



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



AFTER MOVING TO CLEVELAND, my dad worked in warehouses, factories & then as a school janitor. My mom took care of the house & worked as a store clerk. They were hard workers, especially my *always-having-another-thing-to-do* mom. Money was tight, but I think compared to the Depression, farm, coal mines, army & a wartime macaroni factory, they felt things were good. When the economy bottomed out in the 1970s, dad was frequently unemployed. In these years, dinner was often pancakes or pasta'n'cheese accompanied by fresh or canned vegetables from our large garden. Dinner may have been sparse, but there was always food on the table!

MAGIC AND PASTA: I learned the value of work, *hard work*, from my parents. They did whatever they could to put food on the table. Mom took pride in being a hard worker. She was one of the hardest workers you could ever know. She also took pride in her cooking. Her homemade gnocchi & oven fresh bread were my personal favorites. I enjoyed her version of biscotti, which she called Italian cookies! I loved her fried dough, dipped in sugar & cinnamon, then enjoyed with salami & cheese! With her gnocchi & other homemade pastas, or even store-bought noodles, we often enjoyed homemade tomato sauce. She canned vegetables from our garden. My favorite was the green tomato relish, made with the tomatoes that would not have time to ripen before autumn. When times were good, she enjoyed cooking for family & friends. There was always more than enough food, but right before people would arrive, she would always decide to make one more thing, just in case! Neighbors loved her hamburgers in wine sauce. She made a wonderful breaded baked chicken. My friends, especially in college, always seemed to show up around dinner time, hoping for some of Mrs. Malengo's cooking! In all honesty, there were a few things my mom did not cook well, at least not for my tastes. As she grew up in a rural area without electricity & refrigeration, beef was stored, wrapped in paper, under the front porch! To kill any germs or bacteria, my mom was used to cooking beef to the consistency of shoe leather! It wasn't until college that I had a chance to have a medium rare steak or a lean roast beef! And of course, because every part of a slaughtered cow was used, there often was tripe, tongue, kidneys or other internal organs hiding in our fridge. My aunts & uncles enjoyed these remembrances of their youth! Dad did take his turn at cooking by frying potatoes, stirring the polenta pot, making prosciutto & my favorite, a breakfast of spam & eggs! Cooking is said to be an expression of love, which I am sure it was for my mom! My love for cooking definitely comes from my mom (& my Nona) & is definitely an expression of my love. And when I step into the kitchen, I often think of food writer & essayist Laurie Colwin who said, "*No one who cooks, cooks alone. Even at one's most solitary, a cook in the kitchen is surrounded by generations of cooks past.*" And as a hopeless optimist, I like the words of director Federico Fellini, "*Life is a combination of magic & pasta.*"

INDUSTRY NEWS: Powdered hydration mix, *Hydrant*, raised \$5.7M led by *Coefficient Capital*, with *Rx3 Ventures* participating. Duckweed-protein *Plantible* closed \$4.6M co-led by *Vectr Ventures* & *Lerer Hippeau*, along with *eighteen94 Capital* & *FTW Ventures*. Alt-meat & seafood maker *Growthwell Group* raised \$8M led by *Temasek*, with *DSG Consumer Partners*, *Insignia Ventures*, *Genesis Ventures* & *Brandify* involved. *Flow Alkaline Spring Water* raised \$45M from new & current investors. *Sonoma Brands* will buy back *KRAVE* jerky from *Hershey*. *Philadelphia Macaroni* (dry & frozen pasta) acquired *A. Zerega's Sons* (dry pasta maker for foodservice, industrial ingredient & retail channels) creating the largest privately-

owned USA pasta manufacturer. *Constellation Brands* exercised \$178M in *Canopy Growth* warrants to bring its ownership to 38.6%. The Justice Department approved the purchase of a majority of *Dean Food's* assets by *Dairy Farmers of America*.

Sales jumped 16% for *Sprouts Farmers Market* in 1st QTR with a 39% net income bump. *Natural Grocers* had a 152% surge in 2nd QTR net income; net sales grew 20.4% & comparables rose more than 15%. *Publix* reported a sales increase of 16.1% & same store sales increases of 14.4%, but a lower net income due to security exchanges. *Ahold Delhaize* had a 1st QTR sales jump of almost 15% with a 47% increase in EPS driven by strong USA comparables & eCommerce. Net income rose 86% for *Weis Market* in 1st QTR with net sales rising 12.4% & comparables 12.8%. *Loblaws* had a 1st QTR sales increase of 10.8% & adjusted EPS of 97¢, beating analyst forecasts. *Amazon* saw net income fall 29% on higher shipping costs despite a 26% revenue jump, with positive increases in brick & mortar stores. *HelloFresh* nearly doubled its USA customer count to 2.6M & revenue rose 66.4%. Income rose to \$70M, a year after reporting a \$20.1M loss. In what may be the start of a comeback, *Hain Celestial* had a 1% sales increase with a 184% net income gain in the 3rd QTR. *B&G Foods* had a 3rd QTR net income per share increase of 67% on an 8.9% sales improvement. Net sales rose 4.3% & EPS fell 15% for *Tyson's* 2nd QTR. Despite a 13% 1st QTR sales increase, *Maple Leaf Foods* lost C\$3.7M due to increased costs dealing with the current environment. *Beyond Meat* showed a 1st QTR net income of \$1.8M compared to a \$6.6M loss a year ago with revenue growing 141%. *Ingredion* saw a 24% drop in net income on flat 1st QTR revenue & adjusted future outlooks. Net income for 1st QTR rose 6% & net sales increased 12% for *Monster Beverage*.

Retailers are increasing mobile checkout options & adding fulfillment locations to address changes in consumer behaviors. *Kroger* will rollout employee health testing. *Whole Foods* will offer consumers free disposable face masks & is requesting that all shoppers wear masks. *Costco* is requiring all shoppers to wear masks. Also, *Costco* is reporting sales are being impacted by consumer access, restrictions on product purchases & product availability. *Big Y* is freezing prices on 10K items to help those financially impacted by the shutdown. After a pilot, *Walmart* is rolling out 2-hour Express Delivery to 2,000 stores. *Dunkin'* will partner with *Uber Eats* for delivery from 4K stores. *Chick-fil-a* is offering take home meal-kits. *The Wall Street Journal* reports that the demand for delivery robots is increasing. Retailers are limiting meat & poultry purchases to prevent shortages. Dealing with current supply issues, 18% of *Wendy's* locations are not serving hamburgers or other meat items. *Kroger* will offer *Impossible Burger* at 1,700 locations in 29 states. *Kellogg* will delay the launch of its *Incogmeato* brand products in the current environment. Lawsuits are underway against *Cal-Maine* & some retailers for egg price gouging. *Blue Bell Creameries* will be fined \$19.25M for a 2015 listeria outbreak & the retired CEO will face charges. *Three Twins Creamery* has closed down. *GNC* may find itself delisted from the NYSE.

Per *Boston Consulting & IRI*, the CPG industry grew 2.2% in 2019, strategically focusing on M&A, careful pricing, eCommerce & product innovation. According to *the American Frozen Foods Institute*, 50% of consumers are increasing their purchase of frozen foods, accounting for a 70% sales pop.

MARKET NEWS: Markets rose this week, despite the unemployment numbers. Forty-four states started to rescind lockdown restrictions, so investors chose to focus on the careful & safe reopening of America & a successful return & rebirth of our Nation's booming economy.

SEEDS, SPROUTS, GROW, HARVEST!
THE LITCHFIELD FUND – *Tom Malenjo*

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