



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

American cartoonist Johnny Hart wrote two long running comic strips, *The Wizard of Id* (with Brant Parker) & *B.C.* In *B.C.*, these dawn of civilization cavemen, cavewomen & anthropomorphic animals offered ironic & sardonic twists on many of the axioms & truths we take for granted, as if each idea & thought was at its very origin! A philosophical, purveyor of truth, Peter, is asked, “*What’s the fastest way from New York City to Salt Lick, Wyoming?*” Peter responds, “*Bat .126!*” Bearded, peg-legged Wiley had his own daffy dictionary; defining ‘*fig newton*’ as ‘*The amount of force necessary to propel a fig 1 meter in 1 second, squared!*’

Figs & Newton: It was, however, an apple & not the more appropriate fig that fell to the ground, leading Sir Isaac Newton, born January 4, 1643, to discover gravity. Newton is one of the most influential people in all of history. He was a mathematician, physicist, astronomer, philosopher & theologian. His *Philosophiæ Naturalis Principia Mathematica* was the building block for all of classical mechanics. Until Albert Einstein’s *Theory of Relativity*, Newton’s *Laws of Motion* formed a basis of all studies of physics, planetary motion & even today’s politics & social media: *Every action causes an equal & opposite reaction!* He developed calculus, with the *British Royal Society* determining it was he, not Gottfried Wilhelm Leibniz, who was owed credit! (The controversy remains to this day & is still argued by math nerds *like me!*) His mathematical works provided proof of gravitational forces & proved Kepler’s *Laws of Planetary Motion*, accounting for the action of tides, the movement of planets & comets, the stability of the solar system & more. He was a forerunner in optics, developing the first reflecting telescope. He was a leader of the scientific revolution! His works were so important that they were studied by philosophers such as David Hume, John Locke, Adam Smith & others of the Age of Enlightenment, including our Founding Fathers. Yet Newton remained a humble man throughout his life, *perhaps because he did not invent the selfie stick!* His comments include, “*If I have seen further than others, it is by standing upon the shoulders of giants,*” & “*My powers are ordinary. Only my application brings me success.*” We think Newton, who thought that truth was found in simplicity, would have enjoyed B.C.’s truth-seeker Peter & would have shared Mr. Hart’s sardonic wit, having once said, “*I can calculate the motion of heavenly bodies, but not the madness of people.*” Mr. Hart, who passed away at his drawing desk, would have appreciated Sir Isaac’s work ethic, “*If I am anything, which I highly doubt, I have made myself so by hard work.*” We close with great advice for the New Year from Sir Isaac Newton: “*Live your life as an exclamation rather than an explanation!*”

Industry News: *Life on Earth*, consumer-based brand accelerator, will acquire organic soda & juice brand *Wild Poppy Company*. *Krupa Global Investments*, a major shareholder in *Kraft Heinz*, will oppose the company’s bid for *Campbell Soup’s* international business. *Kerry Group* spent \$367M acquiring the *Ariake, USA* (food stocks & bases) & *Southeastern Mills’* North American coatings & seasonings business. For an undisclosed amount, *Unilever* purchased Netherlands’ *The Vegetarian Butcher*, to enhance its plant-based offerings. Canadian organic grocery delivery service *SPUD* (Sustainable Produce Urban Delivery) raised C\$11M million led by France’s *CIC Capital Ventures* with existing investors, such as *Walter Capital Partners*, participating.

Conagra had a 2nd QTR sales increase of 9.7% but missed expectations due to hurricanes & the *Pinnacle* integration. Earnings were mixed & the stock price fell as the company lowered full year guidance. The company will focus on the *Pinnacle* integration. Hurricanes & weak poultry demand caused *Sanderson Farms* 4th QTR net sales to drop 13.2% with a net loss of \$43.2M. Net sales increased 5% for 2nd QTR at *General Mills* but earnings fell 20% due to impairment charges from weakening sales for the *Progresso*, *Food Should Taste Good* & *Mountain High* brands. *Darden Restaurants* had a 2nd QTR net income increase of 36% with sales up 4.9%. For *Sobey's* 2nd QTR, net income turned positive to 38¢ EPS from a 9¢ loss a year ago. Sales rose 3.1%. *Cargill* had revenue drop 4% & net earnings fall 20% for 2nd QTR, impacted by USA dairy & Chinese hogs.

Walmart, unlike other companies, appears to have no trouble hiring & incentivizing truckers, hiring 1,400 new drivers in 2018, with plans to hire more, reports *Yahoo Finance*. Per *The Wall Street Journal*, *Whole Foods* will expand its store presence in order for *Amazon* to provide larger *Prime Now* coverage. *Ahold Delhaize* began a €1B share buyback program. Per *Food Navigator*, *Danone* will add *Oat Yeah*, oat-based milk, to its *Silk* brand's plant-based beverage offerings. In a *Bloomberg* report, *Nestlé* will introduce a meat-free soy & wheat protein burger, *Incredible Burger*, under its *Garden Gourmet* brand. *Orgain* will introduce *Orgain Organic Simple Protein Bars*, a clean-label real food protein bar. *Beyond Meat's* plant-based *Beyond Burger* will be offered at *Carl's Jr.* restaurants. *Chipotle* will offer new lifestyle bowls: the *Whole30 Salad Bowl*, *Paleo Salad Bowl*, *Keto Salad Bowl*, & *Double Protein Bowl*. *Foster Farms* will introduce *Bold Bites*, on-the-go fully cooked RTE chicken snacks. *General Mills* will invest \$8.5M in a new 480K sq. ft. distribution center in Georgia for pet food brand *Blue Buffalo*. Robert Craven will step aside as CEO at *Megafood* to act in an advisory role as parent company *Pharmavite* takes on more control. *VEB* president Scott Uzzell will depart to become CEO/president for *Converse*. Mark Clouse (*Pinnacle Foods*, *Mondelez International* & *Kraft*) has been named CEO at *Campbell*.

Millennials spent 14% more on organic products in the past year & Hispanic shoppers spent 13% more as USA organic sales surpassed \$21B, up 9%, per *Nielsen*. *Packaged Facts* reported that 38% of online grocery consumers order through *Amazon* versus 23% for *Walmart*. However, 27% of in-store shoppers visit *Walmart*, more than twice those who shop at Kroger. The USDA issued its *National Bioengineered Food Disclosure Standard* rule requiring manufacturers & importers to disclose use of bioengineered food & ingredients. The USDA *Economic Research Service* suggests food-at-home CPI will rise 1% to 2% in 2019, less than the 20-year average & less than overall inflation. Finnish researchers found that higher salt consumption leads to higher risk of atrial fibrillation, even when high blood pressure is not a factor.

Market News: Markets roared Friday & finished higher on the week as the administration's pro job agenda continued to drive results for the American people! The economy added 312K jobs in December, smashing the *supposed* experts' forecasts. *ADP/Moody's Analytic* reported 271K jobs added in the private sector! Wages rose 3.2%, well outpacing inflation. Manufacturing jobs rose 37% YOY & 4.8M more Americans are employed today than in January, 2017. Holiday spending was 5.1% higher YOY, with \$850B spent, the most in 6 years!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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