



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

THE YEAR OF THE PITCHER! You won't find that on the place mat of your favorite Chinese restaurant, between a rat & snake. The year was 1968 & pitching dominated Major League Baseball. Only 6 players managed to hit over .300. The Tiger's Denny McClain won 31 games. Don Drysdale pitched 58 2/3 consecutive scoreless innings. Bob Gibson, perhaps the fiercest, most determined competitor in any sport ever, had a 1.12 ERA & threw 13 shutouts, a record for the 'live ball' era. Before the 1969 season, to bring more offensive & defensive balance to the game, baseball lowered the pitching mound 5 inches, to 10 inches high, in order to *level the playing field*.

A LEVEL PLAYING FIELD: Imagine if in football, soccer or rugby that one team had to constantly play uphill, while the other always ran downhill. The team moving downhill would have a distinct advantage. In the late 19th century, the rules for these sports suggested the game be played on a level field. Research indicates the phrase, 'level the playing field', referring to business or politics, did not appear in print until the second half of the 20th century. This is surprising, considering that among the concepts of America's Founding Fathers is 'fair play.' It is right there in our founding documents. All men are created equal, & they each have the right to speak freely, worship freely, publish freely. Each individual has the right to their own privacy, personal protection & private property. And everyone has the right to equal protection & equal treatment under our laws. To maintain this fair play, each legal citizen, properly registered, has the right to one vote. For our Founding Fathers, the concept of fair play also applied to business, the capitalist democracy they envisioned. They believed in a meritocracy, that each individual will rise to the level that his or her own abilities, skills, talents, character & hard work will take them. This does not mean, & was never intended to mean, equal outcomes; it means only equal opportunity & access. America is a country of entrepreneurs, from pilgrims to pioneers, from gold panners to oil drillers, from farmers to tradesmen; who may have failed, eked out a living or created a massive conglomerate. But America has always believed in the moral businessperson - men & women - who will do business honestly to benefit themselves, the consumer & society - the virtues that Smith, von Mises & Friedman extolled. America has always created laws to provide for a fair & level playing field for businesses & consumers: beginning in the 1880s & 1890s with the Interstate Commerce Act & the Sherman Anti-Trust laws, then into the 20th century with the establishment of the Federal Trade Commission & the Clayton Antitrust Act. During the Depression the Glass Steagall Act prevented banks from manipulating markets & 1936's Robinson-Patman Act intended to keep large retailers from undermining smaller businesses. In 1950, the Celler-Kefauver Act strengthened the Clayton Act to prevent companies from buying up competitor's assets. Finally, a variety of consumer protection laws & RICO (Racketeer Influenced & Corrupt Organizations) laws from 1970 forward prevent illegal business activity. All of these laws, in some way, were implemented to create a level playing field. President Theodore Roosevelt said, "*I stand for the square deal. I mean not merely that I stand for fair play under the present rules of the game, but that I stand for having those rules changed so as to work for a more substantial equality of opportunity & of reward for equally good service.*" Sadly, corruption can cause these laws to not be applied equally; those with 'influence' often avoid scrutiny. More unfortunately, there are those who want to prevent equal access & opportunity. They believe certain people or groups should be given an advantage to access businesses, schools or organizations. They even want businesses to monitor or censor those users or customers with whom they disagree. This is not a fair, level playing field. From our Founding Fathers, Benjamin Franklin, "*When men differ in opinion, both sides ought equally to have the advantage of being heard by the public; when Truth & Error have fair play, the former is always an overmatch for the latter;*" & Thomas Jefferson, "*Let common sense & common honesty have fair play, & they will soon set things to rights.*"

INDUSTRY NEWS: Tea company *Young Mountain Tea* raised \$1.1M. Animal-free dairy maker *New Culture* received a new investment from Korea-based food & bioengineering company *CJ CheilJedang*. *NuCicer*, high protein chickpea producer, raised \$7M led by Lever VC, with *Blue Horizon* & *Trellis Road* involved. *PepsiCo* will invest \$40M million in Ethiopian *Senselet*, maker of the potato chip brand *SUN Chips*; the investment will fund a new production facility. *KKR* & *UPL Limited* made a \$300M investment in global seed company *Advanta*. *BioVeritas*, fermented food waste, raised \$65M from *Ara Partners*. *Ostara*, nutrients from water treatment plants to make fertilizer, raised \$70M for expansion from *Carica Sustainable Investments* & others. Agriculture satellite monitoring platform *Constellr* raised \$10M, co-led by *Lakestar* & *VSquared*. *Craft Ventures* led a

\$11.5M round for *meez*, a recipe management tool for chefs. Restaurant management platform *TouchBistro* raised C\$150M from *Francisco Partners*. *Qwick*, a Phoenix-based on-demand staffing provider for hospitality businesses & food & beverage professionals, raised \$40M in funding led by *Tritium Partners*, with participation from *Album VC*, *Kickstart*, *Desert Angels* & *Rise of the Rest Seed Fund*. *Orderlion* raised \$3.9 million for its B2B food supply chain software from a stealth restaurant-tech investment fund. *Grupo Bimbo SAB de CV* acquired *St. Pierre Groupe*, a United Kingdom-based baker of premium brioche-style products. Investor group *Littlejohn* acquired distributor *Lipari Foods*. *Dessert Holdings* acquired *Dianne's Fine Desserts* from *Geneva Glen Capital*; terms not disclosed. *Ampla Technologies* acquired *Upside Financing*, & will create a buy-now-pay-later B2B platform "*Ampla Pay Later*," for brands & vendors. *Campari Group* will take a majority stake in *Kentucky Bourbon Wilderness Trail Distillery*. Two vertical farming platforms have ceased operations, USA's *Fifth Season* & France's *Glowfarm*. Several states are trying to keep *Kroger/Albertsons* from paying out its \$4B dividend payout. From *GlobalData*, the number of venture deals has declined 23% in the first 9 months of the year & 33% decline in funding dollars compared to last year.

Publix reported 3rd QTR revenue & comparables increases but a 54% drop in earnings as economic pressures mounted. *Weis Market* reported an 8% 3rd QTR revenue increase with a slight increase in earnings. *Wakefern* reported a record \$18.6M in revenue for 2022. *Boston Beer* reported a 6.2% gain in 3rd QTR revenue, to \$596.5M & gross margin rose to 43.2%, from 30.7%. *Hershey* beat 3rd QTR estimates & raised full year guidance. Consumers trading beef for chicken due to prices led to a 16.8% revenue increase & a 32.7% income increase in 3rd QTR for *Pilgrim's Pride*. *HelloFresh* saw a 31.4% revenue increase in 3rd QTR though core profit fell 10%. *Grupo Bimbo* showed improvement in 3rd QTR revenue & income despite tighter operating margins. *Fresh Del Monte* reported a 5% revenue gain with EPS of 54¢ after reporting 1¢ in 3rd QTR a year ago. Price increases drove 3rd QTR success for *Kellogg & Mondelez*. For *Kellogg*, the result was a slightly positive 3rd QTR, a positive change in direction despite a high-cost environment & the company raised its forward looking forecast. For *Mondelez* in 3rd QTR, revenue rose 8% & adjusted earnings increased 16%. *DoorDash* reported that 3rd QTR customers more than doubled & gross order volume rose 80%. *Daily Harvest* reports a 55% drop in sales from May to September due to reduced marketing outlays. For *YUM! Brands*, 3rd QTR revenue rose 7% while earnings fell more than 34% on foreign exchange rates. *McDonald's* is gaining market share as customers turn from high priced grocery inflation to lower cost fast food, though revenue & income were lower in 3rd QTR. Inflation caused a down 3rd QTR for *Papa John's*. Despite a lower income, investors reacted positively to *Domino's* 3rd QTR, as sales & same store traffic increased & the pizza chain became the number 1 carry-out brand. *Sysco* started off fiscal 2023 with 1st QTR double digit growth in revenues & profit. *Sodexo* reported a 21.2% 2022 fiscal year revenue growth with 4th QTR revenue returning to 2019 levels. Both revenue & earnings fell in 3rd QTR for *Bunge*, though management expressed forward looking confidence. Earnings for *ADM* in 3rd QTR nearly doubled as revenue increased 21%.

Walmart will match 2021 Thanksgiving prices, but *Aldi* will match 2019 prices for Thanksgiving items, a huge discount for its customers. *Lidl* will offer Thanksgiving deals to feed 10 for under \$30. *Kroger* will add ghost kitchens to three Columbus-area stores in a partnership with *Kitchen United*. *Sprouts Farmers Market* will partner with *DoorDash* for quick delivery. *SpartanNash* banners will use *Shipt* for same-day delivery. *Save Mart* will pilot 2-hour delivery with *Amazon*. *KeHe* has added distribution in C-stores with the Midwest chain *Kum & Go*. *UNFI* will use *Cornerstone for Natural's* smart tags to provide consumers with more information on items. *Picnic Works*, automated kitchen technology, & *ContekPro*, manufacturer of modular kitchens, will partner on factory-built pizza kitchens for commercial foodservice providers. *Waterdrop* has launched new *Microlytes*, electrolyte hydration cubes. *IFF* launched a plant-based ingredient, soy-based *Supro Tex*, that can be hydrated to mimic a chunky meat texture. Also, *IFF* opened a new 118K sq. ft. innovation center in Singapore with a creation, design & analytical laboratory, a dairy processing pilot plant & demo kitchen. *Square Roots & Gordon Food Service* opened an indoor farm in Springfield, OH. *King's Hawaiian* will build a new \$85M baking plant in Georgia. The SEC is alleging *New Age Beverages* was not forthcoming with shareholders. *Nestlé* faces a lawsuit over its *Ovaltine* packaging claims about vitamin & mineral content. *CVS & Walgreens* have tentatively agreed to settle its opioid complaints for \$10B, pending state & local government sign-offs. *Tyson* will pay \$10.5M to settle poultry price fixing lawsuits in Washington state.

From *PYMNTS*, 24% of consumers have asked to use digital wallets to pay for groceries. From *IRI*, Thanksgiving meals will cost 13.5% more this year & the price of turkey is up 23%. From *NCSolutions*, consumers overwhelmingly enjoy & use C-stores. *PMMI* reports sales of packaging equipment have increased 40% since 2019. Cannabis has now passed cranberries as Massachusetts' top farming crop.

MARKET NEWS: Markets were lower as the FED raised rates another 0.75% in what is likely another futile attempt to stave off the failures of this administration's economic policies. Labor participation is down to just 62%.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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