



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



THE NATURE OF WORK & business is constantly changing. Since the first computers, people have been afraid of losing their jobs to computers & automation. The tech & internet boom of the 1990s & early 2000s caused a significant change in business & work roles. Next week, *Amazon* replaces *Walgreens* in the *Dow Jones*. This makes sense, given the percentage of retail that goes through the online retailer as compared to brick & mortar retailers. Going forward, artificial intelligence will impact how businesses operate & the jobs that are available. It is easy to imagine the next great novel or *Oscar*-winning movie being AI generated, making us wonder, "*Is it real or is it Memorex?*"

IS IT REAL? The financial news this week was all about the AI-chip maker *Nvidia*. The company's most recent quarterly earnings blew away already high expectations. *Nvidia's* stock price rallied; the rest of the market followed *Nvidia's* rally, denying many of the economic indicators that would suggest such exuberance is unwarranted. But investors, like in the 1990s, see the opportunity for AI to make every business more efficient & more profitable. But as that efficiency grows, what happens to the jobs for the people who buy those products & services? Will jobs even exist? Every week in this humble rag, we cover the advances in farming technology, because farming is near & dear to our hearts & because it's just cool stuff. Often, I think of the work my Nono & Uncle Jim did raising their crops. The tools of the trade were shovels, rakes, picks, hoes, scythes, bushels & wheelbarrows. Technology consisted of tree branches & torn-up rags for staking tomatoes & stones from the mines to build walls to tier the landscape & prevent erosion. High tech was a rubber hose from a barrel that collected the rainwater from the roof of the shanties & outhouse at the top of the hill. Intelligence was walking through the veggies, seeing a plant not doing well, then sending a six-year-old up the hill to the manure pile or into the chicken & dove cages for fertilizer. The two men took pride in their work – the work they did with their hands, hands stained from working in the earth among their crops & deep under the ground in the Pennsylvania coal mines. In the early 1930s, my dad drove a horse drawn milk wagon 25 miles across dangerous *Devil's Elbow* to deliver milk to the BIG CITY, Indiana, PA. In the 1950s, much more technologically advanced, my-so-much-better-than-me-other-half's dad drove a tractor into town to deliver a trailer of corn to the silo. With today's advances in robotics & AI, an autonomous tractor can plow the fields, test soil health & call upon automated robots for fertilizer, water, pesticides or for further testing. A drone can scan the crops & dispatch the same needed help; have robots remove a dying plant or thin the crops; & send in autonomous robots & harvesters to pick the crops if they are ready. The harvesters can send a signal to the automated sorting & packing warehouse, telling them when & how much to expect; both can let the farmer's eCommerce site know what produce is becoming available. The eCommerce site will check on competitors' prices & post the available produce at the proper price. The eCommerce site will let the packing site know who ordered & the produce will be off to the consumer, broker or foodservice vendor fresh & timely. The end result is there is no dirt staining the farmer's fingers. Also, there is no six-year-old being allowed into the private world of the family patriarchs who understood the responsibility to pass on to future generations their stories & their values - teaching so much more than how much manure or water to apply, when it was time to add a taller tomato stake or when the huckleberries were ripe for picking. Like all technology, AI can be helpful & dangerous. What will children learn if AI can write a term paper or complete a project? And what will children learn if AI offers false information? This week *Alphabet* apologized for its AI module generating photos of America's Founding Fathers, none of whom were apparently white males. This is not just an affront to our great American history & heritage, but to the very soul of humanity itself! Unlike a pick axe removing a stone from a soon to be planted field to allow the plants to grow, steady & strong; using an AI pick axe to remove the shared history from the soul of humanity causes society to die in a world of deceit, confusion & chaos. George Orwell would agree, "*The most effective way to destroy people is to deny & obliterate their own understanding of their history.*" English poet & surgeon George Crabbe understood how destructive such deceit can be: "*Deceivers are the most dangerous members of society. They trifle with the best affections of our nature & violate the most sacred obligations.*" AI is supposed to be responsive to our needs, but Machiavelli warns, "*Men are so simple & so much inclined to obey immediate needs that a deceiver will never lack victims for his deceptions.*" Controlling AI, like controlling the media or internet, is a power-play. From Robert Greene, author of *The 48 Laws of Power*, "*Deception is a developed art of civilization & the most potent weapon in the game of power.*" But like the AI programmers at *Google*, deceivers seek the outlandish. Mark Twain's friend, essayist Charles Dudley Warner wrote, "*People always overdo the matter when they attempt deception.*" Yes, AI can revolutionize society, but we must be diligent. AI has the potential to shape our knowledge, perceptions & actions based on the biases & prejudices of the power-deceivers. From the 20th century's leading theoretical physicist, American David Bohm, "*Suppose we were able to share meanings freely without a compulsive urge to impose our view or conform to those of others & without distortion & self-deception. Would this not constitute a real revolution in culture?*"

INDUSTRY NEWS: Probiotic soft drink *Culture Pop* raised \$21M from *Enlightened Hospitality* & *Howard Schultz*. *Rivalz*, salty stuffed

snacks, completed a \$6M seed round; investors were not disclosed. *Kroma Wellness*, superfood snacks & protein powders, raised \$5.2M. *Pacifico Biolabs*, alt-seafood, raised \$3.3M co-led by *Simon Capital & FoodLabs*. *Captain Fresh*, B2B fish & seafood company, raised \$25M from a number of investors. *POS Nation*, point of sale solutions provider, acquired *GrazeCart*, eCommerce technology solution for farmers. Drive-through coffee concept *7 Brew Coffee* raised an undisclosed investment from *Blackstone*. UAE-based cloud kitchen *The Cloud* has raised \$12M from *MENA Moonshots* & debt financing from *Aluna Partners*. *Kalsec* invested in *Willow Biosciences*, developer of natural food ingredients. Israeli startup *Day 8* emerged from stealth with \$750K pre-seed funding from *The Kitchen FoodTech Hub* to develop proteins from discarded crop leaves. *WeedOUT*, weed sterilization, raised \$8.1M, led by *Fulcrum Global Capital* with *Bunge Ventures & Clay Capital* involved. Iowa-based *Trace Genomics*, DNA-based soil intelligence, raised \$10.5M; the round was led by *S2G Ventures, Ajax Strategies & new investor Rabo Venture*. *Harwood Private Equity* acquired *Crest Foods* (packaging & dry food manufacturing) from *Brown Gibbons Lang & Co*; terms not disclosed. *Grupo Bimbo* acquired *Amaritta Food SL*, a company focused on the research, development & production of gluten-free bread. *White River Soy Processing* acquired the Creston, Iowa soy processing plant of *Benson Hill* for \$72M. *Walmart* acquired TV-maker *Vizio* to compete with *Amazon* in retail advertising; *Vizio*, with 500+ brand relationships in its advertising arm, will complement *Walmart Connect*, its retail media segment. *Uncommon Brands*, part of *Crux Capital*, purchased Tex-Mex restaurant chain *Fuego Tortilla Grill*. Indoor grower *Smallhold* filed for bankruptcy. Germany's *Ordinary Seafood* will cease production of its alt-seafood. Despite talks between *Kroger* & the FTC, an FTC lawsuit to stop the *Albertsons* merger is expected before the end of the month; the merger is already facing suits in Washington & Colorado. *Bluestein Ventures* closed its third fund at \$45M to invest in FoodTech. From *CNBC*, *Monster Energy* is the best performing stock in any sector over the last 30 years, with a 200,000% return.

Walmart had a record setting 4th QTR as grocery, health & wellness sales offset weakening sales in other merchandise. *Grupo Comercial Chedraui (El Super, Fiesta Mart, and Smart & Final)* saw 4th QTR increases in traffic & net income. *Nestlé* reported full year earnings below expectations & forecasted a revenue slowdown. *KDP* beat on 4th earnings but fell short on revenue; beverage sales covered for lower coffee gains. Recall & supply chain issues that started in 3rd QTR impacted sales in *TreeHouse Foods*' 4th QTR though the company reversed a previous year loss. *Grupo Bimbo* struggled in 4th QTR with reduced sales & income; the company will work on restructuring its North America business. *Maple Leaf Foods* reported a 4th QTR loss adding to a losing year; the company will combine its meat & plant-based foods segments. *Oatly* widened its loss in 4th QTR despite beating on revenue as it took a \$172M impairment charge to improve operations; the company's valuation is now 8% of its 2021 IPO! *DoorDash* users reached an all-time high in 4th QTR; the company reported positive numbers. *Restaurant Brands International* had a strong 4th QTR & plans to reach 40K stores & \$60B in worldwide sales by the end of 2028.

US Foods plans to open five *ChefStores* in 2024. *Loblaw* will invest \$2B on more than 40 new stores, the expansion or relocation of an additional 10 stores & renovations to more than 700 existing banner locations & create more than 7,500 jobs. *Amazon* is adding a feature to schedule regular, repeating grocery orders. *SpartanNash* will launch a new private brand called *Finest Reserve by Our Family* featuring gourmet pastas, salad dressings & more. *KeHE* will launch the *KeHE Fresh Marketplace* brand, offering 24K cheese, meat, seafood, bakery, deli & bulk items. *Califia Complete* is a new product with added protein & essential nutrients. *Smashburger* added *Jack & Annie's* alt-meat to the menu. *Post's Bob Evans* will expand into veggie sides. *Beyond Meat* will revamp adding more nutrient dense ingredients & removing coconut & canola oils. *Diageo* will push further into RTD with *Captain Morgan Sliced*, a line of canned malt-based cocktails with 5.8% alcohol by volume. *New Culture's* animal free casein received GRAS certification. Meat producer *West Liberty Foods* will eliminate 260 production jobs at its Iowa facility & move operations to Illinois. *Conecuh Sausage* plans to invest nearly \$58M in a second production facility in Alabama. *Meati* replaced its CEO & is reducing its workforce. *Sucro* said it plans to build a new cane sugar refinery in the greater Chicago area. *Select Milk Producers & Westrock Coffee* will establish a joint venture to build a bottling facility. *Molson Coors* workers in Texas are on strike & threatening *AB InBev*. *Carbon Robotics* now offers *Track LaserWeeder*, an upgraded model of its *LaserWeeder*. *Local Bounti* received a patent for its *Stack & Flow* technology which combines vertical & greenhouse farming technologies. Several trucking companies have announced a boycott on shipments to New York after the state violated the 8th & 14th amendments with a biased unconstitutional court decision that could impact all New York businesses if applied equally, instead of just to someone the state hates. *Wegmans* is facing a lawsuit claiming their in-store fish market is a knock-off of another NYC market. The *Oatly* shareholder suit for erroneous financial reporting may be settled for \$9.25M.

Separate studies from *Deloitte & Coresight Research* demonstrate that a majority of consumers remain price sensitive, are aware of higher prices & suspect further inflation. Grocery purchases as a percent of household income are at a 30-year high. *Restaurants Canada* finds that 62% of restaurants are operating at a loss or barely breaking even, up from 53% since July 2023 - before the government mandated lockdowns only 10% were in this position. In a study from *Nutrients*, mangoes are beneficial to woman before, during & after pregnancy. Lettuce prices are being impacted by poor desert weather. Columbian avocado exports were 23.6% higher YOY in 2023. Soybean acres are projected higher, corn acres are projected lower.

MARKET NEWS: Markets rode the *Nvidia* wave, hitting records, as investors assume every business will benefit from AI.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND — *Tom Malanga*

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