



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 rained in the Arizona desert this week! It is always a big deal when it does, especially after more than 2 months with no precipitation. But fortunately, an extensive canal & irrigation system supports the mostly year-round growing season! This system dates from as far back as 1870 -- some of which is still in use! But for more than a 1,000 years the peaceful Hohokam Indians farmed the Salt River Valley using a 500-mile irrigation system, before they disappeared in the 15th century. Their system supported a population of 50,000 & was partly used as a map for the existing canal system! *And they didn’t even need to grow GMO corn!*

Rain & Romance: Of course, rain is necessary for life; it brings precious water for not just our fields but the rivers & reservoirs that support irrigation. And where would songwriters & singers be without the rain? Neil Sedaka singing about *Laughter by the Irrigation Ditch*? Would *Irrigation Days & Mondays* still sadden Karen Carpenter? Gene Kelly splashing in the Arizona Canal? Where would *Blue Eyes Cry*? What would bring Jolson’s *may flowers*? With no need to employ an umbrella, would lovers meet at a *Bus Stop*? Yes, rain brings life, but it brings romance too, for as Roger Miller once said, “Some people walk in the rain, other just get wet.”

Market News: Oil rose 7% this week while energy & materials stocks rose. The FED continues to delay the next rate action discussion. There were no disruptions from China, terrorist masterminds were arrested in Europe & Japan extended its QE policies. Investors & analysts seem to have confidence in the way the U.S. & European central bankers (Yellen & Draghi) are handling the economy. There was no startling news from the U.S. primary front save every candidate has high unfavorable numbers, *voters don’t like anybody!* And the markets yawned.

Our view is that the market bounce from the how-low-can-oil-go fear has worn out & the fear that more proof of an ‘earnings recession’ is on its way next week as large caps & others kick off the earnings season. First quarter is always in focus as it portends the trend for the year. In our opinion, consumer spending has not grown adequately to outpace cost pressures from a strong dollar, government regulation overreach & the pressure on-line & big box retailers place on producers’ margins. This is just additional evidence of both poor wage growth & this administration’s manipulation of employment statistics, especially the impact of more part-time employment that avoids Obamacare costs. Low consumer demand definitely caps expected earnings & the net result is stocks look expensive. This is why after the security & strength of our nation, we see real job & wage growth as the most important election issue. Job & wage growth should arise from fairer trade relationships, lower corporate & personal tax structures, reclamation of off shore holdings, less government regulation & better enactment &

usage of Federal entitlements. For now, we expect a narrow band of trading for stocks in general & with no substantial growth for stocks in our industry. We see the only real, solid growth coming from new start-ups & young expanding brands in the Natural/Organic industry!

Industry News: In fact, so much happens in our industry it is hard to keep up with the news or even have space to reflect on what it means. This week tennis stars invested in *Runa*, *Kuli Kuli* had a \$1M investment, *Steaz Teas* opened themselves to a possible takeover, *VMG & TerraVia* partnered to form an investing/incubating platform for algae based foods, *Acosta* purchased *Ignite Sales*, HPP equipment maker *Hyberbaric* announced a Cold-Pressed Certification program & former *Boulder Brands* CEO Steve Hughes founded a \$200M investment platform, *Sunrise Strategic Partners*. That covers just a part of the landscape that weekly demonstrates the growth in our industry & how industry insiders are placing their substantial bets accordingly!

Earnings News: ConAgra (CAG) posted earnings of \$204.6 million -- an EPS of 46¢ for its fiscal 3rd QTR. That compares with loss of \$954.1 million, or \$2.21 per share, a year earlier when its earnings were impacted by an impairment charge. Removing one-time gains & costs, earnings came to 68¢ per share, 10¢ higher than analyst forecasts. Revenue was \$2.92 billion, also topping expectations of \$2.88 billion. The sale of CAG's private label business was completed this past quarter & the company is on track to split the company later this year, separating its Lamb Weston segment from its consumer brand segment. Analysts feel CAG's cost cutting initiatives (including moving its corporate headquarters from its Omaha home to Chicago) & its shift to healthy consumer oriented brands with higher margins is taking hold.

Portfolio News: Hain Celestial (**HAIN**) is removing the 'no harsh chemicals' labeling from its beauty products over concerns with the use of sodium coco sulfate which contains some trace sodium lauryl sulfate. Hain is reformulating many of its beauty care products. Industry analysts continue to see strong consumer demand for eggs & organic cage-free eggs, boding well for Cal Maine Foods (**CALM**). Analysts still see growth for Whitewave Foods (**WWAV**) despite the on-the-book-debt from recent growth & acquisitions. The first *Whole Foods 365* store opens May 25th in Los Angeles' Silver Lake district.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

V2issue43.04.09.16