



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



**THERE IS A LEGEND** about coffee, which is mostly true. At the turn of the 20<sup>th</sup> century, a clipper ship loaded with coffee beans set sail from South America for Europe. The coffee beans were lashed to the deck. The clipper ship encountered a violent, freezing storm as it sailed around Cape Horn. The freezing rain & ice-cold waves swamped the deck & froze the coffee beans. Upon reaching Europe, *Nestlé*, the cargo's owner, gave the ruined coffee, now dry, to a scientist to see if they could be salvaged. The scientist found the ruined beans no longer had caffeine. That is to say, without caffeine, or in French, *sans caffeine*. The product would soon be known as *Sanka* coffee.

**COFFEE, JOE, JAVA:** The scientist was Ludwig Roselius, who had been searching for a way to remove the caffeine from coffee. He had been told by doctors that the caffeine in coffee had killed his father, an avid coffee drinker. Research indicates his father was 59 years old at the time of his death, 10 years past the average age of death in the early 1900s, so it was likely just old age. Coffee is one of the most popular drinks in the world, originating in the Middle East & brought to Europe by the Dutch. Right now, in this house, we consume, in order of quantity, water, coffee, almond milk, kefir & *Genius Juice*. Instant powdered coffee first appeared in Europe in the late 1700s & in America during the Civil War. A surplus of Brazilian coffee in the 1930s led to *Nestlé* developing a variety of instant coffees. Today, the coffee market has about \$100B in sales annually. Growing up in the 1960s, adults drank coffee all day long, seemingly able to sleep (perhaps it was less stressful just 60 years ago). No matter what time of day, if someone showed up at the door, or if there was a long, gossipy phone call, coffee was present, brewed or instant. At our house, there was an old-fashioned drip coffee maker. The first step was to boil water. The boiling water was poured into a vessel on top. The water would drip through the grounds & the coffee passed into the bottom pot. The coffee pot was then kept warm on the stove. (This was before the days of *Joltin' Joe & Mr. Coffee*.) Coffee has been widely touted as having few bad qualities. It is a mild stimulant, helping focus. Studies suggest it can slow the aging of the brain. It has qualities that can reduce the risk of mouth, throat, esophagus, stomach & kidney cancer. And whether you prefer calling it coffee, joe or java; or like it bitter or strong; advocate for Arabica or Robusta; sip on an espresso or latte; coffee has for centuries been the beverage of conversation & a relaxing, somewhat medicinal break for heart, mind & soul. And coffee is the perfect complement to a piece of cake; a piece of pie from *Twin Peaks' Double R Diner* (the actual *Mar T* diner in North Bend, WA); a blueberry scone; my mom's biscotti or a donut! (Don't forget to watch Clark Gable giving Claudette Colbert dunking lessons in *It Happened One Night*.) However, with all that coffee has to offer, & its impact on culture, business & health; it has been reported by Canadian scientists that coffee is causing climate change. Since we are told to always trust the science, then we fully expect *Starbucks* to close its 34K stores in 80 countries; *Dunkin'* to change its name to *Donut*; *Maxwell House* to pour its last drop; the *Hills Brothers* to retire after 150 years; & some crazy billionaire to buy up all the coffee plantations to force consumers to buy the chemical concoction alt-coffees in which he invested! Like Edmund Burke, just a short, satirical argument to point out the absurdity of conventional thought, *Reductio ad Absurdum!*

**INDUSTRY NEWS:** *Ranch Hand*, canned cocktail producer, raised \$11.4M from several sources. *ModifyHealth*, medically tailored meal provider, raised \$10M led by *RC Capital* with *Nashville Capital*

*Network* participating. Strategic investors put \$6.7M in tea brand *RYL*. *Project Eaden*, whole cut alt-meat, raised \$2.3M from *Creandum, Magnetic & FoodLabs*. Alt-meat company *Jimi Biotech* closed a \$3M round led by *Plum Ventures & Fanqie Capital*. *Sollum Technologies*, greenhouse tech, closed a \$30M raise from *Idealist Capital & Fondation*. *Axiom Cloud*, refrigeration tech & controls, raised a \$7.4M Series A led by *Blue Bear Capital* that included *Leadout Capital, Momenta Ventures, Ulu Ventures, Powerhouse Ventures, Vela Partners, Frontier VC & Artifact Capital*. *Evigence*, food freshness monitoring tech, raised \$18M led by *Cleveland Avenue* with participation from *Planet Capital & Landa Ventures*. *Chefhero*, now known as *Notch*, raised \$10M for its digitized restaurant foodservice management platform; led by *Portage*. *Zitti*, digital transactions service for restaurants & suppliers, raised \$3.5M led by *Oceans Ventures & Serena Ventures*. Spain's *Velada* raised €1M for its curated restaurant guide & booking app from private investors. *General Atlantic* invested \$130M for a 5.6% stake in Indonesian dairy & consumer goods producer *Cimory*. Baby nutrition company *ByHeart* acquired *Cascadia Nutrition*, a packaging & blending facility; terms not disclosed. *Astara Capital Partners* invested an undisclosed amount in Marion, OH *Wyandot Snacks*, manufacturer of snacks, cereals & better-for-you foods. *Great Lakes Potato Chips*, manufacturer of kettle cooked potato chips, was acquired for an undisclosed amount by *LaSalle Capital & Lightspring Capital*. *Grupo Bimbo* acquired *Vel Pitar*, a Romanian bakery, from *NCH Capital*.

*Albertsons* will launch a micro-fulfillment center in Laguna, CA, with *Takeoff Technologies*. A Washington State court will not block *Albertsons'* \$4B dividend payout. *Albertsons* will hold an innovation competition to find new suppliers at Expo West. *Target* is accepting applications for its *Target Takeoff* six-week virtual accelerator program. *Wakefern* will test *Trigo* frictionless checkout. *Starbucks & DoorDash* will expand their partnership nationally. *Walmart* is adding training locations for associates to become truck drivers. Quick delivery company *Jokr* ended its Columbia operations as it pulls back its footprint. *Kroger* will partner with *Google Cloud & Deloitte* to improve associate productivity. *Califia Farms* will introduce organic SKUs. *RXBar* debuted clean-label granola clusters. *Bimbo Canada* will invest C\$15M in a new tortilla production line at its Hamilton, ONT facility. *Campbell Soup* will add 330 jobs & spend \$50M to consolidate snacking operations from several locations to its headquarters.

From *Acosta*, 67% of consumers are spending less on discretionary items, 63% are eating up as much food as they have in the house before buying more, 61% are eating out less, 52% are spending less on entertainment & 46% are saving less. Grocery Sales were 7.3% higher in December YOY, driven by inflated prices. From *IRI & 210 Analytics*, USA food & beverage sales rose 8.7% in 2022, driven by double-digit inflation; unit sales fell 3.3%. Foot traffic & sales at grocery stores, dollar stores & superstores were down in 4<sup>th</sup> QTR YOY, per *Placer.ai*. More consumers want nutrient dense foods, like meat, & are no longer reducing their meat consumption, per *New Nutrition Business*. College dining promotions firm *BrokeScholar* analyzed *Yelp* data for the fast-food chains within walking distance of 144 colleges & found that *Blaze Pizza, Five Guys & Jersey Mike's* were the most popular. From *The Produce Reporter*, California has received 4X to 6x more rain than average; flooding is impacting spring harvests. Cold weather is inflating desert lettuce prices. The USDA forecasts higher winter wheat & sugar production.

**MARKET NEWS:** Markets finally broke from the New Year elation, ending mixed. Disappointing 4<sup>th</sup> QTR sales & lower than expected holiday sales drove markets downward, as consumers cut spending to deal with the administration's broken economic management.

**SEEDS, SPROUTS, GROW, HARVEST!**

THE LITCHFIELD FUND – *Tom Malenka*

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