



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



**PERFECT VISION.** About 35% of Americans are blessed with perfect vision. Corrective lenses (two magnifying glasses stuck together) came about in the 13<sup>th</sup> century. Technology has since rendered the Coke bottle glasses of our youth obsolete. Thin lenses with stylish frames & contact lenses give most people near-perfect vision, & it is societal norms, not glasses, that brings truth to Dorothy Parker's famous rhyming couplet. Unfortunately, despite perfect vision, many people cannot see what is directly in front of them. Often, it is only in the aftermath of events, that we can look back, be it on history, current affairs or our lives, that we can see clearly, which is why *hindsight is 20/20*.

**HINDSIGHT:** The phrase 'hindsight is 20/20' likely came into use in the second half of the 19<sup>th</sup> century. Noted Dutch ophthalmologist, Herman Snellen, who studied astigmatism, glaucoma & other eye diseases, developed the *Snellen Chart*, the ubiquitous 'eye chart,' for measuring visual acuity in 1862. Those with perfect, or even better than perfect vision, will likely find professional success as neurosurgeons, or as baseball players & fighter pilots, as in the case of Hall-of-Famer & fighter ace Ted Williams, who boasted 20/5 vision. For the rest of us, with natural or corrected 20/20 'perfect' vision, we may see clearly at 20 feet, but lack the foresight to see what lies beyond. Hindsight allows us to see not just what took place & why, but what could have been done differently to create a better outcome. Thomas Jefferson called hindsight an 'exact science.' We all know a Monday morning quarterback, the person who in hindsight stands around the water cooler or coffee maker professing everything the coach did wrong the day before. Then there is the armchair general, fighting every battle from the safety of the *Lazy-Boy*, warmed by a cozy fire. Hindsight allows us to create alt-histories, what-if scenarios, both good & bad, if only for interesting conversation. What if Lincoln had not been assassinated in 1865, would Reconstruction have looked differently, with Lincoln fulfilling the aspirations of his second inaugural address? If the outcomes of Versailles had been different, would Hitler have risen to power? If Chamberlain had stood strong in Munich to prevent Nazi annexation of the Sudetenland, would the Nazi war machine have been held in check? On the other hand, what if the Nazi's had all the gas they needed during the Battle of the Bulge, if the Bloodied Battered Bastards of Bastogne (the 101<sup>st</sup> Airborne) had not withstood the Nazi siege, or if President Truman had not made the decision to enter the Atomic Age? Would WW2 have lasted longer or worse, would a negotiated peace allowed evil totalitarian regimes to continue their evil destruction? And while alt-histories might be fun to discuss, the value of hindsight is when we use it to gain foresight, to understand what we could have done differently, said differently or acted differently to produce a better outcome. This is a worthwhile exercise, as foresight is merely hindsight coupled with insight. It is when we look at the current situation, use our hindsight to ask how did we get to this point; personally, professionally, or as a society & nation; that we gain insight & then use our foresight to move forward. As an example, what does our hindsight tell us about our current economy? How, in less than 24 months, did we go from a country that was energy independent, with low interest rates, no inflation, working supply lines & record employment across all demographics to a country begging its enemies for fuel; with record, apparently endlessly increasing, inflation that is far outstripping wage growth; products missing from shelves & mortgage rates at decades high. It is only when we ask ourselves what changed, what made a difference, who took what actions to cause this situation, do we find ourselves prepared to move forward. Homer may have been calling out those armchair generals when he wrote, "After the event, even the fool is wise." The fool uses hindsight to make themselves feel better or to elevate their status, but the wise person uses hindsight to better their foresight & learn how to move forward. From 18<sup>th</sup> century English poet William Blake, "Hindsight is a wonderful thing but foresight is better, especially when it comes to saving lives or some pain!"

**INDUSTRY NEWS:** Bite-size waffle cone snack *Muddy Bites* raised \$5M with participation from *Reformation Partners*, Peter Rahal & *barkThins* founder Scott Semel. Indoor farm *Soli Organic* raised \$125M led by *CDPQ*, with *Movendo Capital*, *S2G Ventures*, *Cascade Asset Management Company* & *XPV Water Partners* involved. Cloud kitchen *Foodology* raised \$50M from *Chimera Investments* & others participating in a Series A extension round. Food delivery startup *klikit* raised \$2M to expand across Southeast Asia; *Global Founders Capital* & *Wavemaker Partners* led the pre-seed round. Vietnam's *FlyFeed*, insect farm, raised \$2.9M from angel investors. *Foodini* raised \$700K AUD for its platform to match diners' dietary needs with restaurants. The platform will launch in Melbourne before expanding to rest of Australia; early-stage VC *Antler* led the round. Australian

livestock management platform *AgriWebb* raised \$6.7M with *Germin8 Ventures* & *iSelect Fund* participating in the round. *Yummers*, pet food mix-ins, raised \$6.3M in seed funding, led by *L Catterton*, with participation from *Caravan*, *FS Investors*, *C&S Family Capital* & *Platinum Mile Ventures*. *Kroger* will acquire *Albertsons* for \$24.6B, which will bring together the two largest USA grocers, with nearly 5K locations & the power to compete with *Amazon* & *Walmart*. Turkey's *Getir* is in talks to acquire its German rapid delivery rival *Gorillas*; talks could be completed shortly. *Viterra Limited* will acquire the grain, ingredients & distribution business of Nebraska's *Gavilon Agriculture* for \$1.125B. *Encore Consumer Capital*, through its portfolio company *Murry's*, acquired private label French toast & bite maker *Bake Crafters*. *Monster* was awarded a \$293M in a false advertising lawsuit against *Bang*. Now owing \$400M in settlements following this law suit & one by *PepsiCo*, *Bang Energy's* parent, *Vital Pharmaceuticals*, has filed for bankruptcy.

For 3<sup>rd</sup> QTR, *McCormick*, after divesting its *Kitchen Basics* broth line, showed net income up 5% & sales up 3%. *PepsiCo* beat 3<sup>rd</sup> QTR analyst estimates & will raise full-year guidance. Higher prices led to revenue & earnings increases for 1st QTR at *Conagra*, beating analyst estimates. For *Lamb Weston* in 1st QTR, earnings beat estimates but revenue fell short. *Village Markets* saw a 27% income growth in 4th QTR despite lower revenues.

*All Ears!!* local grocer of choice, *Sprouts Farmers Market*, will partner with local specialty roaster, *Press Coffee*, *All Ears!!* local meet-up café of choice, on an in-store coffee concept. *Kroger* launched its first *Our Brands Innovation Summit*, designed to find private-brand items for its stores. Also, *Kroger Health* will roll out two Medicare plans (in SW Michigan) in partnership with *Priority Health*, offering nutritious food, health & wellness purchase benefits. *Foxtrot* opened their first Austin location. UK grocery chain *Asda* will bring *Walmart* fulfillment technology (*Store Assist*) to 330 superstores. *TerraCycle's Loop* will offer reusable & refillable products in select cities through *Walmart+ InHome*. *Rite Aid* will use *Google Cloud* to provide improved insights & customer experiences. *FreshDirect* will use *Relex Solutions* to optimize forecasting & replenishment. *Grubhub* will partner with *Starship Technologies* to provide robot delivery services to USA college campuses. *Revol Greens* will double its romaine lettuce production throughout the next 18 months. *Mondelez* is celebrating the 130th anniversary of its *Biscuit Flour Mill*, also known as *Toledo Flour Mill*. *Laird Superfoods* will close its Oregon production facility & move to a co-manufacturer; 46 jobs will be lost. *Utz* will introduce *Zapp's* seasoned pretzels. *PB2* is expanding into baking mixes. *The Every Company* will partner with hard juice maker *Pulp Culture* on *Build*, a functional alcohol drink using *Every Protein*. *Blue Apron* is now available on *Amazon*. *Beyond Meat* may be launching RTE meals amid rumors of a request to trademark *Beyond Meals*. *ADM* & *Marfrig* plan to expand sales of their veggie burger to the USA market after launching in Brazil last year. *Nestlé* will commit \$1B to support coffee sustainability. *KDP* will distribute *Red Bull* in Mexico. California continues to pass laws to prohibit grocery stores from providing single-use (which actually have multiple uses, especially if you have a dog) non-compostable bags to shoppers. *Instacart* paid a \$46.5M settlement in California for misclassifying its workers as independent contractors instead of as employees. *Tops'* lawsuit alleging *Morgan Stanley* caused its bankruptcy is proceeding through court with an ask for damages of \$375M. *Utz* names *Post Holdings* COO Howard Friedman as new CEO.

From *Brick Meets Click*, September on-line grocery sales fell 3% YOY, yet 3<sup>rd</sup> QTR was 4% higher, YOY. *Trader Joe's* & *Amazon* were among the top 25 innovative companies on the 5<sup>th</sup> annual *American Innovation Index* from Fordham University, Gabelli School of Business. *Adobe* forecasts a 2.5% increase in on-line holiday shopping this year. From *Advantage Sales*, 25% of food manufacturers plan no price increases in the first half of 2023 & 37% are unsure whether they will increase prices. From *IRI*, 82% of consumers purchased at least one restaurant meal in the past month, with 54% using take-out. Also, 83% of consumers did their grocery shopping in person. Per *PMMI*, 84% of CPG companies use robotics somewhere in their production. From *Innova Market Insights*, inflation has made value the number one trend, replacing sustainability. Food price inflation continued to outstrip overall inflation in September. While inflation on fresh produce is less than the rest of the store, produce prices are still almost 10% higher than last year! From *IRI*, average price-per-pound for finfish is up 17.5% YOY, but volume is down 12.8%. For shellfish, prices are up 3.8% with a 22.2% sales volume decline. In a new *Green Gauge* study from *GfK Consumer Life*, while almost a third of respondents take the environment into account when making purchases, there was a massive, more than 33% increase in those saying sustainable counterparts do not work as well or fail to live up to their billing. The USDA predicts an 8% drop in citrus volume.

**MARKET NEWS:** Markets were mixed in a volatile week. Mortgage rates hit a 16-year high & home sales decreased 39%. The Producers Price Index came in double analyst estimates. The September inflation rate came in hotter than expected on at 8.2% with the Core CPI surging to 6.6% – the highest rate since 1982. Real wages (wages adjusted for inflation) have declined for a record 18 months, every month since January, 2021.

### **SEEDS, SPROUTS, GROW, HARVEST!**

**THE LITCHFIELD FUND** – *Tom Malenka*

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