



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

Obliging Young Lady (1942) opens with Red Reddy (Edmund O'Brien) riding on a train. Sensing the rhythm of the train chugging on the tracks & hearing the whine of the rails of the oncoming trains & the passing swoosh, he starts to mutter "*Heinie Manush, Heinie Manush.*" (Mr. Manush, the great New York Giants third baseman & a future Hall of Famer, had just recently retired.) The whole train picks up the chant, confusing & bewildering the conductor! As Red gives his order to the waiter in the dining car, he chants, "*Filet mignon that's for me, Heinie Manush, Heinie Manush, filet mignon, medium rare, Heinie Manush, Heinie Manush!*"

Iron Horse: From the first railroad line in 1830 until the bankruptcy of *Penn Central* in 1970, America's *Iron Horses* gave travelers a chance for adventure, panoramic scenery, romance, mystery & intrigue! While early train lines reduced point to point travel by weeks compared to travelling by horse, in the 1930s it still took almost 4 days to cross the country by train! There were passenger cars, sleeping cars, private compartments, dining cars & club cars for snacks, drinks & conversation! In the *Gilded Age*, the wealthy industrialists traveled in their own private railroad cars! The train line names added to the mystic: *The 20th Century Limited. The Indianapolis Midnight Special. The Mark Twain Zephyr. The Yellowstone Express.* Trains, powered by coal or diesel, also moved America's freight! The peak of train travel was from the beginning of World War II through the post-war economic boom, until the interstate highway system made trucking easier & airplane travel became cheaper, faster & more convenient. During WWII, the nation moved vehicles, armor, ammunition, supplies & 16M young GIs across the USA. When those troop trains stopped in a town for supplies, fuel & water, the young women of the town would greet the train. They would hand out to the boys homemade baked goods, candy & cigarettes (using up their own precious rationing booklets), often attached with their name & address in hopes of getting a pen pal! The boys would toss letters to be mailed out the windows addressed to their parents, wives or girlfriends, avoiding the Army censors! Dwight Eisenhower after leading the Allies to Victory in Europe, as President, guided America's post-war economic success & pushed for the development of our interstate highway system. He must have seen that the future of America lied beyond the train tracks, insightfully remarking, "*Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him.*"

Industry News: *Saputo* continues to acquire, picking up the specialty cheese business of Australia's *Lion-Dairy & Drinks* for \$197.3M. Announced last month, *Kroger* closed the sale of *Turkey Hill* to a *Peak Rock Capital* affiliate for \$215M. *Kroger* will use the proceeds to pay down debt. *Shiok Meats*, a cell-cultured shrimp startup, raised \$4.6M in seed capital, led by investors *Y Combinator, Tyson Foods-backed Big Idea Ventures* & others. *Alliance Growth Capital* added \$5M to its investment in *Clio Yogurt Bars*.

Publix posted a \$1.37 EPS for 1st QTR, up from 93¢, on security gains. Sales rose 4.3% & comparables rose 1.9%. *Sprouts Farmers Market* beat analyst estimates on strong comparables & delivery service growth. *Smart & Final* showed a 1st QTR net sales bump of 2.8% & same-store

sales were up 2.2%, netting a smaller loss than forecasted. Bolstered by its foodservice business, *Lancaster Colony* saw 7% revenue growth & 11% earnings growth, partially offset by integration & warehousing costs. In *GNC's* 1st QTR, revenue dropped 7% with a \$15.3M net loss as troubles continue. *ADM* saw 1st revenue slip 1.5% & net income fall 41% as weather, trade difficulties & ethanol margins caused problems. *Blue Apron* significantly reduced its YOY losses in 1st QTR, but also shed customers, orders & revenues. Same stores sales rose 5.4% as *McDonald's* surpassed 1st QTR adjusted earnings & revenue estimates on delivery services & new products. *Mondelez* had a slight decrease in 1st QTR sales but commodity pricing & currency fluctuations caused a 10% drop in EPS. Soft-pretzel sales lifted revenue 4% & net income 14% for *J&J Snacks'* 2nd QTR. *Essentia Water* announced 1st QTR revenue of \$53M, up from \$35M a year ago.

Mondelez's SnackFutures will collaborate with *Strauss Group's* Israeli FoodTech incubator, *The Kitchen*. *Weis Markets*, after record revenues, announced a \$109M upgrade plan. *Lidl*, which owns the Long Island-based *Best Markets* chain, plans to begin opening Long Island stores in early 2020. *QFC* plans to have high-tech doghouses for customers' dogs' comfort & safety at 8 Seattle stores. *Wegmans* will now expand its *Meals 2GO* delivery service with *DoorDash* after a successful pilot. *Lyft* will expand its 'grocery ride' Washington D.C. pilot to 15 more cities, providing store access to those in urban 'food deserts.' *Amazon* will speed up its free *Prime* two-day delivery to free one-day delivery for eligible items. Also, *Amazon* added an assortment of condiments under its *Solimo & Happy Belly* private label lines. *Kraft Heinz* & chef Ree Drummond, creator of *The Pioneer Woman* website & cookbooks, will partner on a line of condiments under the same name. *Burger King* will expand its *Impossible Whopper* offering after a successful St. Louis pilot. Dave Anderson, formerly the chef & lead developer at *Beyond Meat*, has created *PigOut Pigless Bacon Chips* for *Outstanding Foods*, which he co-founded. The product is mushroomed-based, vegan, kosher, soy & gluten-free with less salt & fat. *Beyond Meat* launched its IPO at \$25 & finished the day at \$65.75 per share.

Per a review by the *Pacific Legal Foundation*, 71% of the rules issued by all of the Health & Human Services agencies between 2001 & 2016 are unconstitutional due to how they were written, approved & issued. For the FDA, a whopping 98% of the rules are unconstitutional! *Kraft Heinz's* recent poor earnings announcement has led to an insider trading lawsuit against the company, investor *3G Capital* & others who sold stock in the weeks before the announcement. A woman, fired after testing positive for cannabinoids, has sued *Koi CBD*, saying the company advertises its products as being free of THC, but does not disclose that using it could cause a drug test failure.

Market News: Markets roared to records on economic data. The economy added 263K jobs in April & the unemployment rate fell to 3.6%. Consumer Confidence rose to 129.2. This data well surpassed the experts' expectations. *ADP* private sector payrolls grew by 275K for April. USA factory orders hit a 7-month high (1.9%) on transportation equipment, electronics & computers. Productivity jumped to more than 4-year highs causing per unit labor costs to drop, indicating inflation will remain neutral. The FED held rates constant, seeing no need for a cut or hike. A *Gallup* poll revealed 56% of Americans rate their financial situation as excellent or good.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malanga*

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