



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



"THE FIRST TIME I EVER SAW A JET, I shot it down," said Chuck Yeager. The jet was a Nazi Messerschmitt ME262 & the young pilot was flying a P51 Mustang. The Mustang, upgraded with a Rolls Royce Merlin engine, had nearly decimated the Nazi Luftwaffe by D-Day, by flying faster, higher, longer than any other WWII fighter. Ret. Brig. Gen. Yeager, turning 97 this week, served in 3 wars, led the men of *The Right Stuff* & was the first man to break the sound barrier. He knew the risks of breaking barriers & reaching new frontiers saying, *"You don't concentrate on risks. You concentrate on results. No risk is too great to prevent the necessary job from getting done."*

BARRIERS AND FRONTIERS: Chuck Yeager has led what we like to describe as *a most exceptional American life*. Shot down over France & captured, he escaped to Spain. Along the way he taught the *Maquis* (a nasty group of French resistance guerilla fighters) how to make bombs & performed surgery on a fellow escapee who had been shot in the knee. Upon returning to England, he fought the evader rule (escaped pilots were not allowed to fly for fear of Nazi reprisal should they be captured again) with no less than Ike himself! He returned to the air, once shooting down five enemy planes in one mission. After the war, he became a test pilot, breaking the sound barrier on October 14, 1947, at Mach 1.05 in a Bell X-1. He hid the fact that he broke two ribs falling off a horse a few days earlier & needed a broom handle to reach & close the cockpit canopy! When another pilot broke Mach 2 in 1953, Chuck Yeager set out to break that record, flying Mach 2.44. But when reaching that speed, at 80,000 feet, something happened that scientists didn't know much about, called inertial coupling. The inertia & weight of the fuselage was too strong for the wings & tail assembly to counter it. Yeager's plane pitched, yawed, rolled out-of-control & fell 59,000 feet in a few seconds, but he righted it & landed safely! He led training & preparation for America's first astronauts, those men with *The Right Stuff*, though he himself thought there was nothing for a pilot to do in space! Start-ups & young businesses can learn from Gen. Yeager's life & thoughts on fear, failure, risks & results. He didn't see failure; he saw a chance to back up & try again! He felt fear was worthless, just figure out what is wrong & correct it! For businesses trying to *rocket to the stars*, trying to break barriers & reach new frontiers, this true American hero offers some poignant advice, *"Just before you break through the sound barrier, the cockpit shakes the most."*

INDUSTRY NEWS: Grass-fed, free-range beef producer *Verde Farms* raised \$15M from *Manna Tree Partners*. Israeli dairy alternative *Yofix* raised \$2.5M from *LionTree Partners*, *Muller Ventures AG*, & cheese brand the *Bel Group*. *Country Archer Jerky* will move to a new facility with help of \$12M in funding from *Monogram Capital Partners*. *Alpha Foods*, frozen plant-based meals, raised \$28M in a funding round from *AccelFoods*, *New Crop Capital*, *Green Monday* & *Blue Horizon*. *FUMI Ingredients*, an alternative for egg whites derived from non-GMO microorganisms, received a €550M investment from two Dutch VCs, *Innovation Industries* & *SHIFT Invest*. *Innophos*, ingredients for baked goods, sports drinks & cheeses, was sold to PE firm *One Rock Capital Partners* for almost a \$1B. *Rich Products* will acquire *Rizzuto Foods* (pizza products), *Morey's Seafood International* & two manufacturing plants from *TreeHouse Foods*. *Ardent Mills* is buying *Andean Naturals'* quinoa sourcing, cleaning & packaging operations in Yuba City, CA. Specialty food distributor *The Chefs' Warehouse* will acquire specialty wholesaler *Sid Wainer & Son*. *Oatly* is seeking capital & may consider an IPO.

Net sales for *Ahold Delhaize USA* rose 2.7% in 4th QTR, comparable-store sales excluding fuel grew 2.3%, online sales jumped 42.7% & operating income fell 1.5%. *Natural Grocers by Vitamin Cottage* saw a 3.8% sales increase in 1st QTR with a 11.9% comparables jump but a 13.6% net income drop. At *Ingles Markets*, 1st QTR sales rose 1.6%, comparables rose 2.4% with a 2.5% decrease in operating income. *Tyson* missed 1st QTR revenue estimates due to lower chicken prices as net income fell 5.1% & is streamlining operations by reducing 500 corporate jobs. Adjusted net income rose 35% & net sales dropped 5% for *Hain Celestial's* 2nd QTR. *PepsiCo* saw a slight decrease in 4th QTR adjusted net income on a 5.7% revenue increase. *Kellogg* beat adjusted income estimates but missed 4th QTR sales due mostly to divestitures, lowering its full year forecast. *Kraft Heinz* posted mixed 4th QTR results & offered unclear 2020 guidance, causing its stock price to fall. *Post* saw a 3% sales increase but a 20% net income drop in 1st QTR as consumer brand & foodservice performance weighed on results. Tough 2019s finished well for *ADM* as 4th QTR EPS rose 63% on a 2% sales growth & at *Ingredion*, where 4th QTR net income rose 16% on a 1% sales increase.

Earth Fare is facing a class action lawsuit for failing to properly notify its employees about its closure & bankruptcy. *Ahold Delhaize* will close *Peapod's* Midwest eCommerce business & warehouse to focus on growing its East Coast operations & warehouse technology. *Hy-Vee* will open six discount *Dollar Fresh* stores in Iowa this summer, doubling the stores in this format. Also, *Hy-Vee* will cease 24-hour operations & focus on customer service during peak hours. *Empire Company* (parent of *Sobeys*) has teamed up with CPG brand incubator *District Ventures* to support Canadian food entrepreneurs. The NHTSA granted the *Nuro R2*, a zero-occupant, low-speed delivery vehicle for carrying groceries, packages & restaurant orders with a temporary exemption to operate. *Tyson & Jacob Stern & Sons* will partner on *JST Global* to serve the worldwide fats & oils market, using animal byproducts from *Tyson's* meat processing. *Tyson* has seen double-digit increases in chicken packing inventory control with automated tracking that combines computer vision & machine learning to improve speed & processing capabilities. *Cargill* will expand its Minnesota food piloting & R&D complex with a \$6.4M expansion to refine shortenings & oils & experiment with chocolate. *Hormel* will add 200 jobs & invest \$60M in a newly purchased Omaha distribution center. *Seaboard Foods* will invest \$100M to upgrade the company's Oklahoma pork processing facility. *Outlaw Energy* has ceased production. Direct-to-consumer retailer *Brandless* is shutting down, laying off its workers, despite a recent \$240M capital raise.

More than half of USA adults plan to lose weight, per *NPD Group*. Twenty-six percent plan to follow a specific diet; with low-carb, high-fat keto diet & intermittent fasting being the most mentioned diets. The FDA asked for \$5M in its 2021 budget to explore & develop CBD regulations. **THE LITCHFIELD FUND**, long a consumer of black garlic for its amazing nutritional value, was excited to learn *Pharmactive Biotech Products S.L.* launched *ABG10+*, an aged black garlic extract with added antioxidant & cardioprotective properties. Despite a strong 4th QTR, wheat production fell 6% in 2019.

PARTNERSHIP UPDATE: *Brass Roots* (<https://brassrootsfood.com/>) is nominated for two *Expo West Nexty Awards*: Best New Pantry Food for their *Sacha Inchi Butter* & Best New Special Diet Food for their sacha inchi protein *Crunch Puffs*!

MARKET NEWS: Economic & political news drove markets to new records during the week. Consumer sentiment, expectations, wages & wealth all rose higher this week.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malengo*

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