



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

Anniversaries of battle victories, coronations & other important historical events have been hailed since ancient times. Among the cultures of the Roman Empire, men gave their wives gifts of silver & gold to mark the years of their marriage. Humans have always found great joy & comfort in celebrating all these major milestones. In the Victorian Age, wedding anniversaries became more treasured & celebrated! There arose traditional gifts to give each year! For example, year 1 is a gift of paper, for year 2 it is cotton & year 3 is leather! Really, *Leather*? Perhaps by the third-year Victorian marriages needed a bit of spicing up!

Tough as Leather: Actually, there is a great deal of symbolism associated with these gifts. A gift of paper on the first wedding anniversary represents that the union is still fragile & easily destroyed while there remains much, much more to still be written - *a blank page*. By year two, the marriage is much more interwoven, like cotton; individuals interlocking to create a stronger bond. Then by year 3, the strength of will to persevere & to work through problems has bonded the union tightly together, now ready to last for a long time! Interestingly, the symbolism can certainly apply to any new business or start-up! Think of those first few years! In the initial year there is a risk of failure while trying to chart a course! Then, the business grows as people & processes start to work together! But soon, with a will to persevere, by *being as tough as leather*, the business gains solid footing to become strong & lasting! As we celebrate the 3rd anniversary of *All Ears!!* & **The Litchfield Fund**, we believe this symbolism is very applicable! Our previous anniversary issues ([All Ears!! June 13, 2015](#), [All Ears!! June 18, 2016](#)) express these very thoughts, from just beginning to write our future to creating relationships & processes that interwove us with the industry. Today, having been *as tough as leather*, an expression that denotes will & determination, we have created something new & different, well-bound & prepared to last. That same will & determination will carry us into the future, with caution, so we don’t ride off *hell-bent for leather*! Most importantly, we are ever thankful for our new friends & relationships & for our *faithful readers of All Ears!!*

Industry News: *Is the 800lb gorilla back on the loose?* We have often mentioned our thoughts that *Whole Foods Market* was losing its position, or at least its stature, as the industry bellweather. This week *Amazon* announced the purchase of *Whole Foods* for \$13.7B in cash, \$42 per share. This gives *Amazon* the brick & mortar outlets it was seeking while satisfying the intentions of *Whole Foods*’ new activist investors. John Mackey will remain as CEO & Austin will stay as the grocer’s headquarters. On the surface, this is a good relationship as *Amazon* delivers to *Whole Foods* expertise in its struggling areas such as sales growth, merchandising & consumer interaction. *Amazon* brings proven success in ecommerce, data analysis, consumer reward & loyalty programs, purchasing/pricing & capital access. It changes the competitive landscape as *Whole Foods* can now do more than just defend its territory. For other supermarkets, *Whole*

Foods will now be a price competitor in both stores & ecommerce. For young brands, they may attain an immediate nationwide reach through both channels!

Kroger's 1st QTR saw a significant decrease in margin that led to a lower restatement of full-year earnings. *Kroger* will invest in price cuts, personnel & digital capabilities. That news, along with *Amazon's* purchase, led to a more than 20% drop in *Kroger's* stock price. At auction, *Kroger* won 11 stores from bankrupt *Marsh Supermarkets* for \$16M. *Generative Growth LLC (Fresh Encounters)* purchased 15 stores for \$8M. *Aldi's*, likely in response to *Lidl's* market entry, announced \$3.4B in capital investment, planning to expand to 2500 stores by 2022. This would make *Aldi* the 3rd largest supermarket in the USA. This is a continuation of *Aldi's* \$3B investment to remodel 1300 stores & to have 2000 locations by YE 2018. *Kings Balducci's* has named *KeHE* as its specialty foods distributor, business worth \$30M. *Instacart* has partnered with *Ahold* in Boston & *Wegmans* in Northern Virginia & Maryland. *Bashas* in Arizona reported increased sales from their *Instacart* partnership. *Nestle's* may be considering the sale of its U.S. confectionary business, the 5th largest in the USA, with brands generating more than \$900M in annual sales.

With new frozen oat-based entrees, *Grainful* completed a \$3.3M raise with *Advantage Capital & Rand Capital* investing. *Biena Snacks* reported investments from *Blueberry Ventures, Centerman Capital & New Ground Ventures*. Private investors in this chickpea snack-maker include *ESPN's* Darren Rovell, *Spanx* founder Sara Blakely & Jesse Itzler of *Marquis Jets* & an investor in *Zico*. *Bright Greens*, frozen plant-based smoothies that do not need to be blended, raised \$2M with *Kellogg's eighteen94 capital* in the lead & *Blu Venture Investors* participating. *Snyder's-Lance* sees M&A as an important element of their future growth.

A study conducted by Brigham & Women's Hospital & reported in the *Journal of Allergies & Clinical Immunology* concluded that, with caveats, 3.6M Americans have food allergies. This is lower than previous studies had indicated. The Food Marketing Institute reports the continued consumer requirement for transparency. Aspects include sourcing, quality, number of ingredients, etc. *Ireland Research Markets* projects the organic market will reach \$320B by 2025, with fruit & veggies at \$110B & beverages at \$55B. The FDA extended the deadline for the new nutrition label compliance without specifying a new deadline. Deflationary price pressure on store bought foods continued to ease in May.

Market News: The Dow & S&P settled up while the Nasdaq finished lower. Weekly unemployment filings were lower again this week. The administration announced a 22 agency initiative led by the Agriculture Department to improve economic conditions in rural areas.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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