



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 sheet music published in the 40 years before phonograph & radio became 1920s household mainstays is the foundation of the Great American Songbook. A group of amazing songwriters worked their craft on W. 28th between 5th & 6th Avenues, a little section of Manhattan called Tin Pan Alley. Tin Pan Alley was supposedly named for the percussive sound of pianos banging away. It was here that Joplin, Berlin, Gershwin, Kern, Hammerstein, Rodgers, Loesser, Mercer, Hart, Cahn, Porter & others developed their tunes for Broadway & vaudeville. Appropriate for *All Ears!!*, one great, ever-popular song is *Shine on Harvest Moon!*

Harvest Moon: It is harvest time across much of America. Sadly, we are long past the days when combines, reapers & winnowers showed up in a farming community & neighbors worked together to help harvest each other’s crops. While men & children worked in the fields, women & the youngest children kept a feast of food flowing. There were deadlines after all, to fill silos for pick-up by trains or just to be stored for winter. So communities came together in fellowship to help each other. The Harvest Moon is the full moon closest to the autumnal equinox. The Hunter’s Moon is the full moon that follows. These moons are unique because, due to the time of year, the moons on subsequent nights rise much faster, which reduces the length of darkness each night.

The girl in the song, *Shine on Harvest Moon*, is afraid of the dark & is ready to head home, so her young man pleads for the harvest moon to shine on! The song debuted in the 1908 *Ziegfeld Follies*. Confusion over songwriting credits in this era was common, as the song purchaser or performer often claimed credit. The song was originally attributed to popular married vaudevillians Bayes & Norworth. Jack Norworth wrote the lyrics for *Take Me out to the Ballgame* while never having seen a game himself! But musical historians, & no less than the great Eddie Cantor himself, credit the song to Dave Stamper, who wrote more than 20 *Follies* & some of the first musicals for *Fox Films*. Mr. Stamper wrote more than 1,000 songs using his own numerical notation system because he was never formally trained to read or write music!

Industry News: On-line retailer *Direct Eats*, which purchased *Abe’s Market* earlier this year, acquired *Wholeshare* this week. *Direct Eats* is continuing on its strategic path to be the leading e-commerce provider of organic & better-for-you products. *Pinnacle Foods* has appointed Michael Allen, who previously led *Kellogg’s* frozen foods, morning foods & snacks divisions, as Executive Vice President & President of *Boulder Brands*. *Mondelez* dropped its offer to purchase Hershey & some analysts believe that *Mondelez*, in search of growth, may look at *Kraft Heinz*. *General Mills* division *Annie’s Homegrown* continues to introduce new products.

Annie's has 30 products ready in the cereal, baking, yogurt & soup categories. Powdered supplements are finding growth among those looking for cleaner choices (*sans pills*) for their daily nutritional support. Both *Pepsi* & *Coco-Cola* have new beverages hitting the shelves. *Coke* will enter the crowded cold brew coffee segment under the *Gold Peak* label in 1st QTR 2017. *Pepsi* is introducing 3 flavors of a new organic Gatorade – *G Organic*. *Pepsi* was previously unsuccessful with an all-natural Gatorade. *Pepsi* is seeing *Body Armor's* 144% growth with recent annual sales of \$69M.

Whole Foods is finally launching its loyalty program in select markets. The program will focus on discounts, coupons & special offers. This is another attempt by the supermarket to re-establish itself as the one & true market leader. We still question *Whole Foods* overall strategy. The focus on tech & data should certainly help them manage stores, product & client experience. The success of the 365 store strategy remains to be seen. Based on just observation in the markets in which we shop we do not find a perceived value statement that offsets the higher than their competition prices. We know *Whole Foods* is undergoing some changes in product mix but at the moment we find many more new, innovative & interesting products at competitors. Also, we find competitors' smaller store footprints easier to navigate & manage. *Whole Foods* absolutely leads in prepared foods & the meat, seafood & deli choices. We will continue to monitor execution of their overall strategy.

Campbell's reported a \$37M loss for 4th QTR, 26¢ per share. The loss led to reorganization within its *Campbell Fresh* division where sales were down 5%. Leadership changes were focused on the *Bolthouse Farms* line which had a voluntary recall of 3.8M bottles during the quarter. *Bolthouse Farms* was also impacted by higher carrot prices & the decision to harvest its carrot crop early.

Market News: August job numbers (plus 151k jobs) were unspectacular, 16% below analyst expectations. These gains though were offset by a reduction in the hours worked, negating any productivity improvement. The market rallied, seeing the data as an indication the FED will take no interest rate action in September. Oil prices fell 6% for the week, fluctuating on Friday as Putin asked oil producers for a supply cap, but dropping again on oil rig increases. The market was positive for the week, also bolstered by an unexpected jump in August's Consumer Confidence Index, which rose more than 400 basis points, surprising analysts. We must wonder what factors lead consumers to believe the economy will improve over the next 6 months?

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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