



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

The Open Road!! Pack up the car & hit the highway for a road trip! And since 1930, when a motorized *Victrola*, called a *Motorola*, was installed in a *Studebaker*, that road trip has been accompanied by music! Some songs make you turn up the volume & push down the pedal! For us, some of those include Tom Cochrane’s (or Rascal Flats’) *Life is a Highway*, The Hollies’ *Long Cool Woman in a Black Dress* & anything by the Allman Brothers – *Jessica*, *Whipping Post* & *Ramblin’ Man*! And as you sing along while *rollin’ down highway 41*, keep your eyes open for those blue & red bubble gums, because you sure will not hear the siren!

Truckin’: This 1970 Grateful Dead classic with the line “what a long, strange trip it’s been” was actually about a drug bust at the band’s Bourbon Street hotel. But trucking songs are part of music history! Perhaps the first trucking song was 1905’s *Low Bridge Everybody Down* about 15 years of driving mules on the *Erie Canal*. Both country & rock music are filled with songs about trucking! Johnny Cash sang about [being everywhere](#) & reeled off “*Reno Chicago Fargo Minnesota Buffalo Toronto Winslow Sarasota Wich’ta Tulsa Ottawa Oklahoma Tampa Panama Mattua LaPaloma...*” & some 70 more cities! As Midwest kids, we sang the *Lawson Milk Company* orange juice jingle, [Roll On Big O](#), *as one man sleeps while the other man drives!* We laughed as Bandit (Burt Reynolds) in his black *TransAm* evaded Smokey while on the CB radio with Snowman (Jerry Reed, hauling bootleg *Coors*) belting out [East Bound & Down!](#) CB Radios were the rage in the ‘60s & ‘70s, as spoofed by C.W. McCall in [Convoy](#), & [spoofed again](#) by our local Saturday afternoon *Superhost*, Marty Sullivan. Trucks carry more than 70% of USA consumer goods & America depends on our concrete cowboys! Trucking companies are short drivers, which could lead to higher food prices! Unfilled positions are expected to reach more than 170,000 as the economy booms, drivers retire & young workers appear uninterested, *despite the great music!*

Industry News: *Hayao*, a major Chinese pharmaceutical company, will invest \$300M in *GNC*, becoming its largest single shareholder. *Hayao* will assist R&D, manufacturing, distribution & sales of *GNC* products in China. *Nestlé* continued the move toward organic, clean products as it acquired a majority stake in *Terrafertil*, a Latin American natural/organic plant-based food company, for an undisclosed amount. *Nestlé* will gain all of *Terrafertil*’s worldwide operations & assets. Brand conglomerate *Celebrate Brands* acquired *Green Plate Kitchen* (healthy packaged snacks) for an undisclosed amount. Lisa Pounds, founder of *Green Plate*, will become CEO of *Celebrate Brands*. *Instacart* raised \$200M led by *Coatue Management* with *Glade Brook Capital Partners* participating, gaining a \$4.2B valuation. Fast food giant *Yum Brands* is taking a 3% stake in food-delivery service *GrubHub* for \$200M. Meanwhile, *Walmart* is reported to be in discussions for a stake in *Flipkart*, an India-based e-commerce platform. Also, the *Wall Street Journal* reported that *Amazon* may be seeking to compete directly with *UPS* & *FedEx* for delivery.

Nestlé reported generally flat sales growth for 2017 & a 16% drop in earnings due to weak USA demand. Coca-Cola saw a 20% net revenue drop for 4th QTR but earnings topped estimates due to their non-soda segments. Despite lower than expected 4th QTR sales, *Dr. Pepper Snapple* reported 4% sales growth in 2017 with a 27% jump in earnings, tax changes contributing. *Ingles Market* had a strong 1st QTR with gains in revenue, earnings & same store sales. While citing a tough beverage market, *PepsiCo* reported a mostly flat 4th QTR for revenue & earnings, excluding a one-time \$2.5B charge. *Blue Apron* stated 4th QTR revenue decreased 13% with a 20¢ EPS loss due to a decrease in customers & orders, as it reduced marketing to focus on operational issues. *Food Dive* reported that *HelloFresh North American* president Tobias Hartmann feels his company will overtake *Blue Apron* as the USA meal kit market leader by 2nd QTR. *Peapod*, the leading online grocer, will add 6 new recipes to its meal kit line. Suppliers are beginning to not ship to *Whole Foods* as the company imposes various fees & costs, including not paying for shipping fees, not accepting minimum orders, requiring discounts & adding fees for food safety & advertising. *Costco* is testing kiosk ordering stations in their food courts in two California stores. *Talenti* will introduce a gelato sweetened with monk fruit juice concentrate, sugar & erythritol, reducing calories to 120 per serving, 50% of traditional ice creams. *Kroger* had 50 suppliers participate in its second *Natural Foods Innovation Summit*.

Much like the dairy industry has lobbied against plant-based beverages being called milk, the U.S. Cattlemen's Association has petitioned the USDA to define beef & meat as products made from cattle born, raised & harvested in the traditional manner. Grass-fed beef is growing at more than a 25% annual rate as 2017 sales reached \$272M, with much of the growth coming from imports. *Strauss Brands*, partnering with American farmers & ranchers, is making its American-raised grass-fed & finished beef more accessible with an online store, *Free Raised Direct*. The *NGA National Grocery Shoppers Survey*, conducted by *Nielsen*, showed a vast majority of shoppers are satisfied with their local grocery & more than 2/3 of online shoppers still visit a local grocery store. Also, a large majority expect their grocery to meet their health & wellness needs. The *OTA* reported once again that millennial parents will be a prime driver of organic sales as they seek to protect their children with healthy food. Canada is considering front-of-package nutrition symbols as an alert for foods that are high in sodium, sugars or saturated fat.

Market News: Markets rallied this week, finishing higher as inflation, consumer sentiment & wage growth came in above expectations while retail spending came in below. Small business optimism rose to new records with the 'Now Is a Good Time to Expand' indicator at 32 percent, the highest level in the survey history, which began in 1973. Small business earnings climbed 11 points to the highest level since 1988. Many other small business indicators rose to 1980s' levels.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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