



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



WALTER MITTY HAD A VIVID IMAGINATION! The protagonist of James Thurber's 1939 story imagines himself as a RAF pilot fighting the Germans, an assassin on trial, a Navy pilot in a storm, a gifted surgeon & bravely facing a firing squad! Thurber likely had a vivid imagination, perhaps stemming from some vision loss for being on the *pointed end* of a childhood *William Tell* reenactment with his brother! Thurber himself might have enjoyed that last line; as he valued humor of all types; sarcasm, irony, satire, puns & wit, saying, "*Humor is a serious thing. I like to think of it as one of our greatest earliest natural resources, which must be preserved at all cost.*"

CONFUSION: During the mid-20th century, Mr. Thurber's cartoons, illustrations, drawings & stories regularly appeared in & on the covers of *The New Yorker* & other publications. For such an accomplished man of letters & art, he certainly didn't believe in thinking too hard, feeling, "*Sixty minutes of thinking of any kind is bound to lead to confusion & unhappiness.*" We realized just how true this might be as we looked back upon current trends we have reported in recent weeks in *All Ears!!* The plant-based food market is rapidly growing, yet sales of beef are rising quickly! While consumers seek to eat healthier, sales at traditional fast-food restaurants are still growing, not necessarily due to healthier options! The same can be said for carbonated drink sales! On-line grocery sales are on the increase, yet most consumers are regularly visiting retail outlets! And those retail outlets, while pursuing on-line orders with either delivery or pick-up, are investing heavily in their real estate, to improve the look, feel & offerings at their stores! Sales of certain CBD/hemp products are being curtailed or under review in some states, yet investors flock to CBD & hemp start-ups. Meanwhile, 98% of plant-based & alt-meat eaters are still eating meat! Mr. Thurber also said, "*There is no exception to the rule that every rule has an exception,*" which certainly seems to be *the rule* for all these trends! Entrepreneurs, investors, food companies & retailers should be hedging their bets & not be too firmly planted in a single segment! Consumers have a variety of tastes & needs, that often vary from time to time in their busy, ever-changing lives. In this fast-moving, information flowing consumer world, these trends may change or alter direction quickly, which means the industry must be ready, nimble & open to change! These offsetting trends indicate there are no sure bets with a high probability of success. Mr. Thurber thought, "*A pinch of probability is worth a pound of perhaps,*" but for us, we think it is important to keep asking questions, for as this humorist also said, "*It is better to know some of the questions than all of the answers.*"

INDUSTRY NEWS: *Biena Snacks* raised \$8M led by *Maw Investments*. *Kayco*, kosher food distributor, acquired kosher product manufacturer *The Manischewitz Company*, except for a few specific brands. Grocery delivery service *Dumpling* raised \$3M from Lyft investor *Floodgate & Fuel Capital*. *Square*, the payments company, will sell on-demand delivery service *Caviar* to *DoorDash* for \$410M. Agritech startup *Cambridge Crops* raised \$4M, led by *The Engine*, for developing edible & natural biomaterial coating, an ultra-thin water-based coating that is applied to food to slow the exchange of gasses that cause decay. Others participating include *Refactor Capital*, *Closed Loop Ventures*, *Bluestein & Associates*, *SOSV & Supply Chain Ventures*. *Hazel Technologies*, with a sachet that inhibits the ripening agent in produce (ethylene) finalized \$13M led by *Pangea Ventures & S2G Ventures*. Rice & ancient grain provider *Western Foods*

acquired rice flour manufacture *American Sunny Foods*. Per *TechCrunch*, *Postmates* is looking for a September IPO, with an expected \$1.85B valuation.

Citing its omnichannel success, revenue grew 1.8% during *Walmart's* 2nd QTR, same-store sales rose 2.8% & USA eCommerce sales grew 37% as net income rose to \$3.7B. The *Martin's Super Markets* acquisition boosted *SpartanNash's* 2nd QTR sales 5.3% but impairment charges led to a \$6.8M loss. In *Grocery Outlet's* first earnings announcement since its public offering, 2nd QTR sales rose 12.2%, comparables 5.8% & net income 12.4%. *Ingles* grew sales 2.7% in 3rd QTR, same store sales rose 4.3% & income fell 4% due to previous year tax benefits. *Metro* saw a 20% increase in 3rd QTR adjusted earnings on strong comparables & a 12.8% sales increase. *Hello Fresh* moved to positive earnings in 2nd QTR with revenue increases of 22.3% in the USA & 44.9% internationally. Acquisitions & USA sales pushed *Kerry Group* to a 19% first half revenue growth & a narrowed earnings forecast of 7% to 9%. Sales increased 12.5% for 2nd QTR at *Maple Leaf Foods* but fair-value balance sheet adjustments resulted in a \$6.3M loss. *ADM* missed estimates on 2nd QTR earnings but beat revenue estimates. Citing higher supply costs, revenues at *Ingredion* for 2nd QTR fell 4% while earnings dipped 8%. *Jones Soda* had a \$576K 2nd QTR loss on a 10% revenue dip, due to the discontinuation of buyer discounts. *Celsius* saw a 73% sales growth in 2nd QTR on international sales & reduced its operating loss to \$1.1M. *New Age Beverages* had a 397% net revenue increase with \$11.7M net loss in 2nd QTR. At *Monster*, new products & international market drove sales up 8.7% & income up 8% in 2nd QTR. Both revenue (6%) & earnings (8%) rose for *Wendy's* 2nd QTR. *Restaurant Brands International*, seeing an influx of younger customers at *Burger King* & *Tim Horton's* due to the introduction of plant-based options, saw 8% growth in 2nd QTR sales & 5% growth in net income.

Giant Eagle will rollout *higi* kiosks at 218 stores for shoppers to measure weight, body mass index (BMI), pulse & blood pressure. *Mollie Stone's* will open its 4th San Francisco store & 10th overall. Per *Second Measure*, *Walmart* has the most on-line grocery customers, well ahead of *Instacart*. *Instacart* will provide same-day delivery for 200 of *Walmart's* 400 Canadian stores. *Kraft Heinz* will streamline & reduce worldwide employment after weak 2nd QTR results. *Bunge* will relocate its global headquarters from White Plains, NY to St. Louis, MO. Fines for price-fixing leveled at *Bumble Bee* & *StarKist* may cause *Bumble Bee* to file for bankruptcy. Foodservice giant *Aramark* will partner with *Beyond Meat* to develop new recipes. *Smithfield Foods*, the world's largest pork producer, will introduce *Pure Farmland*, fresh, refrigerated soy-based breakfast patties, meatballs, burgers & pre-seasoned protein starters. Cleveland Browns quarterback Baker Mayfield will enter a partnership relationship with *BodyArmor*. Dave Staples resigned as CEO of *SpartanNash* & Board Chair Dennis Eidson will serve as interim CEO. *Sir Kensington* co-founder Mark Ramadan will be CEO of *Hu Kitchen*. David W. Gibbs will replace retiring *Yum! Brands* CEO Greg Creed. The *National Chicken Council* requested congressional leaders enact better methods & processes to verify those legally authorized to work in the USA.

Morning Consult reports that 40% of Americans of all ages are drinking less alcohol than they were 5 years ago. Per *CBRE Research*, on-line still represents only 2% to 5% of the \$743B USA grocery retail market. University College London's research indicates consuming dark chocolate lowers reports of depression symptoms. Sockeye sales have jumped after a record 43M fish were harvested this season.

MARKET NEWS: Markets were lower as the media over-hyped an inverted yield curve.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malengo*

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