



# 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!!!!!"



**"The only place success comes before work is in the dictionary,"** said famed football coach, Vince Lombardi! Planning, hard work, practice & execution are the hallmarks of all the great coaches, be it Paul Brown, John Wooden or Nick Saban. These coaches would admire entrepreneurs! Starting a business is a night & day effort. It takes diligence, hard work, dedication, commitment & a great deal of planning. Doing so, & staying positive, will bring great reward & success. But some will certainly think *that you just got lucky!* Mystery writer Dashiell Hammett said, *"The outcome of successful planning always looks like luck...to saps!"*

**To the Finish:** Presidents, politicians & economists have long touted that small business is the major driver of the American economy & job creation. But why would anyone become an entrepreneur & start their own business? It is scary, risky, overwhelming & as statistics prove, likely to fail. Certainly & perhaps most importantly, there is the lure of striking it big, creating an amazing business, garnering huge profits & having renowned success. But mostly, a small business is a way of earning a living, employing others, growing as a leader as you learn to call your own shots & supporting growth in your community. Creating a business is the ultimate expression of the freedoms we enjoy as Americans! Put *your* money, *your* talent, *your* skills, *your* effort into something that *you* love to do & earn *your merit-based reward!* And thereby you provide others with the opportunity to earn a living, improve their lives, add new skills & abilities, raise a family & support the community. While we dislike government involvement in our lives, encouraging business growth by offering incentives to start & grow a business are important government incentives. Beyond lowering taxes & reducing regulations (which have caused the current economic boom), government provides incentives through tax law. The expenses to run your business, including your capital investment expenses (such as depreciation, amortization, some forms of interest paid) reduce your tax burden! This allows small businesses to feed cash back into the business & reduce current risk! The business can grow, expend capital, hire employees & gain momentum! Then when the time comes to sell the business, or take on investors, long-term capital gains taxes are lower than income taxes or short-term capital gain taxes. This creates the incentive for small business owners to remain invested & continue to build their businesses! Another recent policy from this Administration is the creation of Opportunity Zones. In a qualified OZ, a business can invest (as can other investors) in a practically tax-free long-term investment to build, equip, hire & place a business in a community that needs economic revival! We pay homage to all entrepreneurs & small businesses this *Small Business Week*, including our own family business, **The Litchfield Fund!** Our advice to entrepreneurs? *Work to the finish*, for as Thoreau said, *"All endeavor calls for the ability to tramp the last mile, shape the last plan, endure the last hours' toil. The fight to the finish spirit is the one characteristic we must possess if we are to face the future as finishers!"*

**Industry News:** *Califlour Foods* hired new executive leadership & completed an undisclosed investment led by *Sunrise Strategic*. Cannabis start-up *K-Zen Beverages* finalized \$5M in funding from *DCM*. For an undisclosed amount, *Keystone Capital* has acquired *Hain Celestial's WestSoy*

tofu, seitan & tempeh business, but not *WestSoy's* plant-based beverage business. *Hain* will also sell its *Pure Protein (Free Bird, Empire Kosher)* brand to *Aterian Investment Partners* for \$80M. *GrubMarket* acquired San Diego-based *VIP Wholesale*, produce & specialty food supplier. *McKee Foods (Little Debbie)* purchased *Prairie City Bakery* for \$1.4B. Per *The Press Association*, *Campbell Soup* is looking to sell *Kettle* chips, acquired through its purchase of *Snyder's-Lance*, possibly fetching \$65M to \$130M. Per *Reuters*, *Save-a-Lot*, the 2<sup>nd</sup> largest USA hard discount retailer & burdened with debt, may be for sale.

Despite harsh weather & snow removal costs, *Natural Grocers by Vitamin Cottage* saw sales (6.7%) & profit (6.8%) grow on strong 2<sup>nd</sup> QTR comparables. *Ahold Delhaize* reported 1<sup>st</sup> QTR increases in net income (2.4%), revenue (1.5%) & online sales (25%). *Ingles Markets* saw \$1B in 2<sup>nd</sup> QTR revenue, up 1.8% as comparables rose 3.4% & EPS climbed 60%. *Kellogg* exceeded forecasts for 1<sup>st</sup> QTR earnings, but revenue missed targets. *Treehouse Foods* beat 1<sup>st</sup> QTR earnings estimates on a slight revenue miss. The company continues to streamline operations, closing a Minnesota snack nut & trail mix facility & selling its RTE cereal business to *Post Holdings*. *Post* reported lower sales (13%) & earnings (52%) in 2<sup>nd</sup> QTR due to severe upper Midwest weather. *B&G Foods' 1<sup>st</sup> QTR* sales fell 4.4% & net income fell 18% due to the sale of *Pirate's Booty*, which added \$420M in cash to its coffers. *B&G Foods* may be looking for acquisitions. *Dean Foods*, after a large 4<sup>th</sup> QTR loss, saw positives in just a \$61.6M 1<sup>st</sup> QTR loss; sales fell 9%.

*Lucky Supermarkets* will begin online grocery delivery using *Instacart* at 21 NorCal stores. *Wegmans* is piloting scan & go technology & if successful, the platform will be used across all stores. *Mondelez* may explore CBD products. *Moosehead Breweries* & CBD supplier *Sproutly Canada* will partner to develop, produce & market CBD beverages. *Walmart* will expand its veterinary clinics & will launch an online pet pharmacy for prescription medications, *WalmartPetRx*. *Kroger & Home Chef* will test oven-ready, heat & eat, lunch kits. On-line retailer *Boxed* is working with retailers to put its *Prince & Spring* products in stores. *Eataly* will open its 7<sup>th</sup> location in Dallas. *Niren Chaudhary* will move from COO/President of *Krispy Kreme* to CEO/President of *Panera*, both companies are part of *JAB Holdings*.

In the *Valassis' 2K19 Coupon Intelligence Report*, online coupons are overwhelmingly used by parents as compared to other demographics. Most Moms (52%) shop in-store, compared to just 27% of Dads. Per *Nielsen*, buying local is important to consumers, but there are differing views as to what constitutes local. *LEK Consulting* found that 75% of CPG companies will increase spending on improved packaging to ease opening, develop single serve packages & gain C-store placements. The USDA, planning to move some functions outside of Washington D.C. to be closer to the citizens for whom they work, announced possible headquarters locations in North Carolina, Missouri, Indiana or Wisconsin. Sixty-Seven food & agricultural associations & companies sent letters to Congress urging passage of the U.S.-Mexico-Canada Trade Agreement. The *Wheat Quality Council* forecasts 2019 Kansas wheat production to be up 25% over last year.

**Market News:** Markets fell on trade concerns. Inflation was lower than last month & forecasts.

**Seeds, Sprouts, Grow, Harvest!**

The Litchfield Fund – *Tom Malanga*

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