



# 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**

**Buy Local! Wise advice!** Buying local keeps money, jobs & businesses in the community & small business is *the* major contributor to economic growth. As our Nation urbanized, the *American Dream* was found on Main Street, USA! Entrepreneurs took their dreams to Main Street, opening a grocery, bakery, butcher shop, drug store, coffee shop, diner or hardware store. It seems the very essence of who we are resonates in these & today's entrepreneurs! President Herbert Hoover said, "*I [have] resented the sneers at Main Street. For I have known that in the cottages that lay behind the street rested the strength of our national character.*"

**Local Flavor:** It was exciting to read, that while Vermont was again #1 in the *2019 Strolling of the Heifers Locavore Index* which ranks states by the availability & sales of local food, Arizona checked in at #10! Warm year-round weather & irrigation provides an abundance of fresh farm & ranch products to our markets & grocery shelves! Buying local food has taken hold in America as many of our other Main Street institutions have faded into the past. When traveling for business or pleasure in the '80s, it seemed each city & state had its own *local flavor* that you could not find anywhere else. Chicago had deep dish pizza, Seattle had coffee & clam chowder, San Francisco had sourdough, New Orleans gumbo & crawfish, Cincinnati had chili, Louisville had hot browns, Sante Fe had green chilies & Denver had *Coors!* But as the '80s ended, that uniqueness began to morph. Driving out of the airport, every city began to look & feel alike. Every highway bore a *Home Depot, Macy's, Starbucks, Chase, Best Buy, Walgreens & Walmart!* As you left the highway you were greeted with a *McDonald's, Burger King & Wendy's.* If asking where the local folks like to dine, the answer became *Olive Garden or Cheesecake Factory* instead of *Joe's Diner* on the corner of 5<sup>th</sup> & Main! There is nothing wrong with modernization & the advantages & conveniences that come with change! But let's never forget those values of small town, home town, Main Street, USA: the risk-taking individual in search of a dream, a family, a way of life & a cohesive community of people working together for a greater good that allows every individual to pursue their own happiness & dreams! Victor Hugo sagely said, "*Change your opinions, keep to your principles; change your leaves, keep intact your roots.*"

**Industry News:** *ADM Capital*, through its agribusiness focused *Cibus Fund*, led a \$5M investment in *Moleaer*, a nanobubble technology that provides longer-term water oxygenation. *Tyson Foods* acquired the Thai & European meat producing business of *BRF S.A.* Former *Ahold* COO James McCann (*McCann Investments*) has joined *Deliv's* board of directors & invested in the delivery company. *New Age Beverages* will acquire *Brands Within Reach (BWR)* for cash, stock & debt absorption, adding brands such as *NESTEA, Volvic, Evian & illy* into *New Age's* portfolio.

In its first quarterly report, *Beyond Meat* beat revenue estimates but saw an earnings loss of \$6.6M. *Costco* saw 3<sup>rd</sup> QTR sales rise 7.4%, comparables increase 5.5%, eCommerce sales rise 22% & net income jump 21%. *Dollar General* reported 1<sup>st</sup> QTR net sales up 8.3%, same-store sales up 3.8% & net income popped 5.5%. *Dollar Tree's* 1<sup>st</sup> QTR net sales increased 4.6%, same-store sales rose 2.2% & net income increased by over \$100M to \$267.9M on a reduction in

interest expense. *Campbell Soup*, on strong snack sales from the *Snyder's-Lance* acquisition, beat 3<sup>rd</sup> QTR estimates on EPS (56¢ vs. 47¢) & revenues which were 12% higher than last year. *Aryzta*, despite a 4.5% revenue increase, sees challenges in lagging North American sales. *J.M. Smucker* reported a 6.8% revenue increase in 4<sup>th</sup> QTR with an adjusted EPS of \$2.08, 13¢ higher than analyst forecasts. With the integration of *Supervalu*, *UNFI* reported 3<sup>rd</sup> QTR revenue of almost \$6B & beating earnings estimates by 9%.

*Sprouts Farmers Market* is looking to hire 1.5K non-seasonal, full & part-time positions. *Trader Joe's* will continue to expand in NYC, working on its ninth store. *Peapod by Stop & Shop* will rollout 4-hour pickup. *Walmart* will introduce a new Urban Supercenter concept in Toronto, featuring scan & go technology & a remodeled grocery section with organic produce. *Walmart* will offer *InHome Delivery*, a new service delivering groceries directly to a customers' refrigerators. In a study from *Citi*, *Walmart* & *Amazon* are running neck & neck in eCommerce sales, consumer preferences & customer satisfaction. *General Mills* seeks to improve its snack bar business, as *Fiber One* & *Nature Valley* do not perform as well as *Epic Bar* & *Larabar*. *Before the Butcher* will move from foodservice to retail, introducing three plant-based burgers & meatless breakfast sausages this summer. *Ben & Jerry's* will wait until CBD is approved at a federal level to launch a CBD infused ice cream. *Garden of Life* will launch a new grass-fed collagen line. The cold storage industry will grow by 100M sq. ft. to 314M sq. ft. over the next five years to accommodate eCommerce, per *CBRE*. Two Midwest retailers will discontinue *Coca-Cola's Fairlife* products after a video showed abuse of cows at one of their dairy farms. *Keurig Dr Pepper* is being sued for ignoring warnings of arsenic in its imported *Peñafiel* water. *Tyson Foods* & Auburn University's *National Poultry Technology Center* will build two 27K sq. ft. solar powered poultry houses, each housing 36,000 broilers. *McCain Foods* completed a \$200M expansion project in Idaho creating 180 new jobs & increasing French Fry capacity by more than 400M lbs. *Pass the Ketchup, please!*

Millennials spent 21.5% more on food in 1<sup>st</sup> QTR YOY, per the *IRI Consumer Connect* survey, citing the booming economy's historically low unemployment as the driver! Specialty food sales rose 10.3% in 2018 to reach \$147.8B, while all food sales rose just 3.1%, per the *Specialty Food Association*. Per the *American Journal of Clinical Nutrition*, researchers at University of East Anglia & Harvard's T.H. Chan School of Public Health concluded that a daily cup of blueberries improves heart health. Unsurprisingly, a small study at the University of the Pacific & other institutions found drinking caffeinated energy drinks alters heart rhythm & raises blood pressure. The FDA warns women of child bearing age not to use supplements with Vinpocetine (referred to on product labels as Vinca minor extract, lesser periwinkle extract, or periwinkle extract) as it can cause fetal development problems. A study in *The American Journal of Clinical Nutrition* found no statistical difference between red meat & poultry's impact in raising LDL cholesterol.

**Market News:** Markets rose throughout the week as China & Mexico appeared to be willing to negotiate on trade rather than face tariffs. *ISM* manufacturing & service indexes still indicate expansion. The FED suggested lower rates may be in the offing. Job creation was below expectations as the labor market of available, qualified workers shrinks with full employment.

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

The Litchfield Fund – *Tom Malenka*

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