



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

"It was a dark and stormy night. Suddenly, a shot rang out! A door slammed. The maid screamed. Suddenly, a pirate ship appeared on the horizon! While millions of people were starving, the king lived in luxury. Meanwhile, on a small farm in Kansas, a boy was growing up." Who can forget Snoopy sitting on his doghouse, diligently typing away? He wrote himself into a corner once and had writer's block! He vowed to tie the story together in Chapter 2! He was mocked by the whole Peanuts gang! When Lucy said to show his versatility, he changed the opening to "It was a stormy & dark night!" But he did not give up!

Dark Act part deux: As much fun as it was to watch the *World Famous Author's* daily cel-by-cel writing struggle, Charles Schulz was hardly the first to parody Edward Bulwer-Lytton's opening line from his 1830 novel *Paul Clifford*. The often-mocked line has been frequently employed to illustrate poor writing, has been the basis for comic writing contests & was even employed as the opening line for the popular 1962 novel *A Wrinkle in Time* by Madeleine L'Engle. The Lord Lytton, who served as Great Britain's Secretary of State for its colonies in the 1850s, certainly does not deserve this admonishment. He coined many phrases still widely used today, including "*the great unwashed*", "*pursuit of the almighty dollar*" & the historically important "*the pen is mightier than the sword!*"

However, this president deserves admonishment for signing The DARK Act! It is hypocritical for this administration's agencies to seek restrictions on the use of terms such as *natural*, *healthy*, *better-for-you*, or as *Whole Foods* found out this week, *healthiest*, in labeling, branding & market all while hiding, through the use of smartphone technology, GMO ingredients in the same foods in which they demand a *healthy label* be properly used! We could spend paragraphs pointing out the administration's hypocrisy of its recent actions & supported court decisions that are *apropos*, but it is suffice to say that simple labeling of GMO usage is required!

The Litchfield Fund does not support eliminating GMOs at this time, but proper labeling to provide transparency is necessary so that people make the *better-for-them-and their-families*, *healthiest* & most *natural* choices! Like Snoopy fighting his writer's block, we will not give up!

Earnings News: *Whole Foods Market* announced lackluster 3rd QTR results, barely meeting analyst's already subdued EPS expectations & seeing same-store-sales-growth comparables continue to shrink. *Whole Foods* is failing to establish a pricing model that drives sales growth & its 365 concept will take years to impact earnings. *Whole Foods* stock price dropped more than 10% this week, taking many stocks in the industry along for the ride. As consumers, we shop at *Whole Foods* along with other grocery stores. We do find a greater variety of prepared & packaged foods at *Whole Foods*, but recognize the significant price differential. We do not

find *Whole Foods* to any longer serve as the bellwether stock or company for natural & organic. There is too much competition from smaller & larger retail players, on-line retailers, alternative outlets (meal-kits, CSAs, etc.) & soaring new product sales to warrant *Whole Foods'* leadership from a performance perspective. Analysts need to take a broader perspective of the industry! As examples, this week Natural Grocers by Vitamin Cottage reported a 13% sales increase in 3rd QTR with rising comparables that bested analyst forecasts. Also, organic vegetable sales have increased 92% since 2011 while sales of organic fruit have more than doubled.

Industry News: Supplement company *GNC* replaced CEO Michael Archbold after just 2 years, not seeing a sales revival. *GNC* board member & former *Petsmart* CEO Robert Moran takes the helm. *SC Johnson* closed on its acquisition of *Babyganics*, maker of plant-based organic household & personal care products. *Avoke*, maker of spoonable smoothie bowls, won *Ganeden's* Probiotic Innovation Jumpstart award. *Banza* will enter the crowded Mac'n'Cheese shelves with its chick pea pasta. *Campbell*, citing tectonic changes & stunning disruption in the food industry, will continue to focus on innovation.

Market News: The DOW & S&P paused this week while the Nasdaq found some headway. July brought record highs & a nice string of positive days. Surprisingly, the week & month ended somewhat resiliently given downward pressure from oil prices & the 2nd QTR GDP release. Coming in at just 1.2%, the GDP missed forecasts by 50%. The biggest impact to growth was a reduction in inventories, generally self-correcting in future quarters. GDP for 1st QTR was revised downward from 1.1% to 0.8%. Full year forecasts went down, now at 1.5% to 2%. Interest rates will thereby likely remain unchanged when the FED meets in September. After a strong June jobs report, a poor July jobs number & poor manufacturing index result next week will continue to dampen expectations. Consumer spending & a stable housing market will drive second half GDP performance, but this administration will still set records for a poor recovery & low growth. Spending drives perhaps 70% of the GDP, so without strong job & wage performance, spending will suffer & the GDP will continue to meander. This is worrisome for both the economy as a whole & our industry specifically. As much as the consumer may want to shift toward healthier, more transparent, better-for-them-and-the-world products there may be a ceiling on that shift without strong real middle class job growth. This jobs recovery has not produced stable middle-income earnings. The labor statistics reflect something other than the reality of a dwindling middle class.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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