



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

Expo East & Expo West are the two largest trade shows in the Natural & Organic industry! This week more than 25,000 people will converge in Baltimore to sample the wares of perhaps 1500 or so exhibitors. In the springtime Expo West may bring three times as many people to its show floor! Exhibiting companies will be pursuing buyers, distributors & investors. Investors will be seeking amazing innovators & well-run companies. The media will be searching for the hottest new trends & interesting backstories. And everyone there will worry about weight-gain while sampling all the tasty treats available on the trade show floor!

Self-serving: At Expo East there is no need to worry about breakfast, lunch or dinner. Healthy treats are there for sampling all within an arms-reach. Great meat products, wonderful yogurts, delicious desserts & health-filled bars & snacks. But just because you can *serve yourself* all day long doesn’t mean you shouldn’t be careful what you eat! A lot of healthy food is still *a lot of food* so here is a tip to make sure your diet is the best it can be at Expo East! When the trade show floor opens, head to Booth 1800 where you can enjoy **The Litchfield Fund’s** partnership brand *B’more Organic’s* high protein, fat-free, low lactose, gluten-free, grass-fed & probiotic skyr smoothies! *Could a breakfast, or anytime of the day drink, sound any better than that?* Our favorite is the Caffe Latte, no, maybe it’s the Strawberry, well, Mango Banana, oh heck, try them all! Then mid-afternoon, at Booth 8237, our partnership brand *Harvest Soul* will delight you with its chewable & probiotic all organic blended juices! All that wonderful protein & fiber with the nutrition of juice, *100% pure*, nothing added! It provides the right fiber & protein levels to offset the phony high you get from sugars & carbs! So enjoy Expo East & say high to Andrew, Jen, Greg & Amanda at *B’more Organic* & Kevin, Rani & Scott at *Harvest Soul*! *What did you think we meant by self-serving?*

Industry News: Industry leader Mike Burgmaier, *Whipstich Capital*, appeared this week in Project Nosh discussing the falling sales at big food & beverage CPG brands. Sales at big CPG were down 6% for the last quarter, more than \$5.5B & on pace to exceed 2015 sales shortfalls! Yet the food & beverage segment overall is seeing great growth. The growth is coming from the small-to-medium sized companies & that is where investment opportunities exist.

At **The Litchfield Fund**, we agree with Mr. Burgmaier. We invest in small innovative companies with disruptive healthy organic products moving past angel investment but not quite ready to work a larger investment, private equity or venture capital firm. We believe it is these emerging companies that will see tremendous growth and will eventually pique the interest of larger CPGs. To learn more about how the **The Litchfield Fund** invests & how we help our partners visit www.litchfieldfund.com.

Much of this week's news supports Mr. Burgmaier's analysis. At *Pinnacle Foods*, which acquired *Boulder Brands* earlier this year, CEO Mark Clouse mentioned that growth will come from their health & wellness brands. *J.M. Smucker* sees growth in its trendy brands, such as *Sahale Snacks*, *truRoots* & *Santa Cruz*. These brands amount for only \$350M of *Smucker's* \$7.8B in revenue. *Snyder-Lance* reported a 25% increase in their *better-for-you* offerings.

The Litchfield Fund partnership brands have been experiencing this growth in just the past few weeks. *B'more Organic's* tasty skyr smoothies are now in cooler cases at Publix. *Harvest Soul's* all organic blended juices are available at Sprouts Farmers Market and *Genius's* whole coconut smoothies are appearing on Whole Foods Market's cold case shelves in several regions!

In other industry news, *Gaia Herbs* announced Angela McElwee as its new President. McElwee has been with *Gaia* since 2008. *Gaia* founder Ric Scalzo will focus on product, quality, farming relationships & *Gaia's* future strategic development. *JPG Resources* has founded *Snackwerks* in Battlecreek, MI, which will work with smaller scale companies on product development & co-packing capabilities. Research from *TABS Analytics* suggests companies should focus on the growing *moms shopping in stores* segment as opposed to *millennials shopping on-line*. *H-E-B Grocery* announced a new free-from private label brand. *Banza* will add a new spaghetti pasta to its line of high protein chick pea pastas. Drug & chemical giant *Bayer* announced a \$66B acquisition of AgChem glyphosate maker *Monsanto*. The merger will need to pass many anti-trust rulings to be completed. For *Bayer*, it appears to be a good deal, as they can create demand by making a chemical that will harm people & then develop a drug to supply a cure!

United Natural Foods bested analyst expectations by 6¢ with a 69¢ EPS on flat earnings. *UNFI's* growth came through its acquisitions despite deflationary price pressure on grocery stores, including *UNFI's* mainstay customer *Whole Foods*. Analysts seem mixed on full-year & 2017 guidance as *UNFI* looks to continue in acquisition mode.

Market News: The markets climbed back a bit this week, despite continued proof of economic malaise. Factory output declined. Consumer spending shrank. Wholesale prices decreased. Specifically, food prices fell 1.9% for August, the 9th straight month of declining food prices. Oil prices spent the week in free fall. Yet the FED somehow thinks that creating inflation through rate hikes cures these problems. Consumer demand & spending will drive a true recovery, which can only come with real wage growth provided by better middle class job opportunities.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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