



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

For the first Thanksgiving, the young men went on a fowling hunt. Wild turkey was plentiful but so were ducks, geese & swans. Fish was a big part of the Pilgrims’ diet & as a celebration of the abundant harvest fruits, berries, nuts & veggies would have all been on the table. There would be pumpkin but no wheat for pie crust. Potatoes had not been grown yet. The fish was not farm raised or GMO, the turkey was not filled with antibiotics & hormones & the fruits & veggies were pesticide & fertilizer free. Eating organic though was likely a less important concern than the likelihood of freezing to death in the coming winter!

Still the Same: There are many traditions from the first Thanksgiving that are still around today. For instance, someone’s mother probably complained about spending all day over a boiling kettle just to see everyone eat so quickly. She probably slapped her husband’s hand when he tried to pull off a turkey leg before it was served. One guy professed to know exactly how to carve the bird. Some young boy probably spilled berries all over his one good shirt & his parents scolded him. Somebody’s dad probably ate too much, or drank a bit more port than he was used to, then fell asleep. His kids probably laughed about it! Somebody’s granddad probably complained he ate too much & probably had some odious emissions. The kids laughed about that, too! The men probably went to the fields to watch the young men & kids play games and smoke foul smelling pipes. Meanwhile the women complained about cleaning up while the men watched the games! Perhaps this Thanksgiving, instead of focusing on all the things that make us different & supposedly drives diversity, we should look at all the things that make us, essentially, the same.

Industry News: *Target’s* 3rd QTR reporting beat analyst estimates with lower revenue but a lift in EPS. Food sales were down, although comments from *Target* leadership continue to emphasize the importance of grocery & healthier brands in their product offerings. Following what seems to be an overall trend, same store comparables weakened. *Smart & Final* adjusted full year guidance due to deflation & cannibalization from new stores. The CPI index for stay-at-home food shows a 2.3% price decline, the 6th straight month of deflationary pressure. However, away-from-home food prices rose 2.4% for the last month. *Royal Ahold Delhaiz* reported a strong 3rd QTR. *Natural Grocers by Vitamin Cottage* slightly missed analyst estimates for its 4th QTR earnings results. The grocer provided 2017 guidance around the range of analyst estimates, but announced they will moderate sales store expansion in 2017. Again, weak comparable store sales growth is the issue. *Fresh Thyme*, with its ‘May the Farm be with you’ motto, has grown their private label offerings to a portfolio of 900 products in just 2 years. *Sprouts Farmers Market’s* Board Chairman & former CEO Doug Sanders will be stepping down to be CEO at a tech company.

Hain Celestial announced results of an internal audit which indicates there were no intentional errors concerning concessions made to certain distributors. Hain did not announce when they will file earnings reports. *Organic Valley & Dean Foods* are entering into a 50/50 joint venture to offer milk products through *Dean Foods*. Despite demonstrating decent growth for the quarter & year-to-date, *Amplify Snack Brands* missed analyst EPS estimates by 3¢. *Amplify* reported sales increases in *Skinny Pop*, *Oatmega*, *Paqui* & *Tyrell's* international labels.

Nielson reports that energy drink sales rose 6.7%. Also, they reported a slight increase in carbonated soda drink sales for the last reporting period. RTD coffee sales rose more than 10%, RTD tea sales were up 3.3% & bottled water sales were up 4.7%. In other reports, industry experts predict growth in both prepared & on-the-go weekend breakfast items as people & families balance active schedules. Innovation in pretzel snacks is being forecasted. *Innova Market Insights* sees upward trends for transparent clean label products, innovative uses of plant protein, healthy sugar alternatives, ethnic & nutritional foods. *Mintel* also sees growth of plant based foods along with good-for-you drinks, innovation with ancient grains, uses for so-called 'ugly' fruit & veggies, on-the-go & time-saving foods & more products to help folks 'wind down' before sleep.

Over the last 10 years, under 40s have significantly increased their intake of fresh & frozen vegetables, while over 60s are eating less of both categories of healthy vegetables. Reports show 90% of Americans have too much sodium in their diet, more than 50% higher than recommended levels. At the same time, studies show that too low an intake of sodium, which is necessary for healthy body functions, can lead to serious health risks. The National Organic Standards Board removed carrageenan as an acceptable ingredient in organic foods. As proponents of clean label, real foods & fewer ingredients these emulsifiers, congealers, etc., are turn offs for us personally & as investors. This includes any gums & lecithins as we prefer a more natural ingredient list.

Market News: Mechanics seemed to be in play as the markets saw another good week only tempered Friday by oil prices stalling & the continuing post-election dollar rally. FED Chair Janet Yellin seemed to take away any doubt that a rate hike would come in December but added, to most analysts' pleasure, that future rate hikes would remain cautious. Some analysts feel that the post-election euphoria may now be replaced by a good look at fundamentals in the shortened holiday week, perhaps leading to a bit of selling & rebalancing. Tech stocks enjoyed a good week, catching up with the broader market post-election results.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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