



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

A WHISPER OVERHEARD in a Greek agora. A watchful eye from behind a Corinthian column in ancient Rome. A note passed in the halls of the Vatican. A bottle of poison beneath a cloak in a medieval court. A romantic tryst in a French palace. A midnight meeting in a colonial tavern. An open air, uncoded message to trap anybody listening. Money passed for information in a European restaurant. The double cross. The double, double cross. A dark rainy alley in Vienna, a man with his hat pulled down & collar turned up as the zither plays. Secrets, spies & espionage have always been part of politics & war. Perhaps because in the 5th century BC, Sun Tzu wrote, *"Know your enemy."*

KNOW YOUR ENEMY: With Veterans Day upon us, it seems important to also acknowledge those who, surreptitiously, try to help our troops in battle. At the beginning of the Revolutionary War, General George Washington assigned military officers to work behind the enemy lines as spies. One of them was the American Patriot, Captain Nathan Hale, who was captured in New York City using a false identity. He was hanged on September 22, 1776. By 1778, Washington, with the help of the Culper Ring – Major General Benjamin Tallmadge (alias John Bolton), Abraham Woodhull (alias Samuel Culper, Sr.) & Robert Townsend (alias Samuel Culper, Jr.) - developed an intricate spy network. Members were recruited into the ring, many who had daily interactions with British officials & military through their businesses & family. There was the utmost secrecy - coded messages, invisible ink, phony names & fake location points. Members did not know the true identities of each other; communication lines were kept very narrow. The Culper Ring provided Washington with valuable information on British activities & plans. In the Civil War, with Washington, DC (in Confederate territory) just 100 miles from the Confederate capital Richmond, spies roamed freely. Southern DC socialites found out important information, then dressed as farm girls to cross the military front to reach Richmond. Timothy Webster, a NYC policeman, was recruited by Allan Pinkerton (the great detective who headed the Secret Service) to befriend the Confederate secretary of war, Judah J. Benjamin. Webster passed important information, but was eventually captured & hanged. In WWI, the USA's codebreaking section intercepted paper messages & telegrams in the "Black Chamber." The Black Chamber was discontinued in 1929, when Secretary of State Henry L. Stimson famously said, *"Gentlemen don't read each other's mail."* At the start of WW2, with Stimson as the Secretary of War, FDR called on Major General William J. "Wild Bill" Donovan to be the top spy, forming the Office of Strategic Services, which would eventually become the Cold War's Central Intelligence Agency. Wild Bill led what we like to refer to as a truly exceptional American life. A lawyer by training, in 1916 he raised & led a cavalry unit to fight Poncho Villa at the Rio Grande. He was sent by the Rockefeller Foundation to broker with England & Germany for aid, food & clothing for countries trapped behind the trenches. When the USA became a combatant, Donovan became a major in the 69th regiment, the famed *"Fighting Irish."* His energy was so immense that the much younger men in his command called him *"Wild Bill."* In between the wars he travelled the world with his wife, visiting the totalitarian societies in Japan, the USSR & Germany. He served in the Justice Department, analyzed Britain's fighting capabilities & reviewed the Navy's Pacific naval defenses, which he found lacking. When WWII was imminent, FDR called on Donovan to create a spy network in Europe. Donovan organized spies, ran guns & supplies to the Resistance, created a network of priests who supplied information (without the Vatican's knowledge) & disrupted Nazi operations behind the lines. He participated in several invasions. At Normandy, pinned down by Nazi machine gun fire, he told his head of covert ops, Col. David Bruce, that they must not be captured as they knew too many secrets. Donovan told Bruce, *"... if we are about to be captured, I'll shoot you first. After all, I am your commanding officer."* Only Wild Bill has been awarded the four highest awards in the USA - the Medal of Honor, the Distinguished Service Cross, the Distinguished Service Medal & the National Security Medal. Many of the spies Donovan recruited went on to be part of the CIA, including Allen Dulles, who became the

first civilian head of the CIA. Dulles ran the WWII spy network from Switzerland, working with agents all over Europe. Dulles had an interesting background. An attorney who worked in Europe, at first, he had a favorable impression of the Nazis. But after seeing the treatment of Jews in Berlin in 1935, he forced his firm to close their Berlin office. This was much to the disillusionment of his older brother in the firm, John Foster Dulles, who despised the communists & was sympathetic to Germany. (The elder brother was Ike's Secretary of State during the Cold War; the DC airport named in his honor.) In opposition to the USA's strong isolationist movement Allen Dulles wrote books with editor Hamilton Fish Armstrong, citing the reasons for intervention in Europe. Interestingly, Dulles felt that in an 'interdependent international system' traditional diplomatic & economic isolationism was not possible. This could not be truer than in this post-Thomas Friedman 'The World is Flat' global economy, where our economy, & those of our friends & allies, are intertwined with either current or potential enemies. These intertwined connections not only involve businesses, they often involve our own government & at times, our very leaders. Often, our enemies don't wear the uniform or carry the flag of a nation, they sneakily spread terror & mayhem. Worse, some of our enemies actually wear suits, do business with us & may even walk among us. Though cloak & dagger has been replaced by cyber & satellite, Sun Tzu's statement holds true after 2500 years: "If you know your enemy & know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle." Because we are Americans, with strong & purposeful values & a belief in individual freedoms, a capitalist meritocracy & equal justice, we will always have enemies. From Churchill, "You have enemies? Good. That means you've stood up for something, sometime in your life." America & America's military has always stood up for our values & our shared belief that everyone is entitled to freedom, unshackled from government. We must not lose that, Churchill tells us why: "When there is no enemy within, the enemies outside cannot hurt you."



INDUSTRY NEWS: Yeti Group & Artisan Group led a \$3.5M investment in Proper Good, shelf-stable meal solutions. As part of a \$75M funding round for Athletic Brewing, Keurig Dr Pepper purchased a minority stake with a \$50M investment. Brazilian Liv Up, DTC frozen meals, raised \$4.9M from the Minerva Foods' venture arm. Peace Out Skincare raised \$20M from 5th Century Partners. RoslinTech, cell-cultured meat, closed an £11M Series A led by life sciences investor Novo Holdings. Mexico's Perfekto raised \$1.1M to redistribute imperfect produce. Food tech startup Forsea Foods raised \$5.2M led by Target Global with The Kitchen FoodTech Hub, PeakBridge VC, FoodHack, Zora Ventures & Milke & Honey Ventures involved. LocalCoho, indoor salmon farming, received an undisclosed strategic investment from two seafood entrepreneurs. Fishery supply chain startup FishLog raised \$3.5M from BRI Ventures, Accel, Insignia Ventures & others. Agriconomi, an online agribusiness marketplace, closed on €60M led by Treis Group, Temasek & Aliment Capital. Hwy Haul, connecting fresh produce shippers with reliable truckers, closed on \$10M in funding (\$20.6M since founding) led by Eileses Capital with True Blue Partners, BluePointe Ventures & FDC Partners. Cooperative Ventures made an undisclosed investment in autonomous farm machinery company Sabanto. GrubMarket acquired Fresh Software Solutions, software platform for fresh produce distributors, wholesalers & food service suppliers. Good Worldwide acquired This Saves Lives for just under \$5 million. Darling Ingredients acquired Polish poultry rendering company Miropasz for €110M. Norwegian aquaculture company Mowi acquired 51% of Arctic Fish, an Icelandic salmon farm, for 26B ISK. Perrigo will purchase Nestlé's baby formula Good Start brand & plant in Wisconsin to expand its USA infant formula production. B&G Foods is looking to sell its Back to Nature brand as it does a strategic review of divestiture possibilities. The US District Court denied the request to stop the Albertsons' \$4B dividend payout to shareholders.

Sprouts grew sales, income, comparables & eCommerce in 3rd QTR. Ahold Delhaize & SpartanNash also posted 3rd QTR across the board growth. Hostess reported strong 3rd QTR growth; its 11th straight quarter of at least 9%

revenue growth & its 6th straight quarter of double-digit earnings growth. *Lancaster Colony* grew 1st QTR sales by 8.4% & income 23%. *Hain Celestial's* management felt there were signs of stabilization despite a disappointing 1st QTR. *Celsius* doubled 3rd QTR revenue but posted a 6X larger loss. In 3rd QTR, *Monster's* sales outpaced its rivals, stealing volume from *Bang Energy*, whose sales fell 27%. *Blue Apron* reported similar YOY revenue growth & income loss; the company reduced its forward projections. *Maple Leaf Foods* tried to reassure shareholders that a 4X larger 3rd QTR loss on a slight revenue gain was transitory. At *Restaurant Brands International*, sales were up 16% & net income jumped over 50%. At *Wendy's*, 3rd QTR income rose 23% & revenues increased 13%.

Schnuck's will open their second *Eatwell Market*. *Foxtrot* will open its 5th DC location. *Target* opened a 150K sq. ft. store in Texas, larger than its standard store. *Sprouts* will expand its partnership with *Pod Foods* across its footprint. *SpartanNash* will partner with *Uber* for delivery. *SpartanNash* plans to consolidate some 150 stores under its *Family Fare*, *Martin's*, *Supermercado*, & *D&W* banners. *Kroger* hosted a career expo for veterans & their families this week. Also, *Kroger* is now delivering in Oklahoma City & San Antonio. *Chevron* will use *Grabango's* checkout free platform. *Mojo Vision* will test integrating *Alexa Shopping List* with smart contact lenses for heads up shopping. *Local Bounti* will provide fresh greens to *Sam's Club*. *Square Roots* will co-locate its indoor farms on-site at select *UNFI* distribution centers. *Grupo Bimbo* will build a new baking facility in Zanesville, Ohio, with a \$430M investment while creating 320 new jobs & will spend more than \$200M million to build a second baking plant in Georgia. *Bobo's* is moving into a new so-called 'super bakery' to triple capacity & reach \$100M in revenue in 2023. *Coca Cola* will restructure its North American workforce using voluntary buyouts. The USA FDA, in an effort to resolve this administration's supply chain failures, will allow the *a2 Milk Company* to supply the USA market with its *a2 Platinum Premium* infant milk formula. *Danone* reports that 75% of its dairy now comes from regenerative farms & its *Two Good* yogurt will launch smoothies ahead of schedule. *Caulipower* will launch frozen meals. *Pacific Trellis Fruit* will co-brand mandarins & grapes with the *Tunnel to Towers Foundation*; a percentage of sales will go to support our wounded veterans & first responders. *Charlotte's Web* & Major League Baseball will partner to open increased CBD visibility. *Quorn*, *MycoTechnology*, *Meati* & *The Better Meat Co.* will form the *Fungi Protein Association* to advocate for alternatives that are not made from plants. *Joe Oblas*, founder of meat snack company *Stryve Foods*, has stepped aside. *KDP's* former CEO Bob Gamgort will replace CEO Ozan Dokmecioglu, released for code of conduct violations just months after taking charge. *Tyson's* recently appointed CFO, son of the company's chairman, was arrested on trespassing & public intoxication charges.

From the *Fetch Price Index*, consumer grocery demand has dropped 0.4% YOY due to inflation, but it is costing them 12.7% more. From *Numerator*, food-at-home prices rose another astonishing 0.6% between September & October, with inflation for fruits & vegetables accelerated to 1.9%, all part of the whopping 12.3% YOY food inflation. From *Personal Capital*, 25% of Americans are skipping Thanksgiving this year to save money, 33% will host smaller Thanksgiving dinners & nearly 90% are cutting out at least one dish to save money. *The National Retail Federation* forecasts that holiday retail sales will be 6% to 8% above 2021, mostly due to inflation. From *Kanter*, British grocery store inflation hit 14.7%. Deli prepared foods sales totaled \$31.3B in the past 12 months, up 9.3% YOY & 19.2% since 2019, according to *NielsenIQ* & *FMI*. From *PYMNTS*, in 3rd QTR mobile devices were used by 15% of consumers for non-grocery shopping & by 9.8% of consumers for grocery shopping. Employment in food & beverage stores was lower by 2.7K jobs in October & restaurant employees increased by 6K, per the US Bureau of Labor Statistics. The USDA projects lower soybean plantings but increased corn & wheat plantings. Beet sugar forecasts have been adjusted lower. Higher lettuce volumes are expected from the desert regions.

MARKET NEWS: Markets were higher as investors expressed hope that a new congress would act as a check on this administration's destructive spending & social programs. October inflation remained at a whopping 7.7% with an economically unsustainable 13.9% increase over two years as this administration's policies to destroy the American economy, worker & families continues to ravage society.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

V9issue22.11.12.22

The Litchfield Fund is a family owned & operated limited liability corporation. We do not solicit or accept investment from outside individuals or entities. Opinions contained in *All Ears!!* are ours & should not be considered investment advice or recommendations.