



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

There seemed to be something pleasantly eerie about our deserted school in the summertime. We rode our bikes there; we played baseball, got into scuffles & hung upside down on the monkey bars over asphalt with no teachers to tell us to stop or school bell to end our fun! We all survived; though there was the occasional skinned knee, scrapped elbow or bloody nose & split lip from roughhousing or finally standing up to the playground bully. But soon daylight dwindled, August nights cooled & mom was checking to see which pants & shoes we out grew over the summer. Then, without a backpack, we headed back to school!

Back to School: *Future Shock* author Alvin Toffler said "*The illiterate of the 21st century will not be those who cannot read & write, but those who cannot learn, unlearn & relearn.*" Passing skills & knowledge to children is important, but giving them the opportunity to put that knowledge to work with critical thinking is, well, *critical!* More than a 100 years ago, artist, author & philosopher Elbert Hubbard said, "*You can lead a boy to college, but you cannot make him think.*" But besides learning, nutrition is important. Gone are the days of schools (without air conditioning) with the desks & locker halls smelling of unrefrigerated, brown bag (without *BlueIce*®) lunches of tuna sandwiches, baloney sandwiches & for the hottest of days, the PB&J sandwich, now universally outlawed! Even Mark Twain's Pudd'nhead Wilson thought school nutrition was important quipping, "*Cauliflower is nothing but cabbage with a college education.*"

Industry News: *Tyson Foods* will sell its pizza crust business to *Peak Rock Capital*. *Coca-Cola* invested in *BodyArmor*, becoming the brand's second largest stake holder. *A Dozen Cousins*, ready-to-eat beans, launches with funding & backing of John Foraker & a former *General Mills* marketing director, Gail Peterson. *Wendy's* is selling back to *Inspire Brands* (the parent of *Arby's* & *Buffalo Wild Wings*) its 12.3% share of the restaurant conglomerate for \$450M. *Spark Capital* led an \$8.5M round in *Full Harvest*, a marketplace designed to reduce waste for excess or imperfect produce. *Tosi Superbite* bars raised an undisclosed amount from *Cambridge Special Projects Group* & *SBG Growth*.

With a 4.5% gain in comparables (the strongest in many years), plus a 40% growth in ecommerce sales, *Walmart* beat all expectations for 2nd QTR as the stock jumped 10%. For *Ingles Market*, net sales rose 5.5% in 3rd QTR while net income more than doubled to \$24.5M. *New Age Beverage* missed 2nd QTR estimates as net revenue fell with the company losing 8¢ per share. *Hello Fresh* reported a 48% growth in sales & a 40% increase in worldwide customers. USA revenue accounted for 43% of their growth. The company will not yet breakeven as it reinvests earnings to drive sales & gain customers. *SpartanNash* saw a 7¢ drop in 2nd QTR EPS (49¢) due to product recalls & interest; revenue rose 2.1%.

Kroger will begin selling its private label brands, including *Simple Truth*, in partnership with *Alibaba Group's Tmall Global* ecommerce platform, the largest platform in China. *Kroger* will launch driverless delivery with their partner *Nuro* from one *Fry's Food Store* in Scottsdale, AZ. The grocer will lower prices at its *Roundy's* affiliates in Wisconsin, likely to keep its share of the state's market. *Basics Market*, a small store focused on healthy, sustainable foods & providing education on health & cooking, will open in Portland, OR. The store is founded by *Pacific Foods* founder Chuck Eggert & Errol Schweizer. Atlanta's *Wayfield Foods* has opened a new store, *Eden Fresh Market*, which will offer a wider selection of fresh foods. *HEB* will convert an underperforming store into an e-commerce fulfillment center with curbside pickup & delivery, as other retailers have been doing. *Aldi* will test curbside pickup & expand home delivery across its USA stores. *Perdue* will debut a new line of frozen breaded chicken nuggets, strips & tenders, called *Simply Smart Organics*, to be priced much more affordably than its competition. *Coca-Cola* is identifying under-performing SKUs to discount them & remove them from their portfolio. *McDonald's* is undergoing a complete modernization of its 8700 USA stores with a \$6B investment, including tables, counters, digital kiosks & more.

Packaged Facts reports that 47% of consumers want nutritional value in their breakfast. Drinkable yogurt has the strongest growth, up almost 20% in the past year & growing 13% by 2022. From *Grandview Research*, the world's organic personal-care market will grow 9.5% to more than \$25B by 2025 with the USA reaching almost \$8B. Per *Information Resources*, USA pretzel sales rose 1.5% in the last year. In a survey from *Gallup*, 84% of Americans never order groceries online & 89% never order meal kits. Those who do order, do not order frequently & restaurant visits & take-out remain favorites. The Department of Agriculture will move some units out of Washington D.C. to reduce cost & place resources closer to the people they serve. A study by the *Environmental Working Group* found glyphosate in 43 of 45 cereal brands. The USDA will buy \$50M of pasteurized milk to be distributed to food banks or school nutrition programs. This should also help reduce the current oversupply of milk.

Market News: Markets rose during the week on earnings news (especially *Walmart*), indications that a trade deal with Mexico was near & China's apparent interest in ending the trade war. July retail sales rose 0.5%, beating expectations of economists who forecasted 0.1%. Productivity also beat expectations, rising 2.9%. Labor unit costs declined, indicating inflation will likely remain stable. Jobless claims fell again. The New York Fed indicated a growing positive sentiment among manufacturers & cited little pressure caused by tariffs, the opposite of what the experts predicted. The strong economy & available job openings are raising food process workers' pay; *Finder.com* reports a 23.6% increase in median wage, to more than \$35K annually.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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