



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



LITCHFIELD

**WHEN I BEGAN MY CORPORATE CAREER**, the President of the Retail Bank & Operations was a seasoned veteran. He held great sway & influence inside the bank & within the local community. Though well above me in the organization, perhaps because of some similarities in background & experiences, he took a liking to me. His own career began in bank operations & he gave me a lot of face time. He was very Old School & was proud that he had developed most of the operations processes still being used. His pet, go-to phrase was, "*you get what you inspect.*" I soon realized that inspecting all completed work was not only inefficient & costly, but set very low expectations.

**EXPECTATIONS:** I began to change procedures & processes to work the flaws out of the operational processes - reducing errors, reducing costs & gaining efficiency. Techniques such as lean processing, six-sigma & continuous improvement were new to the organization, but would become more entrenched over the next couple of decades. Employees wanted to do a process correctly, not have their errors corrected, tracked & reported after the fact. A new confidence arose as they became involved in doing the process correctly, doing more & doing it more quickly. In our society, it seems we have become satisfied setting low expectations. It starts early with children – games that do not keep score, tests that have no grades, trophies for showing up & every piece of art on the refrigerator. It continues in school, with a curriculum that no longer adheres to the 3-Rs – *reading, 'riting, 'rithmitic* – but instead promotes advocacy over rational & well-reasoned analysis & thinking. In our society, we have come to expect corrupt & lying leaders, high prices, crime on our streets, violence, bigotry, world unrest & more. Accepting these low expectations, of individuals & societies, instead of fixing problems at the source, is akin to '*you get what you inspect*'. What you *got*, in a business, is an error. What you *got*, in a society, is a problem. American educator John Taylor Gatto uses the analogy of fleas in a container. In a shallow container, fleas quickly jump out. Put a lid on the container, the fleas jump & hit the lid. Soon, the fleas learn not to jump so high. Take the lid off the container, the fleas no longer try to jump out. They have been conditioned to accept a lower expectation. Inspiring someone to do more, to do better, to learn how to succeed makes us better as individuals & as a society. Ignoring, accepting & making excuses for society's problems, individuals' transgressions & our leaders' failures leads to an accelerated societal entropy. American author, screen writer & radio talent, who at 17 was one on just 15 USA Marines who survived the bombing of the *USS Arizona* at Pearl Harbor, Earl Nightingale wrote, "*Our environment, the world in which we live & work, is a mirror of our attitudes & expectations.*" This is the importance of high expectations, for ourselves, others & society. And while offering a helping hand is appreciated, it is much better to give people the knowledge, experience & confidence to succeed *by using their own hands*. And instead of putting a lid on our societal expectations, let's take the lid off & expect more of ourselves, others & our leaders. This begins with *expecting* our education system to set higher expectations. From British journalist & politician Michael Gove: "*As long as there are people in education making excuses for failure; cursing future generations with a culture of low expectations & denying children access to the best that has been thought & written because Nemo [is] more relevant; the battle needs to be joined.*"

**INDUSTRY NEWS:** *Cleveland Kitchen* raised \$19M led by *Amberstone & CJ Group*, then acquired *Sonoma Brinery*. *Revo Foods* obtained a \$2.3M grant from the *Austrian Research Promotion Agency* to continue development of its 3D-printed, plant-based seafood analogues. *Brown Foods* (USA & India) raised \$2.36M (to further develop its mammalian cell culture milk technology) from *Y Combinator, AgFunder, SRI Capital, Amino Capital & Collaborative Fund*. Spain's *Coccus* raised €2.5M for its alt-protein 3D-bioprinting technology from *Big Idea Ventures, Cargill, Eatable Adventures & Tech Transfer UPV*. *Salient Predictions* raised \$5.4M, led by *Wireframe Ventures*, for its weather prediction & analytics platform. Cultivated-meat start-up *Artemys Foods* rebranded as *SCiFi Foods* & raised \$22M in a series A led by *Andreessen Horowitz*. *Hella Cocktail*, botanically inspired mixers & beverages, raised a \$5M from *Uncle Nearest Premium Whiskey*. *Cuisine Solutions*, a USA supplier of sous-vide products, raised \$250M from *Bain Capital*. *Cox Enterprises* (owner of *Bright Farms*) made an undisclosed significant strategic investment in *Mucci Farms*, a network of thousands of acres of indoor grown fruits & vegetables. *General Mills* will invest \$3M to scale *Eco-Harvest*, a platform that promotes regenerative agriculture. UK-based *Moa Technology*, sustainable alternatives for herbicide resistant plants, raised £35M from *Lansdowne Partners, Oxford Sciences Innovation, Parkwalk Advisors, Bits x Bites, the UK Business Growth Fund & IP Group*. *Sweet Chick*, a chicken & waffles restaurant, closed a \$5M Series A round from *Founder's*

*Table Restaurant Group*. Retail audio advertising provider *Vibenomics* raised \$12.3M led by *Panoramic Ventures*. *Cardenas Markets* acquired six SoCal *Rio Ranch Market* stores. *AAK Foodservice* acquired *ForA:Butter*, a plant-based butter using aquafaba, for an undisclosed amount. *Atlas Holdings* acquired *Foster Farms* (\$3B in annual sales); terms were not disclosed. *New Berlin Beverage*, a new holding company building a portfolio of emerging & innovative beverage brands, acquired *Minna*, sparkling iced teas. *The Bonduelle Group* is in talks to sell its North American private label business to Canadian institutional investors *Fonds de solidarité FTQ & Caisse de dépôt et placement du Québec (CDPQ)*; a 65% stake for C\$850M. *Lineage Logistics*, temperature-controlled solutions provider, expanding its DTC offerings with the acquisition of *Perishable Shipping Solutions*, temperature-controlled storage & shipping. *Centre Partners* has re-acquired *Captain D's Seafood*, which they previously owned. *PowerPlant Partners* made an undisclosed investment & entered a strategic partnership with *SYSTM Brands* to launch *SYSTM Foods*, they will acquire sustainable & socially conscious food & beverage brands. *Union Kitchen* opened a \$20M fund to support their accelerator members. Economic conditions caused *Simply Better Brands* to terminate its acquisition of *Jones Soda*. *SpartanNash* was able to retain its current board & chairman, overcoming investor challenges.

*Costco* reported 3<sup>rd</sup> QTR sales & income up 16% & 20%, new memberships driving results as consumers react to government policy driven inflation & shortages. *SpartanNash* had a 4% 1<sup>st</sup> QTR revenue increase with slightly lower net income that still topped expectations. In *Dollar Tree's* 1<sup>st</sup> QTR, net sales rose by 6.5%, comps rose 11.2% & gross profits were 19.2% higher. *Dollar General* reported a down 1<sup>st</sup> QTR but gave investors a strong full year forecast. *Big Lots* lost \$11.1M in 1<sup>st</sup> QTR as revenue & comps fell by double digits. *Campbell* reported strong 3<sup>rd</sup> QTR numbers, beating estimates, citing a reemergence of comfort food. *J.M. Smucker* beat estimates for 4<sup>th</sup> QTR despite the *Jif* peanut butter recall, which is projected to have a \$125M impact; the company will be raising prices. *UNFI* reported a 3<sup>rd</sup> net sales increase of 9.2% & a net income increase of 39.6%. Net income for *Hormel* was up 14% in 1<sup>st</sup> QTR with sales up 19%.

*Target* will be taking actions to reduce costs & prices, rid itself of non-selling products, right its supply chain, increase grocery selections & take other initiatives to deal with the economic stress. *Stop & Shop* will invest \$140M in New York City with a focus on adding thousands of new items. *Alimentation Couche-Tard* will deploy more than 10K *Mashgin* touchless checkout systems to more than 7K of its *Circle K & Couche-Tard* stores during the next three years. *UberEats* will offer ship-to-home orders. *Super Pufft Snacks*, family-owned Canadian private label manufacturer, opened its 2<sup>nd</sup> facility for potato chips, a \$50M, 140K sq. ft. facility in Airdrie, Alta. *Supreme Rice* is investing \$16.2M for a new parboil facility in Louisiana for a new line of ready-to-eat products, creating 100 new jobs. *Ancient Brands Milling* will invest \$26.5M to relocate & expand its Iowa puffed grains capacity. *Molson Coors* will spend \$65M on warehouse space to reduce distribution costs. *Barry Callebaut* will partner with Colombian food ingredient supplier *Levapan* to expand its Latin American distribution. *Cargill* opened its *House of Chocolate* customer innovation center; a \$21M 66K sq. ft. in Belgium. *Crook & Marker* will eliminate several sales positions. *Superbrewed Foods* secured GRAS status for a new extremely dense, postbiotic cultured protein ingredient. *Barry Callebaut* introduced dairy-free organic chocolate. *Hershey* has applied to patent its dairy-free chocolate with roasted grain. *Seth Goldman's Eat the Change* will launch an *Honest*-type tea following *Coca-Cola* decision to discontinue the label. *Monster* will source its cans from the USA to reduce supply chain issues. *Cleveland's Heinen's & Mitchell's* ice cream will open an ice cream stand in *Heinen's* downtown store in the historic *Cleveland Trust* Rotunda. *Wing Zone* will use *Miso Robotics' Flippy 2* kitchen automation tool in all its restaurants. More than 300 people in 16 countries were sick with salmonella from eating *Ferrara Kinder* chocolate. *Taco Bell* executive Liz Williams was appointed President & CFO of *Foxtrot*.

From the *Feedback Group*, consumers believe grocery stores make a 33% profit, while actual profit is in the 1% to 3% range. From *IRI's 2021 New Product Pacesetters* report, 8 of the top 10 product launches were beverages, seltzers & plant-based milks. Bottled water set a total volume record of 15.7B gallons in 2021, reported by *Beverage Marketing Corp.*; that total passed carbonated soft drinks' all-time peak of 15.3B gallons in 2004. From *Retail Insight*, a survey found that 68% of consumers are more price-conscious when shopping for groceries due to inflation; 74% for those who are 25 to 34 years old. From *Numerator*, inflation is cut into people's Memorial Day plans - traveling less, eating out less & choosing smaller celebrations. The *American Mushroom Institute* reported lower mushroom sales due to higher prices. The *Fetch Price Index* reports that in May, inflation food, personal care & household items rose 13.9% YOY. The USDA forecasts higher soybean & grain prices. Food prices are 11.9% higher, the largest increase since 1979.

**MARKET NEWS:** Markets cratered once again as May inflation reached a 41-year high. Gas & food prices reached all-time highs. GDP for 1<sup>st</sup> QTR was revised downward. Jobless claims were higher than expected. Mortgage activity hit a 22-year low. Let's all say it together, recession.

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

THE LITCHFIELD FUND – *Tom Malenka*

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