



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

OUR FOUNDING FATHERS EMBRACED FREEDOM, in every sense, including free markets. They were well familiar with the contemporary writings of Scotland's Adam Smith, the *Father of Economics & Capitalism*. Free flowing markets, with an untethered supply & demand for products, labor, & commodities, contribute to *America's Greatness*. Autocratic societies (*communism, socialism*) restrict free markets, always with disastrous results. Even in the USA, tinkering with markets has caused disaster. In the 1930s, FDR adhered to the economic policies of John Maynard Keynes, whose writings suggested that big government & big spending could drive an economic recovery.

MARKET FREEDOM: President Franklin Delano Roosevelt was an enigmatic, positive, uplifting leader. In many ways, despite his economic policies, cabinet choices & autocratic style (3,721 executive orders; twice that of another large government advocate, Woodrow Wilson, #2 on the list), FDR was the leader America needed at this point in history. His big personality kept Americans confident during the Depression & rallied them during WWII. In the 1920s, low taxes & low interest rates had led to an economic boom, but speculators, including banks, over bought the stock market. Andrew Mellon, Secretary of the Treasury, who had supported the low interest & tax rates earlier in the decade, in early 1929 encouraged interest rate increases, trying to prevent further market speculation. It did not work & on Tuesday, October 29, the stock market collapsed. At first, since speculators were the only ones hurt, there was little sympathy from President Hoover, Mellon or the American people. But the higher interest rates, coupled with the losses by speculating banks, eventually shut down investment. By 1931 the entire economy was in a depression. Taxes were raised to the 1924 level to pay for credit the government extended to banks. In 1933, FDR offered the American people a New Deal & as part of the normal economic cycle, coupled with a few New Deal policies, the economy began to recover in FDR's first term. But in 1937, FDR's second term, the powers provided under The National Industry Recovery Act began to impact the very laws of supply & demand. Prices & wages were set artificially high, higher than market conditions would dictate. Monopolies were ignored, which hurt workers & increased inflation. The government was allowed to directly interfere in private industry production. Government subsidies reduced manufacturing & farming output or were allocated to non-productive industries. Government "relief" discouraged the country's work ethic. All these actions caused unemployment to worsen. To cover this overwhelming increase in government spending, taxes were raised, the marginal rate reaching a whopping 79%, further shutting down investment & increasing unemployment. A recovering economy fell back into recession in 1937 & 1938. Even FDR's own Secretary of the Treasury, Henry Morgenthau, Jr., admitted as early as 1939 that the New Deal was a complete failure. Amazingly, there are still advocates of Keynesian economic policies & remnants of FDR's unprecedented increase in government size & spending that remain with us today. Ludwig Von Mises aptly warns, "*Depressions & mass unemployment are not caused by the free market but by government interference in the economy.*" This is why, when nations like Croatia & Nigeria threw off the oppressive yoke of totalitarian governments, they chose free market capitalism. Freedom – *real freedom* – means a free mind, a free heart, a free soul & economic freedom, as writer-philosopher Ayn Rand wrote, "*Political freedom cannot exist without economic freedom; a free mind & a free market are corollaries.*" British sea captain James Cook, who opened up the Hawaiian Islands, South Pacific & Australia for exploration in the 18th century, understood precisely the remarkable outcome of free market capitalism, saying, "*To enslave a people, give them money they didn't earn,*" & "*Nations that embrace the free market to the greatest extent prosper the most.*"

INDUSTRY NEWS: Oregon-based *Dutchie*, a cannabis eCommerce platform for dispensaries, raised \$200M led by *Tiger Global Management*; *Dragoneer* & *DFJ Growth* involved. *Eat Just* raised \$200M led by the *Qatar Investment Authority* (the sovereign wealth fund of Qatar); *Charlesbank Capital Partners* & *Vulcan Capital* participating. Netherlands-based *Meatable*, cell cultured meat, raised \$47M from a number of investors, including *DSM Venturing*, *Sections 32* & *Blueyard Capital*. Denver-based wellness company *Even* raised \$1.5M led by *Align Ventures*, *Spring Street Group* & *GAN Ventures*. *Brass Roots*, a **LITCHFIELD FUND** partnership brand, received a strategic investment from *John B. Sanfilippo & Son*. Food safety, traceability & quality management platforms for the fresh food supply chain, *iFoodDS*, closed a \$15M round led by *Insight Partners*. After a \$1.27M pre-seed raise, Indian & South Asian food marketplace *Quicklly* has expanded delivery to serve customers in the New York-New

Jersey metropolitan area. *GoPuff*, micro-fulfillment, raised \$1.15B at a \$8.9B valuation, from *D1 Capital Partners, Fidelity Management & Research, Baillie Gifford, Eldridge, Reinvent Capital, Luxor Capital & SoftBank Vision Fund 1*. *Abby's Better*, a clean label nut butter & snack brand, raised \$1M from private investors. *Meallogix*, resource planning solutions for the meal prep sector, closed on \$1.7M, led by *Tech Coast Angels*, with participation from *Spark Growth Ventures*. Plant-based, coffee infused *Quantum Energy Squares* raised \$2.5M from private investors. *Mondelez* will acquire *Grenade*, a maker of protein-centric bars, spreads, shakes & cookies the UK & USA. UK's *Vibrant Foods*, Asian-style food maker, acquired paneer maker *Everest Diaries*. *C&C Group* will sell *Vermont Cider Company* to *Northeast Drinks Group* for \$20M, to reduce its debt. In an interesting flip of companies, *General Mills* will sell its 51% stake in *Yoplait*'s European business to *Sodiaal* in exchange for *Sodiaal*'s 49% stake of *Yoplait Canada* & a reduction of royalties on sales of *Yoplait & Liberté* yogurts sold in the USA & Canada. *Waitr* acquired *Delivery Dudes*, a Florida-based food delivery company for smaller markets in South Florida, for \$23M in stock & cash. *George Weston Ltd.* will explore the sale of its *Weston Foods* bakery, launched in 1882 & with \$2B in annual revenue. Privately held *U.S. Sugar* will acquire *Imperial Sugar* from *Louis Dreyfus Co.* *Grupo Carrefour Brasil* will purchase *Walmart's Grupo BIG Brasil SA*, Brazil's third-biggest food retailer. *Alimentation Couche-Tard*, parent company of *Circle K*, is selling 306 sites across the USA & Canada; some Oklahoma stores are going to *Casey's General Stores* for \$39M. *Olo*, digital ordering platform for 64K locations of 400 restaurant brands, raised \$450M in an IPO.

General Mills' net income rose 31% in 3rd QTR; net sales rose 8%. *Utz Brands* reported strong 4th QTR sales results but recorded a loss on M&A costs. *Dollar General* reported 4th QTR increases in comps (12.7%), sales (17.6%) & profit (20%), but forecasted lower 2021 comps. *Celsius'* 4th QTR revenues rose 48%, but a 2¢ EPS missed estimates, despite overcoming a loss last year.

Sprouts Farmers Market opened a produce distribution center in Colorado & plans one for Florida. *Dollar General* intends to self-distribute fresh produce to 10K stores. *Albertsons* will expand its vertically farmed produce offering to east coast *Safeway* & *Acme* stores using *Bowery Farming*. Arizona's *Bashas'* will use *Forager's* platform to bring local fresh produce to its 100+ stores. *Hy-Vee* will hold a local supplier summit to find local brands. *Amazon* is planning a new store in Plainview, NY. 7-Eleven opened its first *Laredo Taco Company* drive-thru restaurant, in Dallas, which offers indoor seating & shares space with a new 7-Eleven Evolution Store. One of Russia's largest retailers, X5, will begin using facial recognition technology for contactless payments. Boston-based start-up, *Urbx*, will build a grocery store with a 150 ft. tall automated fulfillment center above it, squeezed into surface space of 1.8K sq. ft. *Cereal Ingredients* will invest \$24M to build a new 80K sq. ft. manufacturing facility in St. Joseph, MO. *Kraft Heinz* is teaming up with *Spoiler Alert*, whose platform helps CPG brands manage excess & slow-moving inventory. *Del Monte* will partner with *Apeel* for avocado freshness. *Mondelez's SnackFutures* joined the *Upcycled Food Association*. *Ferrara* is investing to reposition its holiday offerings, *Delacre Fine Belgian Assorted Cookies & Royal Dansk Danish Butter Cookies*, into year-round specialty cookies. *Bel Group* will launch its first 100% plant-based cheese brand, *Nurishh*, to increase its plant-based options. *PepsiCo*, who acquired *Evolve* (including *Muscle Milk*) from *Hormel Foods* in 2019 for \$465M, will reformulate *Evolve* to boost the fiber content of its bars, shakes & powders. Also, *PepsiCo* will launch its first new permanent product flavor in 5 years, *Pepsi Mango*. *JDE Peet's* has reached agreement to produce, supply & support *J.M Smucker's* foodservice coffee business. *Evian* is introducing a functional, flavored sparkling canned water line, *evian+*. *Spindrift* will launch alcoholic *Spindrift Spiked*. *Nick's* will launch a Swedish-style protein bar. *Health-Ade Kombucha* will introduce *Health-Ade Mixers*, a new line of kombucha-based cocktail bases. *BASF* plans to launch 30 R&D projects this decade focused on sustainable agriculture innovations that complement its businesses. Gene editing startup *Benson Hill* has launched two new business segments, *Ingredients & Fresh*. *General Mills* is exploring a general price increase as this current administration's policies are raising transportation, commodity & inflation costs.

Per *Packaged Facts*, home baking sales grew 24% to \$26.5B in 2020, well outpacing the prior years' growth. Per the respondents, 45% consider themselves avid bakers. In the *National Confectioners Association State of Treating* report, candy, chocolate & confections sales reached \$36.7B in the past year; chocolate sales grew 4.2% & all other confections sales grew 2.9%. Per *IRI*, bread sales rose 10% in the past year, with branded products gaining share over private label products. Also, from *IRI*, meat grocery sales rose 19.2% from 2019 to 2020 to reach \$82.5B in sales. Meat was purchased by 98.4% of all USA households. *Boston Consulting Group* forecasts that alt-protein will have 11% of the global protein market by 2035. Consumers intend to spend an average of \$179.70 this coming Easter, the highest ever in the *National Retail Federation & Prosper Insights & Analytics* poll. Researchers are investigating nettle for its ability to manage obesity & diabetes & support overall immunity. Produce prices are rising as inflation hits suppliers & distributors.

MARKET NEWS: Stocks ended mixed; tech stocks were lower.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND — Tom Malengo

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