



# 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**

**Ahhh...the simple life!** For many, it might be a summer week at a beach cottage. For others, it could be life-changing! The philosopher who takes to the woods or the monk living in the austerity of a monastery! Oliver & Lisa moving to *Green Acres* despite an allergy to hay! The retiring couple that downsizes. Ronnie Van Zant was a *simple kind of man* & Linda Ronstadt had *simple dreams*! There have been books, songs, movies & TV shows about finding *the simple life*. In the 1946 film *Wake Up & Dream*, after the ravages of depression & WWII, the lovely June Haver sang an American Songbook classic, “*Give Me the Simple Life*”

**The Simple Life:** *Give Me the Simple Life* was written by Rube Bloom & Harry Ruby. Bloom wrote the classic *Fools Rush In (Where Wise Men Fear to Tread)* & Ruby, a good friend of Groucho Marx, wrote the musical scores for several of his movies & the 1920s classics *I Want to be Loved by You* & *Who’s Sorry Now?* *Simple Life* was featured in the smash that was M\*A\*S\*H in the season 1 finale ‘*Showtime*’. Sung by The Miller Sisters, performers in a USO troop, the song is juxtaposed against the horrors of war! Apropos to our industry, the song was used in the 60s & 70s by *The Campbell Soup Company* to demonstrate the health & convenience of their soups, with the lyrics changed to *Give Me the Campbell Life!*

Today, people are still seeking health, simplicity & convenience in the foods they eat. Every study indicates the trends toward simpler foods & real foods! A recent study details that people associate fewer ingredients as healthier. Couple all that with the trend toward healthy snacking, especially as a replacement for meals (so that people can keep up with their busy, *not quite simple*, lives) & the future for healthy snacking has a high ceiling - as people try to *simplify their lives!* That is why **The Litchfield Fund** will continue to seek products, both for our business & as consumers, with fewer ingredients, functional qualities & that are made from real food!

**Industry News:** *Dean Foods*, along with *2X Consumer Products Growth Partners*, took a minority stake in non-dairy probiotic drink producer *Good Karma Foods*. *MATI Energy*, the fresh fruit energy drink & a winner of a Steve Case investment, raised \$2.5M led by *Duke Angel Network* & *IDEA Fund Partners*. *VMG Partners* led a \$10M raise for *Spindrifft*, the flavored water maker. *Venice Brands*, a new venture firm formed from *Monogram Capital*, invested in bone-broth producer the *Osso Good Company*.

*Forager* will be adding to its green chips line with *Chipotle BBQ*, *Vegan Cheesy* & *Wasabi* flavors. *Jùs by Julie*, cold-pressed juices, smoothies, cleanses & salads, has received a FDA warning letter over its health claims. Gerry David, formerly of *Celsius*, has joined the board of *Rocky Mountain*

*High.* *General Mills* veteran Jeffrey Harmening is taking over the reins of the company when Ken Powell retires this summer. David A. Peacock was named president of *Schnuk Markets*. Mr. Peacock is the former President of *Anheuser-Busch* & is chairman of *Vitaligent LLC*, the largest franchisee for *Jamba Juice*. On the desert waterfront, cactus water will be more available, as *True Nopal* is expanding its distribution & *Steaz* will be introducing a prickly pear juice & tea drink!

*Sprouts Farmers Market* reported strong 1<sup>st</sup> QTR revenue growth, up 14%, with a profit margin of almost 30%. Earnings were flat but sales & comparable same store growth allowed *Sprouts* to upgrade their full year outlook. *Natural Grocers by Vitamin Cottage* reported fiscal 2<sup>nd</sup> QTR earnings with a sales increase of 8.3% while comparables fell 1.7%. EBITDA was flat YOY. *Smart & Final* missed analyst estimates for 1<sup>st</sup> QTR with a 2.5% decrease in comparable same store sales & a \$1.5M loss. Revenue was up, however, 6.4%. *Central Markets*, citing the difficulties for independent grocers, filed for Chapter 11 protection this week. Suppliers were applying pressure for an involuntary Chapter 7 bankruptcy. An offer for 19 of their *Strack & Van Til* stores could not be completed prior to filing. *Publix* reported a 2.1% drop in comparables for the first time since 2009. Sales were slightly lower while net earnings fell 4.6%. *Weis Supermarkets* will reduce 2016 capital expenditures by 35% to \$90M in 2017 with 14 remodels & 7 new stores for the year.

*Kellogg's* reported 1<sup>st</sup> QTR sales down in many categories with an overall drop of 4.1% due to lower consumption. The company expects a return to 2016 sales' levels. Profit improvement was a result of 1<sup>st</sup> QTR 2016 special charges. *Mondelez* reported 1<sup>st</sup> QTR EPS of 41¢ up from 35¢ in the same QTR in 2016. Despite recent deep cost-cutting, *Kraft Heinz* reported a below estimate EPS & a drop in sales. *Kraft Heinz* announced a remake of the iconic *Oscar Meyer* wiener, removing meat by-products, nitrates, nitrites & artificial ingredients. *Monster Beverage*, overcoming the many production issues it has faced, showed strong sales & earnings growth for its 1<sup>st</sup> QTR. *B&G Foods* had an 18.4% increase in sales due to acquisition growth, but saw a dip in net income. *B&G Foods* is eyeing more acquisitions. *Ingredion* beat analyst estimates for 1<sup>st</sup> QTR citing volume growth & favorable exchange rates. Micro-algae supplier *Terra Via* reported a 1<sup>st</sup> QTR loss & also stated they are looking for a buyer.

**Market News:** Markets rallied again this week. The FED comments from their meeting called 1<sup>st</sup> QTR slow growth 'transitory' & were obviously justified by a robust April job report, with a good increase in wages & a nice drop in U-6, the underemployment rate, which is a focal point for the White House. The markets seem comfortable with a June rate hike. Plunging oil prices, falling below November lows, dampened market enthusiasm but oil found gains on Friday.

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

The Litchfield Fund

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