



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

**"OUR EARS SPAN ALL FIELDS"**



**THERE ARE THREE LEARNING METHODS:** *visual, auditory & kinesthetic.* Some people learn best seeing a graph or chart, others by hearing a lecture & some people learn best by doing it themselves! While studies say most people learn all three ways, we wonder if a person could be an olfactory learner? For many people, smells trigger significant & emotional memories! Oliver Wendell Holmes said, "*Memories, imagination, old sentiments & associations are more readily reached through the sense of smell than through any other channel.*" Helen Keller said, "*Smell is a potent wizard that transports you across thousands of miles & all the years you have lived.*"

**POTENT WIZARDS:** As a child growing up on Cleveland's east side, just a couple blocks from Lake Erie's shore, the prevalent smells were factory smog & dead fish from the polluted lake. But the smells were completely different when we visited grandparents in Western Pennsylvania. Most noticeable was the smell of fresh manure that filled the countryside. At my Nono & Nona's house, the manure for the crops was piled behind the shanties. The manure smell was enhanced by the smells from the outhouses & the ditches by the road that accumulated the waste from the houses that had an indoor toilet. Inside the house, Nona's kitchen smelled of warm bread, fennel, garlic, basil & tomato sauce cooking on the propane stove. While the stove was propane, part of the stove remained coal burning, the smell of its warmth captivating the cool morning air. In the morning, my Nono would sit next to the warm stove, smoking his pipe & drinking coffee. He smelled like tobacco, coffee, red wine & the toil of a life of hard work. (The house had no tub or shower, just sinks for washing!) At breakfast, homemade sausage was cooked in oil & sage, the scent whetting our appetites. When breakfast was over, the pan with the oil & sage was placed on the table. Mimicking my Nono, I would dip warm buttered bread into the oil, getting the last of the fried sage. The house itself smelled of aged wood, old books, yellowed magazines & weathered photographs; offering a legacy of time & family. When it rained, or when the morning dew was heavy, the mix of smells was indescribable, the richness of the earth & crops mixed with smoke from burning coal fires! These smells are *potent wizards* that trigger many childhood memories & a way of life long past.

**INDUSTRY NEWS:** *Fabric*, micro fulfillment technology, raised \$110M led by *Corner Ventures*. Sparkling yerba mate *CLEAN Cause* raised \$7M from Austin-area individuals. *LaSalle Capital* purchased *Joseph's Frozen Foods* from *Brynwood Partners*, terms not disclosed. *Evolve Ventures (Kraft Heinz)* led a \$23M round in cannabis company *Flowhub*. *Thai Union (Chicken of the Sea)* made an investment in Israeli larval insect protein start up *Flying Spark*. *Olam International* will acquire almond processor & ingredient manufacturer *Hughson Nut* from *APB Partners* for \$54M. *Uber* acquired *CornerShop*, a leading online grocery provider in Toronto, Chile, Mexico, & Peru. *One Rock Capital Partners* will acquire ingredient maker *Innophos Holdings* for almost \$1B. *Shopify* paid \$50M for robotic warehouse fulfillment company *6 River Systems*. *Bellring Brands*, *Post's* active nutrition segment, raised \$516M in its IPO. *Reed's* (handcrafted, natural beverages) will have an underwritten public offering.

*Amazon* had a 3<sup>rd</sup> QTR revenue jump of almost 24% but dropped more than 25% in net income (on higher delivery costs), its first income drop in more than 2 years. *Albertsons* reported same-store sales growth

of 2.4%, a 1.1% sales increase & reversed a loss from 2<sup>nd</sup> QTR last year with \$294.8M in income. *McDonald's* missed 3<sup>rd</sup> QTR expectations due to impacts from competition & investments in technology. *Coca-Cola* beat analyst expectations for 3<sup>rd</sup> QTR with an 8% increase in revenue (driven by *Coke Zero*) & a \$0.8B increase in income to \$2.6B. *Danone's* 3<sup>rd</sup> QTR sales were slightly higher on lower volume, indicating weakness in the yogurt segment. *Hershey* reporting 3<sup>rd</sup> QTR numbers that beat analyst expectations for sales & earnings, but lowered future EPS guidance. *GNC* reported a smaller loss than last year's 3<sup>rd</sup> QTR, with growth in adjusted income & lower revenue.

*Starbucks Coffee* is expanding its *Uber Eats* delivery service to Atlanta, Denver, Phoenix, Philadelphia & New Jersey. *Sam's Club* opened a small retail outlet at its Tampa eCommerce fulfillment center, offering 2K products with *Scan & Go* checkout. *Sobeys* & tech company *Caper* are testing a shopping cart that tracks customers' selections & allows them to skip the checkout line. *Stop & Shop* & *Giant Heirloom Market* will expand their mobile check-out *Scan It!* to around 30 stores by year-end. *Fry's Foods* opened a downtown Phoenix store. *CNBC* reports that *Amazon* has a problem with shipping out-of-date products. *Kroger* will try to standardize date labels on its private brands to reduce food waste. Add *Ocean Spray* to the partners of innovation accelerator *Plug & Play*. *Nestlé*, with strong growth through 3<sup>rd</sup> QTR, will try to revive bottled water sales by changing from a globally managed business to a locally managed business. The company has a \$20B wallet to return to shareholders or find acquisition opportunities. *Food Dive* reports that *PepsiCo* will introduce flavor concentrates for 10 of its most popular soft drinks for recently purchased *SodaStream*. *White Castle* opened its largest restaurant in Scottsdale. *Taco Bell* recalled 2.3M lbs. of seasoned beef from its restaurants & distribution centers after a customer found a metal shaving. *Impossible Foods* is seeking to sell its products in Europe. *Pizza Hut* will test a pizza topped with *Incogmeato* by *MorningStar Farms* plant-based Italian sausage. *Moe's Southwest Grill's* fully cooked meals will debut in more than 1K *Food Lion* stores. *Tiller & Hatch* frozen meals, backed by Alex Rodriguez & Jennifer Lopez, launched at *Walmart*. *Cece's Veggie Co.* will launch meals with zucchini-based ramen noodles. *Stumptown* & *Oatly* will jointly offer a cold brew. *Food Navigator* reports that *Kellogg* will pay a \$20M settlement for a false advertising lawsuit as the company's "healthy" cereals contain added sugar & *Kellogg* must refrain from using words that label the products as healthy. *Molson Coors* will launch CBD-infused water in Canada. *AB InBev* is suing *Molson Coors* with accusations of stealing trade secrets.

From *Euromonitor*, the legal global market for cannabis is projected to grow to \$166B by 2025. Per *Packaged Facts*, *Amazon* will pass *Walmart* as the USA's largest retailer by 2022. *Edge by Ascential* reports that the non-food discount, food discount & convenience store segments will grow more than 5% annually, while other retailers (excluding membership club stores) will grow at an annual rate of 3%. Interesting research from *Numerator* indicates that shoppers who buy *Costco's* rotisserie chicken & *Trader Joe's* cauliflower gnocchi actually shop at the store much more frequently, showing the advantage of a signature product. *American Customer Satisfaction Index's Nondurable Products Report* indicates packaged food & beverage satisfaction remains constant, delivering quality & value, with *Hershey* & *Quaker Oats* the leading brands. In a report from the *Robert Wood Johnson Foundation*, the childhood obesity rate remains constant at 15%.

**MARKET NEWS:** Positive trade news led markets to rally this week as the S&P crossed previous highs. New jobless claims fell again this week, to 212K, lower than the experts' forecasted.

***SEEDS, SPROUTS, GROW, HARVEST!***

**THE LITCHFIELD FUND – Tom Malenka**

V6issue19.10.26.19

The Litchfield Fund is a family owned & operated limited liability corporation. We do not solicit or accept investment from outside individuals or entities. Opinions contained in *All Ears!!* are ours & should not be considered investment advice or recommendations.