



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!!!!”



Horse racing was around for millennia (*Ben-Hur, chariots & such*) but in England it became the “*Sport of Kings*” & royalty when three colts were brought to England from North Africa at the turn of the 18th century. All thoroughbred horses trace their lineage to these Arabians colts. It was in the American colonies that the bloodlines of these Arabians were mixed with the wild horses left by the Spanish! *The result?* The American Quarter Horse, with powerful hind legs, hot-blood & untamed *American Spirit!* Strong, agile & fast, these horses worked the ranches, the ranges & they raced, originally on *quarter-mile* oval tracks.

Horse Sense: Horses would never be investors! As iconic comedian W.C. Fields quipped, “*Horse sense is the thing a horse has which keeps it from betting on people.*” Investing though is a bit like raising thoroughbred horses. First, you find a colt of exceptional breeding! Does it have the background, the lineage, the history? Then you see the horse at auction & if it looks like it can *win*, you make a bid, maybe with an investor group! Then you bring the horse into your stable! You provide feed, water, exercise & training. When deemed ready, you enter them into a small race; then bigger races! You see how they perform in the rain, the mud, the heat & most importantly, against the competition! Finally, you enter them in the big race & place the big bet! They hopefully finish in the money! The best of them win the Triple Crown! Investors, like bettors, have different opinions on which horses will win the race, for as Will Rogers said, “*A difference of opinion is what makes for horse racing & missionaries.*”

Industry News: *HelloFresh* will purchase online Canadian meal kit provider *Chefs Plate*, which has about C\$200M in sales. Ingredient maker *Fleishman’s Vinegar* was sold by *Green Plains* to *Kerry Group* for \$350M. Plant-based yogurt *Kite Hill* is closing a \$40M round with *301 Inc.*, *CAVU Venture Partners* & *Whole Foods Market*. *Bantam Bagels* was acquired for \$34M by *T. Marzetti*, a *Lancaster Colony* subsidiary. *The Living Apothecary*, probiotic water kefir, raised \$1.4M led by *L.A. Libations* & *Venice Brands*. *Makomas*, an organic beverage with West African superfood ingredients, won \$75K from *PepsiCo* in its accelerator *MassChallenge Awards*. *GIVN Water*, which provides one day of clean water to people in need for every bottle sold, closed a seed round with *Wolfpack Brands*. *Reuters* is reporting that *Constellation Brands* may sell some of its wine business, valued at \$3B. *Kraft Heinz* will sell some of its India business to *Zyduz Wellness* & *Cadila Healthcare* for \$625M. Reports suggest *Nestlé* shareholders are dissatisfied with leadership & want to see various non-performing units sold. *Conagra* may pause additional acquisitions while it digests *Pinnacle Foods*, per several reports. For M&A activity, the food/beverage sector was the most active sector during the 3rd QTR, accounting for almost 50% of the largest deals. However, the pace was at a slower rate than previous quarters, *PWC* reported.

Amazon wildly beat analyst EPS expectations for its 3rd QTR but lower revenues for the period & lower 4th QTR projections for revenue & earnings sent the stock tumbling. *Hershey's* 3rd QTR sales rose 2.3%. Despite increased costs, EPS hit analyst targets of \$1.55. Full year 2018 appears on target. *Lucky Supermarkets* will partner with the *Plant Based Foods Association* to educate shoppers about plant-based foods in their 70 NorCal locations. *Sprouts Farmers Market* announced the locations of their first 7 of 30 new stores for 2019. *Natural Grocers* customers raised \$94,500 during September's *Organic Harvest Month* to support the *Organic Farmers Association*. *Peculiar Picks*, a line of ugly fruit, will be a new label offered by *Kroger* in 2019. *Kroger* will hire 10K holiday workers & *Target* will offer 2-day free shipping during the holidays. *Ahold Delhaize USA* plans to make its private label products cleaner & more natural by 2025. *Smart & Final Stores* opened its 200th *Smart & Final Extra!*, continuing its shift to the larger format store. *Costco* will battle *Tyson & Perdue* by developing its own supply chain for chickens with a farm-to-table production system in Nebraska. *Sam's Club* now has 350 of its 600 club stores offering *Instacart* service. Ecommerce retailer *Brandless* retained only 20% of its customers just one quarter later & only 11% ordered one year later, per data from *Recode, Edison Trends & Second Measure*. Based on a since deleted job posting, the *Wall Street Journal* reported that *Uber* is looking for an executive for *UberExpress*, a drone food-by-air delivery service. *Pepsico's Quaker Oats* division will launch a non-dairy plant-based oat 'milk' beverage beginning in January. *Walmart* will partner with *Gerber* to launch (in 50 stores) a line of baby & toddler food, *Freshful Start*, focused on freshness & transparency. *La Croix* used an accredited lab to confirm *La Croix's* water is derived from natural sources per ISO standards.

Per *Nielson*, apple sales have dropped 5% in the last year as did watermelon (3.6%), bananas (3.4%), grapes (3.2%) & strawberries (0.4%). However, free-from preservatives apple sales rose 71%, non-GMO apple sales gained 56% & organic apple sales increased 5%. The *NYC Health Department* has formed the *National Salt & Sugar Reduction Initiative* to encourage companies to voluntarily make significant reductions in salt & sugar across all frozen package, beverage & dairy offerings. A French study suggests those who eat organic are 25% less likely to develop cancer than those who ate the least amount of organic foods. However, when considering other factors, such as eating fresh veggies & fruits, exercise, etc., the overall risk fell only 0.6%. *Mercaris* reports that organic food-grade grain & soybean prices fell in August-September from June-July. Wheat prices are down from last year but corn & soybean prices rose.

Market News: Markets continued on a wild ride. The economy continues its growth as the BEA reported 3rd QTR GDP at 3.5%, above Wall Street's 3.3% forecast. Consumption came in at 4%, inflation cooled to 1.6% & jobless claims were on target.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Maloney*

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