



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

PYTHIA WAS THE HIGH PRIESTESS at the Temple of Apollo, better known as the Oracle of Delphi. From 1400 BC until the 4th century AD, Greeks made the trek to Delphi to ask the oracle a question about the future. The accuracy of her forecasts was well documented by the writers & philosophers of the day; she was perhaps the most powerful woman in ancient Greece. The supplicants made a long & treacherous journey, were coached by officiants as to how to frame their plea, & if deemed worthy, were brought before the Oracle, who was thought to be possessed by the god Apollo. Foreseeing the future is a difficult & daunting task; yet it often appears to be not that hard to do.

NOT THAT HARD: Humans have long sought to know what the future holds. The ancient Romans practiced haruspicy to see the future. They found their omens, divine intervention, by inspecting the innards of sacrificed animals! For the animals, the future was obviously sausage. In many ancient cultures, just like the Greeks, a priest, wiseman or elder told the leaders what to expect in the future; they were often sought to predict the outcome of a battle. Many cultures used the stars to foretell the future. The practice of astrology, in some form, began as far back as 1800 BC. Humans still may seek the daily horoscope to plan their day. Numerology, divination based on numbers like date & time of birth, was used as far back as 500 BC, the practice became popular in the 19th century. And of course, the turn of a tarot card or a cloudy crystal ball may foretell a great new job, an impending fortune or meeting someone tall, dark & handsome. Today it seems most of our predictions come from politicians, athletes, celebrities, media personalities & teenagers on social media. They also seem to double as scientists, doctors, meteorologists & economists. They never went to medical school; their last foray into science was a notebook of bugs or leaves in the 4th grade, they never worked a day in the real world & get their science from the *USA Today* headlines. Worse, there are those who are supposed to know better, seemingly properly educated, still making horrendous predictions. This week, no matter what the media, politicians & a recently revised Wikipedia may say, the economy entered a recession, as defined by the accepted, long-term, tried & true definition of a recession, two consecutive quarters of negative GDP growth. Yet, for more than a year, economists & politicians said this wasn't going to happen, despite the obvious signs, signs that were not that hard to divine. Every period of economic boom in the USA has been due to low taxes & decreased regulation with a curb on government spending. The end of every economic boom has come about due to high taxes, increased regulation & out-of-control government spending. Yes, overspeculation causes bubbles that burst, but that is part of the normal economic cycle. Instead of allowing the natural course of the free market, supply & demand with Americans using their own money to make the best decisions, politicians & economists entrench this downward trend by spending, regulating & taxing. For 18 months, we have seen the government do just this, causing inflation & shortages. So yes, the recession was inevitable, every sign was there. And we need to heed the lessons we learned in 1932 about what not to do – taxing, spending & regulating only extend & make worse a recession. President Calvin Coolidge, whose hands-off economic approach led to the economic boom of the 1920s, had these thoughts on government spending: *"We must have no carelessness in our dealings with public property or the expenditure of public money. Such a condition is characteristic either of an undeveloped people, or of a decadent civilization. America is neither."* From economist Art Laffer, *"Government spending is taxation. I've never heard of a poor person spending himself into prosperity; let alone I've never heard of a poor person taxing himself into prosperity."* The idea of curbing government spending dates back to our Founding Father & 4th President James Madison, *"I cannot undertake to lay my finger on that article of the Constitution which granted a right to Congress of expending, on objects of benevolence, the money of their constituents,"* and he should know, he wrote the Constitution!

INDUSTRY NEWS: Spice startup *Diaspora Co.* raised \$2.1M from *Pentland Ventures* & private investors. Plant-based cheese maker *Conscious Cultures*, renamed *Bandit*, raised \$1.5M, led by *Prime Movers Lab*. Hawaii's *Holey Grail Donuts* made from taro root, raised \$9M for mainland expansion, led by *Collaborative Fund* & *True Ventures*. *De Soi*, non-alcoholic aperitifs, raised \$4M in seed funding. *Kitchen United* raised \$100M from *Kroger*, *Circle K*, *Simon Property Group*, *Restaurant Brands International*, *GV*, *RXR Realty* & *DivcoWest*. Virginia start-up *Frolick*, hot, chef-prepared \$10 meals with no fees or order minimums, raised a pre-seed round of \$1.8M with a strategic investment from *gategroup* & several angels. CropBiome, seed coatings to protect seeds from drought & fertilizer, raised €1.3M led by *Halo Business Angel*

Network. Enko, crop tech, raised \$70M led by Australian agrochemicals company *Nufarm*. *Akorn Technology*, edible food coatings, obtained an investment from *UM6P Ventures*. Swiss dairy firm *Emmi Roth* sold its 25% stake in Italian cheese maker *Ambrosi* to *Lactalis* for an undisclosed sum. *Gruppo BF*, an Italian agricultural group, acquired Italy-based *Bia*, couscous maker, for €20.5M. *Olam Food Ingredients* completed the acquisition of Canada's *Club Coffee* for \$117M. *Ginkgo Bioworks* will acquire fellow bio & cell-tech company *Zymergen* for \$300M. *PepsiCo* will seek to place \$1.25B in sustainability-oriented products over the next ten years.

Walmart slashed its quarterly & full-year forecasts, causing the stock market to dump, as the retailer cites the impacts of this administration's disastrous economic policy. *Albertsons* strong 1st QTR led to the retailer forecasting higher than expected full year results. *Loblaw's* 2nd QTR results were positive, growth in sales (2.8%) & earnings (6.4%). *Coco-cola* beat 2nd QTR expectations & raised full-year guidance, price increases driving results. Inflation caused a 22.1% decline in 2nd QTR revenue at *KDP*, though revenue rose 13.2%. *Mondelez* reported 2nd QTR results that beat expectations for adjusted earnings (67¢) & revenue (\$7.27B); continued growth in snacking & price increases driving results. Net sales & earnings beat estimates for *Kraft Heinz* in 2nd QTR but the stock fell as YOY performance declined. *Danone* raised its annual revenue growth forecast as 2nd QTR sales beat estimates on strong demand for baby food & bottled water & price increases to cover costs, but full year margins were forecasted lower. *Hershey* improved on 2nd QTR earnings & sales, but warned of possible Halloween candy shortages. *Nestlé* beat 2nd QTR revenue targets but missed on earnings. The company raised full year projections. *Lifeway Foods* reported a strong full-year revenue increase (16.7%), kefir leading the uptick. *Bimbo Bakeries* had a strong 2nd QTR buoyed by inflationary-led price increases & cooking-at-home trends. Operating income for *Gruma USA* in 2nd QTR were up 7.3% with net sales up 20%. *ADM's* productivity initiatives led to a 74% increase in 2nd QTR earnings as revenue rose 19%.

Giant Eagle will expand its *Flashfood* partnership to all of its stores. *Dollar General* has added three new distribution centers. *Target* is adding sorting & fulfillment sites to improve delivery. Snack foods maker *Benestar Brands* will invest \$2.5M to expand its operations in Ohio. *AeroFarms* will expand its Virginia indoor farm to support increased demand for leafy greens. *Fit Foodz* will build a \$15M poultry processing facility in Alabama, creating 180 new jobs. Specialty cheese producer *Emmi Roth* will build a new USA headquarters & facility in Stoughton, WI. *Nestlé* opened a \$340M *Nescafé* coffee factory in Mexico, creating 1.2K new jobs in Mexico, who will be the company's largest producer. As *Unilever* moves its portfolio away from food, they have discontinued the popular *Klondike Choco Taco*. *Laird Superfood* will enter the snack category with protein bars featuring chaga & lion's mane extracts. *Dr. Praeger's Sensible Foods* will launch an alt-chicken offering. *Greater Goods* will enter the USA snacking market with clean products from an India-based provider. Juice brand *Capri Sun* has reduced sugar content by 40% reformulating with monk fruit. *Osoo Good* will offer shelf-stable bone broth for dogs & cats. *Capriotti's Sandwich Shop* will add *Piastro's* pizza-making robots to its restaurant. *Unilever's* CEO has warned *Ben & Jerry's* to stay out of geopolitics. *Cargill*, *Sanderson Farms* & *Wayne Farms* will pay \$85M to settle a DOJ suit that they were suppressing wages. *PepsiCo* won the trademark lawsuit concerning *Mtn Dew Rise* brought forth by *Rise Coffee*.

HEB topped the *J.D. Power 2022 U.S. Pharmacy Study* for best USA pharmacies, *Wegman's* & *Publix* followed. From the *ChaseDesign Online Shopper Survey*, grocery delivery & pick-up is falling as in-store shopping returns; consumers now view these as a convenience offering as opposed to a requirement. From *Catalina*, the private label categories seeing the most growth include baking mixes, soup, prepared foods, dried veggies & canned fish, all growing double digit, with baking mixes up 40%. USA plant-based milk retail sales rose 6.4% per *SPINS*; oat milk & pea milk leading the way. The *European Heart Journal*, reporting the obvious, indicates always adding salt to food creates a 28% higher risk of premature death compared to those who never add salt.

MARKET NEWS: Markets recovered slightly. The GDP contracted for the second straight quarter, the traditional & accurate definition of an economic recession. The Senate added to the misery of the American people by voting on a massive tax hike that will only fuel the already out-of-control inflation & continue this administration's apparently planned destruction of the American economy for years to come. The IMF lowered global growth projections. The FED raised interest rates another 0.75% to try to counteract this administration's failures.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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