



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

"After all, the chief business of the American people is business," said President Calvin Coolidge in January, 1925, while presiding over one of the longest stretches of U.S. prosperity, the *Roaring Twenties*. We humbly think *Silent Cal* would have enjoyed the atmosphere at Phoenix Start Up Week. We attended, joining entrepreneurs, investors, other businesses, mentors & advisors, to help new businesses navigate the tricky waters of starting, growing & attaining viability with a new business. A community coming together at a local *people* level to move business forward! *Silent Cal* would surely have appreciated this event!

Start Me Up: President Coolidge's laissez-faire attitude toward business (and that of his Secretary of Commerce, Herbert Hoover) have allowed narrowly-focused critics to blame his business policies for the Great Depression. But Coolidge, as governor of Massachusetts, supported many of the progressive business axioms of the day such as wage & hour controls, child labor laws, union representation, safety regulations, etc. As President, he felt these issues were best dealt with at a local & state level, to suit the needs of a state's workers & businesses. This week's Phoenix event brought thousands of people together to understand the business climate & opportunities to build & grow a successful business. The event covered all aspects of the business cycle from *starting up* to exiting. Entrepreneurs with *big ideas*, of all backgrounds & ages, were all there to learn, connect & work together! Local brand builders, marketers, lawyers, investors, & successful (and some unsuccessful) entrepreneurs presented, mentored, advised & networked. We see this as a great endeavor to increase the knowledge, wealth & success of the entire business community & the Phoenix area! We applaud & heartily thank the sponsors & participants of this active community. With this kind of support, entrepreneurs can, like Messrs. Jagger & Richards, "*Kick on the starter, give it all you got*" & heed the advice of a one-time celebrity real estate mogul, "*If you are going to be thinking anyway, you might as well think big!*"

Industry News: *Sprouts Farmers Market* posted a 13¢ EPS for 4th QTR beating analyst estimates by 1¢. Sales well outpaced prior year but price deflation pressured net income. Analysts expected a small decline in comparables but *Sprouts* managed a slight 0.7% gain. Full year 2016 was up for sales but lower on net income. *Sprouts* plans 32 new stores & more in-store delis for 2017. *Walmart* reported 4th QTR earnings in-line or above analyst projections. Comparable same store growth was better than expected & offset grocery price deflation. For 2016, net income was down 5.2%. *J.M. Smucker* reported a significantly down 3rd QTR, reflecting prior year gains & current quarter charges, with lower coffee prices as an added drag. *Whitewave Foods*, despite both a strong 4th QTR & full year 2016, saw an overall earnings impact due to its Earthbound Farm

segment experiencing sales & supply chain issues. Low turkey prices led to a flat quarter for *Hormel* & lower guidance for the full year. *Maple Leaf Foods* will acquire vegetarian & vegan food producer *Lightlife Foods* for \$140M. *Hain Celestial* has acquired *Yorkshire Provender*, a U.K. premium soup company.

Hostess projects sales greater than category averages over the next 2 to 4 years. *Mondelez* announced a rollout of non-GMO & artificial ingredient free products. *Two Moms in the Raw* announced a new brand/category, *Know Brainer* functional coffee creamers. *Stumptown Coffee Roasters* is introducing a ready-to-drink sparkling cold brew coffee. *Ben & Jerry's* will introduce almond-based vegan ice cream. *Snoqualmie Ice Cream* is launching an all organic premium craft ice cream. *Tyson Foods* continued to announce new products, noting that by June, all its chicken will be antibiotic free. In an agreement with a consumer watchdog organization, *Pepsi* will make labeling changes to its *Naked* juice brand to correct problems believed to cause consumer confusion.

Price deflation in groceries, as of the year ended January 31, was down 1.9%, the 14th straight month with deflationary pressure. With deflation in meat prices, meat sales are rising. Vanilla prices are increasing, reaching \$500 per kilogram. Following the implementation of a soda tax in Philadelphia, lower sales have led to layoffs at some distributors. Omega-3s continue to be shown to have significant health benefits. In a study from Columbia University Medical Center with mice suggests patients recovering from strokes may benefit from Omega-3 usage.

Amy's Kitchen will build a \$95M, 369k sq. ft. manufacturing & distribution facility in New York state. The facility will employ 700 people. *Supermarket News* reported that Walmart price cuts in regions where Kroger is prevalent could strike a price war. *Fresh Thyme Market* opened a store in our old hometown, Mayfield Heights, Ohio with plans for 5 more northeast Ohio stores.

Market News: Markets again rose to records this week, with the DOW seeing its longest consecutive record-setting days in more than 30 years. With earnings season closing, markets were fueled by strong quarterly earnings, up significantly year-over-year. The recent FED remarks concerning interest rates we see as somewhat temperate & stoking market exuberance. Finally, general business optimism fueled by the new administration's economic policies & *Coolidge-ian business focus* added to this week's market performance.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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