



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



**MY FIRST AIRPLANE FLIGHT** & hotel stay was a few months after I started my first post-college job. Sent to NYC for a meeting with the FED & other major USA banks, I was shocked by how close the water was as we landed at La Guardia. I made my way through the airport to the curb, & mimicking the countless movies I had seen, reached out my hand. Amazingly, a cab pulled up. I stayed at the *Grand Hyatt* on Park Avenue, in a large luxurious room on an upper floor. I was carrying a load of cash; my credit not yet established to possess a credit card. I had been warned by a buddy's dad, a 30-year vice & homicide police detective, how unsafe New York was, *especially the hotel rooms!*

**TIME TRAVELS:** After a long first day of meetings & a dinner reception, I returned to my room. I immediately noticed something was wrong. The room was not how I left it. The lights were different & there were low voices. I looked in the bathroom to the left of the foyer, but there was no one there. I quietly slid open the closet door, but a quick peak told me it was empty, too. I edged along the wall to take a look around the corner, but again, no one. But I could still hear low voices. Then, I noticed there was enough space between the back of the sofa & the sliding doors of the small terrace for people to be hiding. So being 22 & male, I rushed at the sofa, perfectly hitting the back of the sofa with my foot to turn the sofa over & bury the culprits, then bouncing off the sliding doors. Shockingly, there was no one behind the sofa! As I looked around the room, I finally realized the low voices were coming from the radio, the bed covers had been turned down & there were chocolates on the pillow! None of my future business or vacation travels were ever so dramatic, but I took them all with the same wonder & naivete. Later that same year I took a trip to Utah to visit my best friends who had moved there for grad school. At the time, Park City, UT was a quaint, empty old mining town with a couple of ski resorts, not a teaming vacation destination or Winter Olympics site. Over the years I began to notice a real difference, seeing communities & regions lose their local flavor, as big box stores & fast-food chains permeated the landscape. Asking for a breakfast or dinner recommendation was answered with *Denny's* & *Chili's*, not *Betty's Bread & Bakery* or *Big Lou's Diner*. It seems as though much local culture has been lost as skyscrapers, hotels, retail & restaurant chains now create a sameness to cities, destinations & locales. From 1934 until 1954, James A. Fitzpatrick, *The Voice of the Globe*, produced the movie short series, *TravelTalks*. Mr. Fitzpatrick visited locations across the USA & around the world to preserve on film (in *Technicolor*) a view of cities, natural wonders & historical sites before they were surrounded & invaded by hotels, skyscrapers, restaurants, retailers, casinos, wax museums & *Disney* parks; destroyed by war or ruined by despotic dictators. *TravelTalks* focused on the natural landscape, the traditional architecture & people in their daily lives, presenting the location's cultural uniqueness, which today, in many ways, has become a prevalent commonness. The importance of travel is in what it teaches us, from Euripides, "*Experience, travel - these are an education in themselves.*" English essayist William Hazlitt thought, "*You know more of a road by having traveled it than by all the conjectures & descriptions in the world.*" But perhaps itinerant traveler Mark Twain said it best, "*Travel is fatal to prejudice, bigotry & narrow-mindedness, & many people need it sorely on these accounts. Broad, wholesome, charitable views of men & things cannot be acquired by vegetating in one little corner of the earth all one's lifetime.*"

**INDUSTRY NEWS:** *HowGood* closed a \$6M round for its data platform which helps make choices around purchases, formulation, investment or marketing claims, led by *Contour Venture Partners*, with participation from *FirstMark Capital*, *Trailhead Capital* & *Manifesto Ventures*. Netherlands-based *Mosa Meat* completed an \$85M round with a final \$10M investment from new & current investors. Japanese retailer *Pan Pacific International Holdings (PPIH)* will acquire *Gelson's Markets*, with a possible intent to expand the grocer. *Foxtrot Market*, Chicago-based C-store & café with 60-minute delivery, closed a \$42M round to support its plans to double its base, led by *Almanac Insights* & *Monogram Capital Partners*. *Maximum Effort*, a marketing firm, has taken an undisclosed minority stake in keto snack startup *HighKey*. Florida-based bio-fertilizer startup *Anuvia* raised \$103M led by *TPG ART* & *Pontifax AgTech* with *Generate* & *Piva Capital* participating. *CellMEAT*, cultured protein, raised \$4.5M led by South Korean private equity firm *NAU IB Capital*. Connecticut-based *Project Well*, personalized meals to consumers with diet-sensitive chronic conditions, raised \$2M from *Formation Capital*, *S2G Ventures* & *Primetime Partners*. Data analytics company *DTN* acquired *Farm Market ID*, which provides sales & marketing-focused services to the agribusiness industry. *Danone* acquired plant-based pioneer *Follow Your Heart* & its parent company *Earth Island*, for an undisclosed amount. Continuing to

expand in the specialty ingredients market, *Ardent Mills* acquired a major USA chick pea company, *Hinrichs Trading Co.* Canada's *Deveron*, agriculture digital services & insights acquired *Farm Dog (Agro Technologies)*, agridata platform company for farmers, agronomists & agribusinesses that records, organizes & leverage data for decision-making. Vertical indoor farming company *Kalera* has purchased *Vindara*, non-GMO seeds for indoor farming. Agrifood companies raised at least \$26.1B (15.5% YOY) according to *AgFunder*, which may increase to \$30B when all deals are finalized.

*Hostess Brands*, after a challenging start to the year, had a strong 4<sup>th</sup> QTR with earnings (3.4%) & sales (18%) increases. Operating income rose 148% & sales were up 19% for *Bimbo Bakeries'* 4<sup>th</sup> QTR. *KDP* reported growth in sales & operating income but missed 4<sup>th</sup> QTR earnings targets. *Sprouts Farmers Market* reported a 17% sales increase, a 290% increase in on-line sales, comparable store sales rose 3.7% & net income more than doubled. *SpartanNash* more than doubled 4<sup>th</sup> QTR net earnings on a 12.5% revenue increase. *Loblaws* saw a 22% 4<sup>th</sup> QTR income jump on a 7.1% revenue increase spurred by a 160% eCommerce gain. *McDonald's* missed 4<sup>th</sup> QTR targets for revenue & earnings. *Beyond Meat* reported a 3<sup>rd</sup> QTR loss of \$52.8M though revenue rose 36.6%.

Specialty retailer *Dean & DeLuca* has emerged from bankruptcy with its \$300M debt eliminated & will begin to reopen stores. *Heinen's* will partner with tech provider *Engage3* to expand its omnichannel competitive visibility & analytics. To cut down on food waste, *Meijer* is rolling out the *Flashfood* app, which allows customers to purchase food nearing its sell-by date such as meat, produce, seafood, deli & bakery products at up to 50% off. *Smart & Final* will upgrade its warehouse processing with the latest version of *Symphony RetailAI Warehouse Management System*. *Walgreens* continues to expand same-day *Instacart* delivery, reaching now to 8K stores. *Instacart* is considering automated robotics for its picking & delivery. *Mars Wrigley* will deploy *Smiley*, a robot from *Savioke*, that will display & deliver candies normally found in the checkout line while roaming the aisles of *Wakefern's ShopRite* store in Monroe, NY. *BigCommerce*, SaaS e-commerce platform for retail brands, will partner with *Walmart* to enable its eligible USA merchants to sell products directly on *Walmart Marketplace*. *PepsiCo* will use digital shelf analytics in a new partnership with *e.fundamentals* to analyze, measure & optimize eCommerce performance. Indoor farming company *Infarm* has developed new automated modular distribution centers for growing & supplying leafy greens & produce to grocers in urban markets, with plans to build 100 by 2025. *Kellogg* will shut down two production lines in Ohio while adding a line & reconfiguring another in Tennessee for its salty snacks. *CLIF Bar* will lay off 125 employees in a restructuring effort. *J.M. Smucker* will continue to realign its portfolio offerings. *Costco* will increase its minimum wage. *Brown-Forman* will invest \$95M in its *Shively* distillery to meet growing demand for American whiskey. *Beyond Meat* signed supplier deals with *McDonald's* & *Yum! Brands*. *PepsiCo* has introduced *Neon Zebra* cocktail mixers, a booming category. *SunOpta*, has introduced *SOWN*, organic oat coffee creamers. *Lifeway Foods* is adding 3.5 oz. *Functional Shot Multipacks* & *Organic Grassfed Kefir*. *Bel Brands* will move into the functional space with the introduction of *Babybel Plus+ Probiotic* & *Babybel Plus+ Vitamins*. *AgroFresh Solutions* announced the launch of plant-based, edible coatings for produce freshness under the *VitaFresh Botanicals* brand. Strawberry producer *Driscoll's* will partner with Israeli startup *Consumer Physics* to use its technology to measure strawberry sweetness. *Hershey* will unveil organic *Reese's Peanut Butter Cups*. *Coca-Cola* is facing consumer pressure after some of its employee training policies were revealed.

A 16% increase in users led to a 15% jump in January's online grocery sales, to reach \$9.3B, in *Brick Meets Click's* latest survey, with more than two-thirds of the total coming from delivery & pickup with the remainder direct to home shipping. However, they also report, along *Mercatus*, that consumer satisfaction is plummeting. In 2020, frozen food sales grew in both dollars (21%) & units (13.3%) to reach \$65.1B in revenue per *FMI* & the *American Frozen Food Institute*. Seafood saw a 28.4% increase in YOY sales according to *FMI's Power of Seafood Report*. Per *C.O.next* & *Menu Matters*, 80% of consumers are still interested in sustainability. In a new study from shopper intelligence group *Catalina*, household care & health products will continue to have the fastest growth, followed by refrigerated snacks, frozen juice & smoothies, frozen vegetables & powdered milk. A new report from *Pipsplay* indicates that customers are greatly satisfied with their *Amazon Go* experience, with 59% feeling the concept is a threat to big box stores like *Kroger* & *Walmart*. The *Produce for Better Health Foundation* reports that Americans' fruit & vegetable consumption is down 10% since 2004. USA agricultural exports in the past year rose to a record \$157B creating a \$19.5B trade surplus. Per the California Avocado Commission, the avocado harvest will be below pre-season estimates & at the lower end of the average seasonal output. Cold weather could have a \$300M impact on Texas citrus. The USDA forecasts lower wheat supply & demand through 2024 & a higher production of soybeans & corn. A resolution in Congress asks the CDC & FDA to promote Vitamin D in the battle against covid, especially among vulnerable populations.

**MARKET NEWS:** Markets fell this week on a variety of economic news & concerns.

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

THE LITCHFIELD FUND – *Tom Malenka*

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