



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

IMAGINE YOU OWN A BUSINESS with an endless supply of capital! You can spend an infinite amount of money on any endeavor, any project & you never have to worry where the money comes from, it's always available. When something goes wrong, you can just continue to flood the project with more money, trying to get it right. Even if you abjectly fail, your customers giving you a half star out of 5 on *Amazon*, there are no consequences! You still have an unlimited supply of capital to try something else. And with that failure, you get paid to write books, appear on TV or to consult with large corporations & law firms! Only one "business" works this way, the USA government!

A TAXING TALE: Our founders fought a war shouting, "*No taxation without representation!*" We won, & now we have taxation with representation! It seems with Tax Day (May 17, this year) upon us, a history of taxation in America is appropriate. Just a few weeks ago ([The Last Straw, All Ears, 4/24/21](#)) we described the issues around taxation that occurred before that fateful April morning on Lexington Green. When the founders wrote & ratified the USA Constitution, they were very precise as to what the government could do with money; making it very clear in Article I, sections 8, 9 & 10. The government was able to lay & collect taxes & tariffs (uniform across the USA) to pay the debt & to provide for the common defense & general welfare; to coin money, prosecute counterfeiters, borrow money & create uniform bankruptcy laws. The Constitution was written though to prevent government overreach, so it also is clear about what the government cannot do when it comes to money. They could not levy export tariffs on states, on goods transported between states or favor certain USA ports through taxes. A law was required to draw any money from the Treasury, & when it came to taxes, an income tax was not lawful & any tax had to be apportioned to states by population & then an equal amount collected from each state resident. As we saw in 2020, the Constitution gets trampled in times of perceived crises, so during the Civil War, an income tax was passed. When the war was over, the Northern Republicans wanted to end the tax, but the Southern Democrats wanted to keep it in place. The tax was rescinded in 1872. But calls for an income tax remained & in 1892 under Democrat President Grover Cleveland, an income tax was reinstated. A series of court cases culminated in 1895, when the Supreme Court, hearing *Pollock v. Farmers' Loan & Trust*, ruled an income tax to be unconstitutional. This did not stop those 'big government power' advocates. In 1909, a constitutional amendment was proposed & in 1913, the 16th Amendment was passed: *The Congress shall have power to lay & collect taxes on incomes, from whatever source derived, without apportionment among the several States, & without regard to any census or enumeration.* The amendment gave Congress the power to tax your hard work. The government is *not* a business. *They produce nothing.* They simply transfer wealth, through taxation & redistribution, from those who have earned it to projects & to other people. Hopefully, these projects are for the public good, but often they are pork-filled payoffs to "friends," & direct redistribution is to individuals of true need, not to those taking advantage of the system. Ben Franklin said, "*Nothing can be said to be certain, except death & taxes,*" but Will Rogers sagely points out, "*The only difference between death & taxes is that death doesn't get worse every time Congress meets.*" Jefferson, Coolidge, Churchill, Friedman, Sowell & others felt that there are no good taxes & that taxes were abhorrent & sinful! Taxation does not lead to prosperity, as Churchill remarked, "*For a nation to try to tax itself into prosperity is like a man standing in a bucket & trying to lift himself up by the handle.*" The fallacy of taxes & redistribution is identified by two men of distinctly different sociopolitical views. From George Bernard Shaw, "*A government that robs Peter to pay Paul can always depend on the support of Paul,*" & from Alexis De Tocqueville, "*The American Republic will endure until the day Congress discovers that it can bribe the public with the public's money.*" Quickly following the passage of the 16th Amendment was the creation of the Federal Reserve & the expansion of the powers of the IRS. No matter what, remember to pay your taxes or you might get audited by the IRS, who has tremendous power & leeway. Don't fear an audit, because if you have done nothing wrong, made no errors or hidden no income, *any audit will just confirm your honesty!*

INDUSTRY NEWS: *GEM*, granola vitamin bites, raised 7.5M from *CircleUp Growth Partners*, *S2G*, *Pentland Ventures* & others. *Onda*, sparkling tequila soda, closed a \$5M Series A round led by *Aria Growth Partners*. *DELOCE*, R-T-D espresso martinis, closed on \$1.5M led by *Vice Ventures*. Upcycled baking brand *Renewal Mill* is closing a \$1M round from investors, including *Beyond Impact Advisors*, *Emil Capital Partners* & the *Georgetown Angel Investor Network*. Prebiotic soda brand *Mayawell* raised \$2M led by the Mexico-based distillery, *Casa Armando Guillermo Prieto*. *Something Better Foods*, plant-based

meat & seafood alternatives, raised \$500K from ICA, a nonprofit venture capital fund. Led by *Founders Fund*, with participation from *Khosla Ventures*, satellite ghost-kitchen network *All Day Kitchens* raised \$20M. Led by *Ibex Investors*, *Groundwork BioAg* closed on \$11M for its crop inputs that support soil health & regenerative farming, with *Future Foodways*, *ProDelta*, *MoreVC*, *Middleland Capital*, *Axess Ventures* & *BPD Agri* involved. *Zoe*, at-home gut health, blood sugar & blood fat tests to determine a personal dietary plan, raised \$20M led by *Ahren Innovation Capital* with participation from *Accomplice*, *Transformational Healthcare Venture Capital* & *Daphni*. Seed technology startup *Inari* completed a \$200M raise from existing & new investors. *Lotus Bakeries'* venture arm, *FF2032*, took a minority stake in *Oot*, an Amsterdam-based DTC provider of fresh-baked, gluten-free & organic granolas. *Eat Beyond* & *Global Edge* invested in hemp & adaptogen sparkling water *Daydream Drinks*. *GoPuff* acquired *Fancy*, a U.K. startup that delivers groceries & daily essentials in under 30 minutes. *Nestlé Health Science* acquired hydration tablet maker *Nuun* for an undisclosed amount. *Walmart Health* acquired *MeMD*, a multispecialty telehealth provider. *Apeel* acquired *ImpactVision*, whose hyperspectral imaging technology can be used to help determine product freshness. *Utz Brands* will buy the maker of its *On the Border* tortilla chip brand, *Great Lakes Festiva Holdings*, for \$41M. *Dutch Bros. Coffee* is planning a \$3B IPO. *Krispy Kreme* will also file for an IPO. Crop technology company *Benson Hill* will go public through a \$1.35B SPAC with *Star Peak Corp II*. USA synthetic biology startup *Ginkgo Bioworks*, microbe programming, will go public by merging with a SPAC with *Soaring Eagle Acquisition Corp* in a \$15B deal.

Ahold Delhaize saw a 5.8% constant exchange rate sales increase in 1st QTR driven by a 4.2% same store increase and a 187% jump in USA eCommerce sales. *Tyson* saw a 3.7% increase in sales & 27% increase in income during 2nd QTR, though chicken prices challenged earnings results. *Kellogg* beat estimates with increases in 1st QTR revenue & earnings, due to strong snack demand & higher sales for *Morningstar Farms* & *Incogmeato*; management announced higher 2021 targets. *B&G Foods'* sales rose 12% in 1st QTR with flat net income due to *Green Giant* supply chain difficulties & rising commodity costs, which management foresees continuing. On slightly lower sales, *Post Holdings* earned \$109.9M in 2nd QTR compared to a loss of \$191.4M a year ago. Even though posting a 34¢ loss, revenue doubled in *DoorDash's* 1st QTR, sending its stock higher.

Giant plans for new stores in the Philly area. *Circle K* is launching a beverage subscription service for \$5.99 a month. *Bashas' Family of Stores* is hiring 700 new positions. *Amazon's* palm payment tool will expand to the east coast. *Stop & Shop* will use the *FlashFood* app to give customers deals on food close to its expiration date. *CVS* is using *Shipt* & *Rite Aid* is using *DoorDash* to expand their same day delivery offer. *GrubMarket* is expanding into St. Louis. *Stor.ai*, grocer e-commerce tools, will partner with *Trax* to offer access to 1.4M on-demand order pickers. *HelloFresh* will open its largest distribution facility, 440K sq. ft. in Phoenix, Arizona, in 4th QTR. *Saputo Dairy USA* will invest \$30M to expand its cheese manufacturing plant in Las Cruces, NM, adding 150 new jobs. *ADM* will open a new soybean crushing facility in North Dakota. High-speed corn tortilla production equipment maker *JC Ford* will invest \$30M to renovate two facilities & create 210 new jobs in Tennessee. The inaugural class for *Mondelez's SnackFutures' CoLab* includes 2 brands that can be found by investors on [Brandjectory](#), *12 Tides* & *Chasin' Dreams Farm*. *Walmart* has been recognized in Canada for sourcing 100% of its beef from Canadian certified sustainable farms & ranches. *Thrive Market* has added *Beyond Meat* to its frozen meal offerings. Reported to be the first genetically engineered fish, *AquaBounty's AcuAdvantage* salmon will begin to ship 5 tonnes to buyers. *Memphis Meats* has rebranded as *UPSIDE Foods* & will release its first cell-cultured product, chicken. Channeling Ewell Gibbons, *Arbion* is a start-up with a new product, *SlyPro*, which is made by converting timber by-products into feed & food ingredients. *Tate & Lyle* has warned buyers that high demand for allulose has shorten supply & they will not be filling requests. The people in Washington DC revealed plans to raise taxes on America's farmers.

Consumers in 10 key markets across the world are choosing no-alcohol beverages over low-alcohol options, per *IWSR*. The no-alcohol segment grew its 2020 volume by 4.5% while low-alcohol volume dropped 5.5%, though the USA bucked the trend. *NCSolutions* found Americans' barbecue-related CPG purchasing remains at high levels. Mexico has passed Spain as the world's top strawberry exporter. China, Peru, Chile & the USA rank as the world's top grape exporters. The USDA reports lower wheat carryover, higher corn carryover & slightly lower sugar supply. Food prices rose 3% YOY, & in the last month, food rose 0.4%, with fruits & vegetables up 0.8%, led by fresh fruits increasing 1.5%.

MARKET NEWS: Markets crashed during the week but recovered slightly. Investors finally recognized the inflation impact of the growth-crushing policies of the people in Washington DC. The CPI jumped 0.8% (0.2% expected) after 0.6% in the previous month. Core inflation (excluding fuel & food) rose 0.9%! Consumer prices soared 4.2% in April, that fastest gain since 2008! *Post Holdings* joins other big food companies, grocers, restaurants & small stores who, despite high unemployment, are unable to find workers, as policies from Washington DC & various state governments pay workers not to work.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenga*

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