



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



HOUSEHOLD CHORES! DOES ANYONE ENJOY DOING CHORES? Parents teach children to do their chores & to keep their rooms clean! But *Winnie-the-Pooh* author A.A. Milne saw something positive in being messy saying, "*One of the advantages of being disorderly is that one is constantly making exciting discoveries!*" While some of us grow up to be untidy, others become clean freaks! But either way, there seems to always be something in the house needing to be picked-up or cleaned! Perhaps we should all adopt the Phyllis Diller quip, "*If your house is really a mess & a stranger comes to the door greet him with, 'Who could have done this? We have no enemies!'*"

CLEAN FREAK: People as diverse as humorist Erma Bombeck & dark romantic novelist Nathaniel Hawthorne both shunned housework, because the house would just get dirty again! Ms. Bombeck went as far as to say, "*My theory on housework is, if the item doesn't multiply, smell, catch fire or block the refrigerator door, let it be. No one else cares. Why should you?*" And while perhaps we should not concern ourselves with how clean our house is, we should care about our nutrition & how *clean we eat*. This week, a *Spoon Guru* survey reported that 88% of USA adults thought their diet was unhealthy, with almost 40% concerned that a serious illness could develop due to their diet & 20% fearing an untimely diet-caused death! Two-thirds said they eat processed foods at meal time 5 times of week! For us at **THE LITCHFIELD FUND**, we try to consume nutritionally powerful foods that have just a few organic ingredients & are less processed, with our meals created in our kitchen! Despite what we read & report weekly in *All Ears!!* about manufacturers & brands using real, clean ingredients, we still find many products, labeled or touted as clean, that may contain gums, smoothers, natural flavors & are overly sweetened or high in sodium. That alone makes it difficult to eat completely clean! Busy schedules, travel, trying to eat a complete nutritional profile & just enjoying good food & fine company increase the challenge! We admire anyone who can be a *clean freak* with everything they eat! It takes a lot more time, effort & care than Ms. Bombeck's method of cleaning the house, "*My idea of housework is to sweep the room with a glance!*"

INDUSTRY NEWS: *Nutpods*, non-dairy creamer, closed an undisclosed investment from *VMG Partners*. *PepsiCo* will acquire a 26% stake in China's *Natural Food International Holding* for \$131M. *Serenity Kids* closed a \$1.5M round led by *Wild Ventures*. *Global Founders' Capital* led a \$3.5M round in direct-to-consumer energy drink *Verb*. *Dunn's River Brands* sold controlling interest in Turmeric-based beverage *Temple* to Netherlands' *Natur International*, a plant-based food & beverages producer. *Cheesecake Factory*, already a minority partner in two of *Fox Restaurant Concepts* marques, will purchase the Phoenix based operator of 45 restaurants across 9 states, for more than \$350M. *Fox* will operate independently with founder Sam Fox remaining at the lead. *Audax Private Equity* acquired *Stonewall Kitchen* for an undisclosed amount. *Powerplant Ventures* closed its second fund at \$165M participation.

Sprouts Farmers Market reported flat 2nd QTR comparables with a 7% sales increase & a 6.3% drop in income, due to lease accounting changes & a challenging sales environment. *Whole Foods'* sales were flat in 2nd QTR as *Amazon* saw a 20% jump in revenue with relatively flat earnings. *Mondelez* saw 2nd QTR EPS rise to 56¢ from an impairment impacted 22¢ a year ago. Revenues were slightly lower on currency fluctuations. *Starbucks'* 3rd QTR revenue rose 8%, EPS nearly doubled & same store traffic increased 6%

on cold drink sales. *Danone* reported sales through the first half rose 1.2% while earnings increased 8% on their plant-based offerings, *Silk & Alpro*. Through their first half, *Nestlé* reported an almost 16% earnings increase on a 3.5% revenue increase, the pet food sector leading the way. Strong across segment performance led *J&J Snacks* to an increase in sales (7%) & income (18%) for 3rd QTR. Demand & pricing moved *Bunge* to positive earnings after a loss a year ago, though revenue fell 29%. *MGP Ingredients'* earnings increased 6.5% on a 2.6% 2nd QTR revenue growth. *Beyond Meat's* 2nd QTR loss grew 27% YOY despite sales quadrupling. The stock price fell as the company announced a secondary offering.

The Fresh Market completely reset its beverage section with natural brands & start-ups. While *Amazon Go* gets similar quarterly traffic, consumers spend only a third of what they spend at traditional drug & C-stores. *Shipt* debuts in Hawaii with *Times Supermarket*. *Bloomberg* reports *Uber* is exploring grocery delivery in the U.K. *Meijer* will launch *Shop & Scan* mobile checkout at all of its 42 Ohio stores. *Costco* will offer a digital membership, advancing its digital & payments capabilities. *Badger Technologies*, creators of the grocery robot *Marty* ([All Ears!! 10/14/17](#)), will begin to install 5G connectivity in partnership with *AT&T*, which will greatly improve efficiency. *Taco Bell* plans to reduce antibiotics in its beef 25% by 2025. *Chipotle* will not offer *Beyond Meat* or *Impossible Foods* items as the products are over-processed for *Chipotle's* menu. *Tim Horton's* will offer breakfast selections with *Just* plant-based eggs. *Tyson* will launch a line of refrigerated functional snacks named *Pact*, focusing on gut health, energy & collagen. *Urban Remedy* will enter 18 *Whole Foods* locations in New York City, its first expansion beyond California. *Pabst Blue Ribbon* will market test a 5% ABV malt beverage hard coffee made from fermented malted barley. *Impossible Foods* is adding manufacturing capacity with *OSI Industries* for its September retail launch. *J.M. Smucker* has opened a 430K sq. ft. manufacturing facility in Colorado, adding 200 jobs to produce *Uncrustables*. Canada-based *Flow Alkaline Spring Water* opened a 55K sq. ft., \$15.5M Virginia production facility located near an *Amazon* distribution center. *Charlotte's Web & Veritas Farms* will offer topical CBD products at 1,350 *Kroger* stores in 22 states. The Minnesota Department of Agriculture is blocking the sale of CBD infused beverages. *Current National Grocers Association* EVP Greg Ferrara will become their next president. With a booming economy & changing demographics, the truck driver shortage continues.

Nielson found that 98% of alt-meat eaters still consume meat. Also, *Nielson* reports that the market for all legalized cannabis/CBD is expected to quintuple from its current \$8B to \$41B by 2025. According to *Brand Finance*, *Nestlé*, *Danone* & China's *Yili* are the most valuable food brands. *Coca-Cola* was the most valuable beverage brand. Per a study from *Murdoch Children's Research Institute* in Australia, access to a variety of snacks leads kids to eat more, with actual portion size less impactful. Grain-free dog food, with high levels of potatoes, pulses or legumes like lentils & peas, are being researched by the FDA's *Center for Veterinary Medicine* for a possible connection to canine heart disease. Prices fell for hard red winter wheat & organic food grade soy beans in May/June, according to *Mercaris*.

MARKET NEWS: Markets fell on interest rates & tariff talk. July saw job growth, personal income rising faster than spending, inflation insignificant, personal savings increasing & consumer confidence up to 135.7, the highest level since November. Wages grew 3.2% & manufacturing sector wages grew fastest (at more than 4%), due to the administration's efforts in reviving American manufacturing, which continues to expand, but at slightly slower rate than last month. The percent of workers employed hit a record high, with more than 50% of the 6M jobs created by this administration filled by women!

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenjo*

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