



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



FRED MERKLE WAS A DECENT BALLPLAYER, batting .273 over 16 seasons. His claim to baseball immortality came in his rookie season with the 1908 New York Giants. Having appeared in just a few games that season, the 19-year-old found himself starting a critical game against the Cubs, when starting 1st baseman Fred Tenney was hurt. The Cubs & Giants were tied for first place with just a week left in the season. It had been a tight pennant race all year between the Giants, Cubs & Pirates, the 3 teams in the middle of a 13-year stretch of one of them claiming the title. With two out & the game tied 1 to 1 in the bottom of the ninth, Merkle came to bat with a man on first.

SPECTACULAR ERROR: The rookie hit a single down the rightfield line, the runner advancing to third with the potential winning run. The next hitter, Al Bridwell, slapped a single to centerfield, scoring the winning run. In those days, fans lined the outfield to watch the game & with the single, the fans rushed the field. Merkle, seeing the onslaught of the crowd, turned & headed to the dugout, never touching second base! Cubs' 2nd baseman Johnny Evers tracked down the ball from the crowd & stepped on second base. The umpire called Merkle out! Since a run can't score on a force play, the game was ruled a tie due to the now unruly crowd. The Giants lost the make-up game. The pennant went to the Cubs by a single game. *Merkle's Boner*, for much of the 20th century, became synonymous with a spectacular error or failure. John Kenneth Galbraith, while not my favorite economist, may well own my all-time favorite quote, "*If all else fails, immortality can always be assured by spectacular error.*" The quote was on my desk for my entire corporate career, providing positive inspiration about the downside of epic failure! Sports has its share of epic errors & fails! Red Sox owner Harry Frazee sold Babe Ruth to the Yankees for cash & two tickets to see Jolson at the Wintergarden. Leon Lett celebrated a touchdown too soon in the 1993 Super Bowl, having the ball stripped before reaching the end zone & the Atlanta Falcons forgot they could run the ball & run out the clock in the 2017 Super Bowl. Business has had some epic errors! The unsinkable Titanic sunk on its maiden voyage. The Ford Pinto blew up on impact. After 100 years, Coca-Cola changed the formula of the best-selling beverage on the planet - make that the universe - because UFOs searching for intelligent life only swing by Earth for "*the pause that refreshes.*" Three guys from Atari, two named Steve & one named Ron, started a company. After just a few days, Ron thought the start-up was too risky, didn't like being the only one not named Steve & didn't care for black turtlenecks. So he sold his 10% of Apple back to the Steves for \$800! Defunct Blockbuster Video was offered the chance to buy a start-up called Netflix! History has had many epic failures. During The Great Plague, Londoners thought the cats were spreading the disease, so they killed all the cats. It was the rats! Sadly, war brings some epic fails. Looking at the wide expanse across Gettysburg's Cemetery Ridge, the stonewalls & rising slope, one can only wonder if in a reincarnated life Maj. Gen. George Pickett coached the Cleveland Browns. Santa Anna's troops were having an afternoon siesta when Sam Houston's smaller force came upon them, winning Texas's independence. The Ottomans were twice the beneficiary of spectacular failure. In 1453, the Turkish Ottomans attacked Constantinople in an attempt to sack the Byzantine empire. They laid siege to the city, which had been tried before & failed many times. But this time, someone forgot to lock the city gates. In 1788, during the Austro-Turkish war, the Turks again benefited from a spectacular error. At the Battle of Karánsebes, the Austrian scouts found the enemy. The Austrians attacked. Unfortunately, it was another Austrian army division, the Austrians destroying their own forces before the Turks ever showed up for the battle. While errors in history & war can be fatal, we know *without* reminders from philosophers, statesman & motivational speakers, that most of the errors we make & failures we have in life are not fatal or final. They are, as Henry Ford said, "... *simply the opportunity to begin again, this time more intelligently.*" James Joyce saw errors as "*portals of discovery*" & Sigmund Freud wrote, "*From error to error one discovers the entire truth.*" Galbraith's quote reminds us we should not be afraid to try, we should not fear failure. Fear of failure is the only failure. From statesman John W. Gardner, "*We pay a heavy price for our fear of failure. It is a powerful obstacle to growth. It assures the narrowing of the personality & prevents exploration & experimentation. There is no learning without some difficulty & fumbling. If you want to keep on learning, you must keep on risking failure - all your life.*"

INDUSTRY NEWS: Growth equity firm *Stride Consumer Partners* closed its inaugural fund at \$420M, making three investments including meat snack *Chomps* & clinical skin care product, *Skinfix*. *Lemon Perfect*, lemon-based water, raised a \$31M Series A

round with *Beechwood Capital*, *Goat Rodeo Capital*, *Melitas Ventures*, *NNS Capital*, *Trousdale Ventures* & celebrity investors. *French Bloom*, premium, non-alc sparkling wine, raised £2.5M from *Les Domaines de Fontenille hotels* & other investors. *CellMeat*, a lab-grown shrimp maker, raised a \$8.1M round with *NaulB*, *BNK VC*, *Strong Ventures* & *Ryukyung PSG*. *Tractor Beverage* entered a foodservice deal with *KDP*, who will lead a \$60M round for expansion. *Lucid Green*, a cannabis supply chain platform, raised \$10M led by *Gron Ventures* with *Gotham Green Partners* participating. *Crafty*, food & beverage supply management for employers, raised \$10M in a Series A round led by *Tribeca Venture Partners*. *Seso* raised a \$25M Series A round led by *Index Ventures* & *Founders Fund* for its farm employee recruitment & payroll platform. India's *Tractor Junction*, a marketplace for tractors & other farm vehicles, raised \$5.7M led by *Edge Ventures*. *Grosvenor Food & AgTech* invested an undisclosed amount in *GrubMarket*. *Food Rocket*, 15-minute grocery delivery, raised \$25M led by *Circle K* parent *Alimentation Couche-Tard*. *Upside*, retail tech that helps users find the lowest cost on products locally, raised \$65M in equity & \$100M in debt financing at a \$1.5B valuation. The round was led by *General Catalyst* with participation from *Bessemer Ventures* & *Buillers VC*. *Decoy Smart Control*, a Brazilian start-up commercializing its biological controls to kill pests that affect farm animals, raised \$2M. *Levels*, a software company that gives feedback on how food affects your health, raised \$38M from private investors. *CoverCress* raised a \$26M investment from *Bunge* in a deal to supply its oilseed, grown as a cover crop, for *Bunge* to process into renewable biofuel. *Red Sea Farms* raised \$18.5M for its greenhouse tech that utilizes saltwater. *Mondelez* will acquire *Grupo Bimbo's* confectionery business, *Ricolino*, for \$1.3B to expand into Mexico. *Ferrero* will acquire Ireland's *Fulfil Nutrition*, a protein-bar maker. *CapVest Partners* acquired *Second Nature Brands* from *Palladium Equity Partners*. *GrubMarket*, beginning global expansion, acquired *Salix Fruits*, a global fresh fruit provider operating in Argentina, Chile, Brazil, South Africa, New Zealand, Spain, India & the USA. *Danone* pushed back on rumors all or part of its business was for sales. *Keurig Dr Pepper* will be exploring M&A for growth opportunities.

Amazon sales grew 7.3% in 1st QTR, though the company reported a nearly \$4B loss due to investments; physical stores, including *Whole Foods*, saw a 17.1% increase. *Metro* reported solid 2nd QTR numbers with earnings up 9.5%. *Coca-Cola's* price increases led to revenue & earnings beats despite international issues with China & Russia. *PepsiCo* beat 1st QTR expectations, with a 3X increase in YOY earnings, raising full-year guidance. *Hershey* beat 1st QTR estimates & also raised full-year guidance. At *Mondelez*, net revenue rose 7.3% in 1st QTR, topping estimates, while adjusted profit of 84¢ beat estimates by a dime. The company warned of profit problems resulting from geopolitical conflict. *Kraft Heinz*, despite a YOY down 1st QTR, beat analyst estimates. For *Grupo Bimbo NA*, 3rd QTR sales were up 2.9% & income rose 12%; the baker indicated more price increases are likely. *Hello Fresh* continued to see declining growth rates in 1st QTR, though sales increased & income dropped. USA sales passed €1B (\$1.2B) for the first time. *Chipotle* saw an almost 4X income gain in 1st QTR as revenue jumped 16%. Revenue rose 25% & net earnings 53% in *ADM's* 1st QTR. *Bunge* saw 1st QTR income rise 17% while sales rose 23%.

Publix began a 15-minute grocery delivery service using *Instacart's* new nano-fulfillment center. Canada's *Giant Tiger* will partner with *Instacart* to launch same-day delivery for its 180 stores. *Kroger* is looking to fill 23K jobs. *Hy-Vee* plans to cut 500 corporate jobs as cost pressures increase. *SpartanNash* debuted *SpartanNash Specialty Direct*, a new online platform designed with *Specialty Food Partners* to provide independent groceries a direct digital path to for specialty products. *Lunds & Byerlys* will deploy *Pensa Systems' shelf-scanning* technology at all of its locations. *Wegmans* will open its first store on Long Island. *Amazon* opened its largest *Amazon Go* store, 6K sq. ft., in a Seattle suburb. *Walmart* opened an import distribution center near the Port of Charleston in South Carolina. *Cargill* will spend \$50M to expand its Global Animal Nutrition Innovation Center in Elk River, MN. *Wayne Farms* upgraded its Decatur, AL prepared foods facility with a new cooked line for its chicken processing. *Jack Link's* has will invest \$450M to build a new meat snacks facility in Perry, GA, creating 800 jobs. *Canopy Growth* will cut 250 employees to reduce cost. *Gerber* is creating an entire line of plant-based baby foods. *Lavazza* will introduce an organic, low calorie, RTD coffee drink in the USA. *Chobani* will discontinue its *Chobani Ultra-Filtered Milk*, which launched just two months ago, due to inflationary pressures. *Lucky Charms* is under investigation as consumers report illnesses. *Mars* entered a multi-year agreement with life sciences AI company *PIPA* to accelerate the discovery of new plant-based ingredients. *Jack in the Box* will test *Miso Robotics' Flippy 2* burger maker. Due to a variety of issues, including insurance liability, the *Gilroy Garlic Festival* will be no more, without this writer crossing it off his bucket list.

From *Acosta*, 40% of shoppers buy plant-based meat & dairy products on a regular basis. Brazilian fruit exports are up 2%. Strong strawberry volume is projected by *California Giant Berry Farms*. Egg prices will continue to rise through 2022.

MARKET NEWS: Markets continued to plummet, with the worst April since 2008, as the GDP contracted in the 1st QTR due to the spectacular error of this current government's economic policies.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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