



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



"**THERE IS NOTHING WRONG** with your television set... We will control the horizontal. We will control the vertical." The ominous opening of *The Outer Limits!* Few reading this likely remember constantly adjusting the controls on a TV set – *the horizontal, vertical, brightness* – or adjusting the rabbit ears for a better signal. A rooftop antenna helped get a better signal, but could not be adjusted. (My uncle installed a device to turn the roof antenna, to be able to watch Pittsburgh Pirates games.) Color TV brought controls to adjust the color, a constant effort to get the sky blue, grass green & faces not too red. All of these controls were used to keep the picture in clear *focus*.

FOCUS: By my mid-twenties, I found myself running large production areas, covering three shifts & weekends, some 700+ people. Many were women, moms with kids. The areas of the city they lived in, & the schools their kids attended, would definitely place these children in the "*at risk*" category. But these moms were not going to let that happen. A walk across the office floors in late afternoon or early evening found these women on the phone. Their side of the conversation was always the same: *Where are you? Who are you with? Is your homework done? What time will you be home? Call me when you get there!* These moms requested time off – for parent/teacher conferences, school events, or even to leave work for a few hours to drag their kid home. They knew what could happen if these children were distracted by the *shiny baubles of youth* – alcohol, drugs, sex & crime. They kept their children focused on school, church & family. Then sometimes, they would bring their child to work, to introduce to their co-workers - the proud mom of an exceptional & lovely young lady or amazing young gentleman. I truly respected & admired these women. They were smart, loving, caring & tough. They knew how easy it was for a child & a family to lose focus. They knew what could happen, the disastrous results, for a child & family to get distracted by those shiny, feel-good, instantaneous baubles of pleasure. As easy as it is for a child to lose focus, it is just as easy for a people & country to be distracted. Fictitious & overhyped stories, causes & mantras that serve only as a panacea to make us feel good or feel better about ourselves as a person. Titillating distractions that waste time & energy. A magician or propagandist's best tool, the art of misdirection! Look over here, so as not to see what is really going on. Distractions that change a people's focus from what really matters: a strong, stable, independent economy; a secure nation; equal justice & opportunity for all & kindness to one another. And the protection of our basic human rights & freedoms, granted to us by God, not by government. There are consequences, often catastrophic, when a family, a business, or even more importantly a country, loses its focus. I am sure those moms, whom I admired so much, clearly explained to their children the possible consequences of not focusing on what really mattered. By taking the time to understand those consequences, *the possible terrible outcomes*, we can maintain our focus, preventing the horizontal & vertical of our lives from running out of control. From Samuel Johnson, "*When a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully.*"

INDUSTRY NEWS: Cell-based seafood maker *Wildtype* raised \$100M led by *L Catterton* with participation from *Cargill, Bezos Expeditions, Temasek, S2G Ventures Ocean, Seafood Fund, Footprint Coalition, Spark Capital & CRV*. *Good Culture* raised \$64M led by *Manna Tree* with *SEMCA Food & Nutrition* involved. *Kodiak* secured an investment from *Patricof Co*, a specialized private investment platform for professional athletes. Asian-inspired sparkling water brand *Sanzo* raised \$10M led by *CircleUp Growth Partners*, with *Convivialite Ventures, Semillero Partners, Gold House Ventures, Kaya Ventures, Mana Ventures, Outbound Ventures & Hyphen Capital*. *De La Calle* closed a \$7M round with *Karp Reilly*. *Yali Bio*, designer fats for alt-meats, raised \$3.9M with *S2G Ventures & others* involved. *Waka Coffee & Tea*, instant coffee & tea, raised \$725K in pre-seed funding from industry veterans & strategic investors. Australian plant-based foods producer *Fënn Foods* announced an undisclosed, oversubscribed private capital raise that includes *Bombora Investment Management*. *GrowUp Farms*, vertical farming, raised £100m from USA investment firm *Generate Capital* for a new facility in Kent, England. Dutch indoor urban farm *PlantLab* raised €50M led by *De Hoge Dennen Capital*. Denmark's *FieldSense* raised €2.9M for its localized weather condition reporting for farmers, led by *Danish Agro*, with *Rockstart & Pajbjergfonden* involved. Finland's *Relex Solutions* raised \$568M led by *Blackstone Growth* for its supply chain management platform. *Tova Farms* raised \$1M in a series A round for its platform for control of the avocado supply chain. *DishDivvy*, a marketplace to connect skilled home cooks to local customers, raised \$1.3M in pre-seed funding, led by *10X Ventures*. *Kerry Group* acquired two enzyme producing food tech companies, German precision

fermentation innovator *C-Lecta* (€137M) & Mexican enzyme manufacturer *Enmex* (€62M). *KKR* acquired a majority stake in *Refresco*, a contract beverage manufacturer. Canadian plant-based ingredient company *Global Food & Ingredients* acquired *Your Fitness Dish*, the *YoFit* brand of plant-based milks & snacks for an undisclosed sum. *GrubMarket* acquired Union City-based *Daylight Food*, a large California food service provider. Per *Food Navigator*, *General Mills* is on the hunt for acquisitions to support its accelerator operations.

Sprouts Farmers Market beat 4th QTR revenue & profit estimates. Despite a disappointing full year performance, *SpartanNash* reported a strong 4th QTR, especially compared to 2019. *KDP* met 4th QTR estimates. *Danone* saw a 11% increase in 4th QTR sales, giving the company a 2.8% sales improvement for the year, though supply chain issues hindered results. For *Grupo Bimbo*, 4th QTR net sales rose 15% while new income was up 67%; the North American market drove results. *Molson Coors* had a mixed 4th QTR but annual revenue marked a growth turnaround. *AppHarvest* reported a 4th QTR sales increase with a \$88.4M net loss. A strong 4th QTR helped *Krispy Kreme* shrink its fiscal YOY loss, resulting in a share price increase. *MGP Ingredients'* 4th QTR net income was up 173% & net sales rose 65%.

Walmart is fighting inflation with price reductions on some grocery items. *The Giant Company* has removed some pick-up fees & minimums. *Whole Foods* will add *Amazon's* cashierless technology to its first store, located in Washington, DC. *Kroger* will open an eCommerce facility in Oklahoma where it has no brick & mortar locations. *Dom's Kitchen & Market* will open their second Chicago store later this year, looking to add 15 stores in future expansion. *Target* will pilot *Starbucks* orders & returns processing as part of its curbside pickup service. *DoorDash* now lists *Target's* grocery assortment as a delivery option in numerous major markets, acting as a non-partner provider. *Shipt* expands nationwide with *Walgreens & 7-Eleven*. *Instacart* will test delivery for *Lowe's* in two metro areas. Also, *Instacart* will offer South Asian food marketplace *Quicklly's* ship-to-home meal offerings. *Grubhub* will partner with ultrafast delivery *Buyk* to offer NYC & Chicago consumers 2,000 items stocked by *Buyk*, in 15 minutes or less. *Fresh Street* will begin opening click & collect warehouses in Chicago suburbs. *RangeMe* will now offer USA retailers the opportunity to buy nearly 1M products directly from more than 200K niche suppliers & manufacturers around the world. *Meati Foods* has begun taking pre-orders for its fungi- grown meat on its DTC site. *Food Rocket*, a west coast startup providing grocery delivery within 15 minutes, opened its first dark store in the Chicago market. A bill will be introduced in the New York City Council to bar on-demand grocery apps from advertising 15-minute delivery times, citing threats to worker & pedestrian safety. *Asda* will be the first retailer in the UK to implement *Apeel*-treated fruit with plans to offer it in 150 stores. For *J.M. Smucker*, *Uncrustables* & *Dunkin'* are nearing the billion-dollar mark. From *Coca-Cola's* innovations arm comes *Starlight*, a space-flavored cola with a cooling sensation meant to evoke exploring the cold void. *Betterland* milk will launch, milk made from *Perfect Day's* animal-free dairy proteins. *Kraft Heinz* will partner with *TheNotCompany* in a plant-based innovation venture. Also, *Kraft Heinz* signed a new agreement with *Simplot Food Group* to be exclusive manufacturer & supplier of the *Ore-Ida*. *MGP Ingredients* will build a \$16.7M extrusion plant, to produce its *ProTerra* line of texturized proteins, next a current facility in Kansas. The parent of *Organic Garage* & its plant-based subsidiary *Future of Cheese* will change its name from *Organic Garage, Ltd.* to *Oragin Foods, Inc.*, as it seeks to make acquisitions. *Krispy Kreme* will launch dark stores. *Sweetgreen* is expanding into SoCal. *Shake Shack* will increase prices again, now 7% in total, to make consumers pay for inflation.

From *Advantage Sales*, 60%+ of consumers bought a new product at the grocery store in the last 3 months & 90% plan to repurchase it. Also, 90% of consumers prefer to shop in-store. From *Brick Meets Click*, those who have used eCommerce longer than a year spend more on a monthly basis, order more frequently & have higher order values than newer customers. Private label sales grew 1% in 2021 to hit a record \$199B across all USA retail channels, a 17.7% share of all dollar sales & a 19.6% share of unit sales, per the *Private Label Manufacturers Association*. From the *Food Group*, Gen-Z will add plant-based foods, while still seeking comfort foods & eating meat. From *IRI*, higher prices on fresh produce & fruit are causing a decrease in demand & sales. Total eating & drinking place sales were \$72B in January (down from \$72.5B in December & \$73.1B in November) & \$3B lower YOY when adjusted for inflation. A study from *IFIC* shows that USA consumers are unaware of regenerative farming practices & are unwilling to pay more for products claiming these methods. Ice hit the desert lettuce crop once again. Strawberry crops are expected to beat targets. Avocado imports from Mexico were restarted after an agreement for added security, but then once again banned, leading to likely avocado price increases. Some food commodity prices (wheat, corn) are rising as a result of the Eastern European geopolitical situation.

MARKET NEWS: Markets crashed this week as investors saw the disastrous results of incompetent global leadership & weighed its impact on an already failed domestic economic policy. Indices recovered on an unexpected jump in consumer spending.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenka*

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