



# 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**

**Futures were on the mind** of many Americans this week. Stock futures on Tuesday evening & then, by Wednesday morning, the future of our great nation. In undergrad, perhaps my most intriguing class was a *History of Futures*. We investigated the literature, philosophy, political discourse & current events of various eras to understand how those people viewed their future, what was driving that view & then lastly, the accuracy of their predictions. The final project was to offer & support our own opinion: Were futures predictable with some accuracy or just merely happenstance, a case of *what will be, will be*.

**Que Sera, Sera:** Of course, our childhood was shaped by TV! The movies we watched, the action thrillers that kept us enthralled & the sitcoms & cartoons that made us laugh. While we may never have thought there would be time-travel or transporters with JFK’s assurances we did achieve space travel. And we now have supercomputers that do anything based on a voice command & lasers that cut everything. We marveled at the thought of a wristwatch phone or communication device, perhaps Napoleon Solo’s pen-like communicator (*RIP Robert Vaughn*) or Maxwell Smart’s shoe phone; we find ourselves with smart phones & Apple watches! So perhaps *our future* has been fulfilled, but frankly I won’t be satisfied until I have my personal Jet Pack! *In truth, there is only one future that really matters.* That every man, woman & child in our country; no matter where they live; what God they believe in; what color or ethnicity they are; what preference they have; what economic stratum they are currently in has equal opportunity to *education, economic success & personal freedom* in a nation that is safe, secure, *respectful & law-abiding*. That is the future we must achieve together in these United States! *Thanks to all our wonderful veterans who have fought & died to preserve that future!*

**Industry News:** Several U.S. Food Giants traded higher early in the week as it was reported that Brazilian private equity firm & Kraft Heinz investor *3G Capital* is raising between \$8B to \$10B to fund a new food company acquisition. Deal speculation includes *Mondelez, ConAgra Foods, General Mills, Campbell Soup & Kellogg*, who all saw higher stock prices. The week ended with *ConAgra* finally separating its *Lamb Weston* division.

*Tops* posted a loss of \$12.7M on sales of \$537M for 3<sup>rd</sup> QTR. Net sales rose 1.4% over last year’s 3<sup>rd</sup> QTR but *Tops’* loss expanded by \$7.5M. Same-store sales in the period decreased by 2.9% due to product price deflation. *Whitewave Foods* had a strong 3<sup>rd</sup> QTR despite supply chain issues in their salad business. Net income was \$58M (33¢ EPS) up from \$50M (28¢ EPS) for the same QTR last year. Net sales grew 5% to \$1.053B. The results came from organic growth & acquisitions but were somewhat dampened by foreign currency impacts. Plant-based Food & Beverage (*Silk, So Delicious & Vega*) sales rose 10%. The *Earthbound Farm* brand of

organic salads, fruits & vegetables declined 13% as supply chain related issues impacted order fulfillment & distribution. *Flowers Foods* legacy businesses struggled, as 3<sup>rd</sup> QTR earnings fell, but brands *Dave's Killer Bread* & *Alpine Valley Bread* saw growth. The natural & organic bread lines contributed 4.4% of the overall growth. Net income in the 3<sup>rd</sup> QTR was \$40M (19¢ EPS) falling 8% from \$43M (21¢ EPS) in the same QTR last year. Sales for 3<sup>rd</sup> QTR were \$918M, up 3.8%. The results included a \$1.25 million charge related to settling a class-action lawsuit concerning the misclassification of freight contractors/employees.

Union workers at Arizona *Fry's*, *Safeway* & *Smith's* stores approved a new 4-year contract with employers. The industry wonders what Walter Robb, former co-CEO of *Whole Foods Market*, will be doing next. Private investment firm *Highland Partners* acquired *Hillside Candy*, a N.J.-based manufacturer & marketer of premium organic, sugar-free & traditional confection products under the *GoOrganic*, *GoLightly*, *Pick Your Color* & *Hillside Sweets* brands. Financial terms of the transaction were not disclosed. *Thrive Market's* 60 private label products account for about 7% sales. *Thrive* expects to launch another 75 products with a goal for private label to reach 15% to 20% of sales by year-end 2017.

Reports demonstrate that millennials are spending less at grocery stores because they are snacking more often, eating in smaller portions. Millennials are seeing animal fats more positively in their diets. The global baked savory snacks market expects a CAGR of 4.15% through 2020 as consumers seek healthy options. Supermarket retailers are seeing strong growth in their organic & clean label private label brands. Sonoma County voted in Measure M which limits the planting of GMO seed. While we abhor government regulations that limit industry *we are adamant believers of the 10<sup>th</sup> amendment* & think decisions on what a county or state does for its industries, in this case farming, is best left to the people of that community. This is the wisdom of our Constitution & founding fathers, who created the only document in the world that limits the power of the central government & protects the rights of the people.

**Market News:** The markets roared this week posting the best weekly gain in over 5 years! The 1300 point or so swing this week, from Tuesday night's fears to the understanding that lower corporate & personal tax rates, the repatriation of perhaps \$3T in corporate money, fair trade agreements, stronger physical & cyber security, energy independence, a streamlined healthcare program, real infrastructure spending & middle class job & wage growth, might actually be good for the economy. We agree, not just for our industry focus, but for America. Spending power drives growth. Jobs drive stability, both economic & social.

***Seeds, Sprouts, Grow, Harvest!***

**The Litchfield Fund**

V3issue21.11.12.16

**The Litchfield Fund** is a family owned & operated joint venture. We do not solicit or accept investment from outside individuals or entities. Opinions contained in *All Ears!!* are ours and should not be considered investment advice or recommendations.