



# 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**

**Nostradamus predicted the future.** Throughout time fortune tellers have used cards, palms, tea leaves, bumps on the head, crystal balls & the stars to see the future. During the Shang Dynasty, the oracles foretold the future using animal bones & turtle shells. Despite the priestess’s lengthy ritual, Croesus lost the Lydian Empire by misinterpreting the predictions of the *Oracle at Delphi*. (Croesus was extremely rich; perhaps he should have sought out the *Oracle of Omaha*, who uses charts & graphs!) In February, as an endless cold grips the nation, we seek the predictions of that shy *reader of sun & shadows*, the legendary *Marmota Manox!*

**Groundhog Economics:** Of course, no matter what Punxsutawney Phil has to say, how long winter lasts is up to good old Ma Nature! Phil claims 100% accuracy, having only predicted 18 early springs since 1887! Economists should do such a good job! But seeing the future isn’t easy. Yogi Berra said, “*Forecasting is very difficult, especially when it involves the future.*” Economists seem to follow the David Clayton Thomas missive, “*What goes up, must come down & spinning wheels must go ‘round!’*” If the market is roaring, they predict a slow down! If interest rates are low, they forecast an increase. Economists lean toward being pessimistic! So, when employment is up, economists worry that a tight job market will lead to a shortage of workers, then higher wages, inflation & ultimately a slowdown of the economy! Perhaps we should give economists a break as there are so many factors & variables that impact the economy & markets. But this week yet again, as the USA added 304K jobs in January, the economists predicted just 158K! Also, the Chicago Fed National Activity Index for December rose to 0.27 from 0.21 in November. Economists had expected the index to decline to 0.15. It seems of late the experts have failed to forecast the impacts of lower taxes, less regulation, tariffs & the output of hardworking Americans! Perhaps the answer really is in the stars, for as economist John Kenneth Galbraith said, “*The only function of economic forecasting is to make astrology look respectable.*”

**Industry News:** Food tech company *MycoTechnology* raised \$30M, co-led by *S2G Ventures*, *Middleland MT Holdings*, *ADM Capital* & *TML-Invest* with *Tyson Ventures*, *Bunge Ventures*, *Continental Grain* & *Eighteen94 Capital* participating. *Myco* uses fermented mushrooms to produce functional ingredients. *Your Super*, plant-based superfood powders, received \$5M in funding led by *PowerPlant Ventures*. *Renewal Mill*, who upcycles food waste into nutritious & functional ingredients, completed \$2.5M in funding from *HG Ventures*. Snack brand *The Good Crisp Company* closed a round of funding with *CircleUp Growth Partners*, terms not disclosed. *Noroc Naturals* anchored a \$500k funding round for *Cocoburg*, coconut jerky.

Net income for 1<sup>st</sup> QTR at *J&J Snack Foods* was 93¢ per share, down 52% from a year ago which benefited from tax law changes. Earnings before taxes fell less than 1% & sales rose 2%. *Hershey’s* sales rose 2.5% & net income was \$337M, up from \$181M in the 4<sup>th</sup> QTR a year ago. At *Mondelez International*, 4<sup>th</sup> QTR net revenues fell 2.8% due to currency impacts as adjusted EPS grew 21.3%. As a result of increased traffic at *Chili’s*, *Brinker International* saw 2<sup>nd</sup> QTR income increase 26% & revenues increase 3.2%.

In *Newsweek's America's Best Customer Service 2019*, Publix, ShopRite & Trader Joe's took the top three supermarket spots. Costco, Meijer & Target took the top three superstore rankings. In *Retail Feedback Group's 2019 U.S. Supermarket Experience Study*, supermarkets had the strongest overall client satisfaction, with a score of 4.31 on a 5-point scale, above discounters Aldi at 4.27 & Walmart at 3.93. Walmart has removed products from Google Express & is moving toward Google Assistant, per Food Dive. Giant Direct Powered by Peapod, an e-commerce hub for grocery pick-up, will open in Lancaster, PA. Ahold Delhaize's Peapod will partner with Deliv for same-day service from Giant/Martin's stores in areas with only next-day service today. Because there are other delivery options available, Trader Joe's will end grocery delivery from all Manhattan stores. Kroger will roll out handheld CardioChek Plus analyzers from PTS Diagnostics at more than 2,100 pharmacies & clinics to perform blood checks that help identify people at risk of heart attack, stroke & diabetes. Earth Fare, after opening its 50<sup>th</sup> store, announced plans to double store count by 2024. Albertsons has signed a three-year agreement with Microsoft Azure for cloud computing. Beanitos is introducing new packaging & changing the recipe to have 5g of protein, 4g of fiber & antioxidants from polyphenols. Garden of Life will expand its Dr. Formulated brand with a line of ketogenic products including grass fed butter powder, MCT powder & meal replacement shakes. True Food Innovations announced new offerings of its Chef'd & True Chef clean label preservative-free 20-minute meal kits with a 55-day shelf life. Blue Apron will offer a new line of meal-kits on Jet.com. LifeAid will expand nationwide in Walmart. UNFI filed a lawsuit against Goldman Sachs, indicating that the banker did not work in the best interests of UNFI in the SuperValu transaction. Starkist settled antitrust price-fixing claims with Walmart for \$20.5M. Darden Restaurants sued 18 major chicken producers for inflating prices over an 8-year period. The CEO & co-founder of Albertsons' meal-delivery arm Plated, Josh Hix, will depart. Co-founder Nick Taranto left in October. COO Kenneth Romanzi will replace Robert Cantwell as president & CEO of B&G Foods. Mr. Cantwell will continue as an adviser.

Although 50% of Americans drink only dairy milk, 44% purchase both dairy & plant-based beverages, per *Dairy Management*. In a study commissioned by the *American Frozen Food Institute* & the *Food Marketing Institute*, IRI reports that quality & innovation led to a 2.3% increase in frozen sales. Total store sales increased just 1.7% & fresh increased 1.4%. Organic fresh produce sales increased 8.6% to \$5.6B in 2018 per *Nielsen* & the *Organic Produce Network*. Per *eMarketer*, less than half of 1% of all USA e-commerce sales are voice initiated. *Gartner* concurs, stating consumers still prefer in-store shopping (62%) over internet (26%) & mobile (7%), while only 0.58% use a smart speaker. A study from *Prostaglandins, Leukotrienes & Essential Fatty Acids*, indicates a need to eat more fish & take an omega-3 supplement to reach a cardioprotective Omega-3 index level of 8% or higher. *Future Market Insights* forecasts the global plant-based snacks market to grow to \$73.6B in 2028 from \$31.8B today, a CAGR of 8.7%, with organic plant-based snacks growing at 9.5%.

**Market News:** The market rally continued as the S&P finished its best January since 1987. Blue-collar wages rose faster than white-collar wages. The FED announced that they will not raise rates. November housing prices remained strong up 5.2% YOY (October was 5.3%) & at an annualized rate of 4.7%.

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

The Litchfield Fund – *Tom Malenka*

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