



# 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**

**The term *tailgate* originated** in the mid-19<sup>th</sup> century indicating the back of a wagon, dropped for easy loading & unloading. When brass bands rode a wagon through town for celebrations, the *tailgate* was the spot that allowed trombone players room to work the slide. Internet sources vary but *tailgating* before a football game probably began in the early 1900s. Entrepreneurial merchants would drive their wagons & trucks to the train depot, drop the tailgate for seating & then sell food to hungry train passengers arriving for college football games! *Indeed, this is exactly what we love about good old American chutzpah & capitalism!*

**The Tailgate:** Several college & professional football teams lay some claim to the first tailgates. The Green Bay (*meat*) Packers might have a strong case citing fans bringing sausages to eat before games. But before 1923 there were no station wagons & suburban outdoor grilling was a post WWII phenomenon. When the NFL was formed in 1920 there was no championship game! League championships were often disputed & settled by the NFL executives. The owner of the Washington Redskins requested the first championship game in 1932. It was hastily thrown together & played indoors because of bad Chicago weather. In 1933 the NFL held its first official championship game. Today Super Bowl Sunday is a national holiday dedicated to football & eating! But in 1933, there was no radio (1940), no TV (1948), no NFL cheerleaders (1954), no extravagant halftime show (1991), no multimillion dollar advertisements (1994), no wardrobe malfunctions (2004) & *certainly* no political statements. Just football... *and sausages!*

**Industry News:** With many natural/organic supermarkets preparing to release earnings, analysts are forecasting a down quarter based on the usual culprits, deflation & foot traffic. This week, *Natural Grocers by Vitamin Cottage* announced an increase in 1<sup>st</sup> QTR net sales but competition, lower same store sales growth & higher operating margin resulted in a decrease in net income year-over-year. EPS of 9¢ missed analyst forecasts by a nickel. Management plans to slow store expansion & add 100 to 200 private label products to its shelves. Congratulations to the organic grocery *Raisin Rack* for winning the Ohio Grocers Association highest award for best small grocery operator. Sales growth at supermarkets of large CPG brands slowed in 2016 due to deflation, ecommerce & competition from growing smaller brands emphasizing plant-based proteins, functional beverages & natural/organic food & household products. In other earnings news, *Ingredion, Inc.* registered a positive 4<sup>th</sup> QTR & fiscal 2016, bolstered by recent acquisitions. Management is projecting continued EPS growth for 2017.

While we consider ourselves to be adventurous eaters, there are limitations to what **The Litchfield Fund** adds to its diet. An allergy for one of us to shellfish limits our seafood intake &

provides 'just cause' for avoiding crickets, which often cause similar allergic reactions for those sensitive to shellfish. But cockroach milk, which researchers have found to be very nutritional, is well beyond our limit. A solid ICK on this one! *Walmart* upped their e-commerce game by offering free 2-day shipping on orders over \$35. Madison Square Garden will have a concession stand featuring *Hain Celestial* products. Because *GNC* sells some supplements banned by the NFL, the Super Bowl will not feature a *GNC* ad made for the broadcast. The Puppy Bowl, The Kitten Bowl & The Lingerie Bowl are highlights of Super Bowl weekend. On Friday, *General Mills* sponsored the first *Annie's* Bunny Bowl on Facebook Live featuring bunnies from a rabbit rescue.

In the probiotic world, *Royal DSM* subsidiary *i-Health* (Brands: *Culturelle*, *Estroven*, *AZO*) acquired the *UP4* brand from *UAS Laboratories*. *Sovos Brands*, formed by private equity investor *Advent International*, acquired Italian prepared frozen food maker *Michael Angelo*. *Bonafide Provisions*, with an investment from *BIGR*, is launching a ready to drink bone broth with veggies. Private equity investor *Harvest Partners* took a \$62.5M minority interest in *GPM Investments*, the country's largest privately-owned convenience store operator. To comply with anti-trust regulations, *Walgreens* may divest 200 additional stores & drop its purchase price for *Rite-Aid*. Both *Albertson's* & *Fred's Inc.* are bidding on the divested stores. *Whole Foods Market* & *GT's Kombucha* have completed an \$8.25M settlement with plaintiffs on several labeling issues such as actual antioxidant, alcohol & sugar content.

Per a Nutrition Business Journal study, melatonin remains the bestselling sleep supplement. However, sales growth of herbal combinations for sleep have surpassed 10% while melatonin sales growth is only at about 7%. The FDA put out for comment new guidelines for controlling listeria. *Heavenly Organics* has announced that its 100% organic honey has met the BioChecked™ Zero Tolerance Standard & is now Glyphosate Free Certified™. Interestingly, whole wheat flour production was down for 2016, which certainly may be due to the expanded use of other healthy & in some cases gluten-free grains & flours.

**Market News:** Markets bounced during the week but ended on a high as indices closed within sight of recent market highs. January job expansion was significant & much greater than expected due to business confidence in the future economic prospects. The Bank of England reported that worldwide economic confidence is positive following the U.S. election. Several announcements this week indicate increasing investment in American jobs for the next few years.

**Seeds, Sprouts, Grow, Harvest!**

**The Litchfield Fund**

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