 4th QTR sales increase of 2.4% but with a shrinking operating margin. *Campbell's* 2nd QTR revenue rose 24% as they beat analyst expectations on adjusted earnings. The company had a net loss of \$59M due to impairment charges for its fresh division. Accordingly, the company will sell its *Garden Fresh Gourmet* brand to *Fountain of Health USA* as it divests the struggling division. *Smucker's* reported a 6% revenue increase & a big beat on adjusted 3rd QTR earnings, results driven by the *Ainsworth Pet Nutrition* acquisition. *Sprouts Farmers Market* reported a 14% increase in adjusted 4th QTR earnings on a 11% revenue jump, though transportation costs impacted earnings.

The *Wall Street Journal* reported that *Amazon* will open a new grocery chain, separate from *Whole Foods*, with the first location opening this year in Los Angeles. *Walmart*, *Target* & *Walgreens* will explore autonomous delivery with *FedEx's FedEx SameDay Bot*. *Wegmans* will expand into Delaware & will offer curbside pickup at its Rochester area stores with *Instacart* fulfillment. *Pink Dot*, a quick-delivery grocery c-store chain based in Southern California, will partner with *Postmates* for delivery & expand into Santa Monica, Phoenix, New York & Chicago. *Whole Foods* will re-brand all existing 365 stores as regular *Whole Foods* stores by year-end. *Publix* announced future *GreenWise Market* locations as they continue to expand the concept. *Southeastern Grocers* will close 22 stores across four states, including *Bi-Lo* & *Winn Dixie* locations, as the company continues to emerge from bankruptcy. *Albertsons* & *KeHe* renewed their ongoing supply partnership. *SPINS* & *Green Spoon Sales* formed a partnership to provide growth support for retailers & products by bringing together their expertise for data & distribution. Market researchers *Nielsen* & *NPD* will jointly review shopping data to measure cross channel & cross category data.

Per *Allied Market Research*, the global food delivery mobile app market will grow at a 27.9% CAGR from \$3.7B in 2017 to \$16.6B by 2023. The *Johns Hopkins Center for a Livable Future* reports 84% of consumers throw out food by the best by date, with 18 to 34 year olds being the most likely to toss out food. Raw chicken was the most thrown away, with 69% not using chicken past its food label date. The USDA projects net farm income for 2019 to be \$66B. The USDA projects lower soybean output but higher wheat & corn harvest in 2019.

Market News: Positive news for the week pushed the Nasdaq & S&P up, while the Dow was flat. The CCI rose in February, 4th QTR GDP reached 2.6% (experts predicted 2.2%) & annual GDP broke 3% for the first time in 13 years. A new Vietnam trade deal was signed. Chinese tariffs were delayed on trade talk progress, despite China's interference in the North Korean summit.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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