



LAKE SHORE

F O O D A D V I S O R S



Weekly Update

Monday, December 3, 2018

Dovish Fed And Consumer Spending Lead To Rally

After taking losses during the week of Thanksgiving, markets rebounded sharply, marking the largest weekly gain of 2018. Federal Reserve Chairman Powell's dovish comments on rates were well liked by traders, and contributed to the rally along with strong consumer spending.

The **Dow Jones Industrial Average** increased 5.2% on the week, finishing at 25,538.

The **S&P 500** notched a gain of 5.6% on the week, finishing at 2,760.

The **NASDAQ Composite** rose 3.5% on the week, finishing at 7,331.

Yield on the **10-year Treasury** decreased six basis points during the week, ending at 2.99%.

Crude oil increased 0.5% on the week, ending at \$50.65 per barrel.

Corn increased 2.7% on the week, ending at \$3.78 per bushel.

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NASDAQ Highs: Lancaster Colony Corp. **Lows:** Central Garden & Pet Co., Craft Brew Alliance, Inc., Green Plains, Inc., The Hain Celestial Group, Inc., National Beverage Corp., Rocky Mountain Chocolate Factory, Inc., United Natural Foods, Inc.

NYSE Highs: Darling Ingredients, Inc., McDonalds Corp., YUM! Brands, Inc. **Lows:** Bunge Ltd., Dean Foods Co., Tyson Foods, Inc.

Featured Stocks of the Week:

Green Plains, Inc. (NYSE: GPRE) 10-Year History



McDonald's Corp. (NYSE: MCD) 10-Year History



The Lakeshore Food Chain

Company Name	Price	Price	52-Week Range		Price as Compared to		Forward	Enterprise Value to		Total Debt to LTM
	11/30/18	Compared to 11/23/18	High	Low	YE:			LTM:		
					2017	2016		Revenue	EBITDA	
Dow Jones Industrial Average	25,538	5.2%	26,828	23,526	3.3%	29.2%	24.2x			
S&P 500	2,760	4.8%	2,931	2,579	3.2%	23.3%	16.3			
NASDAQ Composite Index	7,331	5.6%	8,110	6,762	6.2%	36.2%	NA			
Sector Average:					3.3%	29.6%				
AGRICULTURAL LAND HOLDINGS										
Farmland Partners Inc.	\$6.20	(0.3%)	\$9.68	\$5.15	(28.6%)	(44.4%)	53.9x	19.62x	29.0x	15.2x
Gladstone Land Corporation	13.22	2.9%	13.95	11.36	(1.6%)	17.6%	NM	15.77	29.2	18.0
Limoneira Company	24.14	(2.3%)	33.42	19.62	7.8%	12.2%	26.5	3.91	23.4	3.4
Sector Average:					(15.1%)	14.9%	13.3x	13.10x	27.2x	16.6x
INPUTS										
American Vanguard Corporation	\$16.72	(4.0%)	\$24.00	\$15.31	(14.9%)	(12.7%)	19.6x	1.35x	10.1x	1.6x
CF Industries Holdings, Inc.	42.19	(2.4%)	56.51	35.70	(0.8%)	34.0%	15.4	3.67	10.3	3.1
DowDuPont Inc.	57.85	2.5%	77.08	51.32	(18.8%)	NA	12.7	1.89	9.1	2.1
FMC Corporation	82.74	3.8%	98.70	72.73	(12.6%)	46.3%	14.0	3.06	11.3	2.3
Intrepid Potash, Inc.	3.32	(3.8%)	5.31	3.12	(30.3%)	59.6%	19.5	3.38	11.3	1.5
The Mosaic Company	36.00	2.9%	37.37	22.90	40.3%	22.7%	15.3	1.93	10.0	2.6
* Nutrien Ltd.	51.43	0.3%	57.24	41.53	NA	NA	15.4	2.71	14.0	4.3
S&W Seed Company	2.75	(9.2%)	4.40	2.35	(29.5%)	(40.2%)	NM	1.31	29.0	10.3
The Scotts Miracle-Gro Company	75.98	1.8%	110.12	65.20	(29.0%)	(20.5%)	18.2	2.32	14.2	4.7
Zoetis Inc.	93.87	5.2%	96.57	70.20	30.3%	75.4%	28.3	8.77	22.5	2.9
Sector Average:					(7.2%)	20.6%	17.6x	2.40x	12.5x	2.8x
AGRICULTURAL EQUIPMENT										
* Ag Growth International Inc.	\$40.50	(1.1%)	\$48.63	\$38.32	(4.8%)	3.6%	16.6x	1.79x	11.8x	4.8x
AGCO Corporation	59.68	3.0%	75.95	49.50	(16.4%)	3.1%	13.5	0.68	7.8	2.4
Art's-Way Manufacturing Co., Inc.	2.39	3.9%	5.45	2.05	(19.9%)	(29.7%)	NA	0.74	NM	NM
* Buhler Industries Inc.	2.77	(2.2%)	3.67	2.65	(20.1%)	(16.1%)	NA	0.45	NM	NM
CNH Industrial N.V.	9.70	2.0%	15.65	9.34	(27.6%)	11.6%	12.1	1.21	10.3	7.6
Deere & Company	154.88	8.4%	175.26	128.32	(1.0%)	50.3%	13.5	2.42	15.8	7.5
Lindsay Corporation	101.16	4.3%	109.50	83.57	14.7%	35.6%	30.4	1.91	19.0	2.1
Titan Machinery Inc.	17.53	23.2%	25.09	13.28	(17.2%)	20.3%	21.4	0.59	13.6	7.5
Sector Average:					(11.5%)	9.8%	17.9x	1.22x	14.1x	5.3x
AGRIBUSINESS										
* AGT Food and Ingredients Inc.	\$11.64	0.7%	\$17.06	\$9.77	(27.4%)	(57.3%)	32.7x	0.65x	22.1x	11.5x
The Andersons, Inc.	33.06	0.3%	41.70	29.86	6.1%	(26.0%)	16.6	0.48	10.2	4.9
Archer-Daniels-Midland Company	46.02	1.8%	52.07	39.28	14.8%	0.8%	12.7	0.51	9.5	2.7
Bunge Limited	57.07	(0.8%)	83.20	56.80	(14.9%)	(21.0%)	10.5	0.36	10.1	4.5
Darling Ingredients Inc.	21.88	3.7%	22.38	16.26	20.7%	69.5%	21.9	1.51	9.4	3.8
* Gruma, S.A.B. de C.V.	10.95	(2.1%)	12.73	10.07	(13.7%)	(14.2%)	14.4	1.53	9.5	1.8
Ingredion Incorporated	104.46	1.3%	146.28	89.48	(25.3%)	(16.4%)	14.3	1.48	8.5	1.7
Landec Corporation	15.41	3.6%	15.60	11.60	22.3%	11.7%	33.0	0.96	18.0	3.0
MGP Ingredients, Inc.	67.99	(1.2%)	99.73	64.06	(11.6%)	36.0%	30.4	3.31	21.5	0.8
* Olam International Limited	1.23	(1.0%)	1.82	1.22	(18.9%)	(9.7%)	12.9	0.50	10.2	8.6
Sector Average:					(4.8%)	(2.7%)	20.0x	1.13x	11.9x	3.5x
DIVERSIFIED FOODS										
B&G Foods, Inc.	\$30.33	(0.4%)	\$39.75	\$22.00	(13.7%)	(30.8%)	14.8x	2.34x	12.5x	6.4x
Campbell Soup Company	39.20	(3.3%)	51.07	32.63	(18.5%)	(35.2%)	15.7	2.32	10.9	5.0
Conagra Brands, Inc.	32.34	(2.6%)	39.43	31.86	(14.1%)	(18.2%)	14.8	2.45	12.4	2.6
General Mills, Inc.	42.31	(2.4%)	60.69	41.01	(28.6%)	(31.5%)	13.5	2.59	12.0	4.6
The Hain Celestial Group, Inc.	20.70	(8.4%)	43.70	20.42	(51.2%)	(47.0%)	16.4	1.16	14.2	3.6
The J. M. Smucker Company	104.51	(5.6%)	133.38	96.13	(15.9%)	(18.4%)	12.8	2.36	10.9	3.8
Kellogg Company	63.65	3.1%	74.98	56.40	(6.4%)	(13.6%)	15.2	2.32	9.7	3.0
The Kraft Heinz Company	51.12	0.2%	82.48	50.41	(34.3%)	(41.5%)	13.8	3.55	12.3	4.2
Lancaster Colony Corporation	180.32	(1.7%)	189.34	115.81	39.6%	27.5%	32.7	3.82	23.0	0.0
Mondelez International, Inc.	44.98	2.7%	46.54	37.42	5.1%	1.5%	18.4	3.23	16.0	4.4
* Nestlé S.A.	85.21	0.4%	86.47	72.98	(0.9%)	18.5%	20.5	3.19	15.5	2.0
Post Holdings, Inc.	96.75	5.6%	101.43	70.66	22.1%	20.4%	18.9	2.05	11.1	6.4
SunOpta Inc.	4.71	8.7%	8.99	4.07	(39.0%)	(33.9%)	NM	0.82	22.9	11.5
TreeHouse Foods, Inc.	52.60	(0.8%)	55.60	36.35	6.3%	(27.1%)	22.5	0.86	10.3	4.6
Unilever N.V.	55.49	0.0%	56.79	47.70	(1.6%)	34.4%	20.4	2.93	14.8	2.9
Sector Average:					(10.1%)	(12.2%)	17.9x	2.40x	13.3x	4.3x

Company Name	Price 11/30/18	Price Compared to 11/23/18	52-Week Range		Price as Compared to YE:		Forward P/E	Enterprise Value to LTM:		Total Debt to LTM EBITDA
			High	Low	2017	2016		Revenue	EBITDA	
ETHANOL										
Green Plains Inc.	\$16.25	4.5%	\$21.90	\$14.98	(3.6%)	(41.7%)	NM	0.51x	15.8x	10.9x
Pacific Ethanol, Inc.	1.50	2.0%	4.80	1.38	(67.0%)	(84.2%)	NM	0.17	29.7	25.9
Renewable Energy Group, Inc.	26.95	7.5%	32.52	9.50	128.4%	177.8%	15.8	0.41	3.3	0.7
Sector Average:					19.3%	17.3%	15.8x	0.36x	9.6x	5.8x
FRUIT & VEGETABLE										
Calavo Growers, Inc.	\$98.28	0.5%	\$108.00	\$70.00	16.4%	60.1%	29.4x	1.60x	22.3x	0.1x
Fresh Del Monte Produce Inc.	33.65	10.9%	52.43	29.06	(29.4%)	(44.5%)	15.2	0.52	12.3	3.4
Lamb Weston Holdings, Inc.	76.70	(5.5%)	83.86	52.92	35.9%	102.6%	24.8	3.84	16.4	3.2
Seneca Foods Corporation	33.47	1.5%	35.90	25.45	8.8%	(16.4%)	NA	0.54	27.5	15.3
* Total Produce plc	1.76	(16.1%)	2.91	1.72	(42.7%)	(15.1%)	13.7	0.19	6.3	2.6 *
Sector Average:					(2.2%)	17.3%	20.8x	0.71x	19.6x	2.3x
PROTEIN										
Cal-Maine Foods, Inc.	\$46.72	(0.7%)	\$52.30	\$39.50	5.1%	5.8%	30.5x	1.24x	7.0x	0.0x
Hormel Foods Corporation	45.09	(1.3%)	46.26	31.71	23.9%	29.5%	24.6	2.54	17.6	0.5
Industrias Bachoco, S.A.B. de C.V.	41.72	3.6%	64.44	38.61	(27.2%)	(14.9%)	11.6	0.44	3.7	0.7
* JBS S.A.	3.04	7.0%	3.12	2.02	2.8%	(13.1%)	4.8	0.47	7.0	5.2 *
Nathan's Famous, Inc.	73.37	0.9%	107.05	60.35	(2.8%)	13.1%	NA	3.81	13.4	5.0
Pilgrim's Pride Corporation	19.84	(0.5%)	38.39	16.01	(36.1%)	4.5%	13.1	0.62	7.7	2.6
Sanderson Farms, Inc.	113.16	3.9%	176.43	95.97	(18.5%)	20.1%	NM	0.68	7.5	0.0
Seaboard Corporation	3,722.00	3.7%	4,499.95	3,505.01	(15.6%)	(5.8%)	NA	0.56	12.2	2.7
Tyson Foods, Inc.	58.95	0.1%	84.65	56.36	(27.3%)	(4.4%)	9.9	0.78	7.5	2.4
Sector Average:					(10.6%)	3.9%	16.6x	0.68x	7.5x	2.1x
BAKING & INGREDIENTS										
* ARYZTA AG	\$1.34	10.4%	\$38.91	\$1.17	(96.6%)	(96.9%)	13.1x	0.77x	8.9x	7.1x *
Balchem Corporation	86.70	0.8%	117.79	70.23	7.6%	3.3%	27.0	4.58	19.0	1.1
Flowers Foods, Inc.	19.79	0.9%	22.82	18.12	2.5%	(0.9%)	21.2	1.26	11.7	2.0
* Grupo Bimbo, S.A.B. de C.V.	1.92	4.1%	2.33	1.72	(13.5%)	(16.0%)	25.1	0.94	7.9	2.6 *
J & J Snack Foods Corp.	156.87	1.9%	162.80	125.98	3.3%	17.6%	31.2	2.47	17.9	0.0
* Kerry Group plc	103.32	(1.5%)	112.88	86.05	(8.0%)	44.1%	24.8	2.73	20.7	2.1 *
McCormick & Company, Incorporated	150.00	3.3%	151.42	98.34	47.2%	60.7%	28.7	4.57	22.1	4.6
* Tate & Lyle plc	9.16	1.9%	9.21	6.67	(3.6%)	4.9%	13.9	1.36	7.9	1.4 *
Sector Average:					(7.6%)	2.1%	23.1x	2.33x	14.5x	2.6x
CANDY, NUTS, & SNACKS										
Bridgford Foods Corporation	\$17.76	(3.9%)	\$21.55	\$12.20	41.5%	56.2%	NA	0.85x	13.9x	0.0x
The Hershey Company	108.30	2.0%	115.82	89.10	(4.6%)	4.7%	19.2	3.44	14.0	2.5
John B. Sanfilippo & Son, Inc.	62.22	0.4%	79.37	54.32	(1.6%)	(11.6%)	21.2	0.90	12.7	1.4
Rocky Mountain Chocolate Factory, Inc.	8.15	(2.6%)	12.60	7.98	(30.8%)	(20.0%)	NA	1.23	7.6	0.3
Tootsie Roll Industries, Inc.	35.01	(0.7%)	36.80	27.45	(0.9%)	(6.6%)	NA	4.10	23.6	0.1
Sector Average:					0.7%	7.3%	20.2x	2.10x	14.3x	0.8x
PET FOOD AND PRODUCTS										
Central Garden & Pet Company	\$33.85	8.9%	\$45.02	\$29.81	(13.0%)	2.3%	18.4x	0.92x	9.7x	3.2x
Freshpet, Inc.	33.00	0.3%	40.58	15.67	74.1%	225.1%	145.4	6.32	130.3	0.2
Sector Average:					(13.0%)	2.3%	18.4x	3.62x	9.7x	1.7x
WINE & BEVERAGE										
The Boston Beer Company, Inc.	\$274.54	(2.9%)	\$329.95	\$160.40	43.7%	61.6%	33.2x	3.12x	19.7x	0.0x
Brown-Forman Corporation	47.72	2.2%	59.58	45.63	(13.1%)	32.8%	28.1	7.71	22.6	2.2
The Coca-Cola Company	50.40	2.8%	50.84	41.45	9.9%	21.6%	23.4	7.51	19.8	4.0
Constellation Brands, Inc.	195.76	1.5%	236.62	187.87	(14.4%)	27.7%	19.8	5.96	10.7	3.4
* Cott Corporation	14.83	0.9%	17.10	13.38	(11.4%)	31.0%	42.9	1.37	11.6	4.6 *
Craft Brew Alliance, Inc.	16.08	0.4%	21.00	15.24	(16.3%)	(4.9%)	58.2	1.49	15.3	0.5
Crimson Wine Group, Ltd.	8.05	0.4%	11.16	7.83	(24.6%)	(14.1%)	42.9	1.37	11.6	4.6
* Diageo plc	36.04	0.5%	36.82	29.94	(2.2%)	38.3%	58.2	1.49	15.3	0.5 *
Monster Beverage Corporation	59.68	4.1%	70.22	47.61	(5.7%)	34.6%	31.1	8.62	24.0	0.0
Jones Soda Co.	0.31	(10.9%)	0.53	0.25	(14.5%)	(30.7%)	NA	1.18	NM	NM
National Beverage Corp.	87.27	(6.2%)	127.32	83.51	(10.4%)	70.8%	22.9	3.79	17.1	0.0
PepsiCo, Inc.	121.94	5.7%	122.51	95.94	1.7%	16.5%	20.7	2.99	15.2	2.8
Starbucks Corporation	66.72	1.6%	68.98	47.37	16.2%	20.2%	25.2	3.37	15.4	1.9
Willamette Valley Vineyards, Inc.	7.21	(2.6%)	8.55	7.10	(12.6%)	(10.0%)	NA	2.41	10.2	1.7
Sector Average:					(3.8%)	17.3%	33.9x	3.74x	16.0x	2.0x

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			High	Low	2017	2016		Revenue	EBITDA		
DAIRY											
* Danone SA	\$74.80	0.2%	\$81.67	\$69.25	(11.0%)	17.7%	17.4x	2.26x	10.5x	4.3x	
Dean Foods Company	5.04	(9.2%)	12.09	4.94	(56.4%)	(76.9%)	NM	0.17	6.1	4.2	
Lifeway Foods, Inc.	2.65	(4.0%)	10.38	2.01	(66.9%)	(77.0%)	NA	0.42	NM	49.5	
* Saputo Inc.	31.03	2.5%	34.81	26.72	(13.9%)	(12.3%)	21.6	1.49	15.4	2.1	
Sector Average:					(37.0%)	(55.4%)	19.5x	1.09x	10.7x	15.0x	
WHOLESALE, FOOD SERVICE, & DISTRIBUTION											
The Chefs' Warehouse, Inc.	\$38.11	5.4%	\$39.26	\$18.15	85.9%	141.2%	40.9x	0.98x	20.5x	4.2x	
Core-Mark Holding Company, Inc.	26.28	(1.8%)	40.12	17.10	(16.8%)	(39.0%)	18.7	0.12	13.5	3.5	
Performance Food Group Company	34.46	1.1%	39.45	28.05	4.1%	43.6%	20.3	0.27	12.4	3.2	
SpartanNash Company	18.75	(0.3%)	27.72	16.10	(29.7%)	(52.6%)	9.9	0.17	6.9	3.6	
Sysco Corporation	67.40	3.9%	75.98	56.01	11.0%	21.7%	19.6	0.73	13.1	2.7	
United Natural Foods, Inc.	21.61	(3.4%)	52.69	21.08	(56.1%)	(54.7%)	6.6	0.14	4.3	1.1	
US Foods Holding Corp.	33.18	1.7%	40.92	27.51	3.9%	20.7%	15.4	0.44	10.5	3.5	
Sector Average:					0.3%	(10.0%)	20.8x	0.41x	11.6x	3.1x	
MASS MERCHANDISE & CLUB STORES											
BJ's Wholesale Club	\$23.36	6.7%	\$32.92	\$19.31	NA	NA	NA	0.00x	0.0x	0.0x	
Costco Wholesale Corporation	231.28	5.1%	245.16	175.79	24.3%	44.5%	29.9	0.72	17.1	1.2	
Walmart Inc.	97.65	2.7%	109.98	81.78	(1.1%)	41.3%	20.9	0.67	10.5	1.9	
Sector Average:					11.6%	42.9%	25.4x	0.69x	13.8x	1.5x	
DOLLAR STORES											
Dollar General Corporation	\$110.99	4.8%	\$118.45	\$85.54	19.3%	49.8%	17.3x	1.30x	12.7x	1.1x	
Dollar Tree, Inc.	86.77	4.5%	116.65	78.78	(19.1%)	12.4%	15.4	1.09	9.6	1.9	
Sector Average:					0.1%	31.1%	16.3x	1.19x	11.2x	1.5x	
TRADITIONAL RETAIL											
* Ahold Delhaize	\$25.71	0.5%	\$26.34	\$19.20	16.8%	21.6%	14.0x	0.47x	7.0x	2.2x	
Ingles Markets, Incorporated	29.09	(4.7%)	37.65	26.95	(15.9%)	(39.5%)	10.6	0.36	6.0	3.7	
The Kroger Co.	29.66	(0.1%)	32.74	22.85	8.1%	(14.1%)	13.7	0.30	7.5	2.9	
Village Super Market, Inc.	27.29	2.7%	31.49	21.95	19.0%	(11.7%)	NA	0.21	5.9	0.8	
Weis Markets, Inc.	45.80	(5.3%)	57.82	36.50	10.7%	(31.5%)	NA	0.33	6.3	0.0	
Sector Average:					13.6%	(24.2%)	12.8x	0.33x	6.6x	1.9x	
SPECIALTY RETAIL											
Natural Grocers by Vitamin Cottage, Inc.	\$18.93	(12.0%)	\$24.50	\$6.18	112.0%	59.2%	48.1x	0.55x	10.4x	1.2x	
Sprouts Farmers Market, Inc.	23.02	(16.0%)	29.67	20.63	(5.5%)	21.7%	17.2	0.69	10.3	1.7	
Sector Average:					53.3%	40.4%	32.7x	0.62x	10.3x	1.4x	
TRADITIONAL RESTAURANTS											
Brinker International, Inc.	\$51.08	3.1%	\$54.14	\$32.03	31.5%	3.1%	13.4x	0.99x	7.7x	2.9x	
The Cheesecake Factory Incorporated	47.19	(6.0%)	60.19	43.26	(2.1%)	(21.2%)	17.9	0.94	9.5	0.6	
Darden Restaurants, Inc.	110.54	(0.9%)	124.00	82.38	15.1%	52.0%	19.5	1.77	13.2	0.8	
Dine Brands Global, Inc.	89.18	1.1%	95.09	45.12	75.8%	15.8%	13.3	4.67	14.7	7.2	
Jack in the Box Inc.	88.69	1.2%	108.55	75.09	(9.6%)	(20.6%)	20.6	3.85	12.9	4.1	
McDonald's Corporation	188.51	3.6%	190.88	146.84	9.5%	54.9%	23.5	8.24	17.1	3.2	
The Wendy's Company	17.93	1.0%	18.69	14.37	9.2%	32.6%	28.3	5.10	15.6	6.9	
YUM! Brands, Inc.	92.22	5.8%	92.45	75.88	13.0%	45.6%	25.5	6.71	20.6	5.2	
Sector Average:					17.8%	20.3%	20.2x	3.43x	13.9x	3.9x	
HIGH-GROWTH RESTAURANTS											
Bojangles', Inc.	\$16.09	0.2%	\$17.10	\$11.35	36.4%	(13.7%)	20.1x	1.28x	10.5x	1.9x	
Chipotle Mexican Grill, Inc.	473.21	0.4%	530.68	247.52	63.7%	25.4%	43.5	2.63	22.8	0.0	
El Pollo Loco Holdings, Inc.	15.27	(4.1%)	16.95	9.05	54.2%	24.1%	19.5	1.55	11.1	1.2	
The Habit Restaurants, Inc.	12.50	(6.7%)	18.30	8.11	30.9%	(27.5%)	110.0	0.70	9.0	0.6	
Noodles & Company	7.91	(14.7%)	13.50	4.55	50.7%	92.9%	60.6	0.86	12.6	1.5	
Papa Murphy's Holdings, Inc.	5.22	3.4%	6.50	4.28	(3.0%)	23.7%	15.1	1.76	8.0	4.2	
Potbelly Corporation	10.18	(1.7%)	14.15	10.00	(17.2%)	(21.1%)	39.3	0.52	6.7	0.0	
Shake Shack Inc.	55.55	8.2%	70.12	36.58	28.6%	55.2%	79.2	3.73	24.6	0.3	
Wingstop Inc.	65.62	4.3%	75.58	37.50	68.3%	121.8%	79.4	17.77	46.1	4.6	
Sector Average:					32.7%	23.5%	44.6x	1.45x	11.7x	1.5x	

Notes:

* Denotes local currency.

Source: Capital IQ.

Summary multiples adjusted for extraordinary and non-recurring items; outliers excluded from mean calculation.

Major Indices (1-year & 12-year History)

S&P 500



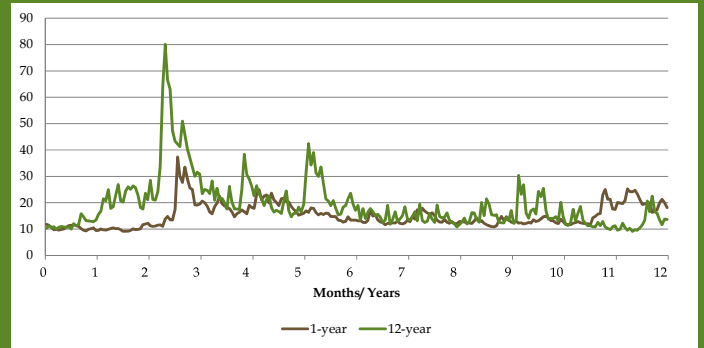
Dow Jones Industrial Average



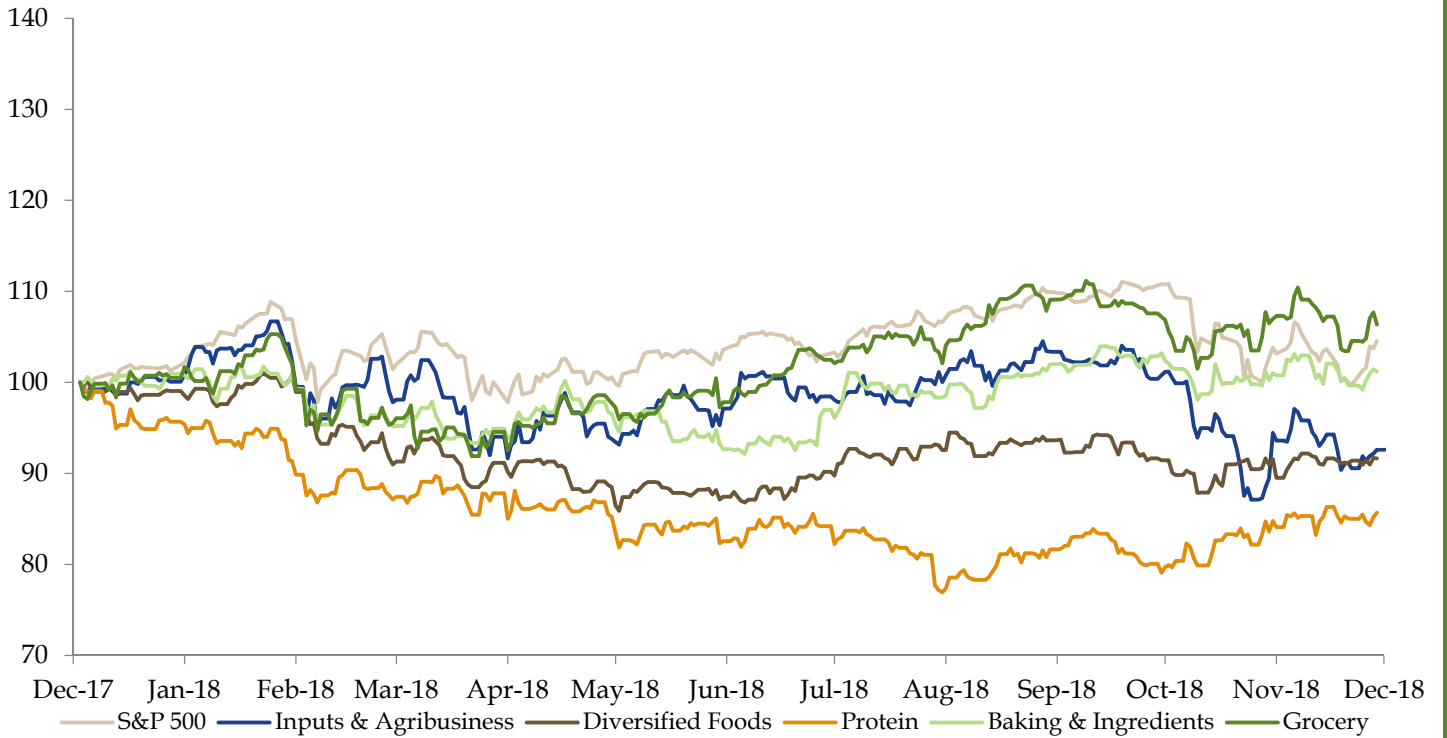
10-year Treasury



CBOE Market Volatility Index - VIX



Lakeshore Sector Indices vs. S&P 500 (1-year Only)



Food For Thought...

Partner Column

Written By William W. Whipple

Must Read - Lettuce Try Not To PANIC- WSJ OP-ED – last Friday, Jim Trevor, editor of Produce Business wrote on how the CDC (Center for Disease Control) identifies a Food-Safety outbreak and what it does with that information. I don't want to prejudice anyone's view, but this is a must read for the Grower / Food Processing Industry!

Pork - Good News- USDA says expanding strong domestic & international demand has kept pork inventories current / low ending stocks-to-production - despite record 4th quarter pork production up 3.5%. U.S. consumers are responding to lower pricing. 4th quarter price forecasts reflect heavy supplies at \$40-42 per cwt, almost 9% below YoY prices. Pork ending stocks were down nearly 5% in September, or about 7% of 4th quarter pork production. Pork exports finished more than 5% above a year ago. Remember my comment of over a year ago when I stated that pork exports would need to grow 10%/year. Mexico remains the largest destination for U.S. pork.

Jennie-O "Turkey" Store Profit Down 31% In 4th Qtr 2018 YoY- Jennie-O's volume and sales were both down about 4% YoY. Jennie-O premium deli products and foodservice products delivered sales gains. Segment profit decreased as a result of lower whole bird sales, higher feed costs, and increased freight expenses.

Kellogg Dramatically Underperformed The Market Last 5-Years- It has remained essentially flat, while S&P has rallied 46%. Is the stock a bargain? Kellogg has failed to grow its revenues and earnings the past five years. Numerous products exist, both branded and private-label, in supermarket shelves - hence margin pressure. Moreover, large retailers (Walmart and Target) have engaged in a price war. Thus, no growth. Kellogg has a new CEO who has a new restructuring plan, but the company has been going through restructuring for almost a decade. It has excluded significant costs from its adjusted results as "non-recurring," but these costs have certainly been recurring. Investors believe management has been using this type of financial engineering to mask its poor performance. Failed Share Repurchases - during the 5-year period 2013-2017, the company spent \$2.9B on share repurchases. This was 58% of its total earnings. Share repurchases did not enhance shareholder value, as the share count decreased only 2.7% between the end of 2012 and the end of 2017. The reason is that management issued \$1.4B of new shares rewarding itself. The stock is now trading around

5-year lows, whereas S&P is just 10% off its all-time high.

Bayer's MONSANTO Hangover Persists- Last Monday's Wall Street Journal ran an article about everything we have discussed in this Partner Column: 1.) turning the inventor of Aspirin into the No. 1 provider of crop seeds/pesticides, 2.) integrating companies with very different cultures and 3.) reputational challenges from Roundup litigation. You might think a Pharma Company would embrace GMO's but the reputational challenges in finicky US markets have Bayer's stock down 42% this year. What-to do? More to come!

Kraft Heinz Stock Continues Lower- Kraft Heinz shares are down 50% from the highs last year with a nearly 5% dividend yield. Analyst expect some earnings growth in 2019 – but the problem remains – no organic sales growth and no pricing increases from heavy promotions. Gross margins are down to 33% from 36% last year. Shares are trading at 14x 2018 earnings at the present \$32 per share.

Treehouse Back From The Abyss- The private-label manufacturer recently acquired Ralcorp, from ConAgra – whose stock hit a 52-week low of \$36/share in April of this year – has now recovered to \$53/share on the back of a new CEO from J.M. Smucker. The company hopes to raise its operating margin to 8% from last year's 5% - holding volume and price the same. Earnings are impacted by costs from restructuring, integration, divestiture and other non-operating items! Comments made that Investors need to be patient-Ha! Treehouse hit a high, prior to the Ralcorp acquisition, of \$104/share in 2016.

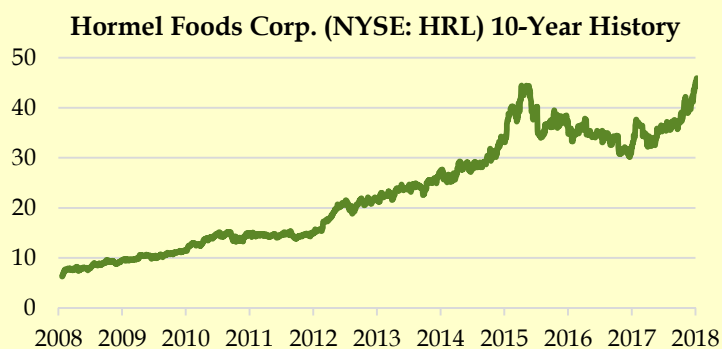
Ethanol Plants In The Corn Belt- In places such as Iowa & Illinois, plants struggle to make money, and far-flung facilities have been under pressure as bringing in corn from far away. Green Plains, the fourth largest ethanol producer has shut its Virginia plant and cut production in Superior, IA, Madison, IL, and Fairmont, MN and sold three plants. Ergon Biofuels LLC, a subsidiary of privately held Ergon Inc, shut down its only ethanol plant in Mississippi. Conestoga Energy said it would temporary halt ethanol output at its Texas plant. Ethanol prices have hit decade-low prices. GPRE CEO Todd Becker noted that China had been expected to import 200 million gallons of ethanol this year but has been out of the market because of the trade war; Chinese buying would wipe out the ~120 million gallon U.S. supply glut, he says. ADM CEO Juan Luciano said his company performed well in Q3, but "the issue continues to be ethanol. And recently we have seen people [taking] some capacity down, but probably still not enough."

Have a good week!

Food For Thought...

Hormel Foods, Inc. Announces Q4 Earnings. Hormel Foods, Inc. reported Q4 earnings on November 20th. The bottom line remained strong and increased 19.7% year over year, as net income was \$261 million compared to \$218 million in Q4 2017. Net sales increased from \$2,492 million in Q4 2017 to \$2,525 million in Q4 2018 driven by strong performance in the refrigerated foods and international divisions. Chairman and CEO Jim Snee commented on earnings, noting that “refrigerated foods had a solid quarter led by value-added growth in retail, deli, and foodservice channels which offset a continued decline in commodity profits.” The company’s refrigerated foods business increased ~6% in the quarter as sales of branded products increased, such as Hormel pepperoni, Natural Choice products, and Applegate natural products.

Despite the strong report, sales in Hormel’s grocery product division retreated 4% and profit dropped 22%. Lower hog harvest levels resulted in declines in organic volume and sales. Hormel’s Jennie-O Turkey division continued to struggle as net sales decreased from \$485 million in Q4 2017 to \$467 million in Q4 2018. Hormel attributed the decrease in volume and sales to lower whole bird volume and sales as shipment were shifted into the prior quarter to minimize cold storage expenses. Hormel reaffirmed their earning guidance for fiscal 2019 of earnings per share of \$1.77-\$1.91 and net sales of \$9.7-\$10.2 billion.

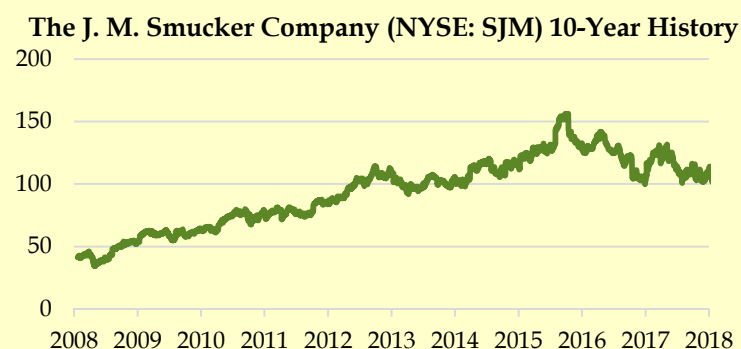


Earnings And Obstacles Ahead For Campbell Soup. On November 20th, Campbell Soup reported Q1 earnings, exceeding analysts’ expectations. Revenue came in at \$2.69 billion compared to an estimated \$2.67 billion while earnings per share was reported at \$0.79 versus an estimated \$0.70. Net sales for the meals and beverage division, which incorporates Campbell soup, declined ~5%, influenced by a decline in U.S. soup consumption along with struggles with the Prego pasta

sauces. The fresh food business, which Campbell plans to sell, decreased ~1% due to weaker sales in refrigerated soup products and Bolthouse Farms products.

Campbell Soup is amidst challenging times as the company finally ended their proxy fight with Third Point, agreeing to add two of their nominees to its board. The company is actively trying to sell their fresh food business as well as their international operations. Also, Campbell is working on integrating snack-maker Snyder’s-Lance and broth producer Pacific Foods into their business model. CEO Keith McLoughlin shared his outlook on Campbell stating, “we continue to expect fiscal 2019 to be a transition year as we fully operationalize our plans to turn around Campbell. We acknowledge there is much more work to be done and it will take time to stabilize our business.”

Smucker’s Top Line Growth Not Good Enough. The J.M. Smucker Company reported Q2 net sales of \$2.0 billion, increasing ~5.0% from prior year Q2. Revenue was boosted by Smucker’s acquisition of Ainsworth Pet Nutrition, acquired for \$1.7 billion earlier this year, increasing the pet food segment net sales by \$177 million. Despite the growing pet food segment, Smucker’s retail consumer foods’ segment net sales decreased by \$66 million compared to the year before. Also, the retail coffee segment decreased by \$6.5 million from prior year, which is a cause of concern due to the overall growth in the coffee market. The company reported net income of \$188.5 million, a decrease from \$194.6 million in Q2 of 2017.



In September, Smucker’s sold their baking products including Pillsbury, Martha White, Jim Dandy, White Lily, and Hungry Jack for \$375 million, and used the proceeds for debt repayments. CEO Mark Smucker stated, “we are focused on growing brands consumers love in the pet food, coffee, and snacking categories, as evidenced by the completion of the U.S. baking business divestiture during the quarter.”

Heard on the Street...

Kraft Heinz Agrees To Buy Paleo Mayo And Dressing Company Primal Kitchen. Kraft Heinz said Thursday it plans to buy paleo condiment and dressing company Primal Kitchen for about \$200 million, as the ketchup maker looks for a platform to help compete against upstart brands. The acquisition marks a change of course for the company whose backers, 3G Capital, made a name in large-scale acquisitions and an aggressive approach to cost-cutting. It gives Kraft Heinz, which also owns Miracle Whip and its branded dressings, a foothold with which it will look to fend off competition from upstart brands like Sir Kensington's and Annie's Homegrown.

Primal Kitchen is expected to generate about \$50 million in revenue this year, Kraft Heinz said. The deal is expected to be completed in early 2019. Primal Kitchen was founded by food blogger Mark Sisson, who started "Mark's Daily Apple" in 2006 and has written a number of diet and exercise books. The company makes paleo-friendly products including mayo, avocado oil and dressings. It says its products are made without processed or artificial ingredients, added sugars, soybean or canola oils. Paleo diets focus on foods that were available in the Paleolithic era, like nuts, seeds, lean meats and vegetables. The idea, which has gained a strong following in recent years, is that the human body is best suited to eat the foods that early humans ate rather than the modern diet, which includes processed foods. Kraft Heinz has put a renewed emphasis on growth over the past year.

Fuji Oil Holding To Acquire Blommer Chocolate. The largest ingredient chocolate manufacturer in North America and third largest in the world, The Blommer Chocolate Company, announced an agreement to be acquired by Fuji Oil Holding Inc. CEO and third generation family member Peter Blommer stated, "for nearly 80 years, our family business has grown to become a major ingredient supplier to most of the iconic brands across a wide variety of food categories, and this begins a new chapter as we look forward to joining highly respected global leader Fuji Oil." The acquisition includes the private, family-owned company's four manufacturing operations in North America, one manufacturing operation in Shanghai, and all of Blommer's business entities. Fuji Oil Inc. is a publicly traded global supplier of food ingredients, with oil and fat, chocolate, emulsified and fermented food and soy protein as pillars of their business. Fuji currently is an industrial chocolate leader in Asia, and has continued to expand its presence in Europe and South America. With the acquisition of Blommer, this will allow Fuji to provide significant opportunity and choices for their customers.

SpartanNash Agrees To Acquire Martin's Super Markets. Martin's Super Market, Inc., a family owned and operated supermarket chain headquartered in South Bend, IN announced it will be acquired by SpartanNash Company. The acquisition will expand SpartanNash's exposure to retail markets of northern Indiana and southwestern Michigan. SpartanNash distributes grocery products to a diverse group of independent and chain retailers, corporate-owned retail stores, fresh produce distributors, and fresh food processors in all 50 states. For the fiscal year ended July 29, Martin's logged more than \$450 million in net sales.

The deal is expected to wrap up early in the first quarter of the fiscal year ending December 28, 2019, subject to customary closing conditions. "We were seeking a partner we could trust with the family's legacy of exceptional customer service, quality products and value; we found that partner in SpartanNash," said Martin's President Rob Bartels, grandson of the company's founders. "SpartanNash has been a valued and capable partner, and our partnership has grown and strengthened over time. We share similar values, a passion for the business, and cultures based on excellent customer service, stewardship of our brands, and commitment to our communities and teams. We look forward to a robust and dynamic future for the Martin's family."

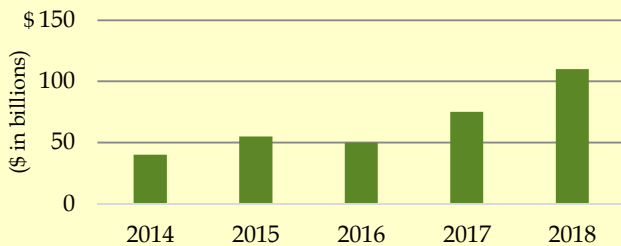
ArchPoint Group Acquires Watusee Foods. ArchPoint Group, a global products and professional services company, acquired Watusee Foods. The acquisition displays ArchPoint's new business strategy of investing in small brands with great opportunity and bringing them to market with cross-functional expertise through sourcing, sales, warehousing, and marketing. Watusee Foods, founded in 2013, manufactures organic, gluten-free breadcrumb alternative called Chickpea Crumbs, and crispy snacks called Chickpeatos and Popped Chickpeatos. ArchPoint intends to expand distribution with Watusee's current product selection and bring new products to market to position a strong, omni-channel marketing approach. "Applying ArchPoint's capabilities in brand development, marketing, sourcing, sales and supply chain to Watusee's mission and innovation creates the kinds of synergies required to grow Watusee brands and generate value for customers, investors and employees," says ArchPoint CEO Jesse Edelman. "We are excited to be involved in one of the fastest growing categories: healthy snacks." The ArchPoint and Watusee teams say their goal is to expand distribution with the current product selection, bring new products to market and build the brand with new positioning and a strong, omni-channel marketing approach.

Loans

Corporate Use Of Incremental Debt Causes Concerns. This past month, a senior official at the Federal Reserve took the unusual step of expressing concern about incremental loans, noting that proceeds of the borrowings may end up as payouts to private equity owners. In one notable case, Applied Systems, an insurance software provider, borrowed so much using incremental and regular loans that its private equity owners were able to completely recoup their original investments in the company.

The growth of incremental debt underscores how permissive lending markets have become, and why so many money managers and rulemakers are watching corporate borrowings warily now. "Lenders have been providing what feels like unlimited capacity to borrowers to incur additional loans," said Vince Pisano, a senior analyst at Xtract Research. "A lot of the extra debt is paid out to private equity owners as dividends, so at some point you should be investing in those firms and not the loans."

U.S. Incremental Leveraged Loans



Incremental debt is issued under the same terms and documentation as a prior loan. It can make a company riskier for lenders not just by saddling the borrower with more debt, but also by changing the priority of debt repayments. With that refinancing, a company ends up with more debt that's first in line, reducing recoveries for everyone at the level known as the first lien, and fewer lenders to absorb losses when things go wrong. The crowded first lien is a problem for lenders who have agreed to receive less interest in exchange for taking what they thought would be less risk.

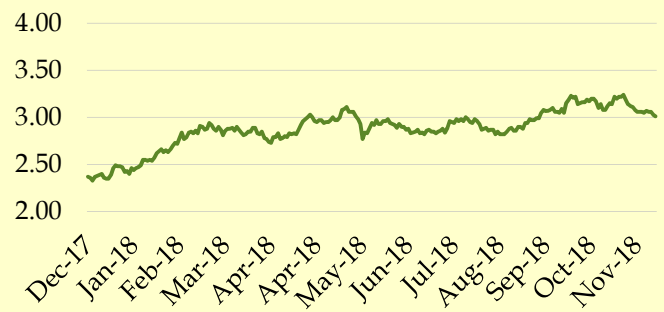
According to Bloomberg, lenders have agreed to a wide range of looser terms as U.S. leveraged loans have grown into a more than \$1 trillion market, eclipsing junk bonds. Those weaker protections for investors could be painful during the next credit downturn: Moody's Investors Service projects that investors will recover just 61 cents on the dollar when first-lien term

Loans go bad whenever the market turns, well below the historical average rate of 77 cents.

Fed's Dovish Tone Sparks Rally. The Federal Reserve Chairman's dovish tone was an unanticipated boost to the markets as it served to allay concerns over tightening monetary policy. Interest rates matter for investors because they're a source of income and affect the outlook for the economy and stocks.

While rates are low compared with past averages, short-term rates have been increasing for almost three years as the Federal Reserve works to pare down its bloated balance sheet. The growing concern on Wall Street has long been that the Federal Reserve would tighten too quickly, causing a spike in interest rates and a prompt repricing of risk across asset classes. But the Fed is also trying to avoid keeping rates too low for too long and rekindling inflation or financial excesses. In between those lies the "neutral rate," where interest rates aren't speeding or slowing economic growth. It seems that the Federal Reserve and traders are in agreement, for now, about where the sweet spot lies.

U.S. Treasury Ten Year Rate



Federal Reserve Chairman Powell said that current rates were "just below" the neutral rate. Further, the minutes from November's Federal Reserve meeting show concerns about global growth and trade tensions. On the whole, investors were relieved, stocks rallied and long-term interest rates edged lower.

The Federal Reserve plans to continue slowly hiking short-term interest rates as long as the economy grows moderately and inflation remains near its 2% target, probably pausing sometime in 2019. Although markets are likely to stay volatile as the Federal Reserve tries to keep expectations aligned with ever-changing data.

Commodities Overview (1-year & 12-year History)

Corn



Wheat



Hogs



Broilers



Cocoa



Gold



Broiler price based off spot closing price. All other commodity prices are based off the closing price of their respective nearby futures contract.

Sources: Thomson Financial Data Securities, Capital IQ, Reuters, Edgar Online, Wall Street Journal, Barron's, New York Times, Bloomberg, Chicago Tribune, Denver Post, MarketWatch, USDA, The Economist, BusinessWeek, Food Institute, Food Business News, Supermarket News, LPC, Company Press Releases. The information contained in this publication is compiled using publicly available news/media sources and industry-specific sources that Lakeshore Food Advisors, LLC ("LFA") believes to be reliable, but the accuracy and completeness of which LFA cannot guarantee.

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