



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



THE GATE IS SMALL AND LOW, the road that leads to the gate is difficult & narrow. Many will want to enter through the gate, but few shall pass. Sounds exclusive, but shouldn't Heaven be exclusive? Reserved for the best; for those who have truly earned their way there? Heaven should be a difficult club to join with tough requirements, with a final ruling from the Supreme Judge. (And I for one will not be appealing the Judge's decision when I don't make the cut!) Heaven should not be as simple as having Eddie Money stamp us two tickets to Dante's *Paradiso*. Heaven should be the reward for leading an exemplary, generous & kind life - a pure & honest form of meritocracy!

BY MERIT: You're sitting on an airplane, waiting to take off for a vacation. You want to know the pilot is completely qualified & on top of his or her game! You are perhaps nervously waiting for surgery. Don't you want to know that the surgeon is the best, has an extraordinary record of success? Or, you are driving across a suspension bridge on a windy, stormy day. Aren't you praying the engineers took into account all the stress factors to properly withstand the storm? You are on the top floor of a downtown high-rise & the tectonic plates shift! Don't you want to know the architect was the best? The riveters who created the structure? The steel in the beams is of the highest quality? In the "Olden Days," schools gave out demerits. Get enough demerits, you stayed after school in detention. Get too many demerits, you could be suspended or expelled. Schools were based on the principle of meritocracy. I doubt today more than a few schools would use terms like demerits or detention. Instead, there are many examples of schools lowering standards so that students can feel good about themselves; or somehow using unusual & convoluted logic to say some disciplines, like mathematics, exclude certain individuals from learning. How can that be? Math by its very nature is a meritocracy! There is only one right answer. It does not matter how many variables, how difficult the equation, or if we *Take it to the Limit* (Rest in Peace Randy Meisner) there is one & only one right answer. If we expect less from students we get less, & if we do not seek out the best, we won't get the best. Would any of us want a pilot, surgeon, engineer who was holding our life in their hands not to be the best? Shouldn't the students who excel in their discipline be admitted to the so-called 'best, most elite' universities to produce the best, most qualified future employees? Shouldn't all that matters to a university or employer be that the person is the most qualified, has the most ability, can be the best? Why should any other characteristic of an individual matter, except their capabilities? The free market, a true free market, remains, we hope, an honest meritocracy. Yes, maybe it is dog-eat-dog (apologies to our sweet Goldendoodle), but only the best will move ahead & in today's economy, survive. Often, government or independent organizations believe that some industries, businesses or individuals only need a bit of help to be equally successful. But that is not always true. Right now, the government gives huge consumer incentives, tax incentives, hand-outs, grants & regulation to push incredibly inefficient energy choices that add to inflation, weaken national security & move America backwards in cost & efficiency. Whether an industry, business or individual survives in any endeavor, in any economic situation, should solely be based on their abilities to deliver to the market something people want at a fair price – be it a product, service or as an employee. Petrarch tells us, "*It is more honorable to be raised to a throne than to be born to one. Fortune bestows the one, merit obtains the other.*" From American poet Jean Toomer, "*We start with gifts. Merit comes from what we make of them.*" Focusing on characteristics, as opposed to qualities, is nothing new; from early 19th century cleric & theologian Charles Caleb Colton, "*Contemporaries appreciate the person rather than their merit; posterity will regard the merit rather than the person.*" So why does society shun those with merit? Probably, like Nietzsche, we are envious of those who succeed. From 17th century philosopher, Jean de la Bruyere, "*The same principle leads us to neglect a man of merit that induces us to admire a fool.*" In a true capitalistic free market, only merit must matter, which even ancient Roman playwright Plautus knew: "*We should try to succeed by merit, not by favor. He who does well will always have patrons enough.*" If we strive for excellence, & win by our own merits, then we truly get what we have earned & deserve; from Coco Chanel, "*Nature gives you the face you have at twenty; it is up to you to merit the face you have at fifty.*"

INDUSTRY NEWS: *Nirvana Water* raised \$2.6M from *Flagstaff International* & current investors. *Konscious Foods*, plant-based seafood, raised \$26M; investors include *Protein Industries Canada*, *Zynik Capital*, *Walter Group* & others. Plastic-free chewing gum brand *Milliways* raised £3M from *KLY* & individual investors. Sports nutrition company *Näak* raised \$3M million from private investors & the Quebec government. Israeli coffee micro-roaster tech startup *ansā* raised \$9M

led by *Jibe Ventures*. In Australia, *Goterra* raised \$6M to build a food waste treatment plant that processes byproduct from retailer *Woolworth's*. Beverage giant *Britvic* acquired UK-based RTD iced coffee brand *Jimmy's Iced Coffee*. Coffee company *JDE Peet's* acquired *JAV Group*, the fourth largest coffee business in Brazil. *LiveKindly Collective* has acquired frozen RTE plant-based food brand, *Alpha Foods*. *GrubMarket* acquired South Texas-based *London Fruit*, a wholesale distribution business. *Kings River Packing* acquired *Visalia Citrus Packing Group*. *Apollo Global Management* bought a minority stake in pet retail chain *PetSmart* from *BC Partners*. *Danone* will take a \$750M write-off on its Russian assets. *Nowadays* has ceased production & will seek a purchaser for its intellectual property. *The Bansk Group* closed its Bansk Fund I at \$800M to invest in food & beverage; beauty & personal care; consumer health; & household products.

Sprouts Farmers Market recorded a strong 2nd QTR. *Publix's* sales grew 8.9% in 2nd QTR & net income grew 83.3%. *Amazon* stock rose as 2nd QTR earnings blew past estimates. A significant 2nd QTR revenue increase gave *Mondelez* the opportunity to raise full year forecasts. *Kellogg* reported growth across the board in the quarter, upping guidance & stating their recovery is ahead of schedule. *Kraft Heinz* had a mixed 2nd QTR as price hikes impacted volume & revenue. Summer theater traffic pushed 3rd QTR net income at *J&J Snacks* up 125% & net sales up 12%. Sales were down & profit up during 2nd QTR at *Fresh Del Monte*, lower produce & distribution costs driving profit. At *Pilgrim's Pride* in 2nd QTR, sales & income were lower, driven by price hikes & portfolio diversification. *Nestlé* reported higher sales in the 1st half but coffee prices created a drag. Revenue was higher in the first half for *Danone*, but price increases caused a significant decline in volume. *Molson Coors* reported a surging 2nd QTR in revenue & volume as consumers shift from *Bud Lite* to *Coors Lite*. *Ardagh* reported a 12% decline in 2nd QTR revenues for its glass shipments, a result of *Bud Lite's* historic marketing fail. Marketing campaigns drove traffic during 2nd QTR for *McDonald's* as net income rose 94% & revenue rose 14%. Digital sales, new menu items & marketing drove a very strong 2nd QTR for *YUM! Brands*. Global growth gave *Starbucks* a mostly positive 3rd QTR report. India's food delivery service *Zomato* reached profitability for the first time. *Bunge* had an all-around positive 2nd QTR.

Publix will close its in-store *Aprons Cooking School* & its full-service catering. *Food Lion* will spend \$77M remodeling 47 stores. *Amazon Fresh* opened two more traditional stores in Chicago, plans to expand its online presence to more markets & open delivery & pickup to non-*Prime* members. *HelloFresh* will now offer pet food. *Del Monte* & *Kraft* will pair for *Lunchables* with fruit. *WOWorks* launched *Wow Kitchens*, a ghost kitchen concept using their franchise. *UNFI* & *Crisp* launched a new platform offering suppliers retail insights. *Mood Media's Vibenomics* advertising division & *Stingray Advertising*, retail audio advertising solutions, will combine their networks to create the largest USA retail media in-store network. *White Castle* & *SoundHound* will bring audio & speech AI to over 100 drive-thrus. *The Vollrath Company* launched a touchless, self-serve salad bar equipment called *SerVue*. *Hain Celestial* will relocate its headquarters to Hoboken, NJ, from Lake Success, NY, & add a new innovation center. Gummi maker *Haribo* opened its first North American production plant in Wisconsin. *Sam's Club* will open an Oklahoma distribution center. *CVS Health* will cut 5K jobs. *Bloomberg* reports that *Beyond Meat* has failed to find success in the China market. *Next Gen Foods* has rebranded as *TINDLE Foods*, its plant-based chicken subsidiary. *Costa Coffee* is facing consumer backlash after a controversial ad featuring body mutilation. *GT's* was ordered to pay restitution to 11 workers for wage & workplace violations. *Stuart Kronauge*, formerly of *Coca-Cola* & *Beyond Meat*, has joined *Miyoko's Creamery* as chief executive officer.

From *PYMNTS*, *Door Dash* had a record number of grocery orders in 2nd QTR. Food marketing agency *Curious Plot* reports that 85% of consumers want under 30-minute recipes & more than three-quarters explore new flavors. From *dunnhumby*, 36% of USA families have skipped meals due to financial reasons in the last year. Organic produce dollar & volume sales grew slightly in 2nd QTR per *Organic Produce Network*. From *Mintel*, bread sales are higher as families eat at home more often & look for budget friendly meal options.

MARKET NEWS: Stocks fell midweek on the USA credit market downgrade as bankers & investors are finally recognizing that America is slipping towards a third world banana republic under totalitarian rulers who will persecute those they see as threats to their power, crime & wealth. Markets continued to decline despite tech earnings & a tepid job report, with inflation still outpacing wage increases. From *Bankrate*, 36% of Americans have more credit card debt than they do savings available to cover an emergency. From *Bloomberg*, only 46% can cover an unexpected \$400 expense.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenga*

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