



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

“Money talks” is the age old proverb! It expresses the ability of money not just to acquire goods, but to influence & gather power, prestige & respect. At **The Litchfield Fund** we believe that *money votes!* It is what we love about a *free* market economy. Everyday, people --- consumers, business owners & large conglomerates --- get to *vote* with their hard-earned money: What they buy, where they invest, what TV they watch & the causes & charities they support. Milton Friedman said “The most important single central fact about a free market is that no exchange takes place unless both parties benefit.”

Look whose voting! Frequently, *All Ears!!* discusses our strong belief that the market for natural & organic products will continue to expand based on consumer preferences for healthy life styles & clean, simple & transparent foods/ingredients, the rising cost of healthcare, a desire to support local farms & products, etc. At *All Ears!!* we certainly have praised Hain Celestial (**HAIN**) & Whitewave Foods (**WWAV**) for their success & leadership in the industry. We believe General Mills (**GIS**) is reshaping itself properly to be successful in a market with changing consumer preferences. The past few weeks have demonstrated how corporate America, specifically the Big Food companies, are willing to vote with their money to get into the natural & organic food market. The recent purchases of *Dave’s Killer Bread*, *Alpine Valley*, & *Niman Ranch* drive our point home.

Flower Foods (FLO) the maker of Wonder Bread, Tastykake & Roman Meal along with other brands spent almost \$400M in the last month to purchase two organic bakeries. Last month, they purchased Oregon’s *Dave’s Killer Bread* for \$275M. This week, they purchased Mesa, AZ bakery *Alpine Valley Bread Company*, started by the Wood family in 1997 in an Arizona strip shopping center, for \$120M. *Alpine Valley* will continue to operate independently, with expected 2016 sales of ~\$85M. *Alpine Valley* has had an average annual 3-year growth rate of 51%, doubling the bread market that as a whole has grown at 27% annually! *Niman Ranch*, perhaps the pioneer & certainly the standard for organic, grass-fed, sustainable meat was purchased by closely-held Perdue Farms, the third largest chicken supplier in the world. *Niman Ranch* supplies Chipotle with pork. Perdue has stated it will expand *Niman Ranch*’s network of independent ranchers & increase product distribution. The purchase price was undisclosed. Perdue purchased *Coleman’s Naturals* in 2011.

Watching these deals unfold, two family bakeries & a family ranch started in the 1970s, founded by people who believed that there was a better product & a better way to do business gives us faith in the power of a free economy. We quote Jack Kemp, army veteran, college &

pro football star, politician, statesman and a **The Litchfield Fund** favorite: “There's no limit to what free men and free women in a free market with free enterprise can accomplish when people are free to follow their dream.”

Portfolio News: ConAgra (**CAG**) appears to be delaying the sale of its private-label operations & there may not be an announcement prior to its annual meeting (9/25/15). **CAG** has supposedly not as yet delivered audited financials to potential suitors. The delay has sparked rumors that Warren Buffett, who recently engineered the Kraft Heinz deal, may have an interest in his Omaha neighbor.

Cal-Maine Foods (**CALM**) holds a \$66 target price from analysts covering the stock. Eleven brokerages covering **GNC** place a HOLD rating and a \$51.56 target price on the stock. Thirteen analysts give an average target price of just over \$70 a share on **HAIN**. United Natural Foods (**UNFI**) broke through upper resistance with a nice rebound this week. Sprouts Farmers Market (**SFM**) & Natural Grocers by Vitamin Cottage (**NGVC**) hold an average target price of \$29.80 & \$32.50 respectively. Miura Global Capital announced an 8.67% stake in Zoe's Kitchen (**ZOES**). For reasons previously mentioned in *All Ears!!* analyst Jim Cramer is not as high as used to be about **ZOES**, which needs to improve outlet traffic.

Bernstein gave Whitewave Foods (**WWAV**) an OUTPERFORM rating & a \$52.32 target price. **WWAV** announced an expansion to more conventional outlet's for recently purchased *Wallaby's* & the introduction of ready-to-cook vegetables from *EarthBound* Farms. Lifeway Foods (**LWAY**) announced that they will have a seasonal flavor rotation based on the success of their summer watermelon kefir flavor.

Earnings News: Kroger (**KR**) announced earnings and continues to be clicking on all cylinders! **KR** beat analyst EPS estimates by 10% at 44¢ a share. **KR** reported a 25% year-over-year quarterly earnings increase on a minimal revenue increase. Same store comparables were over 5% & **KR** raised 2015 guidance.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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