



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

**"OUR EARS SPAN ALL FIELDS"**



**HE'S A BORN SALESMAN!** Hearing the phrase conjures up the image of a used car salesman in a loud sports jacket! Salesmanship is part of our human nature: As a child, trying to convince your parents of a later bedtime or a venture out somewhere on your own; as a teenager, selling yourself to gain that coveted first job; as an adult, selling the idea of marriage & commitment to a potential spouse. As every good salesman knows, to make a sale, you have to first sell yourself as a likable & trustworthy person. Financier Charles Schwab said, "*We are all salesmen every day of our lives. We are selling our ideas, our plans, our enthusiasms to those with whom we come in contact.*"

**THE DOOR-TO-DOOR SALESMAN:** The traveling salesman, the peddler, pedlar, hawker or huckster, has been around for centuries. The word *huckster* entered the English language more than 800 year ago & is derived from the Dutch word '*hokester*' which means to peddle. The huckster showed up at the edge of a town or in an alley with a cart full of goods to sell. As America headed west, the travelling salesman followed. He brought a wagon full of wares needed to survive, or to make life easier, on the American frontier. Whether it be supplies for building, farming, cooking, dresses for the ladies or toys for the kids, the peddler moved from town-to-town & farm-to-farm. In the towns, he would shout out what he had on his wagon, *hawking* his goods. As America urbanized so did the traveling salesman, going door-to-door to sell a product. David McConnell was going door-to-door in the late 1800s, selling books. He found out that the ladies who answered the door were more interested in his free perfume samples. In 1892, he incorporated the *California Perfume Company* & soon, Ding Dong, *Avon* began calling! In 1906, Alfred, a successful 21-year-old brush & mop salesman started his own company with a \$375 investment, going door-to-door selling brushes. By 1920, the *Fuller Brush* company was posting million-dollar revenues. The *Fuller Brush* man became synonymous with the door-to-door salesman, branching out into cosmetics & other household goods & became the topic of two Hollywood movies: 1948's *Fuller Brush Man* with Red Skelton & in 1950, the *Fuller Brush Girl* with Lucille Ball. When American families burst into brand new suburbs post WWII, the door-to-door salesman showed up selling vacuum cleaners, encyclopedias & aluminum siding to the lady of the house. As American demographics shifted to two working parents, many communities did not want the door-to-door salesperson wandering empty neighborhoods, so non-solicitation ordinances started to go into effect. Yet, we still welcome those who come door-to-door who are likable, trustworthy & have pleasing personalities – The child selling *Girl Scout Cookies* or magazine subscriptions to fund a school trip, the teenager selling tickets to the high school band concert or for the church bazaar & raffle or the helpful volunteer collecting food or old clothes for the local shelter. Psychologist & philosopher Erich Fromm, an advocate of individual freedoms who escaped from the National Socialist Workers' Party, the Nazis, whose infamous, unlikable & untrustworthy Gestapo went door-to-door to assure compliance with their evil authoritarian & totalitarian rules, wrote, "*If you do not smile, you are judged lacking in a 'pleasing personality' & you need to have a pleasing personality if you want to sell your services, whether as a waitress, a salesman or a physician.*"

**INDUSTRY NEWS:** *Awakened Foods*, makers of *Ka-Pop!* *Super Grain Snacks* & *Bubba's Fine Foods Paleo Snacks* & *Granolas*, secured a strategic investment from *Clover Vitality*. Singapore-based *Next Gen Foods* will launch its plant-based chicken in the USA following a \$20M investment from *GGV Capital* & others. *Comet Bio*, patented upcycling technology to produce ingredients, raised \$22M led by *Open Prairie* with additional investment from *Louis Dreyfus*, *BDC Capital* & *Sofinnova Partners*. *NobleGen*, a Canadian startup formulating a suite of products from an ancient micro-organism, *euglena grasilis*, opened a CAD \$500M round. UK-based *Wicked Kitchen*, plant-based meats, has launched in the USA following a \$14M co-led by *Unovis Asset Management* & Thailand-based *NRF Nove Foods*. Meal provider *FreshRealm* raised \$32M from institutional investors. Israeli-based *Shopic*, clip-on, frictionless smart shopping devices that attach to standard grocery carts, raised \$10M led by *Claridge Israel* with *Entrée Capital*, *IBI Tech Fund* & *Tal Capital* participating. *Verve Motion*, following a pilot of its exo-suit technology with *Ahold Delhaize*, raised \$15M led by *Construct Capital* with *Founder Collective*, *Pillar VC*, *Safar Partners* & *OUP* involved. The Ag commodities platform used by *Walmart*, *Costco*,

*Nestlé, Carrefour, Dole & others, South Korea's Tridge, raised \$60M led by Forest Partners. Another Ag commodities platform, NY-based Agro.Club, raised \$5M. Farmitoo, a France-based online marketplace for farm equipment, raised €10M from Ventech, IXO Private Equity & Bpifrance, a government bank. Suja Life was acquired by Paine Schwartz Partners for an undisclosed amount. Audacious Brands acquired CBD-infused shots company LOOS. Summit Agricultural Group acquired Kansas corn ethanol & wheat protein biorefinery Prairie Horizon Agri-Energy. GrubMarket acquired Pacific Farm Management, a full-service farm management services company that includes employee payroll & insurance services. Tate & Lyle will sell a controlling stake in its subsidiary, NewCo, which includes its Primary Products (sweetener & starches) division to KPS Capital Partners (in a deal that values the transaction at \$1.7B), to focus on its specialty foods & ingredients offerings. Pipeline Foods, USA supply chain solutions company focused exclusively on organic, non-GMO & regenerative food & feed, filed for Chapter 11 relief. Activist investor Spruce Point Capital is taking aim at Oatly, saying the company will never be profitable, triggering a drop in share price. Flow Beverage (alkaline Flow Water) began trading on the TSX, announcing revenues of \$23M CAD & a net loss of \$48.1M.*

Despite a decline in revenue & earnings, *Conagra* beat 4<sup>th</sup> QTR targets, but lowered fiscal year guidance, as inflation hits every input category. The company will look to raise consumer prices to cover a forecasted 9% inflation driven cost impact. *PepsiCo* raised full year 2020 forecasts as returning restaurant sales drove 2<sup>nd</sup> QTR sales & income increases up 20.5% & 44% respectively, surpassing expectations.

*C&S Wholesale Grocers* will buy Wisconsin-based *Piggly Wiggly*. *National Co-op Grocers* will partner with *Mercato* for eCommerce. *7-Eleven* has added mobile checkout to another 2500 stores. *Walmart* will automate 25 of its distribution centers using *Symbiotic* technology. *SpartanNash* will open its first MFC in Western Michigan. *Dollar General* is in the process of hiring 50K workers to support store growth. *GoPuff* will hire 100 employees to fill ghost kitchens. *Sam's Club* has launched *Scan & Ship*, a service that allows shoppers to ship to their home products that may be out of stock or require a color, size or type selection. *Prestage Farms*, pork & poultry, will invest \$150M to build a new processing facility in South Carolina that will create almost 300 new jobs. *McCormick* is the latest CPG company to warn of price increases continuing. *Nestlé* revealed an exploration partnership with cultured meat company *Future Meat Technologies*. *Coke* is revamping *Coke Zero* to taste more like *Coke*. *Molson Coors* will discontinue *Coors Seltzer* to focus on its brands *Topo Chico Hard Seltzer* & *Vizzy* brands. The bestselling Australian kombucha, *Remedy Drinks*, is launching in the USA. *Catalina Crunch* has launched into savory snacks. *The Good Crisp Co.* has launched cheeseballs in a can, with immunity-boosting *Wellmune*. *Little Caesar's* will offer a pizza with plant-based pepperoni. *White Castle* will add 75 jobs & spend \$27M to add slider production capacity for retail distribution. *Pressed Juicery* has expanded its menu & revamped its stores & has rebranded as *Pressed*. Semi-finalists were named in the \$15M global XPRIZE 'Feed the Next Billion' competition to find the best performing alt-proteins. *Tyson* recalled 8.5M lbs. of frozen chicken linked to three cases of listeriosis.

*H-E-B, Publix & Aldi, per Ipsos*, are the best at fulfilling online orders through pickup. *Edge by Essential* forecasts *Amazon's* online grocery sales to climb to \$26.7B in 2026, a 13% CAGR, while *Walmart* will grow at a 14.1% CAGR to \$19.5B. Food & beverage will be the fastest-growing online sales category with a CAGR of 30% through 2024 (according to a recent report by *Forrester*) going from 5.4% of total online sales to 10.4%. London research group *RBR* reports a 25% increase in self-checkout units in the past year. Rising commodity & other costs are the top external concern among food & beverage industry executives surveyed by tax & advisory firm *Mazars USA*. Law firm *Lathrop GPM LLP* reports that two-thirds of food processors expect a rise in food-safety complaints. Washington University School of Medicine researchers identified four fibers for snack foods that change the gut microbiome in ways that could improve long-term health. From Duke University, metabolites (the building blocks of the body's biochemistry, energy conversion, cellular health & rebuilding), are different between meat & plant-based alternatives. Beef contains 22 unique metabolites that plant substitutes do not & plant-based substitutes contain 31 metabolites that meat does not. Sales of Haas avocados reached a record \$144M in sales during 1<sup>st</sup> QTR. The USDA will spend \$500M to expand USA pork & meat processing. The USDA lowered almond, sugar & wheat forecasts & raised corn forecasts. Coffee prices are continuing to rise.

**MARKET NEWS:** Markets were generally lower. Investors considered mixed earnings news, supply chain issues & inflation hitting a 13-year high. Jobless claims were higher than expected. Surprisingly, retail sales came in higher than forecast.

## **SEEDS, SPROUTS, GROW, HARVEST!**

**THE LITCHFIELD FUND** – *Tom Malenka*

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