



# 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**

**My parents grew up in Depression Era** rural Pennsylvania, part of the generation deemed The Greatest. There was never enough money throughout their lives, so they learned to save & conserve everything! Nothing was ever discarded; the house & garage were filled with anything that could be reused! They learned this from their parents, legal immigrants who came to America in the early 1900s with nothing & settled in western Pennsylvania to farm & work in the mines. My parents passed this trait along to me, which was sadly obvious just a few months ago as we readied our house of almost 30 years for sale!

**Real Sustainability:** My Nono & Uncle Jim lived next to each other for more than 50 years. They were friends, neighbors, family (the families having intermarried twice) & *cumparis*, the godfather to each other’s children. They were also rivals! Tomato plants caused the most debate: the first flower, the first green tomato, the first ripe tomato, the tallest plant, the plant with the most tomatoes & the biggest tomato, of course. They also battled over who could get me to do the most chores for them! I would race up & down the hill to the shanties to get what ever tool they needed. Besides getting manure from the pile, I would clean the rabbit hutch & chicken coop, the droppings reused. Barrels held all the rainwater that came off the shanties. I would bring down bucketsful or move a syphoned hose between rows. But the shanties were a young boy’s treasure trove. Besides all the tools, they held everything these two men had accumulated in their lives that could be reused. Every nail, screw, bolt, nut, hinge, piece of wood or metal. Every piece of fence or wire, to hold up beans or peas. Every broken tool that could fix another tool. Old doors were worktables. Old windows covered seedling boxes in the spring. Rags, broomsticks, tree branches were used to tie up tomato plants. Old tires, bricks & stones were kept for reinforcing the earth. And while the old cars sat in Tony Presto’s junkyard rusting away, the bench seats sat on frames of lead pipe in the shade of shanties, a cool resting spot. Their reason for conserving was not global, *they were poor!* Real sustainability!

**Industry News:** *Jana Partners*, activist investor, announced a 9.1% stake in *Pinnacle Foods*, which *Credit Suisse* suggests is a takeover target. *Good Catch Foods*, developing vegetarian shredded tuna, crab cakes & fish patties from lentils, chickpeas & fava beans, raised \$5.5M in funding from *Stray Dog Capital*. *Après*, plant-based protein beverages, closed \$1.1M in seed funding led by *Rocana Venture Partners*. *Seattle Food Tech*, pre-revenue plant-based chicken nuggets, raised \$1M from *Blue Horizon & Fifty Years*. *Monogram Capital* announced that its first fund (\$152M) had closed. *Monogram* will seek companies with \$10M run rates.

*Coca-Cola* beat 1<sup>st</sup> QTR expectations for revenue & earnings. *Dr. Pepper Snapple* reported 1<sup>st</sup> QTR net income of \$159M, down 10% from last year, while revenue of \$1.59B beat analyst

projections. Soda & non-carbonated drinks showed growth. *PepsiCo's* 1<sup>st</sup> QTR EPS rose 3.1% on a 4% revenue increase with snacks contributing while soda sales remain soft. *Supervalu* will sell its *Shop N' Save* stores & do a sale/leaseback on 8 warehouses, as net sales rose 42% in 4<sup>th</sup> QTR & profit grew by \$1M to \$25M, driven by acquisitions. The *Amplify Snack* acquisition helped *Hershey* to a 4.9% increase in sales & a 8.5% increase in adjusted EPS for 1<sup>st</sup> QTR. Same store sales were the only positive indicator for *GNC's* 1<sup>st</sup> QTR as adjusted EPS fell almost 30% & sales dropped due to divesture & the end of a customer promotion program.

*Amazon's* 1<sup>st</sup> QTR grocery sales were up 50% to \$650M, per *One Click Retail*. Beverages were 9 of the 10 best sellers with coffee up 44% & snack sales up 38%. *Amazon* is adding *Whole Foods* free *Prime* delivery to more cities (10 total). *Door Dash* will partner in Atlanta with *Walmart* for grocery delivery. *Kroger* will buy back \$1.2B in stock shares, using proceeds from its convenience chain sale. While *Kroger* maintains a price advantage in center store items to everyone except *Walmart*, they have lost a previous advantage in fresh to *Walmart* & *Sprouts Farmers Market*. Comparing a basket of more than 100 items in Tennessee, *Barclay's* found a 6.6% lower price at *Walmart* & 2.4% lower price at *Sprouts*, which had a 25% advantage on produce! *Tops* is seeking to close a number of underperforming stores as part of its chapter 11 restructure.

Research funded by the *California Walnut Commission* & the *American Institute for Cancer Research* showed that more than any other nut, walnuts reduce the risk of colon cancer. *Mintel* reports that 52% of USA adults give taste as the reason they buy plant-based proteins with health second at 39%. Seventy-six percent say plant-based foods are better for you & 46% feel they are better than animal protein. A *Mattson* study shows consumers (80%) prefer the term plant-based to vegan, as vegan implies deprivation but plant-based sounds more positive & healthy. *Field Agent* reports that 65% of on-line consumers buy fresh produce. For impulse buys, 31% purchased fruit & veggies, more than the 23% who bought snacks. *The Hartman Group* reported that only 28% of dinners are made from scratch, 41% of adult meals are consumed alone & 91% of adults snack to get through their day. France will no longer allow meat & dairy alternatives to use words like meat & milk to describe their products. The *USDA* reports that USA consumers waste 150K tons of food a day with fruits & veggies making up 39% & dairy 17%.

**Partnership Brand Update:** *BevNET* shared the exciting news that *Genius*, the whole coconut smoothie, has a [new distribution partner, Rainforest](#), & is now available in New York & Northeast!

**Market update:** Jobless claims fell (lowest level since 1969) & wages rose (fastest growth since 2008). GNP was higher than forecast with full year growth near 3%. Markets remained flat.

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

The Litchfield Fund – *Tom Malenka*

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