



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

The trade show has likely been around since the days when the Paleo diet rage was the *only* option! Imagine, Thuk & Uck in front of their caves, each with a rudimentary earthen pot they fashioned from mud. Muk walks by with some nuts he picked! Thuk & Uck begin to barter. Thuk shows Muk that his pot is good for holding those nuts while watching the Mammoth rut. Uck demonstrates that his pot holds water for washing down those nuts! Muk is impressed! For a few nuts he ‘buys’ each of the pots! Thuk & Uck decide to make more pots & show their wares for the entire village! Thus, the first trade show comes to be!

Expo West: Okay, trade shows most likely began in medieval times as merchants & artisans displayed their goods in towns with a *burgeoning bourgeoisie*. Merchants brought the merchandise they acquired in their travels & trade to fairs & festivals. Artisans displayed their crafts, moving past the simple & functional to the ornamental & attractive, all to fulfill the demand of a now wealthy ‘middle class’. The trade show blossomed again during the industrial revolution for businesses to find buyers, meet sellers, exchange ideas & expand & improve technologies & efficiencies. Finally, the 20th century brought Madison Avenue type advertising & mass marketing into play. By the 1960s, trade show events began skyrocketing! This week our industry once again meets at its leading event, the *Natural Products Expo West 2017* in Anaheim. We could easily take up space regaling about the size, scope, innovation & news but we could hardly do it justice! But there are important takeaways from this yearly event. At the top of the list is that this industry – call it what you may – natural, organic, better-for-you, clean, sustainable, ethical, etc., *is* the mainstream. In essence, the only growth in the food industry is in this segment. Big Food, sort-of-Big Food, New Food are all here to see what is new, what is next, what is hot, what is not. And while innovation runs rampant, this is, to put it mildly, a crowded show floor! Products & entrepreneurs must stand out to get attention. And as we look across the floor, we realize one thing – *Thuk, Uck & Muk could certainly fulfill their dietary needs!*

Industry News: *United Natural Foods* reported revenue growth of 11.6% & net income growth of 12.3% for 2nd QTR. However, deflation was once again the culprit as *UNFI* lowered full year projections to the \$2.49 to \$2.54 range from \$2.53 to \$2.63. *UNFI* will take a \$35M charge for layoffs & relocations affecting 265 employees as it seeks to streamline after recent acquisitions. *Smart & Final* cited deflation, a decrease in same store sales growth & overall transaction size for a slight 4th QTR loss & a significant decrease in full year income. *Smart & Final* opened 33 stores last year & felt cannibalization of its own sales was part of the problem.

Farmhouse Culture completed a \$6.5M raise led by *301 Inc.* *Farmhouse Culture* will launch *Gut Punch*, a beverage made with fermented vegetables. Industry analysts feel *Instacart* may be trying to raise \$400M with a \$3B valuation. John Foraker led a \$1.4M investment round in *Wild Friends* nut butters. *Incredible Foods* announced a \$15M investment from *Winona Capital*. *Incredible Foods* has a new allergy free frozen treat line, *Perfectly Free*.

Nestle announced corporate & product goals to promote health, wellness & fitness. *General Mills* is on track to grow its organic business to \$1B in sales by 2019 & to have 250,000 acres of organic farmland. *Dr. Pepper Snapple* sees *Bai Brands* becoming the leader of the healthy beverage brand sector. Meanwhile, *Talking Rain* also seeks growth through acquisition. Kevin Klock, CEO of *Talking Rain*, stepped down this week. *Spindrift* is eliminating natural flavors from its drinks. Also, the company will be discontinuing its soda line, believing its sparkling line can better achieve its mission. *Dave's Killer Bread* will launch both bagels & raisin bread! *Buddha Brands* has a new probiotic (*Ganaden BC30*) *Hungry Buddha* coconut chip. *Califia Farms* is introducing its first organic product, *Homestyle Nutmilks*.

Studies indicate that whole/ancient grains are growing in use, popularity & innovation. *General Mills* is making a \$500K charitable grant to support research for kernza, a perennial grain that provides soil, water & environmental benefits. *Ardent Mills* is launching a quinoa growing network, *Great Plains Quinoa*, to address South American pricing & supply chain issues.

The Hartman Group reported that of the 91% of Americans who snack only 8% forego a meal. People snack for daily sustenance, fuel physical & mental performance & of course, enjoyment. Babies conceived during winter months have a greater likelihood of learning disabilities caused by the mom's lack of much needed Vitamin D during wintertime. A German study has shown that capsaicin, found in hot peppers, kills a particularly aggressive breast cancer cell. So, load up on *Supereats Jalapeno Cheddar Puffs*!

Market News: Markets were little changed this week as investors consolidated gains in the post-election, post-inauguration run-up. Oil prices plummeted over 8% this week as investors finally took note of an abundant supply & a weak demand. Jobs created beat expectations & workforce participation increased in the first month of the new administration. We feel new jobs come from a sense of future optimism, as employers will always try to make do with what they have to avoid the high cost of acquiring & training talent & the eventual cost of firing & laying off non-performers. The job statistics almost guarantee a coming FED rate hike!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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