



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

EIGHTY YEARS AGO THIS WEEK, the U.S. Marines did what they were meant to do & do best. They landed alone in enemy territory, established a beachhead & a base, then moved against the enemy. They landed on the islands of Tulagi, Florida & Guadalcanal, which would serve as a base for an attack on the Japanese air & naval operations at Rabaul in New Britain. Despite an overwhelming USA force, with fierce Japanese counterattacks, constant bombardment, ferocious & costly sea & air battles, the fight lasted until February. It's hard to imagine that these young men, who took part in this first USA offensive action of the war, truly understood the evil ideologies they were battling.

WILLFUL: Saturday morning, early 1960s, our Collinwood neighborhood on Cleveland's East Side. I was always ready to jump in the car, a 1956 Chevy 200, to go with Dad wherever he was headed. Often it was for a haircut or to Jepson's Drug Store to test the TV vacuum tubes to see which one burned out (yes, that was a thing!). But a Saturday morning trip always included a stop at the bar. Mom told Dad to stop taking me to the bar, so once he left me locked in the car. That didn't sit well with anybody, so I returned to the bar. I would sit on a stool, head & arms barely able to reach the dark wood counter. The men smoked cigarettes & cigars, drank beer & whiskey. I drank 7-Up from its green bottle & played arcade bowling. I was there, among these men. They talked, little care that a pre-school child could hear their words. If we were at the *Croatian Liberty Home* on Waterloo Road or the *Lithuanian Club* on 152nd Street, the men talked about factories, baseball & boxing. If we were in Pennsylvania, at John Domingo's Bar, the men talked about farms & coal mines. But in all those places, these men, who were their late 30s to early 50s, talked about the war. Often, the stories were funny, regaling their youthly misdoings; the "I remember the time we..." stories about the stupid things young men do. Sometimes the stories were scary - terrible storms at sea, frightening times alone at night. But they did not talk about the worst they had seen or survived. Instead, they said things like, "I was there, it was awful," "We lost a lot of good men," or "I lost a good buddy, there." And they did not speak of the fascist, Marxist, communist, socialist political ideologies of the authoritarian, totalitarian regimes they were battling. They were proud of their service, of what they did, in a quiet way; men of good hearts & good conscience who were fighting an evil, perhaps too complex, too hidden, too subversive, to truly understand. In 1942, there was no 24/7 global news & social media video to show the world what was happening. These countries were shrouded in darkness, able to use their fascist/Marxist tactics & methods unheeded, tactics that today everyone should know. These regimes focused on social agendas, instead of economic agendas, to change the very structure of society. They labeled people or institutions as targets of hate to rally people against a common enemy, creating social unrest, divisiveness, class warfare & hate; while crippling people to keep them economically cowed, dependent & compliant. They used propaganda & a willing or coerced media to promote their big lies. They utilized the entire bureaucracy to enact their new 'laws' to serve their methods. They used the justice system & the not-so-secret police to protect the guilty elite & to punish those who dissent, disagree or were actual threats to their iron rule. They used thugs & gangs to patrol the streets. They violated every natural law of personal privacy & property ownership, to persecute people into compliance. The young men of 1942 understood these regimes were evil, but I would think they unlikely knew the tactics these empires had used; they were naïve, unknowing, perhaps even blissfully ignorant. But today, these tactics are there, in front of us every day on every form of media; to claim any sort of naïve, unknowing, unawareness of these tactics & methods can only be deemed willful ignorance.

INDUSTRY NEWS: Beverage brand *Wet Hydration* raised \$1.3M from private strategic investors. *It's Skinny*, low carb pasta, raised \$3.79M from undisclosed investors. *Eat the Change* raised \$14.5M for its *Just Ice Tea*. Dry fruits, seeds & nuts marketplace *Farmley* raised \$6M led by *DSG Consumer Partners*. Beverage brand *ELIQS*, under its parent *Barrel Labs*, closed a \$5.7M seed round to support its platform expansion. Plant-based yogurt brand *Lavva* was acquired by its lead operating partner *Next in Natural*. *Constellation Brands* acquired a minority stake in canned wine brand *Archer Roose*. *Haus Beverage*, low-alcohol spirits & beverages, lost its planned funding from *Constellation Brands* & will likely close or sell. Fish analog company *Impact Food* raised \$500K from *Future Food Fund*, *Serpentine Ventures* & *Ahimsa Foundation*. Another alt-fish company, *Loki Foods*, raised \$650K from *Sustainable Food Ventures*, *MGMT Ventures* & others. Smart shopping cart *Shopic* raised \$35M led by *Qualcomm Ventures*, with *Vintage Investment Partners*, *Clal Insurance*, *IBI Tech Fund*, *Tal Ventures*, *Claridge Israel* & Israeli

supermarket chain *Shufersal*. *Vori*, B2B inventory grocery supply chain management platform, completed a \$10M Series A round led by *The Factory*, with participation from *Greylock*, *E2JDJ*, *MKT1* & *Vori* flagship client *Mollie Stone's Markets*. *Forge*, an online grocery payments processor, raised a \$22M Series A round led by *Nyca* with participation from *PayPal Ventures*, *EO Ventures* & several angels. *Vertis* led a €7M investment for Italian restaurant supply-chain platform *Deliveristo*. *PreciTaste*, AI-based restaurant kitchen management system, raised \$24M led by existing investor *Melitas Ventures* along with *Cleveland Avenue*. *ProfilePrint*, AI food ingredient grading technology, received strategic investments from *Cargill*, *Louis Dreyfus Company*, *Olam International*, *Sucafina* & *Sinar Mas*. Walmart acquired *Volt Systems*, with merchandising resources, store-level data, analytics & shelf intelligence for suppliers. To enter more fully into the robot world, *Amazon* purchased *iRobot*. *7-Eleven* acquired ordering & delivery platform *Skipcart* (last valued at \$65M), perhaps to compete with *DoorDash*. European PE-firm *Investindustrial* purchased parts of the meal preparation business of *TreeHouse Foods* for \$950M & *Parker Food Group*, ingredients manufacturer, from *The Riverside Co*. *Ziki*, a fast casual Greek & Mexican fusion, raised \$6.7M from *Gigafund*. *MTY Food Group* acquired *BBQ Holdings* for \$200M, owner of *Famous Dave's*, *Granite City* & others. *Butterfly Equity* will acquire fast-casual chain *Qdoba Mexican Eats* from *Apollo Global Management* for an undisclosed sum.

Natural Grocers had all-around 2nd QTR upticks in revenues, income & comparables. *Ahold Delhaize* exceeded first half expectations with 2nd QTR USA increases in comparable sales (6.4%), net sales (7.7%) & online sales (16.4%). *Grocery Outlet* reported a positive 2nd QTR with increases in sales & comparables driven by inflation & at-home cooking. After a great 3rd QTR with a 22% gain in sales & a 3X jump in net income, *Post Holdings* raised full year guidance. Inflation caused a 90% dip in 2nd QTR net income at *B&G Foods* on a 3.1% revenue gain. *Treehouse Foods* lost \$29.4M in 2nd QTR, price increase drove sales up 19%. Net income was flat at *Tyson* in 3rd QTR though revenues rose 8%. With weak 2nd QTR performance, *Maple Leaf Foods* will downsize its alt-meat segment as it foresees lower potential growth for the segment. *Sovos Brands* reported a strong sales increase in 2nd QTR; management sees *Rao* as a \$1B brand. *SunOpta* reported revenue rose 31% & gross profit rose 32% in 2nd QTR. Net income in 2nd QTR for *IFF* was up 3X YOY with net sales up 7%. Higher costs caused a 2nd QTR income drop at *Ingredion* though revenue jumped 16%. *Bunge's* strong 2nd QTR led the company not just to raise full-year guidance but also to forecast share growth through 2026. Operating income for *Gruma USA* in 2nd QTR was up 7.3% with net sales up 20%.

Lidl will open its first store in Brooklyn. *Sprouts* will open a store in Florida's well known retirement community, *The Villages*. *Aisle 24*, a high-tech grocery store, has opened a store in Toronto with advanced security, data insights & an enhanced shopper experience. Plant-based eCommerce company *PlantX Life* opened its 2nd USA store in Chicago, its 6th globally. *Instacart* has integrated the acquired *Foodstorm* app (online catering orders) into the *Instacart* platform. *Farmstead* will only operate in San Francisco, closing down less profitable markets in Charlotte, Raleigh-Durham, Miami & Chicago. Online grocer *Fresh Direct* is revamping its loyalty program. *ADM* will partner with *Benson Hill* to develop innovative plant-based proteins. *Cracker Barrel* added *Impossible* sausage to its offerings. *Organic Valley* has added 51 New England family farms to its cooperative. *KeHe* expanded its Aurora, CO distribution site with 124K sq. ft. of dry, cooler & freezer space. *Saputo* will invest \$45M to convert its Wisconsin mozzarella cheese manufacturing facility into a plant for producing goat & specialty cheese. Flavor companies *Firmenich* & *IFF* both opened new facilities dedicated to bringing technology to food ingredient development, in California & Denmark respectively. *Mars Wrigley* apologized to China for a *Snickers* advertisement that referred to Taiwan, a recognized sovereign nation in the northwestern Pacific Ocean, as a country.

Nestlé is again the world's most valuable food brand, according to *Brand Finance Food & Drink 2022*. *Mintel* reports the condiment segment will grow 2% or 3% over the next couple years. A study from Western New England University & published in the journal *Foods*, shows that adding grapes to a high-fat diet yielded reductions in fatty liver & extended lifespans. From *Numerator*, July food inflation reached an astronomical 15.4%. From *Brick Meets Click/Mercatus*, inflation drove online grocery sales 17% higher. From the *Organic Produce Network*, inflation drove total organic produce sales up 3.7% in 2nd QTR as unit volume dropped 2.8%. *Ipsos* reports that recession & inflation have seriously impacted consumers' impulse purchases at the grocery store. To fight inflation, more consumers are drinking at-home, per *IRI*. Grocery stores added 8600 positions in July, restaurants added 74K positions, mostly part-time. Cocoa prices are on the rise.

MARKET NEWS: Markets recovered some losses. Inflation stayed at historical highs (8.5%) as this administration & its congressional leaders moved forward a bill to increase inflation, place crippling taxes on small businesses & the middle class, hire 87K IRS agents to harass Americans all while providing tax loopholes to big investors. Food inflation was the highest level since 1979. The Producers Price Index rose 9.8%, YOY. Manufacturing productivity dropped.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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