



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

FIRST. WHAT COMES FIRST is usually what's most important. Make a list of everything that needs done today, the most important item is first on the list. Preparing for an important meeting? Put the most important point, the one that everyone must hear, first! Giving a child the many reasons they can't stay out until 2 AM? The most important point, the one their young brains must comprehend, comes first! For most of us, our families come first, ahead of all the other drains on our time & attention. So when our Founding Fathers wrote the USA Constitution, adding 10 amendments to protect individuals from government overreach, they made sure what came *first!*

FIRST: Our Founding Fathers had lived under the tyranny of the British crown. They knew the history of kings & emperors, of powerful overlords, barbarian strongmen & elitist nobles, & even of the Catholic Church. They knew how these regimes operated to gain & maintain power. They controlled all information & quelled any dissent. And while our Founding Fathers were still a century ahead of the evil ideologies that now plague the 20th & 21st centuries, they were well aware of the philosophies that would spring fascism, socialism & communism – a philosophy that an elitist central government knows what is best for everyone, not that each individual knows what is best for themselves. These philosophies gave us Nazi (National Socialist Workers Party) Germany, fascist Italy & eastern Europe; communism in the Soviet Union, China & southeast Asia; Castro's Cuba & strongmen & despots across the world from Hussein to Amin. And yes, these despots control information & quell dissent, establishing that the central elitist rulers know the truth, no one else. They control all information & its dispersion through state-controlled media & that media, willingly or unwillingly, quashes all counter information. Nazi Germany appointed the evil Joseph Goebbels as the official Minister of Propaganda, responsible for making sure the press, radio & even movies 'told the truth' - as the Nazis saw it. The Soviet Communists shared the truth in their newspaper, *Pravda (Truth)* - truth as the Soviets saw it. But these types of regimes also make sure their people don't hear opposing ideas. They close newspapers, turn off the internet, imprison or kill voices of dissent. The Catholic Church, for a millennium & a half, controlled what people knew about God, with the Bible only written in Latin & its interpretation only dispersed by priests. But when the Bible became available to the people, in their own language, people were free to interpret & understand the Word for themselves. In the wisdom of our Founding Fathers, in this first government created that gave power & control to the people, they knew that evil men & women would someday try to employ these control tactics on the free people of the newly created United States of America. They wrote the First Amendment of the Constitution – first - for this reason. The First Amendment protects religious freedom, it protects free speech, protects a free (& hopefully honest) press, it protects peaceable public assembly & it protects the right to petition the government for a redress of grievances. The Founding Fathers knew that a free & functioning democracy depended on the open & honest debate of opposing ideas. Yet today, we see ideas, these supposed truths, controlled by government bureaucracies, by media, by social media, by school boards, by Hollywood & even by industries. If these entities do have the truth on their side, why do they fear opposing ideas on social media, refuse to share opposing ideas in the media & even want to prevent the dispersion of opposing ideas, information or news by creating a new label for it – *disinformation*. Our Founding Fathers trusted the American people; these hardy, rugged individuals who created a free, capitalistic, meritocracy out of a vast wilderness, without assistance from a government that told them what the truth is. They trusted each American to make up their own mind, using all the information available, to make their own decisions & chart their own path. And they clarified that this right to our own free will, was not granted to us by man or government, but came from God. Each individual has the right & *responsibility* of their own free mind, will & speech, even if that speech is in dissent of government, media or social media's mandated information, or as what they would say is the truth. From Frederick Douglass, "*To suppress free speech is a double wrong. It violates the rights of the hearer as well as those of the speaker,*" & from Benjamin Franklin, "*Whoever would overthrow the liberty of a nation must begin by subduing the freeness of speech.*"

INDUSTRY NEWS: *Down to Cook*, shelf-stable, plant protein mixes, received a \$300K investment from the *ICA Growth Fund* as part of a \$1.5M seed round. *Blue Apron* entered into agreement for a new \$40M private placement investment by *RJB Partners* & refinanced \$30M in debt. Britain's *Rooser*, an online marketplace for trading fresh fish, raised \$23M led by *Index Ventures* with *GV & Point Nine Capital*. *Voyage Foods*, a foodtech company engineering chocolate, peanut butter & coffee from their essential

molecules, raised \$36M co-led by *UBS O'Connor & Level One Fund*; *Horizons Ventures*, *SOSV's Indie Bio & Social Impact Capital* participated. Swiss company *Melt&Marble* raised €5M for its fermented alt-fat. *VitroLabs* closed a \$46M series A round for its cultivated animal leather, led by *Agronomics*. Produce grower & distributor *Oppy* has invested in *Bloomfield Robotics'* technology to monitor grape crops. *Verge Ag* raised \$7.5M in a Series A round for its farm equipment planning software led by *Yamaha Motor Ventures*, with participation from *Fall Line Capital*, *SP Ventures & GrainInnovate*. *Clerk*, digital tech for brick & mortar grocery stores, raised \$30M led by *Sageview Capital*. Premium, RTD cocktail drink *Five Drinks* will merge with Brazil's *Better Drinks*. *Ferrero Group* will acquire *Fulfil Holdings*, a Dublin-based vitamin & protein bar company, who will maintain its USA joint-venture with *Hershey*. *Tate & Lyle* acquired *Nutriati*, a Richmond, VA developer of chickpea-based ingredients sold under the *Artesa* brand; terms not disclosed. *Alkaline88* is initiating a \$5M public offering of 8.3M shares to pay down debt.

Publix posted net sales & net earnings increases in 1st QTR of more than 13%, but net income fell 58.7% on security transactions. *Sprouts Farmers Market* beat 1st QTR estimates, but reduced guidance as government driven inflation is reducing basket size. Earnings rose almost 40% for *Ingles Markets* in 2nd QTR on a 16.3% sales increase. *Weis Markets* saw a 29.4% net income increase as 1st QTR sales rose almost 10%. *Instacart* reported 4% lower sales in 1st QTR as consumer store shopping rose. Revenue grew by 3.3% for *Loblaw's* 1st QTR with adjusted EPS growing by 20.4%. *CVS* reported double-digit 1st QTR revenue & comparable growth with earnings growth, raising full year guidance. Net income at *Pilgrim's Pride* rose almost 3X in 1st QTR while sales increased 30%. *Unilever* reported 1st QTR revenue growth based on an 8% price hike, though sales volume fell; the company warned of more price increases. Net income at *KDP* in 1st QTR grew 80% while sales increased 6%; the company raised 2022 guidance. Snack growth helped *Kellogg's* beat 1st QTR forecasts; the company raised full year guidance. Net income fell 46% at *J&J Snack Foods* as inflation & supply chain weighed against a 10% revenue increase. *Oatly* reported revenue gains of 18.7% in 1st QTR with a \$87M loss; the company plans double digit price increases. *Molson Coors* reported a 1st QTR net sales increase of 16.7% & beat Wall Street estimates for income. *McDonald's* net income in 1st QTR was down 28% while revenue rose 11%. *Domino's* saw a 23% decline in 1st QTR net income & a 3.6% decrease in revenue as carry-out increases were offset by delivery decreases. *Restaurant Brands International (Burger King, Tim Horton's, Firehouse Subs)* reported increased traffic & a 15% revenue increase, though 1st QTR income was flat. Sales & revenue rose for *Starbucks* in 2nd QTR but continuing lockdowns & inflation impacted margins.

Weis Markets expects to spend \$150M on remodels, new stores & expansion. *Whole Foods* announced the closure of 6 stores in the coming months. *Instacart* now delivers same-day to 90% of Canada's households. *Albertsons* now offers *Uber* delivery at more than 2K stores. *Uber Eats* will partner with *Tesco* for speedy delivery in the UK. *Daily Harvest* will launch a line of alt-meat offerings, *Crumbles*. *IFF* will partner with Israeli food tech startup *SimpliiGood* by *Algaecore Technologies* to make smoked salmon from spirulina. *Hoplark* expanded its non-alcoholic beer line with a new zero calorie extra hoppy beverage. *Utz* acquired a 125K sq. ft. snack food plant in Kings Mountain, NC, from *Evans Food Group (Benestar Brands)* for \$38.4M. *Barry Callebaut* will expand in North America with a new specialty chocolate factory in Ontario, Canada. *Pilgrim's Pride* will expand with a \$75M investment in Douglas, GA, to produce pet food ingredients from chicken by-products. *Volcanic Retail* has created an app to streamline the buy-sell process, making it easier for buyers to source & qualify products for new brand marketers & product inventors to be discovered by & communicate with retailers. *The Paleo Diet* is attempting to create a certification for paleo products. *McCormick* appointed Brendan Foley President & COO.

From *Placer.ai*, grocery store foot traffic is on a downward trend after a 10-month upward trend. Per *CoBank*, consumers will be shifting to chicken as beef prices increase. Consumer insights platform *Veylinx* found 77% of consumers could be convinced to buy meat alternatives, with 87% of Gen Z consumers finding interest, but feeling price & taste need to be addressed. Per *IMARC Group*, the global ice cream market will grow at a 4.92% CAGR to reach \$89.8B by 2027. From *Rabobank*, easy-peel citrus varieties will surpass navel oranges in the next few years as the most consumed fresh USA citrus. *RaboResearch* projects avocado shipping-point prices will decline gradually after Cinco de Mayo. Peruvian avocado exports are expected to grow 8% to 10% this year. From *Unified Data Lab's STORE CONNECT* report, 3,344 Canadian restaurants & 29,322 in the USA went out of business in the past 12 months.

MARKET NEWS: Markets continued to fall. A record 4.5M people left jobs in March, while job openings also hit a record high. The Dow recorded its worst April since 1970! The USA trade deficit disastrously hit a record \$109B in April, the first time it ever soared past \$100B. New unemployment filings were higher than expected. New jobs filled missed expectations by more than 33%! The ISM jobs index crashed in April, now hovering just above contraction, signaling the coming recession. The FED increased interest rates by 0.5%.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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