



# 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**

**Sometimes we feel obsessed with oil.** Well, the price of oil matters! A change in oil prices, up or down, can cause economic impact. High oil prices lead to higher manufacturing, shipping & retail costs which can shut down a growing economy. Prices too low create layoffs, impacting consumer purchasing power, slowing economic growth. Oil has a sweet spot. And despite all efforts for alternative energy sources it is still oil that drives industrial nations. And long before the internal combustion engine it was whale oil & kerosene that lit our dwellings. Yes, oil matters, especially the oil we purchased during our most recent grocery store outing!

**Oil Obsession:** *All Ears!!* has frequently discussed the price of oil & its effect on the natural & organic food industry. Lower prices mean cheaper acquisition of supply, lower shipping costs & more discretionary dollars in consumers’ pockets to spend on new, healthier products. But recent lows in oil prices put a significant number of people out of work in oil industry geographies, which has very much impacted grocery store profits. The ongoing oil supply glut & worldwide economic growth slowdowns continue to hold down oil prices. Oil prices struggle to reach the sweet spot that indicates an expanding world economy.

But our most recent trip to the market really proves that **The Litchfield Fund** is obsessed with oil. Of course, there is this Italian heritage & our general belief in a Mediterranean diet. But as we left the store we had several different bottles of extra virgin olive oil, grapeseed oil, avocado oil, coconut oil & flaxseed oil. Not only that, but we added supplements! Salmon oil & Evening of Primrose oil were in our canvas satchel. And buttery spreads made from several important oils. Looking at our store receipt, we realized how much the *price of oil* does really matter!

**Earnings News:** Whitewave Foods (**WWAV**) stock rose 7.5% this week as it posted 1<sup>st</sup> QTR EPS of 28¢, beating analysts’ estimate of 26¢. Revenue bested estimates, increasing 14% to \$1.04B. **WWAV** raised its full year EPS estimates. Meanwhile, Lifeway Foods (**LWAY**) did not fare quite as well. While revenue grew 10% to \$32.6M, EPS was flat to same quarter last year at 4¢, coming in 2¢ lower than analyst forecasts. **LWAY** fell almost 2%.

**Portfolio News:** General Mill’s (**GIS**) stock price rose 4% this week as it became the talk of takeover rumors. *3G Capital*, who with Warren Buffet took over *Kraft Heinz*, may be in the market & **GIS**’s recent performance makes the food giant attractive. *3G Capital* is known for wringing out cost savings to improve earnings, something **GIS** has already been focusing on, especially in international markets. *3G Capital* has been reported to have had a successful impact on *Kraft Heinz*’s cost structure. Some analysts have suggested a takeout price of \$86

for **GIS**. ConAgra (**CAG**) frozen food brand *Alexia* announced that it will have its entire line of products certified as non-GMO by year end.

**Industry News:** Reports show that more than 50% of U.S. shoppers now read labels, while meanwhile the industry struggles with outdated & less than useful FDA guidelines. Industry guru Errol Schweizer, credited with introducing thousands of new brands into Whole Foods Market (**WFM**) while directing its Grocery division, joined biodynamic product certifier Demeter USA.

Meanwhile, it is hard to stop this engine as investment, new product introductions & expanded distribution unabashedly continues. To that point, recent news includes: *Field Trip Jerky*, established in 2010 & growing at 250% while reaching 30,000 retailers, raised more than \$3M this week. *RangeMe*, an online platform to help retailer/distributor/brand communication & transparency, recently raised \$4M. Coconut milk producer *Rebel Kitchen* took over coconut water maker *Unoco*. *Hi-Brew* introduced a protein rich cold brew coffee. *All Ears!!* favorite *Tio Gazpacho* introduced Rosado, a spicy watermelon drink. Maple water *Sap on Tap* found distribution in Whole Foods Market. Cheribundi, the cherry juice recovery drink, will be on the shelves in *Rite Aid*. Kroger will begin to offer *Cide Road* & *Drink Maple*.

**Market News:** It has been almost a year since the last market high & despite an end of April surge, markets remain well below the last high. Reports show investors scurrying from stocks, some \$50B in the last month or so. This is the twentieth time since the Great Depression that markets have gone a year or longer without a new high, and just over half the time the economy has been in a recession. But despite the contracting earnings growth environment, slow growth is still positive growth & recession is not the concern at this point. But continued questions about U.S., European & China growth; the next interest rate hike; weakened oil prices as discussed above; the strong dollar; world security & the upcoming White House election makes investors, including **The Litchfield Fund**, shaking about the market's prospects. It is unlikely to expect any signal for real growth strength to this market until clarity is reached on some of these obstacles.

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

**The Litchfield Fund**

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