



# ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



**HAMLET ACT I SCENE III.** Laertes is leaving for France. His father Polonius tells him to hurry, he will miss the boat. Then he delays Laertes to offer some fatherly advice, as any parent would. He famously tells him, *"To thine own thyself be true."* But Polonius offers much more, advice as pertinent today as in 1600: Don't worry what people say & reserve your judgement upon them. Dress well, not showy. Listen well, but speak little. Never tell a falsehood. Manage your spending & be sure to care for your house, practice husbandry. He reminds him that if you borrow or lend money to a friend, you may never see either again: He says, *"Neither a borrower nor a lender be."*

**BORROWED FUTURE:** There has been disheartening news about debt. Per household debt has reached a 15-year high, the largest amount since the last recession. Consumer debt will soon total over \$1T, a new milestone. The national debt exceeds \$31T, having grown 15% since January, 2021. And to make matters worse, the national debt is predicted to reach over \$50T in about 10 years! To say our government spends like a drunken sailor is an insult to every jacktar who went in search of a bottle of rum upon reaching port. Too bad our elected officials don't drink to unconsciousness & wake up with an embarrassing tattoo! Instead, they continue to spend. And they are spending our money! The government produces no product, nothing of value. They are simply a transfer agent, removing hard-earned money from our accounts to satisfy their own spending obsessions! When they do feel slightly sorry for us, they print money, causing inflation, devaluing every dollar we possess. Finally, the government borrows, in the form of securities. Foreign governments, mostly China, hold a significant amount of the USA debt. The government also borrows (you may want to substitute the word 'steals') from other government agencies, like Social-not-really-any-Security. Polonius would be appalled if Laertes managed his household in this manner, a never-ending spree of spending & borrowing. In business, debt can be useful & necessary, to manage cash flow & working capital. But debt riddled businesses, in a rising interest rate environment, are experiencing a drain on earnings. As those interest rates rise servicing all debt, whether personal, business or government, becomes more expensive. Unlike Polonius giving fatherly advice, our government burdens us & future generations with paying back the national debt. Every child born today gets a birth certificate & a promissory note for \$73,544 – their share of the national debt – paying for the sins of their father! Jefferson warned us of the chains that come with debt, giving someone else control of our economic freedom, *"To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our election between economy & liberty, or profusion & servitude,"* as did Benjamin Franklin, *"Think what you do when you run in debt: You give to another power over your liberty."* More than 2,000 years ago, Roman writer Publilius Syrus said, *"Debt is the slavery of the free."* Josh Billings, 19<sup>th</sup> century humorist reminds us, *"Debt is a trap which man sets & baits himself, & then deliberately gets into."* Why does the government keep acquiring debt? Ralph Waldo Emerson's answer: *"Solvency is maintained by means of a national debt, on the principle: If you will not lend me the money, how can I pay you?"* Until we elect leaders who will curb spending & remember that it is our money, not theirs, we will be burdened by debt; our very freedom controlled by the government. This financial burden arrives at birth & grows as life proceeds - as we start jobs, families & households. As our nation would be less contentious if debt-free, so is a household. From Henrik Ibsen, *"Home life ceases to be free & beautiful as soon as it is founded on borrowing & debt."* Let's heed this advice from mid-20<sup>th</sup> century journalist & gossip columnist Earl Wilson, *"This would be a much better world if more married couples were as deeply in love as they are in debt."*

**INDUSTRY NEWS:** *BelliWelli*, gut health-focused snack bar, raised \$15.4M led by *The Invus Group*. Cacao-free chocolate *WNWN Food Labs* raised \$5.6M as Europe bans products linked to deforestation. *VAE Labs*, sprayable caffeine, raised a \$2M seed round led *Draper Associates* with *Midnight Venture Partners* & *Cartograph Ventures*. *Remedy Drinks*, kombucha, closed a Series B round from its existing investors *L Catterton* & *Kin Group*. Spain's *Väcka* raised €1.1M for its vegan made from olive oil & fermented melon seed milk from *Capital V*, *Big Idea Ventures*, *Leanox Venture Capital* & angels. *Shef*, home cooked meal platform, will expand nationwide following a \$73.5M raise led by *CRV*, with participation from *Andreessen Horowitz* & *Amex Ventures*. France's *Futura Gaia*, automated soil-based vertical farm platform, raised

€11M with *UI Investissement, Sofilaro* and others participating. France's *Futura Gaïa*, automated soil-based vertical farm platform, raised €11M with *UI Investissement, Sofilaro* and others participating. Also in France, *Inarix*, AI-powered crop analysis platform, landed \$3.1M in seed money with *Ankaa Ventures, Label Investment, Newfund, Alliance for Impact & Resilience* involved. *Saffron Tech* raised \$2M to grow saffron its vertical farming in a partnership with *Dreamtech*. *Divert*, food waste turned into energy, raised \$100M, including \$80M in growth equity from *Enbridge* & \$20M from *Ara*. Insect-based fish bait, *Ittinsect*, raised €625K from *CDP Ventures, Katapult Ocean* & others. *Kimmie Candy* purchased *Good Day Chocolate*, chocolate with functional ingredients. *Wella*, better-for-you food manufacturer, acquired nutrition bar company *Thunderbird*. *Westrock Coffee* acquired *Bixby Coffee*. *Unilever's* India arm divested the *Annapurna & Captain Cook* brands to *Uma Global Foods* for \$7.3M. *West Lane Capital & Wheel Capital* acquired foodservice appetizer provider *Epicurean Catering*. *Sweet Harvest Foods*, natural sweeteners acquired beekeeping business *Sweet River Honey*. *MPS Egg Farms*, with 12M hens, acquired egg producer *Country Charm Eggs*, with 1.8M hens, for an undisclosed sum. *Merit Functional Foods*, plant-based ingredients, has entered receivership.

Like *Walmart, Target* forecasts a tough 2023 despite a positive 4<sup>th</sup> QTR. Strong digital sales stoked *Kroger's* very positive 4<sup>th</sup> QTR results; the company presented a positive outlook. The same held true for *Weis Markets* in the final quarter with positive results all-around. *Grocery Outlet* saw net sales increase by 18.9%, a 15.1% rise in comparable store sales & net income rose 139.3%. *Publix* had a 22% sales increase in 4<sup>th</sup> QTR, comps rose 12.4% & a 21.6% earnings jump. *Loblaw's* reported positive 4<sup>th</sup> QTR results but reported more than 1,000 suppliers are looking to raise prices. Growth continued in 4<sup>th</sup> QTR for *Dollar Tree* & its *Family Dollar* banner with positive comps, revenue & earnings. *DoorDash* reported slower 4<sup>th</sup> QTR convenience & grocery delivery than earlier in the year, but it still grew faster than restaurant delivery. Net income grew 200% at *J.M. Smucker* in 4<sup>th</sup> QTR, demand for coffee, pet food & *Uncrustables* driving results. *B&G Foods* beat 4<sup>th</sup> QTR estimates; the company may seek additional divestitures. *Hormel* started off the year with a down 1<sup>st</sup> QTR. Despite a drop in 4<sup>th</sup> QTR net income, *Hostess* reported a resilient full year with upbeat projections. *McCormick* reported down 4<sup>th</sup> QTR results & a less than Wall Street expected forecast. *Gruma USA* finished a strong year with a positive 4<sup>th</sup> QTR growth in revenue & income. *Grupo Bimbo* reported 4<sup>th</sup> QTR revenue & income growth, the company plans capital expenditures of \$2B billion in 2023, up 67% YOY. Profit dipped for *Monster's* 4<sup>th</sup> QTR; the company will seek price increases. *Compass Group* reported 1<sup>st</sup> QTR revenue worldwide rose 24% & *Aramark* reported a 17% growth.

*Schnucks* will open a second *Eatwell* location. *Publix* increases capital budget to \$2.3B for 2023, up \$500M. *Giant Eagle & Flashfood* have diverted 1M lbs. of food that would have gone to landfills. Robotics company *Fulfil* has partnered with *Save Mart* on a dark store, *Lucky Now*, in the Bay Area. *Instacart* will offer *Instacart Business*, products for small & local businesses. *Grocerist* launched an eCommerce fulfillment solution to help indies minimize labor costs related to picking & packing orders. *Swiftly*, omnichannel enterprise retailer tools, has partnered with *Webstop* to provide new solutions to *Webstop's* clients. *Jones Soda* will expand to Europe. *Ikea* to remove or replace dairy items on its cafe menus. *McDonald's & Krispy Kreme* will expand their donut test. *General Mills* ended its animal-free cream cheese, *Bold Cultr*. *Dave's Killer Bread* will add snack bars. Frozen specialty company *XCI* will rebrand as *MiLa*. *Danone North America* is investing \$65M into a new bottle production line in Jacksonville, FL, for *Silk, International Delight & STOK*. *BrightFarms* is adding four new growing hubs in 2023. *Remilk* has halted construction of its planned 'world's largest' fermentation facility. *Afresh Technology* is now offering its food waste reduction tech to grocers to use for meat, seafood, deli & foodservice. To cut costs, *Eat Just* is laying off 18% of its workforce. *Umami Meats & TripleBar* will partner on cell line development for cultivated fish, beginning with Japanese eel. *Cargill* will co-develop alt-fats with *Cubiq Foods*. The FTC is taking action against *The Bountiful Company* for supposedly stealing or repurposing on-line reviews of other products. Animal-free dairy *Perfect Day's* patent is being challenged. *Monster* is filing an additional lawsuit against *Bang Energy*.

In data from *Attest*, 73% of consumers plan to continue to buy private label brands even if the economic situation improves. From *Inmar Intelligence*, 73% of shoppers will switch to a different brand because of a coupon or discount. To battle never-ending inflation, consumers remain committed to at-home eating & meal-prep, per *IRI*. From *PYMNTS*, 54% of consumers will not buy meat on-line. From *Statista*, meal kit demand will grow from \$6.9M in 2021 to \$10B by 2024.

**MARKET NEWS:** Markets were slightly higher. Mortgage demand fell to a 28-year low.

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

THE LITCHFIELD FUND – Tom Malenka

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