



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

In the early days of America, a household’s wealth & affluence could be measured by how much lard was kept on hand. Larger households, farms & plantations required more lard. Besides cooking, lard was used for making soap, lubricating machinery, calming brewing foam & healing wounds. Early 19th century politicians granted entitlements to their constituency, trying to ensure voter loyalty. This unexpected wealth added to a household’s larder; *their pork barrel*. By the Civil War, pork barrel politics had a negative connotation & in 1987, President Reagan vetoed a highway bill, as it was nothing but “*pork barrel spending*.”

Barrels: The ancient civilizations that emerged in the areas from the Mediterranean to Asia used clay pots to store liquids, oils & small items. But as the Greeks & Romans went deeper into Western & Northern Europe, they discovered civilizations that were using wooden barrels. The Celts & Gauls, having learned to shape wood for their boats, had developed barrels for storing & transporting. The barrel’s shape made it stronger, allowed the weight to be more evenly distributed & made it easy to stack, leverage & move. A strong barrel could be placed on its side & *rolled*; & thanks to Glenn Miller & the Andrew Sisters, bringing much pleasure to the *polka dancing public!* But barrels could get away & cause havoc just like an angry spouse who *barrels out of the room!* Let us not refute the musical genius of Michael Jackson & his brothers, but one moldy *bad apple can spoil the whole barrel*. As empty barrels were often used as tables or counters in taverns & stores, *cash on the barrelhead* meant the owner did not extend credit. The freshest items, be it grains, oils, liquids, pickles, olives, etc., were of course at the top, but someone had to settle for what was at the *bottom of the barrel*. Worse, of course, was cleaning that hard to reach bottom, actually *scraping the bottom of the barrel!* The sarcastic phrase, *as fun as a barrel of monkeys*, came about from watching the chaotic, *not particularly fun*, scene of monkeys in a cage at early zoos & circuses. The fact that ‘*barrel*’ appears in so many expressions shows its importance to civilization. Barrels were the main source of storage & movement well into the 20th century, until replaced by pallet logistics. Now we must close, as we find ourselves *over the barrel*, having *barreled on* much too long & must admit writing this was as easy as *shooting fish in a barrel!*

Industry News: Autonomous delivery vehicle company *Nuro*, having completed a successful driverless delivery pilot with *Fry’s Foods* in Scottsdale, raised \$940M from *SoftBank Vision Fund*. *Nestlé* purchased *Ferri Pro*, makers of a protein-iron complex used to fortify food without taste alterations. *Project Nosh* reports that direct-to-consumer baby food *Little Spoon* closed a \$7M investment with *Kairos*, *Interplay Ventures* & others participating. *Disruptive Enterprises’* subsidiary, *Low-Carb High-Fat (LCHF)*, low-carb & ketogenic lifestyle products, completed a round of \$7.75M with *One Better Ventures*. *LivBar*, organic superfood energy bars, received an investment from *Leatherwood Capital*. *The Bonduelle Group* will expand its USA capabilities by acquiring *Seneca Foods’* Lebanon, PA frozen packaging facility. *Postmates* filed for its IPO, with an initial valuation of \$1.85B. *Nestlé* may sell its meat & deli segment, *Herta Charcuterie* (almost \$700M in sales), as it seeks to become more plant-based focused.

Hain Celestial had a 2nd QTR net loss of \$29.3M down from a positive \$43.1M a year ago. Adjusted EPS of 14¢ missed a 25¢ forecast as revenue came in below expectations. *Natural Grocers by Vitamin Cottage* had a strong 1st QTR with a 5.5% increase in comparable sales, a 3.2% increase in average transaction size & a 2.3% increase in daily average transaction count. Net sales jumped 94% & operating income rose 84%. *Tyson Foods* reported flat revenues in 1st QTR as beef & prepared food sales outpaced chicken & pork sales. *Tyson's* adjusted earnings beat forecasts.

Kroger will launch *Kroger Pay*, a mobile app that combines payment, loyalty cards, promotions, coupons & personalized offers. *Kroger* will also offer a new debit rewards card. According to the *Wall Street Journal*, *Whole Foods*, though not alone in the industry, will raise prices this year on more than 500 items, apparently not able to fulfill the expectation of the *Amazon* relationship. Per *Reuters*, *Walmart & Deliv* have ended their partnership for home delivery due to operational issues & low volume. *Danone* will expand its Dubois, PA production facility which produces plant-based products. *Smucker Foods* will spend \$12M to upgrade its Sherbrooke, ONT manufacturing plant. *Applegate Farms* will launch *The New Food Collective*, premium pasture-raised meats, featuring fresh sausages made with certified grass-fed pork, the first to be certified by the *American Grassfed Association*. *Ben & Jerry's* will offer a vegan chocolate chip cookie dough & a vegan chocolate caramel cluster non-dairy ice cream. Super Bowl champion Tom Brady's *TB12* brand has launched vegan, pea-based, plant-based protein powders in vanilla & chocolate flavors. *Samsung* has a new app that matches singles based on the compatibility of their refrigerator contents. *Nestlé* will launch 24 new products, the first in its relationship with *Starbucks*, ground coffees & capsules for its *Nespresso & Nescafe Dolce Gusto* brands. *Kellogg* will focus on investing in brand growth.

A study from *IRI* reports a 35.4% growth in eCommerce sales in 2018. *Upserve*, a tech-based restaurant management platform, reports that consumption of fermented foods was up 149% in 2018, kombucha leading the way. Despite cold cereal revenue struggles, *IRI* reports that hot cereal & oatmeal sales grew 1.3% in 2018 with *Bob's Red Mill* leading the competitors with an 11.3% sales growth. *Packaged Facts* reports that Gen Z (adults younger than 25) are most likely to consume microwaveable dinners (29%), eat frozen breakfast products (26%), frozen dinners (23%) & packaged dinners & meal-kits (10%). Reporting in *JAMA*, French researchers, stating that 29% of calories consumed comes from ultra-processed foods, found that for every 10% increase in the amount of ultra-processed foods consumed that there is a 14% higher risk of early death.

Market News: Markets rallied through the week on hopes of a trade deal & a government funding deal. The CPI fell to 2.05% in January on lower food prices. Despite continued expansion, small business optimism was lower. Job openings reached a record 7.3M in December. *Gallup* reported that 69% of people see their personal economics getting better, the highest level in 16 years. More than 50% say they are better off than a year ago, the highest level since 2007. Per the Atlanta Fed, wages are growing at the fastest level since May 2008 (3.9% in December) & job switchers saw wages increase 4.6%, another 10-year high! Texas oil wells produced more than 1.54B *barrels* of crude in 2018, beating the 1973 record of 1.28B *barrels*!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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