



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

George Gilman’s father died in 1859. He opened a coffee & tea store in Manhattan where his father had a leather tanning business. A decade later Mr. Gilman had 70 stores across the area & the store began to grow nationally. The retailer became known for its good prices, nutritional leadership & its manufacturing innovation. By the 1930s, they became that era’s *Walmart*, the world’s largest retailer, with 16,000 stores & almost \$3B in sales. But the company failed to modernize, adapt & update & over the years, lost their luster. This week, with the sale of a final few pieces of intellectual property, *A&P* shut its doors forever!

Small Business Week: An American Icon, *The Great Atlantic & Pacific Tea Company - A&P* - started as a small business to sell the pre-packaged tea that Mr. Gilman wholesaled. Like every small business, it grew as its founders saw & capitalized on opportunity! Being an entrepreneur & small business owner takes guts, vision, street smarts, determination, passion & a willingness to break down walls to move forward! And while small businesses pop up around the world, it is these very qualities that make entrepreneurship unique to the *American Soul*. Be it lemonade stands, cutting lawns, delivering papers or selling magazines, something in the *American DNA* makes people want to build, create & earn a buck based on their own merit! Americans have always had a taste for adventure, seeing an opportunity to do something no one else has done & a willingness to go at it alone! Small business is the lifeblood of this *Great Nation*, bringing jobs & economic growth, all while creating a new crop of *real leaders*! This is *National Small Business Week* & we salute all of our American Small Businesses, *including humbly*, ourselves!

Industry News: *Outstanding Foods* launched *Pig Out*, plant-based pork inspired bacon chips, with \$1.5M raised in the last year from skateboarder Rob Dyrdek, actress Emily Deschanel, *New Crop Capital* & *Blue Horizon*. *Walmart* will merge its U.K.-based *Asda* grocery chain with premium U.K. grocer *Sainsbury’s*. If regulators approve, *Walmart* will hold 42% of the combined business & get \$4.1B in cash. *Waterloo Sparkling Water* closed a \$4M convertible note, led by *CAVU Ventures*, with the funds to be used for expansion. *Tyson Ventures* led a \$2.2M investment in *Future Meat Technologies*, an Israeli startup looking to produce meat grown from animal cells in the lab. *Nestle’s Purina PetCare* division took a stake in *Tails.com*, a British dog food company.

Kraft Heinz & the *Food Network* will launch *Food Network Kitchen Inspirations*, a line of international salad dressings, cooking sauces & meal kits. Hummus staple *Sabra* will launch a new hummus with added jackfruit. *Project Nosh* reported that exercise brand *CrossFit* will partner with *Strauss Food* to bring grass fed beef, free range chicken & branded jerky to consumers through subscription box & retailers. *Wahlburgers* has partnered with *ARKK Food* to launch *Wahlburgers at Home*, that will include ground beef, patties & sliders made from *Wahlburgers’* restaurant blend. *Cargill* & *Tyson* will donate to the University of Arkansas for a

poultry research facility to develop alternatives to antibiotics. *Weis Markets* will invest \$101M in stores, remodels & store improvements. *Instacart* will spend \$40M to build & staff a support center in Atlanta. With 400 employees, it will be their second largest office. Jim Murphy was promoted to Vice President, Strategy & Venturing, at *The Coca-Cola Company's VEB* unit. *Subway* will close 500 USA locations as they emphasize store placement & overseas growth.

Amazon will continue to seek outrageous profits by raising its *Prime* membership fee to \$119, up \$20. First quarter net sales rose 43% to \$51B while EPS of \$3.27 was up 121%. *Publix* saw a 6.8% increase in 1st QTR sales, a 5.1% increase in same-store sales & EPS rose 22.5% to 93¢, with some benefit from tax reform. *Sprouts Farmers Market* lowered guidance as 1st QTR comparables fell to 2.7% from 4.6% for the previous quarter. However, net sales rose 14% & net income increased 44% YOY. *Sprouts* will end its *Amazon Prime* relationship & focus on its home delivery partnership with *Instacart*. *Smart & Final's* net sales were up 5.1% for 1st QTR with an adjusted net loss of 4¢ per share. Ecommerce grew on a small base & same store sales were lower, except for their *Cash & Carry* locations. For *Mondelez*, net revenues rose 5.5% & EPS rose almost 50% to 62¢, beating analyst forecasts. With its foodservice division contributing to its results, 2nd QTR EPS at *J&J Snack Foods* came in 12% higher (95¢) & net sales jumped 8%. *Kellogg* 1st QTR revenue (\$3.4B) topped forecasts as net income rose to \$444M from \$266M. Despite still soft cereal sales, the company expects to see strong EPS growth. *Kraft Heinz* beat analyst expectations with an 89¢ EPS though sales fell 0.3% in 1st QTR. *Treehouse Foods* saw a 1st QTR loss due to higher commodity, operating & freight costs but beat analyst expectations on sales. Frozen foods led *Pinnacle Foods* to a small revenue increase as earnings jumped to \$56.9M from \$23.1M. Despite a \$21M 1st QTR loss on a 4.4% revenue decline, ingredient maker *Bunge* felt results were better than expected. *Starbucks* reported 2nd QTR EPS rose 2¢ (47¢) as net revenues were up 14%, cold drinks contributing to growth. For *Blue Apron's* 1st QTR, revenue dropped 20% with a net loss of \$31.7M. They will launch a pilot with *Costco*.

Mintel forecasts that the overall drop in dairy sales will be 11%, to \$15.9B, through 2020 while plant-based alternatives are expected to grow by \$1B, to \$3B, in the same period. Missouri may be the first state to regulate that plant-based meats must clearly indicate they are not meat. In the past 10 years, sales in Switzerland of organic food doubled, now 9% of the market. The FDA will extend the compliance date for the updated Nutrition Facts panel by 18 months.

Market update: The Commerce Department reported that the trade deficit fell to \$49B, down from \$57.7B in February. While job growth was less than expected, the unemployment rate fell to an amazing 3.9%, the lowest level in 18 years! Markets rallied on Friday!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malanga*

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