



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



THE FIRST RULE OF TIME TRAVEL is not to change the past. Superman, the Star Trek away team & all other time travelers adhere to this rule. In Ray Bradbury's *A Sound of Thunder*, a time travelling hunter is to stay on an elevated path, then kill a T-Rex that was about to die anyways, minimizing evolutionary impacts. Frightened, the hunter steps off the path, crushing a butterfly. Upon his return to present time, he finds a fascist president is in office, that people behave unusually & that English is spoken differently. Philosophers, rationalizing the nature of what is, reason we are exactly where we are supposed to be, caused by every past historical action in human history!

CAUSALITY: Causality, the study of cause & effect, is at the basis of every Aristotelian science. Aristotle used causality to not just understand the world as we know it, but to explain the relation between the physical & metaphysical worlds. David Hume later advanced these concepts to the relationship between facts & ideas. Aristotle believed you could not really know what something is until you were aware of its cause, so he developed the Four Causes, the reasons why everything is as it is. (Stay with us, like King Tut, we are about to get funky!) First, there is the Material Cause. A piece of granite can only serve its purpose as a piece of granite. Next comes the Formal Cause, the form the piece of granite takes. That form may be a beautiful statue in a European city square, or kitchen countertop in a Rio Linda remodel. These first two concepts comprise the Greek concept of teleology, that in the material world everything serves its purpose. But Aristotle, to move toward a metaphysical understanding, progresses to the Efficient Cause. Whether the granite is a statue or countertop, depends on the artisan. For Aristotle, the artisan has no bias in this creation, the artisan is simply using experience, knowledge & capability to craft what they already know. But to really understand something, Aristotle explored the Final Cause, the reason for it. Perhaps the artisan wanted fame, fortune, posterity or just to create something pretty (*ars gratia artis*). In producing the countertop, the artisan wants to make money, perhaps to support a family, build a bigger business, buy a boat! To put this in terms of food, a chicken egg serves its purpose (material cause) as it can only take the form of a chicken (formal cause; teleology). Whether it becomes a fryer or layer depends on the experience, knowledge, capability of the farmer (efficient cause). The final cause is because people need nutrition & the farmer needs to make money to keep farming. Hume advances these concepts into facts (material & formal causes) & ideas (efficient & final causes) to explain the relationship between the physical & metaphysical. Like Aristotle, Hume saw an unbiased nature, facts are facts because they are established as always true. Ideas may or may not be facts, depending upon if they are true, which could be examined through the final cause. Let's apply this to the current disastrous state of the USA economy. We know from Von Mises, Hayek, Friedman & others, that free-market capitalism has served its purpose to bring more people out of poverty, create more wealth, improve productivity & provide more abundance than any other sociopolitical-economic system. This is the material & formal cause of Adam Smith's free market. These same economists tell us that the only way to destroy free-market capitalism is through government interference, applying past knowledge, experience & training - the efficient cause. But to really understand why the economy is like it is today, the final cause must be explored. Why would the current outcome, the state of the economy, be the one the artisan wanted? This is hard to answer, in a world that perhaps Aristotle & Hume never imagined, where facts are biased & biased ideas are considered facts. Yet we should ask these questions; even Nobel-recognized Keynesian economist Joseph Stiglitz agrees, "... *seeing an economy that is, in many ways, quite different from the one a person grows up in, helps crystallize issues: in one's own environment, one takes too much for granted, without asking why things are the way they are.*" French Theologian Pierre Teilhard de Chardin tells us, "*Asking why bad things happen transmutes itself into some very different questions... asking how we will respond, what we intend to do now that it happened.*" But ask these questions we must, for as Confucius wrote, "*The man who asks a question is a fool for a minute. The man who does not ask, is a fool for life.*"

INDUSTRY NEWS: *Cloud Water Brands*, CBD-infused immunity drinks, raised \$5M to support nationwide distribution expansion. *FoodFutureCo* invested \$2.5M in the bridge to Series B convertible debt round for our friends at *Seal the Seasons*. *Red Clay Hot Sauce* raised \$3M in a seed funding round led by *Curate Capital*. *Wicked Kitchen*, plant-based foods, raised \$20M from *Ahimsa VC*, *NRPT* & celebrity investors. *Calwater* raised \$2M from celebrity investors. Bottled water brand *PATH* raised \$30M in Series A funding led by *Altos Ventures*. *Blue Farm*, oat milk, raised €3M led by *Zintinus Capital*, *HGDF* & *Übermorgen Ventures*. Vegan

cheesemaker *Momms* received an undisclosed strategic investment from *Dacsa Group* to co-create alternative dairy products & expand distribution. *Equii*, fermentation to create lower carb, high-protein grain flours, raised \$6M in seed funding led by *Khosla Ventures*. *General Mills* backed a new \$120M equity raise for *GrubMarket*, at a \$2B valuation with new investors *Squarepoint Capital*, *Portfolia*, & *Grosvenor Food & AgTech* & existing investors *Tiger Global*, *Liberty Street Funds*, *Walleye Capital*, *Celtic House Asia Partners* & *Apeira Capital*. Spain's *Innomy*, mushroom proteins, raised €1.3M from *Corporación Cervino*, *Rockstart* & others. *TissenBio*, Korean 3D printer of cultivated & plant-based meats, raised \$1.6M from *Envisioning Partners*. Cloud kitchen *CloudEats* raised another \$7M on its Series A led by *Nordstar*. French virtual restaurant franchiser *Not So Dark* raised \$80M led by *Kharis Capital* & *Verlinvest*. Robot-barista *Artly* raised \$8M from *SV Tech Ventures*, *Amino Capital*, *LDV Partners* & *Aimtop Ventures*. *Diageo* acquired Australia's *Mr Black*, cold brew coffee liqueur. *Primo Water Corporation* acquired two French spring water companies, *Eureau Sources* & *Defeous*, for undisclosed amounts. *Ironbridge Equity Partners* acquired a controlling interest in Ontario's *Handi Foods*, a cracker & snacking co-manufacturer, for an undisclosed amount. *Ohio Eagle Distributing* acquired *Anheuser-Busch InBev's AB ONE* distribution operations in Lima, Ohio for an undisclosed sum. *Uber* & *Visa* will partner on \$1M in grants (\$10K to 100 small businesses) that operate on *Uber Eats*. *Impossible Foods* founder Pat Brown will lead the new research & venture arm, *Impossible Labs*, to bring forward new technologies that support *Impossible Foods*. *Jana Investors* purchased a nearly 10% stake in *Freshpet* with plans to push the pet-food company to make changes to boost its stock price & sell. Portfolio beverage company *Splash* has opened a public offering.

Costco had a strong 4th QTR, with comps & eCommerce sales rising, a 15.2% revenue increase & a 12.5% increase in earnings. *UNFI* reported an 8% 4th QTR sales increase & adjusted EPS of 2% with improved margins. *Rite Aid* reported slightly lower 2nd QTR revenue with a net income loss as a result of high facility exit costs & a goodwill impairment realized when closing stores.

The Fresh Market plans to fill more than 1,600 jobs across 22 states. Salt Lake City's *Marcellus Foods* will open next spring with prepped ingredients & personalized recipes to help the at-home cooking consumer. *US Foods* will open a second *CHEF'STORE* in Utah early next year. *KeHe* will open its largest distribution center, 1M sq. ft., in Dallas. *Amazon* is stepping back into 3rd party *Prime* delivery with *Cardenas Markets*. *Wegmans* is exploring fleet electrification with a trial of Phoenix-based *Nikola's Tre* battery-electric vehicle. *The Too Good To Go* app, making near expired food available to consumers, expanded to Los Angeles. *NotCo* will enter *Sprouts* with *NotChicken* later this year. *Bristol Farms* will add vertical farm *Plenty's* greens. *Cinnabon* will enter the grocery market on the *Walmart* shelves. *Coco-Cola* & *Molson Coors* will partner on *Topo Chico Spirited*, their 3rd drink together, debuting in more than 20 USA markets in 2023. *Uncrustables* will add frozen meat & cheese bites SKUs. *Lenny & Larry's* has introduced a new nutrition bar, *The Boss! Bar*, to its product offerings. *Mission Foods* will launch a high-fiber, zero-net-carb tortilla. *Kemin Industries* introduced *Shield Pure*, a mold inhibitor that offers bakers a replacement for synthetic mold inhibitors. *CSM Ingredients* & *Allozymes* will partner to create enzymes for improved processing of ingredients. Dessert brand *Noops* will close operations citing economic conditions. *ADM* will open a Science & Technology Center at the University of Illinois Research Park in Champaign. An Ohio *Morningstar Farms* production site voted against unionization. *Evermade Foods*, a manufacturer of prepared meals for private labels will expand its Warrenton, VA facility & create 47 new jobs. India's *Nala Robotics* launched a fast-food robot (called the *Wingman*) that can cook wings, fries & other foods autonomously at less than half the cost of a human worker. *Smithfield Foods* will pay \$75M in its antitrust allegations. *Maple Hill* won a \$20M USDA grant to help grow the grass-fed dairy market. The FDA announced that lower sugar & sodium intakes are recommended, stating the obvious that everyone already knew. *Alan Jope*, Unilever CEO, to retire at the end of 2023.

The number of USA households using online grocery shopping has grown 116% since 2019, from *Brick Meets Click/Mercatus*. From *Deloitte*, 48% of consumers find in-store shopping more stressful than last year, 8% higher YOY. Also, 53% are stressed over food prices & 92% say price is the top consideration when shopping. The preference for sustainable, locally grown & non-GMO food is higher, as healthy eating matters to 84% of consumers with 55% still willing to pay a premium for foods that contributes to their health & wellness. *Deloitte* also reported that consumers do not see the health, price or environmental benefit of alt-proteins, nor do they agree with the sociopolitical position of these producers, resulting in falling purchase rates. USA acres dedicated to organic production has declined YOY per *Mercatus*. From the University of Michigan, 34% of older Americans aged 50 to 64 are eating less healthy diets as prices increase. The *National Chicken Council* puts chicken consumption at 96.9 pounds per person this year, versus 58.9 pounds for beef & 51.1 pounds for pork.

MARKET NEWS: Markets continued to spiral downward as stocks experience a terrible quarter in their worst year in decades. The USA economy shrank 0.6% in newly revised spring GDP numbers, convincing even the most ardent recession deniers & media apologists that the USA economy is in a recession.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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