



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

Everybody has that friend, co-worker or acquaintance! You know the one we mean. You mention to them a great new restaurant, a wonderful new movie or perhaps a great vacation spot. They feign interest with a head nod & utter a distasteful "uh-huh." Then a few weeks later you overhear them at the water cooler telling someone about this fantastic new restaurant *they* just uncovered! Or worse, a few months later, you see the Facebook post with a picture of them smiling with drinks raised under a beach umbrella stating: *Found the best vacation spot EVER!* Discovering what's always been there? That's called *Columbusing*.

Columbusing: It is great to see the excitement generated this week at the Natural Products Expo East! Now-a-days people are attracted in droves to our industry as they recognize the benefits of clean organic eating & the need for better health & lifestyles. Expo East is attended by so many folks who are new to the industry! There are so many amazing innovative products following such interesting trends such as plant-based, protein enhanced, grainless & fermented, just to name a few! But all this innovation got **The Litchfield Fund** reminiscing about the days when we discovered the benefits of eating organic products & produce.

We started our *journey of discovery* simply enough just by eating lots of fruits, veggies, yogurt, & granola; lowering our salt intake & chomping on trail-mixes & nuts for energy when hiking. Then in the late 1980s & early 1990s, we began locating the few CPG products that were available! Brands like *Alta Dena, Silk, Rice Dream, Lifeway & Barbara's. Seventh Generation* started to appear for home-care product alternatives. But if the CPG options were few, the retailer choices were even fewer. *Yes, millennials, there was a time with no internet shopping options. Amazon was just a big river.* A few scattered health food stores, no organic produce options & not an urban farmer's market to be found. But the late 1990s brought a change as packaged brands like *Amy's, Annie's, Stonyfield's & Cascadian Farms* could be found in some conventional groceries & organic produce started to become available! By the turn of the 21st century we finally had access to *Wild Oats & Whole Foods*, no longer needing to drive 30 miles to *The Mustard Seed!* Now we see product options we never dreamed of such as gluten-free, healthy fats, grass-fed, superfoods, plant-based; etc. And we enjoy the energy newcomers bring as they *discover* & create wonderful innovations in our industry!

So in all honesty we weren't exactly a nomadic tribe crossing a land bridge following the mastodon because we liked grass-fed open-range steaks. We were a bit more like a Viking explorer, testing new waters & exploring the calm inlets & bays, without the benefit of maps, compasses, *smartphones or nutritional facts!* Many were already there when we arrived, but

the real wave of exploration came after us. And now, as we look across the Expo show floor, we realize in some small way how explorers felt upon their first glimpse of the majesty of the Mississippi, the turbulence of Yellowstone or the vastness of the Pacific Ocean!

Industry News: One of those brands that was around from the early days was *Seventh Generation*. This week *Unilever* announced the acquisition of the organic home care product mainstay. Based on *Seventh Generation's* estimated \$200M or more in annual sales the undisclosed purchase price is thought to be around \$700M. *Unilever* had sought *The Honest Co.* but the asking price was unrealistically set above \$1B. *Honest Co.* has more of an on-line based presence as opposed to *Seventh Generation's* shelf presence.

Organic egg sales rose 75% coming in at \$732M in sales for 2015. Organic milk still leads the way with \$1.2B in sales, up 8.4%. Organic chicken rose 13% & apple sales rose 20%. Clean label is becoming the standard for dairy, which stays at #2 behind produce in total organic sales. In the 'with kids' segment Millennials with kids make up 52% of buyers, GenX-ers account for 35% of purchases and Baby-Boomers for 14%.

Flower Foods renovated a *Wonder Bread* baking plant in Lenexa, KS & will begin baking several other of its brands there, including *Nature's Own*. The plant had been closed as part of *Flower's Hostess* acquisition. *B&G Foods*, makers of *Pirate's Booty*, acquired *ACH Food Companies*, adding *Durkee*, *Spice Islands* & *Tone's* spices to its brands. Analysts report that the *Walmart/Jet* partnership could place *Walmart* in the lead for online retailing. *General Mills* reported sales fell 7% in the last quarter. Profit of 67¢ per share was 2¢ below the same quarter last year & missed analyst forecasts of 75¢ per share. *General Mills* will continue to try to revive its lagging *Yoplait* brand. The FDA ruled that triclosan along with other chemicals found in anti-bacterial liquid & bar soaps stop being used.

Market News: The market paused on Friday after a bit of jubilation following the FED announcement that interest rates will hold steady for the time being. We hardly think this is "The Pause that Refreshes" as data due out next week, including one more 2nd QTR GDP revision, should only reconfirm the failure of this administration's economic policies. Investors should expect continued volatility for the next few months. Saudi Arabia added to Friday's market decline with indications that they will not pursue oil supply caps in coming meetings. Meanwhile, analysts view European central bank stimulus actions as having ho-hum results.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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