



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

"Golf is a good walk spoiled" is attributed to Mark Twain. No less than Jack Benny, John Updike, Henny Youngman, Mickey Mantle & even great golfers, like Demaret, Floyd & Woods, have let out their golfing frustrations with zany, one-liner zingers. *It's called golf because all the other 4-letter words were taken. The fastest cart has the best lie. Golfers are like children because they can't count beyond five.* But golf is a serious game! The hushed crowds, the scowling player after a noise *disrupted* swing & the whispers of the greenside sportscaster! But that is not the case at the 16th hole of *Waste Management Phoenix Open*.

Disruption: Disruption is a key word in the natural & organic industry, but the Phoenix Open is *disruptive* at many levels. It is a *party tournament* – THE ROCK'N'ROLL EVENT of the PGA Tour! The Fan Experience is loud & raucous! On TPC Scottsdale's signature 16th hole the players get cheers of encouragement & jeers for bad shots! The Phoenix Open is the most attended single sporting event in the world! With purely *Scottsdalian* weather this week, 70s & sunny, close to 700,000 fans are expected. But far more importantly, the money raised is for *Thunderbird Charities* & their continued support for Arizona families, children & quality of life in the Valley!

Industry News: *Bob Evans Foods* sold its restaurant business to *Golden Gate Capital* for \$565M. *BEF* also purchased *Pineland Farms Potato Co.*, a potato & cheese processor for retail & food service. It appears *Albertson's* is backing off its acquisition interest in *Price Chopper*. *Pure Steeps* of the *Harris Freeman* tea company added *Kombucha Wonder Drink* to its portfolio that already includes *Secret Squirrel* cold brew coffee. It is reported that coconut water brand *Vita Coco* is exploring a \$1B sale. Ingredient supplier *Applied Food Sciences* has opened an R&D facility in Iowa City, Iowa to focus on plant-based food science, the future of the food system & maintenance of a healthy food supply. *Kroger* continues to expand its worker base, expecting to add 10,000 jobs at the store level to its 400,000 employees. Many restaurants are closing in San Francisco due to the high cost of labor caused by minimum wage mandates. Both *Zico* & *Hint* are facing lawsuits in the California courts. Allegations over the products' labeling include that *Zico* has added sugar & that natural *Hint Water* has a synthetic additive. *McCormick & Co.*, fresh off of its 2016 acquisitions, reported record 2016 earnings & expressed optimism for 2017. Despite flat sales year over year EPS rose to \$3.69 for 2016 as opposed to \$3.11 last year, a 18.6% gain. Despite a good quarter, technical issues with *Starbucks'* new order & pay app resulted in lower comparable store sales. As a result, *Starbucks* lowered its full year forecast. *Unilever* reported a slight gain in EPS for 2016 on a 1% decrease in sales & forecasted tough market conditions for 2017. A **Litchfield Fund** favorite, chocolate & grain maker *Alter-Eco*, reported a 3-year growth of 198% & reached \$20M in sales.

Tio Gazpacho is adding a corn & poblano pepper soup. *Forager Project* is introducing a cashew-based drinkable yogurt. *Walmart* has opened up a fast food organic restaurant, *Grown*, in one of its Orlando, Florida supercenters. *Grown* is a concept developed by NBA superstar Ray Allen & his wife. This is the second location for *Grown*. *ShopRite* has debuted an organic private label line, *Wholesome Pantry*, which will be free-from 110 artificial ingredients. Two more **Litchfield Fund** pantry staples, *Lesser Evil Buddha Bowl* popcorn & *Fourth & Heart* grass-fed ghee, are teaming up on a new *Buddha Bowl Oh My Ghee* organic popcorn!

A recent survey by Earth Balance shows consumers becoming more aware of plant-based foods as part of a healthy diet, with 63% trying plant-based proteins. A recent study mentioned in *JAMA* shows that eating animal protein does not raise overall mortality rate unless other risk factors are associated such as obesity, smoking, drinking or lack of exercise. However, a diet heavy in plant protein significantly lowers overall mortality rate. Consumer supplement sales are projected to reach more than \$52B by 2020. Last week, *All Ears!!* mentioned a study that showed omega-3s helped heal the heart after a cardiac event. This week, studies show omega-3s help patients recover from colon cancer. The NIH & Medical University of South Carolina are doing a study to see if omega-3s can improve combat performance in U.S. Soldiers. A study from the journal *Neurology* indicates resveratrol, found in red wine, dark chocolate & blackberries, helps the brain defend against Alzheimer's disease. Cranberries have been shown to have qualities that fight bacterial infections & superbugs. A Brandeis University study determined that dried carrot pulp has all the benefits of other fiber sources with the added benefit of no bloating.

The USDA & industry groups are proposing an Organic Check-Off process that will help with research, information & marketing! President Trump carried through on his campaign promise to keep the USA out of the TPP trade agreement. Many in the organic industry felt the TPP would reduce food safety & make it impossible to label GMOs.

Market News: Market indices again hit all-time highs! The DOW crossed & remained above the 20,000 mark. Businesses, big & small, view the economic opportunities under new leadership positively. Analysts see early earnings as *not worrisome*, neither terribly exciting nor suggestive of a coming slide. The biggest 'downer' for the week was 4th QTR & full year 2016 GDP reporting. The final quarter disappointed, coming in well below expectations. For the full year, GDP comes in at 1.6%, well below the 2.6% from 2015. Business spending was the biggest drag. This may turn out to be a positive for 2017 if sidelined 2016 investment dollars, coupled with repatriated dollars & foreign monies, are invested in a much more positive business climate.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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