

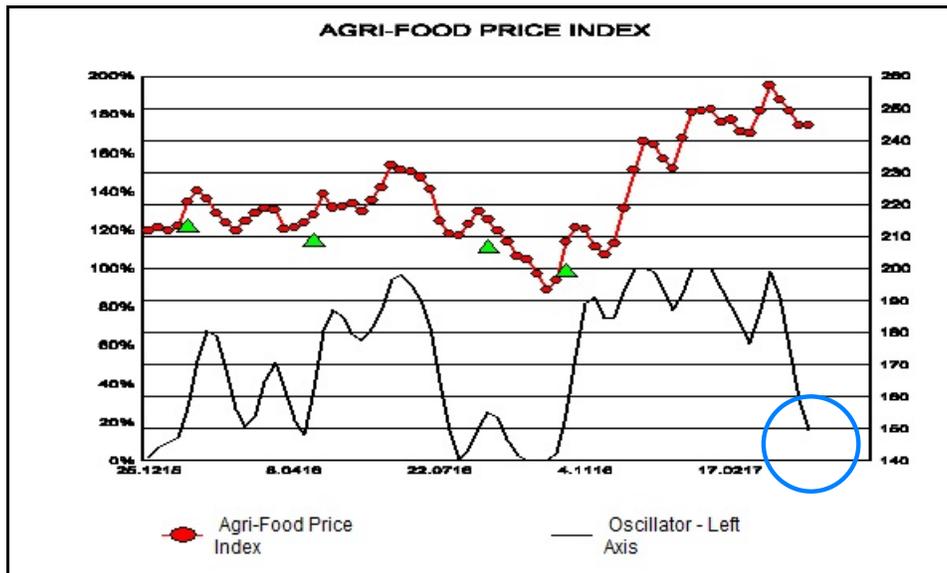
The AGRI-FOOD VALUE VIEW

“Wealth Creation Through Global Agri-Food Investments”

INTERIM COMMENTS

14 April 2017

Fear of South American crops seems on par with a ten-year old at her first horror movie, and may have peaked about two weeks ago. Per agrimoney.com(10 April), speculators now have a net short position in futures and options on Agri-Commodities. They appear to have sold almost 100 thousand contracts in past seven weeks. Longest period of net selling since fall of 2015. That selling had been especially acute in grains, and in particular soybeans. As a consequence oscillator, shown in chart below, is now in over sold territory. Attention is now fixated on U.S. weather forecasts, which gives traders an opportunity to trade the same news



twice. First they trade the forecast for the coming week, guessing possible impact on planting and crop condition. Then they trade the U.S. Crop Progress report, released late Mondays, till the next weather forecast.

AGRI-FOOD PRICE INDEX

Latest Value	4 Week Change	200-Day Moving Ave.	52-Week High	52-Week Low	52-Week % Change
244.49	- 5.0%	225.95	257.26	193.39	+26%

U.S. End of Crop Year Days of Consumption in Bins Estimates(USDA WASDE)

U.S. Crop	2016 Days	Previous Estimate 2017 Days	Latest Estimate 2017 Days	Export Forecast % Change Last / Current	Export Y-T-Y % Change Latest
Soybeans (Aug)	18	39	40	6% / 6%	24%
Corn (Aug)	46	58	58	17% / 17%	49%
Wheat (May)	182	181	189	32% / 32%	30%

Last Tuesday latest WASDE was released by USDA. As we have been noting for some time, we have some difficulties with the export numbers. Sometimes we wonder if they read their own research. Below are listed the major grains, end of crop year, and percentage of USDA crop year end forecast for exports that have already been exported plus that which has been sold for export but not yet shipped.

Grain(End Crop Year) % Year Exports

- Soybeans(31 Aug) = 101%
- Corn(31 Aug) = 87%
- Wheat(31 May) = 75%

U.S. soybean exports, shipped and to be shipped, are already 101% of the year end estimate with five months remaining in crop year. Seems that USDA believes, because of South American harvest, U.S. will sell no soybeans for export in the next five months. Reasonable?

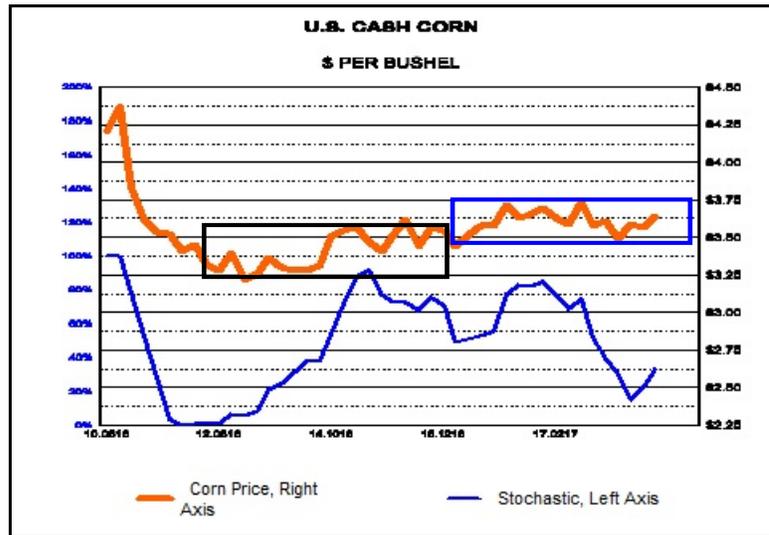
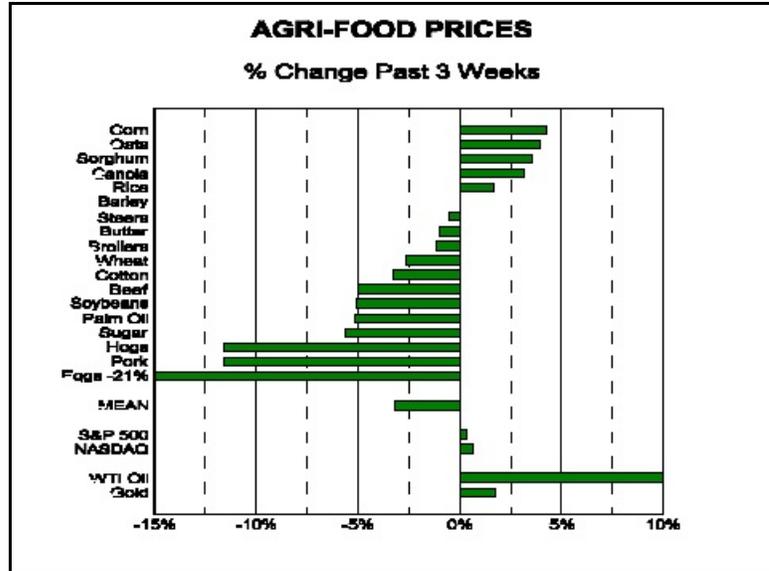
Rest of report was really not meaningful. Because of that, major grains have rallied nicely since post report lows. For this week through Wednesday, prices for major grains are up average of 2.5%,

Top chart is percentage price change over past three weeks for each of the Agri-Commodities. Using that time frame as

US cash corn seems to have made a low about then. Last few weeks leading up that low have been miserable as negative psychology ran rampant through markets as traders moved short as we talked earlier. BUT, note the top five positions in chart are all grains with corn leading at the top. Could that be an important indicator that negativism reached a peak and psychology is improving?

Second chart is of U.S. cash corn. As we noted it made a short-term low three weeks ago. Highlighted is recent trading range of \$3.50-3.75. Also shown in chart is previous trading range. That current trading range is higher than the previous one is a positive sign. Our measure of U.S. cash corn was \$3.67 on Wednesday.

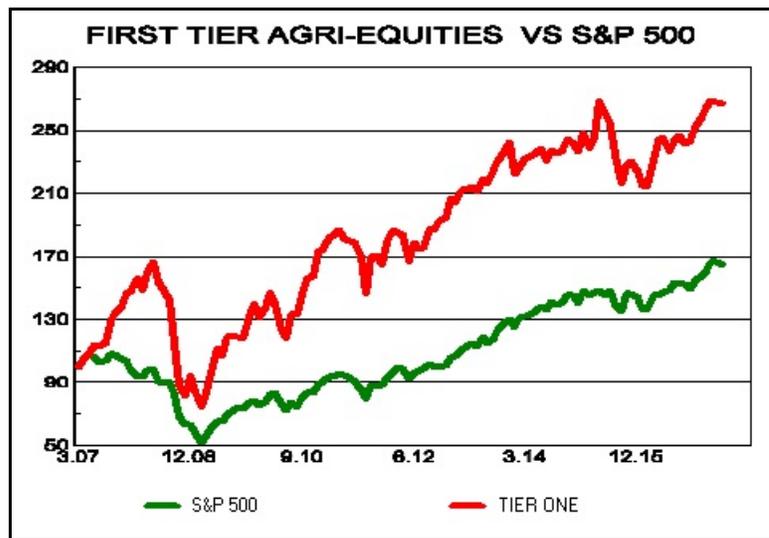
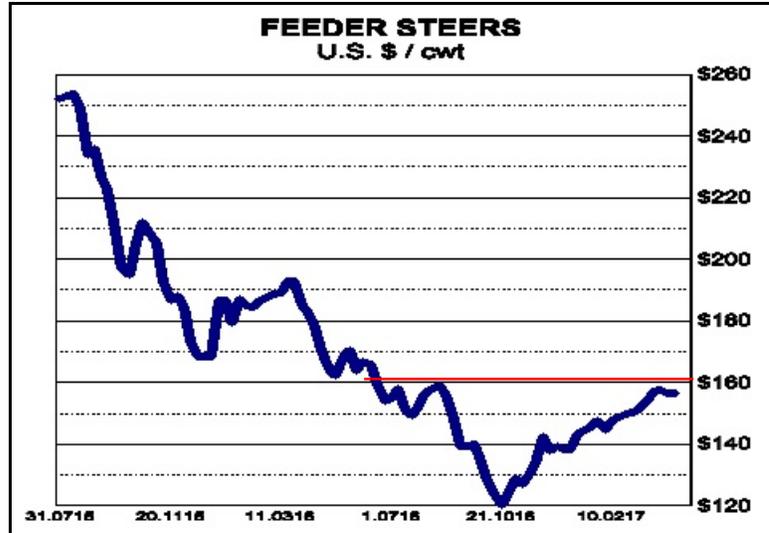
Brazil had a crop bust in 2016 due to weather. Inventories were depleted and domestic prices rose dramatically. Those high domestic prices were the motivation for very strong corn plantings this year. That large harvest has now crushed Brazilian domestic prices. As a consequence of those low prices, forecasts for size of the next planting are being reduced very strongly. That should mean a much lower harvest in early 2018 which should make it easier for U.S. farmers to sell their fall crop harvest. That harvest is crop year 2018.



Top chart is of U.S. feeder cattle. We highlighted in chart \$160 level. A move above that price would be considered a strong positive. Reason we mention it is that since the election a lot of frivolous worry has been expended on the ridiculous notion that Trump would destroy U.S. exports. Total nonsense. Trump is an advocate for U.S. exporting more!

Out of recent meeting between Trump and Chinese leader appears to have come some first steps toward improving trade with China on two subjects, financial services and beef. After having claimed to have lifted a decade plus embargo on U.S. beef. the actual lifting of that embargo may now actually happen. Was supposed to be lifted last fall, but Chinese bureaucracy seems to have hindered any imports. We are hopeful that will now finally occur. Things tend to move faster when the bosses say it should.

When did the U.S. stock market peak? For the broad market, S&P 500 high was on 1 March at 2,401. Now down 2.6% from that level. In the epicenter of current stock market mania, the NASDAQ 100 high was on 5 April at 5,480. Now down 2%. Such is how bull markets tend to end. The average stock, S&P 500, peaks first. Then the epicenter of the speculative binge goes on a little longer. Notice that both these dates are around the third U.S. rate increase on 15 March. Process is much like the story of putting a frog in a pan of water, then turning on the heat. Agri-Equities, as much as we love them, are also “average stocks”.



53% of Agri-Equities have performed better than the market thus far this month, up from last time we visited.

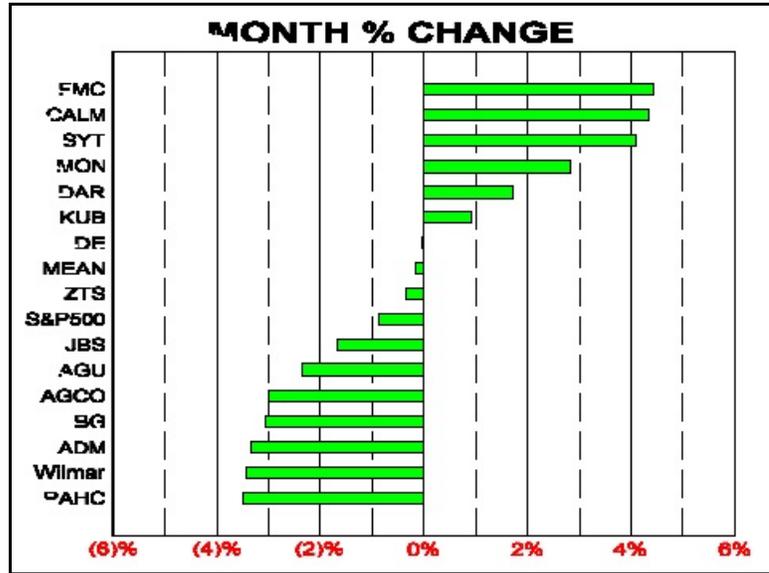
For the month to date:

- Tier Two: - 0.2%
- Agri-Equities: - 0.2%
- Tier One: - 0.2%
- S&P 500: - 0.9%
- NASDAQ: - 1.3%

Top chart is of percentage price changes thus far in the month for each of the Agri-Equities. FMC continues to draw attention. CALM has some good sponsorship, but we still think that they are too optimistic. SYT and MON are both involved in mergers that seem to be headed for completion.

AGCO may be indicating that the over enthusiasm for tractors and combines is unwinding.

As can be observed in the table on the next page, we see few values in today's market. However, we are seeing prices slip lower as the market does so.



ADM and BG are fundamentally of interest, and attractive as prices might move lower.

Same is true for PAHC,

With the elevated level of stock markets, finding bargains is truly hard. May be a message in that.

Of course, we still like Wilmar and JBSAY.

Eat well and prosper,

NED

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AGRI-EQUITIES VALUATIONS (Prices = 13 April 1300 EST)

<i>Tier I</i>	<i>Tier I</i>	<i>Tier I</i>	<i>Tier I</i>	<i>Tier II</i>	<i>Tier II</i>	<i>Tier II</i>	<i>Tier II</i>
New 52-Wk High	Company	Price	Value / Potential %	New 52-Wk High	Company	Price	Value / Potential %
	¹ WILMAR	\$2.51	\$ 3.4 / + 37%		JBSAY	\$6.44	\$10.2 / +58%
	DAR	\$14.8	\$17.1 / + 16%				
	MON	\$116.4	\$128.0 / +10%				
	SYT	\$92.1	\$92.0 / - 0%				
	ADM	\$44.5	\$43.8 / - 2%		PAHC	\$27.1	\$26.6 / - 2%
	KUBTY	\$76.1	\$74.9 / - 2%				
	BG	\$76.9	\$71.4 / - 7%				
	AGU	\$93.3	\$85.3 / - 9%				
	AGCO	\$58.4	\$49.0 / -16%	HI	² FMC	\$72.7	\$58.0 / -20%
	ZTS	\$53.2	\$41.0 / -23%				
	DE	\$108.8	\$79.0 / -27%				
	CALM	\$38.4	\$27.0 / -30%				
TIER	ONE	Mean	- 1%				
TIER	ONE	Median	- 2%				

¹Wilmar Intl. primary market is Singapore. WLMY is U.S. ADR symbol, representing 1:10

²Possible year end valuation with du Pont transactions. See April 2017 issue.

PRIORITY CODING NOTES

Core refers to those stocks that should be the core holdings for Agri-Food exposure. This group will tend to be larger and more multinational companies. That said, some may not be if their businesses have special long-term advantages. ***These stocks are labeled C.*** Second group we call ***Extend, and are labeled E*** in the tables. They are intended to *extend* the reach of the portfolio beyond the core. This group includes those stocks with the best exposure to the Agri-Food trends being created by China and India. They will be smaller stocks, and have higher business risk. We do expect the long-term results on these to be better than average. We also expect their business risk and stock price volatility to be significantly higher than average stock. ***Final*** group of stocks are those that round out the portfolio. Their businesses help to complete the circle. While likely to benefit from global Agri-Food trends, their activities may be more tangential. ***These stocks are labeled F.***

THE AGRIFOOD VALUE VIEW

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Questions or comments? Email us at: ned@agrifoodvalueview.com
