



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 Washington walked away from power twice! When the Revolution ended, his troops wanted him to assume power, akin to a military takeover. Then again, in 1797, Washington turned the Presidency over to John Adams, in accordance with the world’s first Constitution written to give power to the people & protect their *Sacred Rights* from government overreach. In this age of monarchs, George III said Washington’s ability to voluntarily leave power made him *the greatest character of the age*. Both times, Washington returned to his Mount Vernon home to pursue his many interests, a true Renaissance Man!

The Spirit of Washington: Each time Washington returned home to Mount Vernon he lived a life of luxury, like many of Virginia’s wealthy land owners. There were parties, hunts, gaming & dances! He paid for his luxuries, mostly imported from England, with the tobacco grown on his plantation. But in the 1760s, when the price of tobacco fell, he found himself in a personal trade deficit & largely in debt. He diversified his holdings, growing wheat which could be sold & processed domestically. Demonstrating an entrepreneurial spirit, he began a fishing operation, bred horses, raised hogs & began a spinning & weaving business. He dabbled in quasi-agricultural science, writing papers on crop rotation, soil use & cross breeding seeds. He also opened a distillery. As he enjoyed throwing parties, he felt it was important to assure his guests would have a good time, providing ample beer & *spirits* for imbibing. As Commander of the Continental Army, he made sure that the men under his command were allotted a ration of beer in their contracts. He fought with the Continental Congress when the beer supply ran short. Yet, he saw what became of men whose brains were addled by drink, preaching moderation & self-control. In 1789, Washington warned a Mount Vernon carpenter, Thomas Green, saying “*An aching head and trembling limbs which are the inevitable effects of drinking, disincline the hands from work; hence begins sloth & that listlessness which ends in idleness.*” *Budweiser* announced this week, that for a limited time, they will produce *Freedom Reserve Red Lager*, inspired by a recipe found in George Washington’s military journal.

Industry News: *Walmart* paid \$16B for a 77% stake in *Flipkart*. *Mondelēz* will acquire *Tate's Bake Shop*, premium bagged chocolate chip cookies, for around \$500M. *Nestlé* will pay \$7.15B, plus royalties, to sell *Starbucks'* coffee beans & drinks in grocery stores & other outlets worldwide. *Fresh Del Monte Produce* took a \$4M stake in *Purple Carrot*, planting themselves in the plant-based meal-kit field. *Ample Foods*, powdered drinkable meal replacements that can be mixed with water or milk, raised \$2M from *Slow Ventures*. *IFF* will become the second largest provider of global natural ingredient & flavors with the \$7.1B purchase of Israeli flavors & natural ingredients firm *Frutarom*. GMO-free, plant breeding from root stock, startup *Rootility* raised \$10M led by *ADM Capital*.

Transportation & labor costs led to a 7% earnings decline for *Tyson Foods*, though prepared foods helped sales increase 1.9%. *Tyson* will eliminate about 550 corporate jobs in 3 offices as it focuses more on its protein business. *Ingredion* saw EPS rise 13% on a 1% net sales increase for 1st QTR. Higher interest rates & operating costs caused 1st QTR income at *B&G Foods* to fall to \$20.5M from \$32.8M, though net sales rose 4.7% as *Green Giant* & *Back to Nature* contributed to growth. *Hostess* saw a 13.1% revenue jump as 1st QTR income rose 5.2%. *Post Holdings'* 2nd QTR sales rose 26.3% & adjusted earnings jumped 37.5%, acquisitions & many other sectors contributing. For their 3rd QTR, *Hain Celestial* posted a net sales increase of 7.5% but missed analyst expectations for earnings. The company will rationalize costs & pricing, & look at their smaller brands, to improve earnings. *Dean Foods* beat analyst forecasts for 1st QTR despite an almost 1% revenue fall & a very slight loss. *Monster* missed analyst expectations even though earnings rose 21% & revenue gained 14.7%, as gross profit tightened. Adjusted earnings rose 6.6% for *AB InBev's* 1st QTR on a slight revenue gain, helped by international sales.

A 7.1% comparable growth rate drove 2nd QTR revenue & earnings up 12.3% & 3.6%, respectfully, for *Natural Grocers by Vitamin Cottage*. *Ahold Delhaize*, with a 2.8% increase in comparables for its U.S. division (*Hannaford* & *Giant* performing well), saw net income rise 25.7% & net sales lift 2.5% in the 1st QTR. *Weis Market's* 1st QTR was positive for sales (2.8%), income (36.8%) & comparables (1.5%). *Vitamin Shoppe* saw strong 1st QTR e-commerce growth, but sales fell 3.2%, comparables fell 3.6% & adjusted EPS lost 17¢. *Vitamin Shoppe* sold *Nutri-Force*, its manufacturing business, to *Arizona Nutritional Supplements* for \$15M. *Food Lion* will spend \$168M to update 105 stores in the Norfolk, Va. market with its "*Easy, Fresh & Affordable*" brand refresh, including adding 5K new employees, more products & store remodels. *Food Lion* has updated about 65% of its stores in the past few years.

Brick Meets Click reports that e-commerce sales will grow at 13% per year compared to 1.3% for store sales, growing to 8% of the market by 2022, from 5% today. Meanwhile, the *Valassis 2K18 Coupon Intelligence Report* states that 7% of shoppers order groceries weekly online, but parents (14%), millennials (12%) & millennials with kids (15%) are more active. Non-edible products are purchased on-line more than fresh or grocery. Internal research at *Albertsons* showed that 80% of customers want meal-kits in stores. The costly FDA menu labeling law introduced by the previous administration went into effect this week, with outlets of more than 20 locations needing to comply.

Market update: Markets rose on geopolitical & economic news. There are more open jobs available in the USA than ever before in history & not enough unemployed people to fill them. Inflation remains in check, coming in lower than the experts predicted.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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