



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



THERE IS AN OLD STORY that applies to CEOs, politicians, football coaches, baseball managers or any person in a leadership position. A new manager takes over a struggling baseball team. The departing manager tells him, "I have prepared three letters to help you in your times of need." The team does not do well; the new manager is under pressure. He opens the first letter: BLAME THE PLAYERS! He does, but nothing improves, so he opens the second letter: BLAME THE MEDIA! He follows this advice, but the team is still struggling. Finally, the manager opens the last letter: PREPARE THREE LETTERS! The story serves as a lesson that leadership positions are precarious.

PRECARIOUS POINT: Everyone may know another story, but it bears repeating. Damocles was a courtier during the rule of Dionysius II, the 4th century BC king of Syracuse in Sicily. Damocles was always attempting to win the favor of his king, often flattering the monarch. Damocles repeatedly tells the king how fortunate the king is to have so much power, so many luxuries & riches. The king makes a deal with Damocles – he may sit on his throne for one day. Damocles is thrilled, he is surrounded by servants & all types of luxuries – silver, gold, art, fine food, beautiful clothes & furnishings. But Dionysius has arranged a surprise for Damocles. Above the throne hangs a sword, held by the single hair of a horse's tail. Dionysius had made many enemies on his rise to power & therefore always had the feeling of impending disaster; that he would lose his seat of power. To keep his power, Dionysius must behave responsibly & in the best interests of his subjects. Finally, Damocles, overwhelmed by the constant threat of the sword, begs the king to be removed from the throne. The moral of the story is that with power comes responsibility & with greater power, more responsibility. This has been a mainstay of philosophical & ethical thought from the Bible to Spiderman! From Luke: "From everyone who has been given much, much will be demanded; from the one who has been entrusted with much, much more will be asked." There is nothing new about rulers & leaders being removed from power. In the ancient days, this happened by force, from a competitor or by the will of the people. Today, it hopefully happens through free & honest elections. A leader's greatest responsibility is to the people the leader serves; to make their lives better, richer, safer, happier. When a leader fails, the people will seek to find a new leader. But the problem in totalitarian states is that the ideas never change. The new leader, in the ancient & medieval kingdoms & empires, ruled exactly the same way & the people's lives never improved. The same holds true today in societies founded on communism, socialism, fascism, or dictatorial 'thugism.' If the ideas don't change, the situation will not improve. Our Founding Fathers, in their immense wisdom, placed the moral axiom of the Sword of Damocles on the citizens themselves: *With great personal freedom comes great responsibility.* In our Nation, that great responsibility means limited government & government interference in our lives. It means the free, moral, marketplace of Adam Smith. And it means people of good conscience, who act as servant leaders, believing in these founding principles. When these principles are used, the economy grows & the American people thrive. As we can see at this precarious point in our history, the farther we stray from these principles - the more that government interferes in the marketplace & our lives - our situation, our economy & our well-being will suffer. The great responsibility that we hold as Americans is to separate the person from the ideas. In America, it is not the power of the leader that we should fear, but the power of the bad ideas that never seem to die. Hopefully everyone, the American people & our so-called leaders, will come to the same realization that Kurt Vonnegut's often appearing character Kilgore Trout does in Vonnegut's *Breakfast of Champions*: "It shook up Trout to realize that even he could bring evil into the world — in the form of bad ideas."

INDUSTRY NEWS: *Roar Organic* raised \$6M in equity & debt from several investors. *Love Cocoa*, plant-based chocolate founded by a 6th generation *Cadbury* family member, raised £4.25M from venture capitalist Richard Koch. *Dash Water*, fruit-infused seltzer, secured £8.7M led by *Beringea*. Yerba mate beverage *Guayakí* raised \$75M in a new

funding round & appointed new board directors. *Pigmentum*, animal-free milk & cheese from lettuce, raised \$6M in seed funding from *Kibbutz Yotvata*, *Tnuva* & others. Alt-dog *Sensible Hot Dogs* raised \$11.99M from private interests. Plant-based seafood maker *ISH* raised a \$5M round. Restaurant waste management firm *Kanpla* raised €2.2M led by Dutch VC firm *henQ*. Likewise, coffee shop waste management platform *BibeCoffee* raised €2.1M from *Eleven Ventures* & others. Farm real estate marketplace *CommonGround* secured \$3M led by *AgFunder*, with *The Peoples Company* & others participating. *Upp* secured £500K to commercialize its broccoli harvesting tech from *Elbow Beach Capital*. *EarthOptics*, soil analytics, raised \$27.6M led *Continental Grain's* venture arm. *Addie's*, drive-up grocer, launched its first concept store with \$10.1M led by the *Disruptive Innovation Fund*. Online grocer *Boxed* secured a \$20M loan facility. *Ridgemont Equity Partners* made an investment in *Worldwide Produce*. *Real Food From the Ground Up* acquired *Food Should Taste Good* from *General Mills*; terms not disclosed. *Legacy Farms*, based in Anaheim, California has acquired the assets of *Frieda's Branded Produce*. *AgriFORCE Growing Systems* will acquire *Berry People* growers. *Lakeside Produce* filed for bankruptcy. International packaging machinery manufacturer *Serac* acquired *NFM* & its subsidiary *DOSELEC*, dosing systems and filling machines for pre-formed cups. Egrocer *Crisp* acquired meal box business *De Krat*, terms not disclosed. Interactive cooking platform *Chew* acquired *Carrot Kitchen*. *Danone* reports *Horizon Oragnics* & *Wallaby* may be up for sale. Former *Kind* execs launch Daniel Lubetzky's *Equilibra Partners Management* is now *Camino Partners*, an incubation & investment firm. *ADM Ventures* is reportedly looking for investment opportunities in alt-protein, human nutrition, health, wellness & microbiome, animal nutrition, biomaterials & agtech.

Metro reported significant increases across all metrics in 1st QTR. *McCormick* will look to reduce headcount & improve operational efficiency, looking to save \$75M this year & 125M annually, following a disappointing 4th QTR. Revenue at *Tate & Lyle* rose 16% in 3rd QTR.

Sprouts will bring imperfect produce to its California stores through the *Rescued Organics* program. *Albertsons* completed its rollout of *Afresh* produce management application across its 2200 store footprint. *Stop & Shop* continues to expand its use of the *Flashfood* app. *Food Lion* has launched a food pharmacy pilot. *Save a Lot* will close two distribution centers & layoff staff as part of its transition to a wholesaler. *Amazon* is launching a prescription service for its *Prime Members*. Supply chain software solutions *iTradeNetwork* & *Big Wheelbarrow* will partner to help food retailers procure fresh products from smaller producers. Family-owned *Valley Milk* will make a 10K sq. ft. expansion at its California powdered milk ingredient processing facility. *Mars* will halt the use of M&M spokescandies after backlash from recent character updates. *Meati* opened its 100K sq. ft. production facility. *Tyson Foods* will invest more than \$20M to expand its Newbern, TN facility. Alabama's *Milo's Tea* will invest \$130M in its 4th production facility, this one in South Carolina. *Ginkgo Bioworks* & infant nutrition company *NAMUH* will collaborate on alt-human breast milk. *Dollar Tree* CEO Mike Witynski will step to be replaced by Rick Dreiling.

From *Placer.ai*, while *Publix* & *Safeway* saw declines in 4th QTR foot traffic while *H-E-B* & *Aldi* had some of the largest increases. From *JLL*, *Aldi* opened the most USA grocery stores in 2022, but *H-E-B* & *Publix* added more floor space. Seven in 10 food & beverage executives expect increased revenues, product expansion & innovations in 2023, per *Marcum LLP*. Organic fresh produce sales grew 3% in 2022, but volume declined by 3.7%, as inflation drove total sales to \$9.4B, per *Organic Produce Network* & *Category Partners*. The berry segment showed the greatest growth. From *Cargill*, 54% of consumers choose bakery products to satisfy cravings & 44% as a reward, about 40% check ingredients & nutrition.

MARKET NEWS: Markets were higher. Hidden in the GDP were gruesome indicators, not seen since 1932 during the Great Depression. Inventories increased because of unsold products, skewing business investment growth. Net exports improved, not because of growth, but because the global economy slumped & imports fell. Residential investment fell drastically, off 26.7%. Real disposable consumer income fell \$1T. Adjusted for inflation, this is the largest drop since 1932. It's not the leader, it's the ideas.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – Tom Malenka

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