



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



THUK, OUR CAVEMAN FRIEND! Thuk has taught us about fire, foraging, farming & fermentation. With Thuk, we have explored the innate human nature for adventure, family, entrepreneurship, freedom & his fledgling thoughts about a higher power. We visit Thuk, Mrs. Thuk & the little Thuks for help, perhaps be it folly, to understand the people & world about us. We learn from Thuk's naïve & innate instincts & reaction to his world – a world that is base, natural & not blurred by perceptions or biases. Our humble meanderings are not Thuk's first appearance in literature, having played a key role in one of the most important works of Western thought, Plato's *Republic*.

CAVEMAN THINKING: In Plato's *Republic*, Plato shares the *Allegory of the Cave*. The Cave Allegory is quite straightforward, but its implications on our thoughts, realities & perceptions are vast & pervasive. Imagine a group of people who have lived only in a cave. They are chained to a wall, cannot even see each other, but behind them is a large fire. Objects are held behind them in front of the fire, casting shadows on the wall in front of them. Their reality becomes the shadows. Now one of the members is unchained, allowed out of the cave & into the sunlight. There this person sees reality & truth - trees, animals, people & more. The person hears the birds & animals, feels the wind, touches the trees, smells the flowers & fruits. The person returns to the cave to tell the others what has been perceived, using all of the senses. The cave dwellers are hard to convince, unwilling to let go of their 'reality;' a perception based on limited use of their senses. Although they are invited to join the world that exists in the sun, they are reluctant to 'see the light.' Plato uses the allegory to explain the truth of natural sciences, the elements of math, geometry & logic & his theory of forms – that what we see in the natural world is marred by our perceptions & different than the idea or ideal form of the object itself. The allegory has been used to examine the existence of heaven, we mortals being the cave dwellers living in a world of shadows, only to find the real forms in the light of heaven. Of course, there are people today who think like these cave people. They live their lives in a shadow of reality created by their own perspectives & biases, reinforced by their schooling, media & associates. They believe their reality is the ideal form, an ideal that has been formed without exposing their senses & thinking to other stimuli. Believing their personal reality to be truth, to be the ideal state, they manage their lives, families, businesses, institutions & enterprises as though this ideal was true for everyone. There are people who seek to find an ideal spouse, job, home, school; prepare themselves to have an ideal child or take the ideal vacation. Expecting any situation to be ideal will most likely lead to disappointment; accepting that any situation or premise is ideal, pristine, perfect, or unquestionable can lead to disaster. Decisions in the real world - for our lives, families, businesses - are arrived at through critical, rational thinking based on strong foundational values. Through these values – hard work; doing one's best work; respecting others, their thoughts & words; kindness & more – we may not reach the ideal state or nirvana we seek, but they will bring us as close to excellence as we mere mortals can attain. Unlike ideals, these values are permanent, consistent, applicable to nearly every situation. We need to look no further than the recent rash of business failures & institutional nonsense, where it seems sound critical decision making was replaced by adherence to shared ideals; ideals inconsistent with real world dynamics. Bringing any person into the light, whose reality has been formed with limited exposure to other inputs, is not just difficult, but often impossible. Idealism, adherence to a set of beliefs developed without critical inquiry, is a powerful & dangerous narcotic. From Carl Jung, "Every form of addiction is bad, no matter whether the narcotic be alcohol or morphine or idealism;" & H.L. Mencken, "It is not materialism that is the chief curse of the world... but idealism. Men get into trouble by taking their visions & hallucinations too seriously." Perhaps Bertrand Russell had the harshest view of idealism: "Much that passes as idealism is disguised hatred or disguised love of power." Harlem Renaissance poet Claude McKay warns, "Idealism is like a castle in the air if it is not based on a solid foundation of social or political realism." Which is why businessman Roy O. Disney reminds us, "When your values are clear to you, making decisions becomes easier." Using our values to make good decisions by using all of our senses can bring us closer to any ideal form we seek; from songwriter Don Henley, "Let hope inspire you, but let not idealism blind you."

INDUSTRY NEWS: *Cerebelly* baby food raised an undisclosed Series A amount with *Knudsen Capital*, *H Venture Partners*, *Imaginary Venture Capital Partners*, *Babybelly* & *Redcap Investments*. Chinese food brand *Fly by Jing Sole* raised \$12M; *Prelude Growth Partners* & *Pendulum* invested. *Live Nation* led a \$10M round for *Owens Craft Mixers*. UK alt-meat *THIS* secured £15M from *Lever VC*, *BGF*, *Five Seasons Ventures* & others. Israel's *MeatAfora*, cultivated meat made using vegetable fat, raised \$5M

led by the *New Gate Capital*. *DRNXMYTH* cocktail raised \$3.7M, led by an undisclosed beverage venture firm; *Red Door Capital* participated. Fine-dining meals delivery platform *Entrée* raised \$2.5M led by *M25*. Singapore's *Agros*, agri-tech growers, raised \$2.7M led by *Gaia Impact Fund & Schneider Electric Energy Access Asia* with *Wavemaker Impact*, *Silverstrand Capital*, *Circle Capital & PropertyGuru* involved. Farm data start-up *Agurotech* raised €1.5 million from *Navus Ventures & ROM InWest*. Pet-food business *Scrumbles* raised \$7.3M from *BGF*. Food & ag analysis equipment company *KPM Analytics* acquired computer vision system manufacturer *Smart Vision Works*. *Source Capital* acquired *Lee Fish*, importer/distributor of fresh & frozen seafood. *Cali Foods* acquired *Mikey's*. *Gen Z* water was acquired by family run juice makers, *Langers*. Private investor *Samuel DiSalvo* acquired produce & food distributor *Carlo Masi Produce*. *Kellogg* will create two publicly traded companies through a spinoff - *Kellanova* for its global snacking, international cereal & noodles, plant-based foods & North American frozen breakfast business & *WK Kellogg Co* holding the North American cereal business. *Campbell*, *Prego's* owner, will look to acquire premium sauces. *Boxed* is looking for funds to avoid bankruptcy.

Sprouts reported 4th QTR growth & a solid 2023 forecast despite a tough economic climate. Stalwart of growth *Costco* reported mixed 3rd QTR results; the stock price fell. *BJ's* finished 4th QTR with strong growth & comparables, reaching \$1B in EBITDA for the full year. At *Grocery Outlet*, net sales increased in 4th QTR by 18.9%; comparable store sales rose 15.1% & net income rose 139.3%. *Weis Markets* also reported strong 4th QTR results. *UNFI* posted 2nd QTR net sales up 5.4% but earnings dropped by more than 70%; the company lowered its full year projections. Price increases drove a 12% revenue gain & a 9% earnings gain in 2nd QTR at *Campbell*; *Goldfish* is on its way to being a billion-dollar brand. Sales & income fell in 1st QTR for *Hormel*. Both *Savos Brands & Benson Hill* project revenue growth in 2023. *Savos Brands* told investors *Rao's* will become a \$1B brand, now at \$580M in sales. *Danone* reported fiscal 2022 results, sales grew 14% with a 9% price increase, but earnings were 50% lower. *Maple Leaf Foods* reported a C\$41.5M loss on a 6.25% revenue increase. *Laird Superfood* lost \$15.6M in 4th QTR with a slight drop in revenue. *HelloFresh's* 4th QTR revenue rose 19% to more than \$2B with an 8.5% margin

Walmart & Target will add low-cost Easter dinner options for customers. *Grocery Outlet* will expand its private label offerings. *Dollar Tree* will not sell eggs due to the high prices. *Gordon Food Service* is opening 6 new stores in Texas. *Rite Aid* is facing lawsuits over ignoring guidelines for opioid distribution. *BJ's* will roll out *Simbe Robotics' Tally* robot to its footprint. *Kroger* plans to use *Gatik* automated vehicles to transport products between an e-commerce warehouse & its stores. *DoorDash* will partner with *PCC Community Markets* for delivery. *GoPuff* enacted another layoff, about 2% of its workforce. *WARP*, a tech-powered freight network from *DirectFresh*, will ship perishables same-day & next day direct to stores. *Krispy Kreme* will exit its CPG snack business, cutting 102 jobs. *Nestlé* will introduce *Natural Bliss* creamer brand into plant-based milks, made from oats & fava beans, for consumption on its own, in smoothies & cereal. *Kraft Heinz & NotCo* launched plant-based *NotMayo*. *Van Leeuwen* bringing *Hidden Valley Ranch* to the ice cream aisle. *Just Egg* will launch frozen meal options. *ADM* will launch *Knwble Grwn*, a line of flax, hemp & quinoa products grown with regenerative agriculture. *Melibio* launched a plant-based honey under the brand *Mellody*. *G&S Foods*, co-packer & private label snack manufacturer, will open a new facility in Hanover, PA. *Ball Corp.* is may close its Walkill, NY facility due to difficulties in upgrading the aging facility. *McCain Foods*, will invest C\$600M to double the size & workforce of its potato processing plant in Coaldale, Alberta. *Scoular* will recommission a former northwest Kansas sunflower crush plant into a dual oilseed crush plant for soybeans & canola fuel use. *Bayer & Microsoft* formalized a partnership to create cloud-based data tools & data solutions for the food & agriculture industry. The Dutch government is mobilizing its military to deal with farmers who are protesting the European Union's climate laws that are requiring their farms & livelihood to be shut down. John C. DiDonato has been named interim CEO of *Vital Pharmaceuticals*, *Bang Energy's* owner. Retired CEO Lee Cole returns to *Calavo* to drive growth.

From *Coresight*, 20% of consumers buy their groceries at discount chains. Total digital grocery sales reached \$128B & sales are expected to grow to \$146B in 2023, per *Incisive*. Once loyal online shoppers have disengaged, falling to its lowest level since March 2020, according *Brick Meets Click/Mercatus*. Per *DISCUS*, USA spirits exports reached a record in 2022, reaching \$2.06B, with American whiskey exports at \$1.28B. From the BLS, the food at home inflation index rose 10.2% in February, YOY, while food away from home rose 8.4%. *Numerator* reports YOY food at home prices increased 9.4%. From *FMI/The Food Industry Association*, inflation has impacted seafood sales. Widespread flooding from continuing NorCal rain will impact the Salinas Valley vegetable crops & prices, with \$100M+ in losses for California strawberry growers.

MARKET NEWS: Markets fell as investors & consumers had clear evidence of this administration's economic failures. Inflation rose again in February, 6% YOY & 13.9% over 2 years! Real wages fell for the 32nd straight month.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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