



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



"UNDER A SPREADING CHESTNUT TREE, the village smithy stands." At one time in America's history, school children memorized the words of Longfellow's poem, or perhaps the words to his *Paul Revere's Ride* or Lincoln's *Gettysburg Address*. Today, school children are indoctrinated with difficult ideas instead of learning the 3 R's; the words, thoughts & ideas of America's great thinkers; & basic science, like photosynthesis. Trees take CO₂ from the air & then with sunlight & water produce their food, returning oxygen to the atmosphere. As every school child once knew, CO₂ is carbon dioxide. Earth always has had as part of nature, a built-in carbon-capture technology, *trees!*

TREES: My own affinity for trees probably began as a child, when we would leave the tight confines of Collinwood on Cleveland's east side & drive through Ohio to see family in the hills of Pennsylvania. I remember staring out the car window at the lush green forests & thinking about how much fun, exploring & discovery, I would have once we got to my Nono & Nona's house. Or maybe my love for trees came from those summer weekends at Euclid Creek Reservation. My dad & uncles would park their cars under a tree, wash the car with water carried in buckets from the creek; then do what young men of the day did – polish & wax their cars! Meanwhile, the moms cooked on the grill & the kids would skip stones across the creek, until one bright 3-year-old tried to skip a fallen chunk of charcoal & melted a thumbnail. When my parents moved out of Collinwood, Cleveland began to live up to its moniker, *The Forest City*. Our suburban yard had mighty elms, maples, pines & even an ash tree, the wood that once made unbreakable baseball bats. The first house I owned was on what could only be described as a very *Leave it to Beaver* street: tree-lined & stuck in the 1950s. The yard had oaks, hickories, maples, a linden with its purple seeds, & fat squirrels with purple smiles! Of course, people, for room & convenience, have cut down many of those trees that once covered our suburban America's streets. Now we live in the desert, & though it may surprise people, we have a large variety of trees. The palm trees rustle in the perpetual evening breeze & the Arizona desert willows sway with the wind. An assortment of majestic pines drop their giant pinecones. Beneath a craggy mesquite tree seems the perfect spot for a brooding cowboy Heathcliff. The scent of citrus blooms fills the air: oranges, grapefruit, lime, kumquat & the amazing Meyer lemon, our favorite. The Blue Palo Verde, our state tree, with its yellow blooms a shocking contrast to its green-blue bark. And finally, the tree-like saguaro, centuries old, stately & solid, always appearing to be waving hello! This is why my much-better-half, decades ago, called saguaros happy plants, & a drive around town or a hike in the desert makes you want to return their cheery wave! Every tree is an inspiration. It grows slowly, withstanding every storm, growing its roots ever deeper & wider to reach water, getting stronger, broader, taller to touch the very sky; then giving back its shade, the comforting rustle of its leaves, its spectacular colors against a deep blue sky & its life-giving return of oxygen to our world. Naturalist Hal Borland agrees, *"If you would know strength & patience, welcome the company of trees."* From Herman Hesse, *"Trees are sanctuaries. Whoever knows how to speak to them, whoever knows how to listen to them, can learn the truth. They do not preach learning & precepts; they preach, undeterred by particulars, the ancient law of life."* Frank Lloyd Wright reminds us, *"The best friend of Earth & man is the tree."* As I recall those trips to Pennsylvania on its old roads, watching the passing trees, in many places covered by billboards advertising the next tourist trap, a diner for burgers or *Mail Pouch*, or even one last ancient *Burma Shave* sign, I recall the words to another childhood poem, the Ogden Nash parody of Joyce Kilmer's *Trees*: *"I think that I shall never see, a billboard lovely as a tree. Perhaps, unless the billboards fall, I'll never see a tree at all."*

INDUSTRY NEWS: *PepsiCo* will invest \$550M in *Celsius* & take a 20% equity stake in Romanian spring water brand *Aqua Carpatica* for possible USA & international expansion. *Boisson*, non-alcoholic spirits retailer, raised \$12M for expansion led by *Connect Ventures* & *Blue Scorpion Investments*. *Afresh*, AI-powered fresh food management tech, raised \$115M led by *Spark Capital*, with participation from *Insight Partners*, *VMG Partners*, *Bright Pixel Capital*, Walter Robb & existing investors. *Bayer* increased its investment in oilseed producer *CoverCress* to take a 65% majority stake, the remainder owned by *Bunge* & *Chevron*. Swiss-Italian farm management company *xFarm Technologies* raised €17M led by *Swisscom Ventures* with participation from *Neva SGR*, *Emerald Technology Ventures*, *NovaCapital*, *Grey Silo Ventures* & *United Ventures*. *AppHarvest* attracted \$50M in financing for expansion. *Clean Food Group* will commercialize a yeast-based alternative to palm oil by acquiring the rights to a process developed by researchers at the University of Bath, with a £1.8M investment. *Entrepreneurial Equity Partners (e2p)*, acquired

Roskam Baking & will merge it with *Organic Milling*; financial terms were not disclosed. *Del Monte Foods* added to its at-home offerings with the purchase of *Kitchen Basics*, ready-to-use stocks & broths, from *McCormick*. *Bel*, French dairy major, purchased 70% of Chinese cheese maker *Shandong Junjun Cheese*, terms not disclosed. *GrubMarket* acquired Vancouver-based *IOT Pay*, omnichannel payment channel. *Revolution Foods* acquired *Better4You Meals*, a fresh & vended meal service in California & Nevada. *Lineage Logistics* acquired *Spanish Grupo Fuentes*, transport & cold storage. *Dairy Farmers of America* acquired two processing plants from Ohio-based *SmithFoods*, one in Indiana & the other in Missouri.

Publix saw a 9.3% increase in sales in 2nd QTR with comparable store sales increasing 7.8%, but net earnings decreased 37.7%. *Sprouts Farmers Market* had a comeback 2nd QTR, reversing previous declines, beating analyst estimates; the company will open 30 new stores next year. Net Income fell 5.9% for *Ingles Market* in 3rd QTR as sales grew 14.1%, inflation impacting the bottom line. *Weis Market* saw 8.4% growth in 2nd QTR sales & comparables; net income rose 7.2%. *Amazon's* 2nd QTR physical stores sales jumped 12.7%, though net income was lower. *CVS* had a 11% revenue growth in 2nd QTR & a 5.6% increase in operating income. Inflation gave *Kerry* a first half EBITDA & revenue increase of 13%. *Pilgrim's Pride* reported a 29% revenue gain & a 41% income jump for the quarter. *Fresh Del Monte Produce* saw a 6% 2nd QTR revenue boost though cost pressure impacted income. *Oatly* posted a \$72M net loss as net revenues rose 21.8% in 2nd QTR. Fresh baked foods at *Hostess* drove 2nd QTR net income up 2.1% & net sales up 17%. For *J&J Snack Foods*, 3rd QTR net income fell 46% on acquisition costs & demand, as net sales increased 17%. Sales fell 1.6% at *Beyond Meat* & the company lost \$97.1M in 2nd QTR, the company lowered guidance. *Kellogg's* beat 2nd QTR estimates, but supply disruptions caused a 10% drop in *Morningstar Farms* sale. At *AppHarvest* in 2nd QTR, volume fell more than 23%, but inflation drove revenue up more than 40%; the company reported a \$28.7M loss. Inflation led to lower consumer spending & higher costs for *McDonald's* as EPS in 2nd QTR fell to \$1.60 from \$2.95 & sales fell 3%. *Yum! Brands* missed 2nd QTR estimates, Russia & China weighing on results. Sales were up for *Domino's* in 2nd QTR, but net income fell as the company was impacted by driver shortages. *Chipotle* saw increases in 2nd QTR sales & adjusted income, driven by a comparable sales increase; the company will hike prices again. *Misfit Markets* reported strong 1st QTR sales due to price inflation. *Compass Group* announced 3rd QTR revenues grew 49.7% for its North American unit, while the multi-national company grew at 43.4%; the company is outpacing 2019 pre-government-mandated-lockdown growth.

Walmart began laying off corporate employees to deal with the impact of inflation on customer spending during this recession. *QuickTrip* will open its second location with fresh-prepared offerings. *Flytrex* doubled in drone delivery service radius for items ordered from retailers & restaurants in North Carolina & Texas. An increase in shoplifting has caused NYC retailers to begin locking food products under glass, including *SPAM*. *Monster* will debut its first flavored malt beverage alcohol product. *Hu* debuts a milk chocolate drink. *McDonald's* completed its *McPlant* test, with no decision on next steps. *Oatly* is among 53 specialty drinks recalled because of bacterial contamination. The company will delay expanded production due to tight capital. *Revol Greens* has opened a new indoor farming facility in Texas. *Pepsi Bottling Ventures* will invest \$35M for a new line at its production facility in North Carolina, to help meet demand for *Aquafina*, *Lipton Tea* & *Nature's Twist*. *Pilgrim's Pride* will construct a fully cooked chicken plant in the southeast. *Tyson Foods* is investing \$180M expansion of its Caseyville, Illinois, *Hillshire Farm* & *Jimmy Dean* prepared offerings. *Carolina Foods*, maker of baked sweets sold under the *Duchess* brand, will double its operating capacity with the construction of a new 423K sq. ft. facility in Pineville, NC. *Flowers Foods* will cease production at *Holsum Bakery*, established in 1881 in Phoenix. As demand impacts *Ball Corp.*, the company will close can manufacturing facilities in Phoenix & St. Paul, then delay construction of a new plant in North Las Vegas as the recession impacts demand. *Sweet Greens* has entered Michigan with 2 locations. A strategic review will be undertaken at *Lifeway Foods* to put to rest the ongoing board control dispute. *Bob's Red Mill* will stop its direct-to-consumer service to focus on wholesale sales.

From *Numerator*, 77.5% of *Aldi's* sales are for its private label products, followed by *Trader Joe's* (59.4%), *Wegmans* (49.4%) & *Costco* (33.5%); although *Walmart* has 4 of the 5 top selling private label brands. From *Incisiv* & *Wynshop*, retailer's lost \$11B in online sales because the products were not available during the first half of 2022. From *Packaged Facts*, 30% of consumers were still eating more fresh produce than they did before government mandated lockdowns. From *Spins*, refrigerated plant-based cream & creamer dollar sales are up 25.8% YOY; oat products are on the rise, almond & soy are in decline. From the *Organic Produce Network*, organic fresh produce prices increased 6.7% in 2nd QTR, conventional produce prices increased 9%.

MARKET NEWS: Markets were mixed. Employers removed 600K open job positions & new jobs came in above estimates, but full-time positions fell & part-time positions skyrocketed, both clear indications of this government-created recession. The workforce is more than 5% smaller than it was prior to government mandated lockdowns. The Senate is prepared to pass another economic destroying inflation creation bill.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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