



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

When President Woodrow Wilson nominated Louis D. Brandeis for the Supreme Court there was much opposition. It was not his populist progressive views or groundbreaking legal opinions on right to privacy & freedom of speech, or his unprecedented use of expert witnesses in what became known as the “Brandeis Brief”. No, William O. Douglas once said that the establishment *feared* Brandeis because of “his religion... his brilliance, his arithmetic, his courage... and because *he was incorruptible.*” Brandeis once said, “there are no short cuts to evolution” & events this week are just small steps on the beach of an evolving food system!

Evolution Part Deux: Here at *All Ears!!* we have previously offered thoughts on evolution & revolution, preferring evolution for our broken food system. When Surgeon General Luther Terry issued his famous warning on cigarette smoking in 1964 nearly 50% of U.S adults smoked. Today that number is closer to 15%. This didn’t happen overnight or with one study or ruling. It takes years to change people’s habits, especially habits that they are tied to in so many ways: physically, emotionally, socially, financially. But through the effort of the government, medical researchers & doctors smoking and smoking related diseases have fallen dramatically. This process was evolutionary, not revolutionary. Smoking was not outlawed or banned (which certainly would have been an invasion of privacy) but changing social norms has led to a healthier longer-living society.

So we prefer an evolving food system. Why?? Because most often revolutions don’t stick (*think French!*)! They lead to gaps in power, societal crisis & pave the way for despots & power seekers to advance. Revolution proves to work only when brilliant minds create this world’s two greatest documents (excluding the Bible) for the revolution to stand upon. Think about how long & what it took to evolve England from a feudal society to one of personal freedom! No wonder few thought America had any chance of surviving post rebellion.

Two events this week have helped us crawl from the ocean on to a sandy organic beach. The U.S. Senate, at least for the time being, closed the curtain on the DARK Act! While we would prefer a completely non-GMO food system we believe an important first step is for people to know what they are eating. If people stop buying foods labeled with GMOs, then businesses, to survive, will adapt. We are also firm backers of the 10th amendment & states’ rights & humbly commend the wisdom of our founders. If Vermont wants GMOs labeled, so be it, & companies can choose or choose not to. General Mills, long **The Litchfield Fund** example of how a food company should evolve to changing consumer demand, announced this week that they will label all GMOs. Step two on that sandy organic beach.

The evolution of our food system will certainly take some time. But this change – economically, socially, physiologically, medically – will last longer! Do we need proof that evolution lasts? One need not look any farther than to our opposable thumbs which will not be going away anytime soon! So to misquote the greatest songwriting partners of all time, Messrs. Lennon & McCartney, “*We’re gonna have an Evolution....oh yeah....oh yeah!*”

Industry News: *Apollo Global Management* purchased *The Fresh Market* for \$1.36B. Apollo once held a large stake in Sprouts Farmers Market (**SFM**).

Earnings News: Lifeway Foods (**LWAY**) reported a miss for 4th QTR with an EPS of 2¢ though bettering the same quarter previous year loss. EPS for full year 2015 was flat to 2014. The company believes that 2015 was a year of introducing new product lines & SKUs that will better position them in the market.

Portfolio News: Analysts continue to suggest that *PepsiCo* has interest in *Whitewave Foods (WWAV)* after failing to win *Chobani*. *Pepsico* may also have interest in *Fage*. Analysts point out Sprouts Farmers Market (**SFM**) solid same store sales growth, earnings expectations & infrastructure investment could mean a strong 2016 for the grocery. Whole Foods Market (**WFM**) will shift to slow-growth chickens. This differs from the industry standard method of rapidly putting pounds on young chickens. This should result in tastier, healthier meat & more clucks along the way!

Market news: With the FED apparently holding steady on interest rates for the time being & a rise in oil prices that approached \$40 per barrel this week the markets managed to find year-to-date positive territory. Some analysts feel oil’s recovery may be short lived, with prices falling back to the \$32 per barrel range. Some strength in job & economic data had given analysts pause the FED would ramp up interest rate hikes.

Seeds, Sprouts, Grow, Harvest!

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