



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



A HANDFUL OF SHOWS shaped TV comedy! *I Love Lucy* taught us what a sit-com was; *All in the Family* taught us (though many have forgotten) comedy can be brutally honest & *M*A*S*H* taught us it was okay if comedy made us cry. Two 1950s stars, Ernie Kovacs & Sid Caesar, had shows that have influenced everything from *Johnny Carson* & *Laugh-In* to *Carol Burnett*, *SNL* & *Monty Python*, to *Sesame Street* & *The Electric Company*. The two stars were very different. Kovacs used spontaneity & camera play to create visual humor while Caesar's bevy of eventual Emmy, Oscar & Tony winning writers penned hilarious, perfectly timed sketches. The shows were truly disruptive.

DISRUPTIVE: Disruptive is one of those overused business terms. I remember for a time in the 1980s, the phrase '*per se*' infiltrated business lexicon. I remember one new college graduate interviewing for a position who ended almost every sentence with the phrase *per se*! It could have been a great drinking game. Having an MBA, it is okay for me to point out that there are many in the business world or the public eye who use '*MBA-Speak*' to try to sound smart. (We had a President who did this for 8 years & more recently, a Presidential candidate.) But we have all heard some CEO or even department head utter a bunch of catchphrases & actually say nothing at all: "*If we lean-in to our core competencies, at the end of the day, we can leverage the paradigm shift & move the needle or pivot to close the loop. Let's use blue sky innovation & ideas to create a digital transformation, this is the new normal & will put us at the cutting edge. When we find low-hanging fruit, let's put a pin in it, take it off-line, then circle back to remain agile & nimble before we revisit it for some quick wins. The more we drill down, we will create opportunities & synergies that will make us a disruptive, next-gen, cloud-based, data driven, AI-centric company. So let's get to work, remembering to stay true to our core values!*" (Yep, I am sure everybody knows what to do now!) A truly disruptive technology changes the world & the marketplace: the musket, the printing press, the Bessemer smelting process, the electric light bulb, the assembly line, ENIAC, cellular technology & the internet. *Amazon*, *Netflix*, *Uber*, *Instacart*, *DoorDash* & other companies have certainly disrupted & changed the retail landscape. But often the disruptive descriptor is applied too freely. Thomas Freidman wrote "*The World is Flat*" in 2005 & indeed the globalization of the world economy came about due to technology, the internet & communications creating a more level playing field. But it also caused other disruptions, including a loss of culture in sovereign states & from 2020 to 2023, a weakened economy due to supply chain breakdowns. Green technology was labeled disruptive, but all it brought was inflation, financial stress & put our much needed energy, manufacturing & technology resources & national defense at risk. And don't forget, Elizabeth Holmes at *Theranos* & Sam Bankman-Fried at *FTX* disrupted themselves right into jail! When some people see true disruption (like our caveman buddy Thuk witnessing fire for the first time), they shout, "*Chaos!*" due to their lack of understanding. For example, most Presidents, in forming their administration, fill positions with the next-in-line do-nothing bureaucrats; corrupt old cronies; out-of-touch, never-had-a-real job academics or power-seeking political consultants. It is disruptive when a President fills his administration with people who actually know how to do the job, have the experience, knowledge & background. It is even more disruptive when he includes people of all races & both genders & who often have differing political orientations. And finally, it is certainly disruptive that these people take action & do the job – cutting waste, improving efficiency, firing slackers, securing the border & nation, bringing home hostages, saving the taxpayers money, removing regulations, cutting taxes! They are getting big things done, getting them done quickly & transparently letting the public know what is going on instead of taking it off-line, putting a pin in it, then circling back to see if the needle moved! The less knowledgeable, less open minded, less intelligent beings in the media & opposition party do not have the ability to grasp this level of activity. This disruption shocks them & makes them scream, "*Chaos!*" Viewers were shocked that *Lucy* was pregnant. People were disturbed by the honesty of Archie & the Meathead arguing. People were stunned that *M*A*S*H* killed off a beloved character. On *Your Show of Shows*, Sid Caesar brought together a disruptive team of writers who went on to change the nature of entertainment for decades to come. Some of them are now household names; their works were often innovative, shocking & disruptive: Mel Brooks, Woody Allen, Carl Reiner, Neil Simon. Others may not be as well-known: Larry Gelbart (*M*A*S*H*, *A Funny Thing Happened on the Way to the Forum*); Selma Diamond (*Night Court*); Danny Simon (Neil's brother & the inspiration for Felix Unger in the *Odd Couple*: he wrote for Jackie Gleason, Phil Silvers, Carol Burnett & a host of other TV shows); Mel Tolken (*All in the Family*); Joseph Stein (*Fiddler on the Roof*); Michael Stewart (*Bye Bye Birdie* & *George M!*). One show, one team of writers, for just four years in the 1950s, caused a disruption to the world of comedy that lasted for decades! Their works opened up new worlds & ideas. From Joyce Carol Oates, "*It is only through disruptions & confusion that we grow, jarred out of ourselves by the collision of someone else's private world with our own.*" Fear & confusion is the roadblock to disruption & change, which causes the media to cry, "*Chaos!*" From Dostoevsky, "*Times... of disruption or constructive change, are not only predictable, but desirable. They mean growth. Taking a new step, uttering a new word, is what people fear most.*" If a small group of talented writers sitting in a smoke-filled, whiskey-driven, writers' room for a few years in the 1950s can disrupt & change entertainment for years into the future, imagine what a group of experienced, capable & talented patriots, backed by the power of the American people, can do for America, both for today & for many, many years to come.

INDUSTRY NEWS: *Actual Veggies* closed a \$7M Series A round led by *Relentless Consumer Partners*. *Core Home* acquired *BUBLUV*, authentic healthy Asian boba tea. *Just Salad* raised \$200M (at a \$1B valuation) led by *Wellington Management*, with *D1 Capital Partners*, *Neuberger Berman* & *Stripes* involved. *Kettle & Fire* raised \$43M in a secondary buyout led by investment firm *Colter Ventures*. *Vivici*, formed by a *Fonterra* & *DSM-Firmenich* partnership, raised €32.5M for its fermented dairy protein technology, led by *Invest-NL* & *APG* with *InnovationQuarter*, *DSM-Firmenich* & *Fonterra*. *uFraction8*, cell-manufacturing technology, raised £3.4M led by *Foresight Group* with participation from *Old College Capital*, *Scottish Enterprise*, *Alwyn Capital* & *Thia Ventures*. *Yamaha Agriculture* acquired *Robotics Plus1* & *The Yield*, to provide robotics solutions for spraying, weeding, other field operations & data analytics. Meal delivery company *Just Eat Takeaway.com* accepted a bid from tech investor *Prosus* for a full takeover for just over €4B. *Misha's*, plant-based cheese, acquired *Vertage*, another plant-

based cheese maker. *Martin Braun-Gruppe*, a provider of bakery ingredients & frozen baked foods, has expanded into the USA by acquiring *Hoff's Bakery* based in Malden, MA. In Canada, *ATV Farms*, root vegetable grower, packer & distributor *Sunfresh Farms*. *PLTRM* acquired peer marketing group *Presence Marketing*. *Hims & Hers Health* bought *Trybe Labs* a New Jersey-based at-home lab testing facility. *Middleby* will split part of its food processing business into a standalone public company. *Seven & i Holdings* is expected to make *Bain Capital* the preferred buyer for its *Ito-Yokado* supermarket chain; the founding family pulled their buyout bid, *Itochu* dropped from the bid & *Alimentation Couche-Tard* remains interested. *B&G Foods* is reaching a decision on the strategic resolution to its frozen & canned business which includes *Green Giant* & *Le Sueur*. After the failed merger, *Albertsons* is looking to reissue approximately \$600M in debt. *Ben & Jerry's* may be looking to buy back the brand from *Unilever*. *Consumer Equity Partners* is raising a \$500M investment fund to invest in retail technology companies from around the world.

At *Sprouts Farmers Market*, 4th QTR net sales jumped 18%, comps 11.4%, eCommerce sales spiked 37% & EPS was 79¢ up from \$0.49¢ a year ago. *Grocery Outlet* beat 4th QTR revenue expectations as income fell; the retailer announced restructuring & efficiency efforts & will reduce new store openings, originally 50 to 55 in 2025, to 30 to 35 new locations. *Weis Markets* had a slight sales & income increase in 4th QTR. Despite growth & earnings beating estimates, *Instacart's* 4th QTR revenue missed expectations; the stock price fell on a soft outlook. *Keurig Dr Pepper* beat 4th QTR estimates & the stock price rose. *B&G Foods* saw sales fall 4.6% in 4th QTR & an impairment charge led to a \$222M loss; adjusted EPS beat estimates. *J.M. Smucker* missed 3rd QTR estimates & projected slow growth; the company took an almost \$1B impairment charge. Income rose 11% in *Gruma USA's* 4th QTR as sales fell 3% on lower foodservice volumes; better-for-you products showed strength. Operating income & revenue grew slightly in 4th QTR at *Grupo Bimbo*. Despite an ongoing volume drop, *AB InBev* beat 4th QTR estimates. In 4th QTR, *Monster Energy* saw a 4.7% revenue increase, but net income was lower & EPS missed estimates. *Vita Coco* beat 4th QTR estimates. *Zevia* reported 4th QTR sales growth though future growth projections disappointed analysts. In the 4th QTR, *Corbion* saw sales rise 1.1% & adjusted EBITDA rose 7%. While annual numbers missed, *Beyond Meat* showed growth in 4th QTR; the faux-meat producer will continue optimizing & cost cutting efforts as it explores further recapitalization. Revenue dropped 10% in 4th QTR as *Krispy Kreme* reported a \$22M loss; the donut maker plans to be in 6K *McDonald's* locations by year end.

Foxtrot opened additional locations in Dallas & Chicago. *Whole Foods* will open its first store in 10 years in London. *BJ's* will open its second South Carolina location. *H Mart* is planning a new location in the Ballard neighborhood of Seattle. *Costco* has six locations opening in March & one in April. *Dollar General* opened its first distribution center in Arkansas. *DoorDash* added four new retailers: In Chicago, *Angelo Caputo's Fresh Markets* (10 Stores); *Festival Foods* (42 stores) in Wisconsin; *Woodman's Food Markets* (19 stores) in Wisconsin & Northern Illinois; & 60-plus-store *Marc's* in Ohio. *Ocado* will open two customer *Kroger* fulfillment centers, one in Charlotte & one in Phoenix, in 2026. *Schnucks* will test late-night delivery with *Instacart*. *The Fresh Market* will use *Afresh* technology. In the UK, *Aldi* will invest £67M in existing stores in 2025. *C&S* will lay off 76 customer service workers in five states. *Spindrift* will launch a soda. *Sargento* will partner with *Mondelez* on new crackers, *Sargento Cheese Bakes*. *Natural Grocers* added private label kombucha & raw tepache. *Utz's Boulder Canyon* has reached \$100M in sales. *Clean Simple Eats* launched a protein soda with 20 grams of whey protein per can. *Oolie* launched egg-based dairy-free dips & yogurts with protein. *Subway* will reintroduce the 'Any footlong for \$6.99' promotion. *Starbucks* is laying off 1100 corporate staff. *T. Hasegawa* completed a renovation & expansion to its Cerritos, CA, flavor product development facility. *IFF* will invest \$70M in a 47K sq. ft. expansion project in Cedar Rapids, IA. *Panera Bread* will shut a pair of fresh dough manufacturing facilities in Stockton & Ontario, CA, as the company moves to 3rd party par-baked dough providers. *Haven Greens* opened Canada's first fully automated leafy greens greenhouse. *BrightFarms* will close three small farms to focus on its larger facilities. UAE-based *Pure Harvest Smart Farms* & Korea-based *PlantFarm* have launched a redeveloped high-tech farming facility in the UAE. *Paris Baguette* opened a manufacturing hub in Malaysia. In Australia, *The Arnott's Group* opened a 484K sq. ft. manufacturing facility in Rowville, Victoria to support its BFY product ambitions. Fire at a *Wayne-Sanderson Farms* poultry production facility in Union Springs, AL, caused a temporary closure. *Country Archer Provisions* has rebranded as *Archer* with a new, streamlined logo & look. *Lakeview Farms* & its new entity *noosa* will rebrand as *Novus Foods*. *Hershey* will partner with *Vitakey* to use its precision nutrient delivery technology to enhance the nutrient content of food & beverages. Dairy, beverage & food processing supplier *Nelson-Jameson* will partner with *Gourmet Ingredients*, a culinary food industry supplier, to develop clean label ingredients. *Brown Foods* unveiled *UnReal Milk*, lab grown cellular milk matching the texture & nutrients of real milk which comes straight from a cow without the need of a laboratory. *Axiom Foods* launched a rice protein that contains no detectable levels of heavy metals. *Vori*, grocery operating systems, will partner with *Fujitsu Frontech North America* to provide self-checkout solutions to independent grocers. *Mondelez* agreed to pay \$10M to settle a class action lawsuit alleging it deceptively labeled *Wheat Thins* crackers as 100% whole grain even though they contained corn. Florida is suing *Target*, claiming the retailer's DEI policies did significant damage to the results of its employee pension fund. Missouri is suing *Starbucks* claiming *Starbucks'* DEI programs violated Missouri & federal civil rights laws. *Slate*, canned protein shake & latte drink, filed a lawsuit accusing private-label ready-to-drink beverage producer *Horseshoe Beverage* of stealing confidential & proprietary information for the launch of beverage *Nurri*. After 48 years with the company his grandfather founded & 20 years as CEO, *Goya Foods'* board has removed Bob Unanue from leadership; no reason was given though Unanue is a strong supporter of our President & has worked to stop child trafficking & exploitation. *Unilever* president Hein Schumacher stepped down & will be replaced by 37-year company veteran Fernando Fernandez.

Sales at USA grocery stores will increase 3.1% this year to \$1.6T (with an expected 2.1% inflation rate), an increase from 1.1% sales growth in 2024, per *Coresight Research*. Fresh bakery department sales improved in January, but the center-store bakery category was lower & pulled down overall bakery sales, according to *210 Analytics*. From *AlixPartners*, 46% of consumers expect to purchase more store brands & 41% will use more coupons. From *Black Box*, restaurants saw same-store sales growth of 2.5% as same-store traffic fell 1.3%; growth was the highest in 18 months. From *PMMI*, 88% of food snack producers plan to acquire processing or packaging, increasing capital spend by 10.5%. The global poultry industry is expected to continue strong growth in 2025 with growth of 2.5% to 3%, per *Rabobank*. From *Circana*, egg volume grew 4.1% in January despite higher prices. Pear crops are estimated to be at a 40-year low. USA corn exports are rising. Strawberry prices are easing due to good weather.

MARKET NEWS: Despite strong revenue & earnings that beat estimates, *Nvidia's* weak forecast sent markets lower on Thursday. Markets clawed back slightly on Friday, with the Dow ending positive as the President displayed strength on the world stage! January PCE price index & core PCE price index were reported as expected, at 2.5% & 2.6% respectively. New home sales came in below expectations & pending home sales fell significantly. Jobless claims were higher than expected. The house passed a budget resolution bill that included \$4.5T in tax cuts but did not make the Trump tax cuts, so important to driving the economy in his first term, permanent.

SEEDS, SPROUTS, GROW: HARVEST!

THE LITCHFIELD FUND – Tom Malaga

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