

The AGRI-FOOD VALUE VIEW

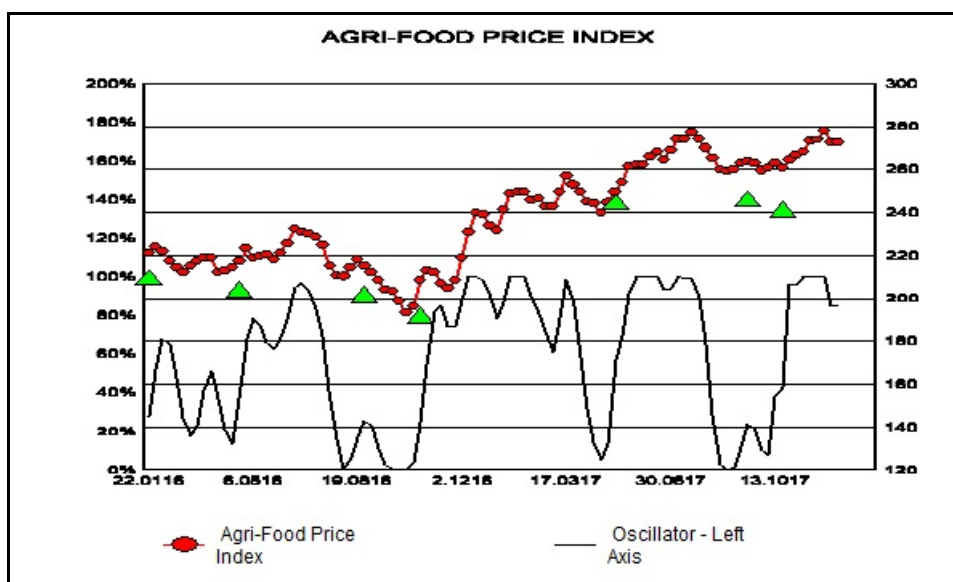
“Wealth Creation Through Global Agri-Food Investments”

INTERIM COMMENTS

17 December 2017

Winter, holidays, and end of year are becoming dominant in Northern Hemisphere Agri-Foods. Activity slows, and only that which must be done seems to get done. The good news in that is we have an optimistic view on 2018. While pessimism seems to still dominate grain markets, many seem to be ignoring some positive signs. After making a small new high, Agri-Food Price Index has backed off some. As the oscillator in the chart shows, it had become seriously over bought. Some tempering of the upward move was to be expected.

On the surface, WASDE of last week was boring. It was, however, interesting below the surface.



AGRI-FOOD PRICE INDEX

Last Value	4 Week Change	200-Day Moving Ave.	52-Week High	52-Week Low	52-Week % Change
268.93	- 1.7%	262.63	277.15 - 2%	231.50 +18%	+14%

WORLD End of Crop Year Days of Consumption in Bins Estimates(USDA WASDE)

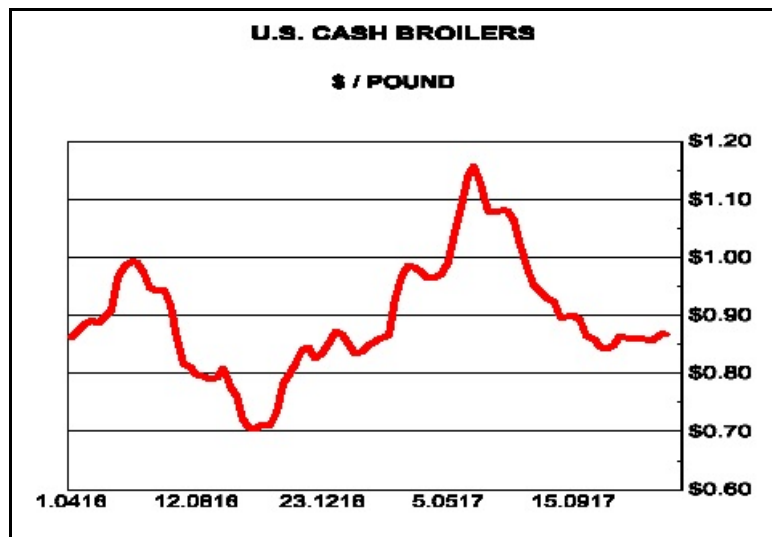
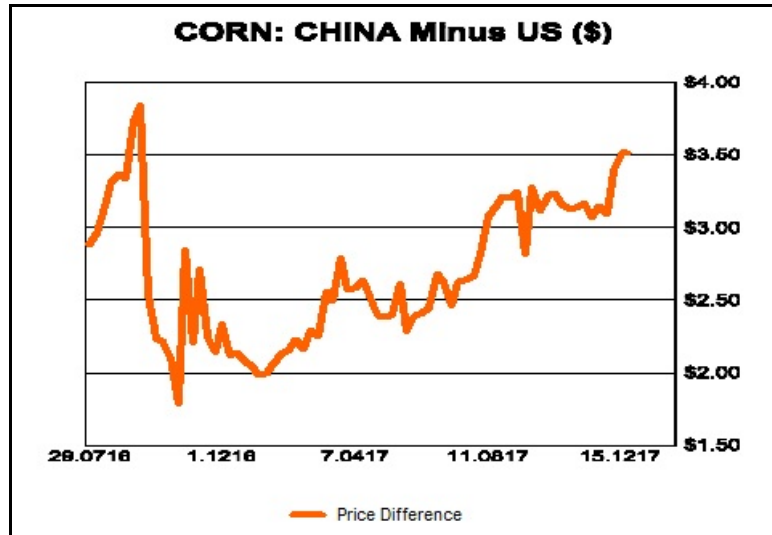
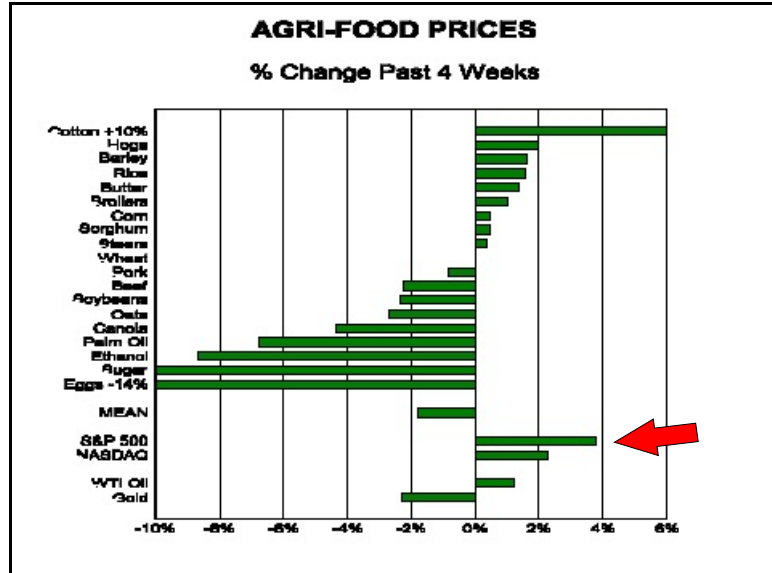
U.S. Crop (End Crop Year)	2018 End Crop Year Days	2018 Days % Change	2018 Begin Inventory % Change	2018 Crop Size % Change	2018 Consumption % Change
Soybeans (Aug)	104 +2	- 3%	+23%	- 1%	+ 5%
Corn (Aug) ex China	70 +1 55 +1	-11% + 0%	+ 6% + 22%	- 3% - 3%	+ 1% - 0%
Wheat (May) ex China	132 80 -2	+ 5% - 5%	+ 6% - 0%	+ 0% + 0%	+ 0% + 1%

Latest WASDE reduced forecast of ending U.S. corn inventories by 50 million bushels, which is of course good news. Interesting is why that reduction was forecast. USDA raised their estimate of corn going into ethanol by 50 million bushels. As we wrote in December issue, ethanol is likely to become more interesting.

Top chart is percentage price change from 4 weeks ago. Cotton took the top spot. News on usage, China, and inventories seems to be improving. Hogs and broilers are approaching beginning of their seasonal price improvement. And, note that corn prices were up. While not much, it is right direction. Egg prices, bottom, have passed their peak seasonal strength. Sugar continued weak. While news out of Brazil is positive with sugar cane crush emphasizing ethanol over sugar, bears keep grinding out negative stories from India and elsewhere. Ethanol weak as U.S. driving slows in Winter. Note red arrow pointing at stock market returns. We will come back to it.

Middle chart is our estimate of price premium of Chinese corn prices to U.S. corn prices. While precise numbers are elusive, the trend is readily apparent. Chinese corn price premium has been rising since end of 2016 due to government discouraging their high cost production. Premium now highest since late 2016. While situation does not imply immediate imports, it does indicate that Chinese corn imports will grow. USDA estimates those imports will be up 20% in this crop year, but some analysts are more optimistic. Given government policies and price premium, we expect Chinese corn imports to expand over time.

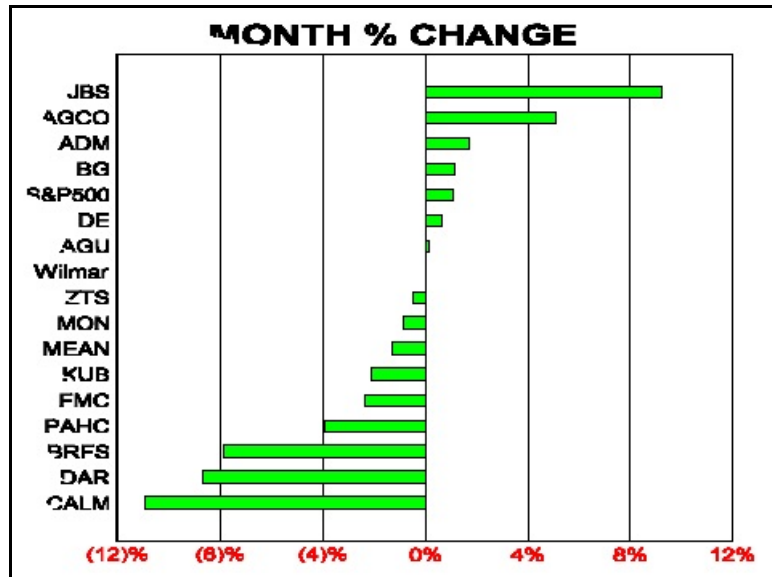
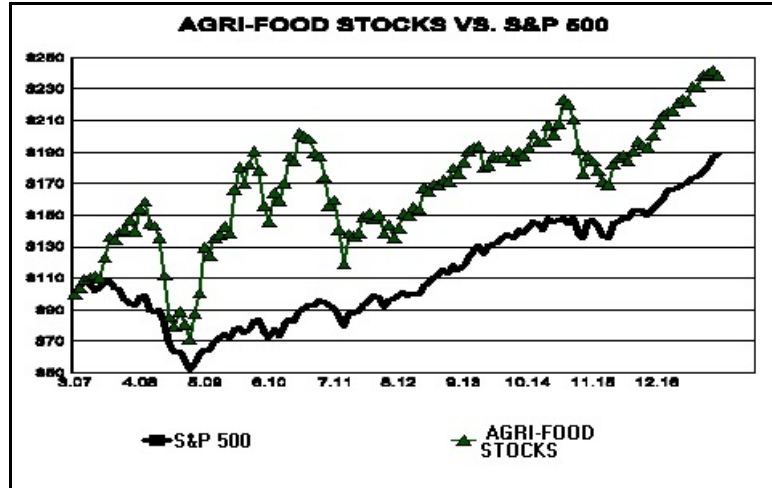
Bottom chart is of prices for US cash



broilers. Those prices should move laterally for about another two months before seasonal demands moves prices higher. Important is these animal protein charts show that this year's low were well above previous year's. More cash to chicken producers and grain will be fed to chickens.

Back to the red arrow on previous page. Note that S&P 500 has performed thus far this month significantly better than NASDAQ Composite Index. Latter index is heavily weighted with technology stocks. While most of the big ones are in S&P 500, that index includes a lot of other type companies.

U.S. Congress is on the verge of passing an incredible tax bill that will have a major, positive impact on corporate cash flow. While that bill will benefit technology companies, the impact on other companies will be large also. Market has awakened to reality that "other" companies were "underpriced" relative to the new tax regime. For that reason "other", which is in the S&P 500, has drawn a lot of money. That relative strength of the S&P 500 over NASDAQ has persisted for about two months, and is also drawing money from momentum traders.



27% of Agri-Equities have performed better than the market thus far this month. That weak performance is part year end window dressing and money moving to the "other".

For the month to date:

- S&P 500: + 1.1%
- NASDAQ: + 0.9%
- Tier Two: - 1.2%
- Tier One: - 1.3%
- Agri-Equities: - 1.3%

Bottom chart is of percentage price changes thus far in the month for each of the Agri-Equities.

JBS end of year selling seems to have ended and news on the company is somewhat better.

AGCO, with most of sales outside U.S., should benefit from better treatment of foreign earnings in U.S. tax bill.

ADM and BG also will benefit from tax bill, and are fairly cheap at this time.

CALM and DAR are experiencing money moving to that “other” group of stocks as we discussed earlier.

BRFS continues to be battered by end of year selling. Price is starting to look attractive.

PIM, a company on Agri-Technology list, has put the company up for immediate sale as its crop enhancement business has collapsed. Primary customer for its primary product is, or rather was, Bayer. Bayer then marketed the product in South America. Apparently, sales of crop inputs in Brazil are BAD, forcing Bayer to cancel purchases from PIM.

Reason for mentioning this is that it is second warning on Brazilian crops in about two weeks. MON’s head of sales there recently said that MON’s corn input businesses are off 20-30% this crop year. Taken together, these two announcements suggest that Brazil’s next corn crop may be significantly smaller than believed.

USDA forecasts Brazil’s corn harvest down 3.5% this crop year, 2018. Suspect they will be revising that estimate down.

I will hopefully today post a pod cast on the website, www.agrifoodvalueview.com. Goal is then to post one ever other week.

Eat well and prosper,

NED

Ned W. Schmidt, CFA

ned@agrifoodvalueview.com

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Publication schedule: Next monthly: 4 January Next Interim Comment: 14 January

AGRI-EQUITIES VALUATIONS (Prices = 15 December 1600 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 %
	¹WILMAR	²\$2.32	\$ 3.6 / + 55%		JBSAY	\$5.32	\$10.1 / + 91%
	BG	\$67.7	\$79.6 / +18%		BRES	\$10.9	\$13.8 / +27%
	ADM	\$40.6	\$45.2 / +11%				
HI	MON	\$117.4	\$128.0 / + 9%		PAHC	\$33.4	\$30.6 / - 8%
	AGU	\$110.1	³ Suspended				
HI	DAR	\$16.4	\$15.8 / - 4%				
	KUBTY	\$93.7	\$72.3 / -23%	HI	FMC	\$92.2	\$72.3 / -23%
HI	AGCO	\$74.4	\$55.2 / -26%				
	CALM	\$44.3	\$28.9 / -35%				
HI	ZTS	\$72.0	\$45.8 / -36%				
HI	DE	\$150.9	\$88.0 / -44%				
TIER	ONE	Mean	- 4%				
TIER	ONE	Median	-12%				

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

² US\$ equivalent of Singapore price.

³ Valuation suspended due to pending merger with POT, but we continue to like AGU.

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

Ned W. Schmidt,CFA Publisher
Schmidt Management Company
13364 Beach Boulevard. Unit 812 Jacksonville FL 32224

Phone: 352-409-1785 Email: ned@agrifoodvalueview.com

We email our humble effort, *The Agri-Food Value View*, to subscribers on about 4th of the month.

OUR SUBSCRIPTION LINKS can be found at: www.agrifoodvalueview.com

This written effort is simply an attempt to report on matters relating to agricultural-based wealth.

Wise people should not believe everything we write.

We do not recommend the investment in securities or concepts discussed in this publication.

Investing should only be done after research and study.

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