



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

Long before Amazon delivered goods via drones or driverless cars, Sears & Roebuck brought everything to the American family through its mail order catalog! Sears’ catalog business grew because American farmers needed inexpensive but quality goods. Farmers depended on far away general stores who passed along their high carrying & transportation costs. By the early 1900s the catalog, ‘*The Wish Book*’, was nearly 400 pages & soon after Sears could deliver to you a car or a complete kit to build a 3-bedroom house! Sears became the largest U.S. retailer & its Craftsman tools one of the most respected brands in the USA!

Hard Times: Let’s face it, as we have said before, Bob Dylan was more predictive than Nostradamus! There is a Dylan quote for every facet of your life, past, present or future. In *The Times They are a Changin’* Dylan reminds us that “*The order is rapidly fading and the first one now will later be last!*” This certainly applies to Sears, which announced not just the closing of stores this week but also the sale of the still well-respected Craftsman brand to Stanley Black & Decker. Sears has seen *hard times* with few positive quarters in the last 5 years & has fallen on the list of top retailers. They are seeking to improve their liquidity with these actions. However, the pressure on retailers applies across the board, with Macy’s & others announcing closings & cuts. Supermarket chains continue to see deflation & volume impacting their bottom lines. We see many reasons, from the lagging recessionary impacts of slow growth to drastically different purchasing models for consumers. Some combination of the internet, more trips to the store but smaller bundles, direct to consumer options for groceries or hard goods & changing tastes for those same goods, combined with a lack of purchasing power puts retailers, especially brick & mortar retailers, in a perilous position. Whether food or electronics, consumer tastes seem to be more fickle, ready to jump on the next innovative idea. We recommend that companies & retailers focus on remaining flexible, ready to innovate & change, because *it doesn’t take a weatherman to see which way the wind blows.*

Industry News: *Restaurant Brands International*, the parent of *Burger King* & *Tim Horton’s* plans to remove antibiotic meat in the USA by 2017 & in Canada by 2018. *Taco Bell* announced plans to remove preservatives, antibiotics & other additives from its menu offerings. *Wendy’s* also announced sustainability updates & goals. Meanwhile, new FDA rules that went into place on January 1 limit some antibiotic use in livestock. The FDA warns against the creation of superbugs as a result of antibiotic overuse.

Sprouts Farmers Market identified 11 locations for new stores in 5 states. The grocer plans 35 new stores this year. *The Organic Coup* plans to open 10 locations by February. *Harmless Harvest*

settled a lawsuit contesting their usage of the wording 100% organic & raw. The U.S. 9th District Court ruled against *ConAgra* in a lawsuit charging that 100% natural *Wesson Oil* contains GMOs. *Whole Foods* was sued by several former executives who claim they were wrongfully terminated after identifying errors in the company's bonus allocations.

North American Foods said *show me the honey* & acquired honey maker *Sweet Harvest Foods*. *GT's Kombucha* reported that earlier in 2016 they had acquired *Tula Cokoefir* & now have completed a rebranding of the product. *Blue Apron* has put a planned February IPO on hold as revenue, profit margin & customer acquisition costs do not support their valuation. *BYTE* finished a \$5.5M funding round to fund its smart healthy vending machines. Nutraceutical company *OmniActive* finished a \$35M fund raising to accelerate growth. *Fenwick Brands* named Elizabeth Stewart as Director of Investments.

In Britain, 49% of people plan to eat more ethically in 2017. Adaptogen use for stress relief is a fast-growing market. Liver & detox supplement sales are expected to grow from \$125M to \$166M by 2020. A recent study shows that consumers do expect healthy products to cost more. Only 9% of millennials cut grocery spending when their financial circumstances get worse.

Pinnacle Foods expects to drive profitability through scale including within its Boulder Brands segment. *The Wall Street Journal* reported that *Danone* CEO Emmanuel Faber is looking for continued growth in its organic offerings. *Project Juice* is jumping on the bottled soup trend. Following the protein trend, *Burt's Bees* has introduced plant-based protein shakes, including probiotics & antioxidant blends.

Market News: Jobs again missed December estimates & the unemployment rate crept up. Somehow analysts found positive news in the October/November leveling that seemed to bring December more in line. Analysts were positive about wage growth. The DOW pushed to within a whisker of 20,000 on Friday reaching an intraday lifetime high of 19,999.63. The S&P & Nasdaq also hit record highs as all the indices were positive for the week. With 2 weeks remaining until the inauguration it seems investors are certainly not fearing a change in Presidential leadership.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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