

# The AGRI-FOOD VALUE VIEW

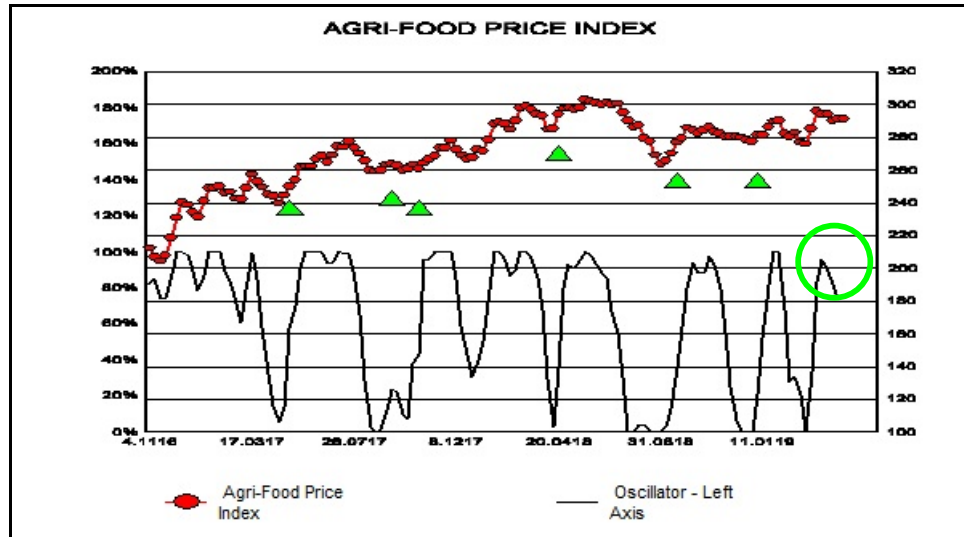
“Wealth Creation Through Global Agri-Food Investments”

INTERIM COMMENTS

24 April 2019

*In the U.S. investors clamor to invest in taxi cab apps and social networking web sites.* At same time Thailand’s CPF just bought Canada’s second largest pork producer, HyLife.(agriweb.com, 22 April) In economic terms, the Americas, North, South & Central, have a comparative advantage at this time in production of pork and beef. Taxi cab apps will not feed a single person in this world. A comparative advantage in producing taxi cab apps is as useless as anything can be.

Agri-Food Price Index is within 4% of an all time. A good part of that strength is Animal-Proteins. While pork is on the minds of many due to high risk of ASF to global pork production, beef and feeder steer prices are both at 52-week highs.



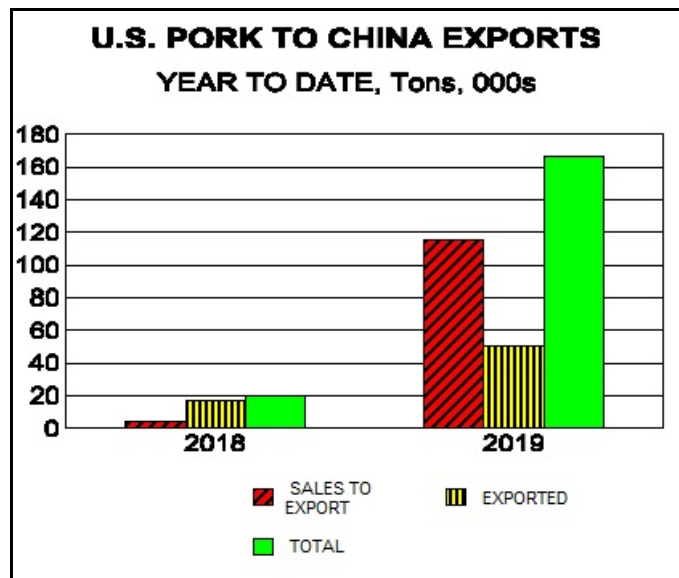
## AGRI-FOOD PRICE INDEX

Last Value	4 Week Change	200-Day Mov/Ave.	52-Week High	52-Week Low	52-Week % Change
290.3845	- 1.3%	277.75	302.61 - 4%	263.61 +10%	- 2%

Graph to right is for U.S. pork exports to China, with first set of bars for 2018 and second set for 2019. Yellow bars are for pork exports to China to date. At ~51 thousand tons those exports are 205% larger than 2018. That is the number that has been garnering news headlines.

Red bars are perhaps more important. That bar is export orders by China for U.S. pork that have been placed, but not yet shipped. That number is currently 115 thousand tons versus 4 thousand this time last year. Good part is yet to come.

However, high U.S. pork price, which are double the 52-week low, are dampening sales to Korea and Japan.



U.S. beef exports have been good, just not as exciting as pork. Year-to-date U.S. beef exports are up 10% from a year ago. That is a good number for a product like beef. One of strongest customers is Hong Kong which has orders for 51 thousand tons of U.S. beef versus 16 last year. Chinese consumers seem to be substituting beef and chicken for pork due to prices and availability.

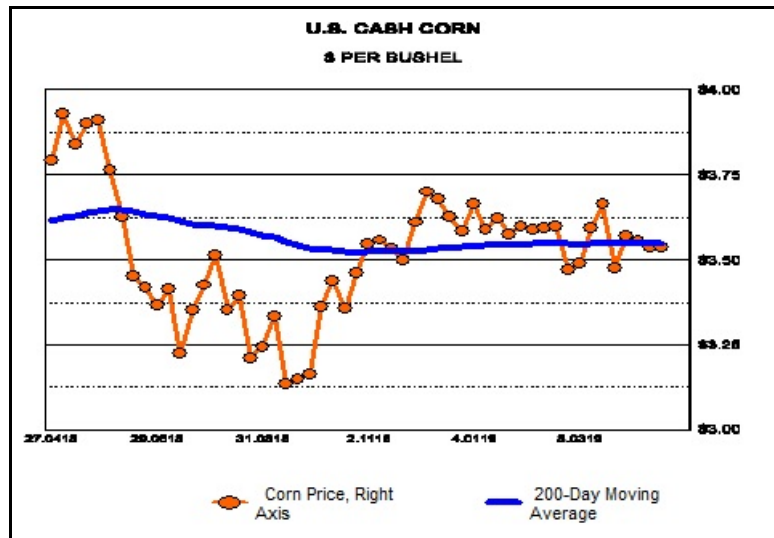
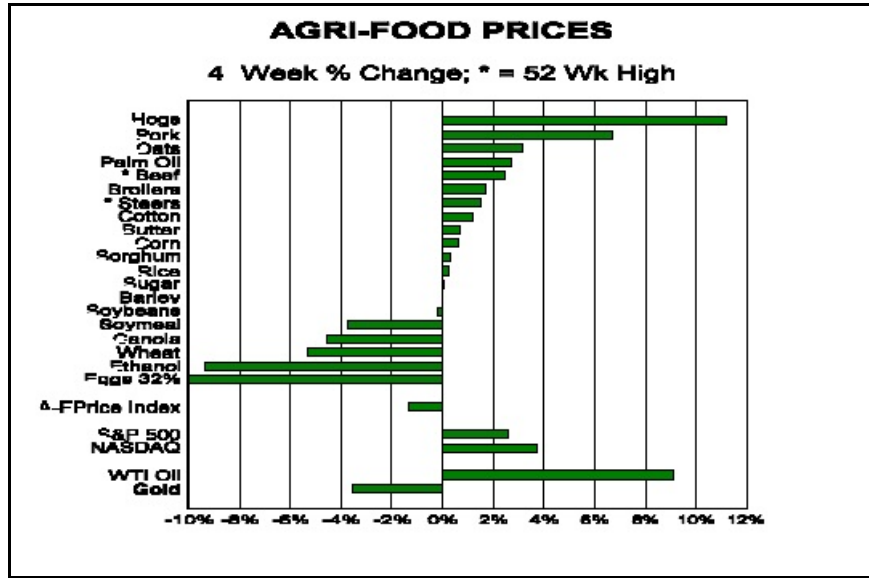
Keep in mind the price inelasticity of pork and beef production. No matter how fast prices rise, still requires 4 months to produce a piglet and nine months to produce a calf. And neither will fatten faster because of rising prices. Beef and pork are not produced in factories like cell phones.

Top chart is of percentage price change over past four weeks for each of the Agri-Commodities. In general, Animal-Proteins are in upper part of chart and grains are in lower part.

Middle chart is of past year of prices for U.S. feeder steers. Impact of horrible Winter has not yet been felt in these prices, but it may.

The psychology on grains could be worse possibly, but not by much. Traders have a net short in corn futures that is setting records going back for years. In minds of traders the overhang of grains and potential addition to those stocks in U.S. this coming year is so overwhelming that price recovery is impossible. Could reality be somewhat slightly different?

Traumatic Winter in U.S. was expected to slow U.S. corn planting, and it has. In latest report, the average for corn planting completed was 6% versus five year average of 12%. Illinois is far worse at 1% vs. 17% average. Still early in Iowa



which is at 4% vs. 10%. We note this situation as traders seem to be thinking that planting season will be average to good rather than slow. Late planting of crops has potential to reduce yields.

Bottom chart on previous page is our measure of U.S. cash corn. 52-week high for any price is a moving target. As can be observed in chart. 52-week high for corn has gray hair, and will soon drop off. Traders in not many weeks will find themselves net short record amount of corn with prices a matter of cents away from 52-week high. A perhaps uncomfortable position?

Agri-Equity Index is at a new, all time high, as shown in top chart.

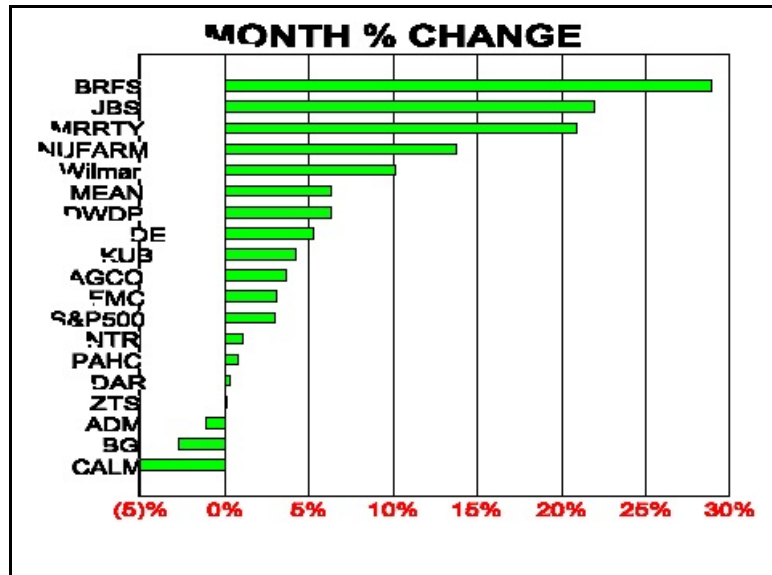
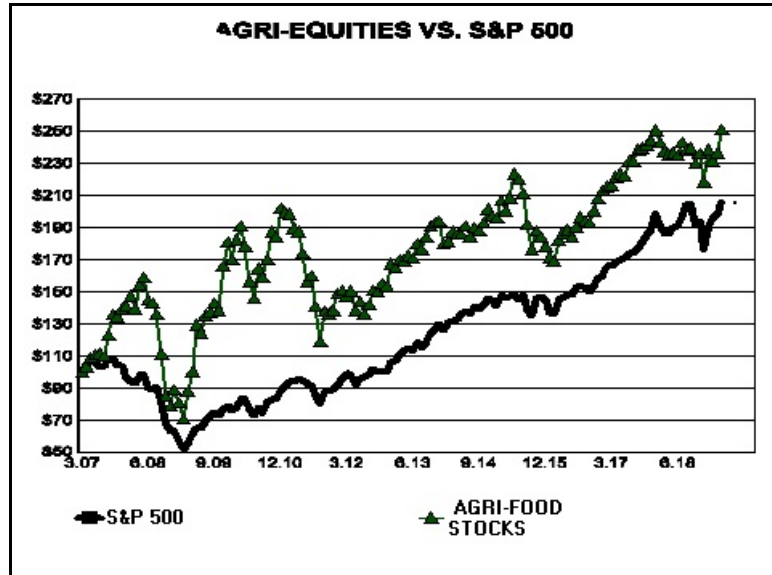
U.S. stock market may be in *La La Land*, but we still enjoy our stocks moving higher.

59% of Agri-Equities have performed better than the market thus far this month. Agri-Equities 52-week highs: JBSAY, Wilmar, AGCO, ZTS, WHGLY, DE

For the month to date:

- Tier Two: +13.7%
- Agri-Equities: + 6.3%
- NASDAQ: + 4.4%
- S&P 500: + 3.0%
- Tier One: + 1.1%

**NEW ALL TIME HIGH!**



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

Global Agri-Equities continue to dominate the top of the chart. MRRTY(beef), BRFs(chicken), and JBSAY(beef) are Animal-Protein companies. Tightening global supplies of meat, started by pork, is now being recognized by investors.

Slow start to U.S. planting season is likely to impact those companies providing products to be used on farmers' fields in a negative manner. First and second quarter earnings for those companies could fail to meet expectations. These would include DWDP, NTR, and likely FMC.

We continue to believe that China and U.S. will achieve this year some agreement on trade that will include a lifting of tariffs on U.S. Agri-Commodities. We just do not know when that might happen. June continues to be a possibility. ADM and BG would benefit from that development.

First quarter earnings have not yet started to flow. That means not much new information until those reports

Recorded a webcast on Tuesday for [www.financialsurvivalnetwork.com](http://www.financialsurvivalnetwork.com) Second part of it talks about Agri-Foods.

Eat well and prosper,

NED

Ned W. Schmidt, CFA

[ned@agrifoodvalueview.com](mailto:ned@agrifoodvalueview.com)

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

**AGRI-EQUITIES VALUATIONS (Prices = 23 April 1100 EDT)**

<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>
<b>New 52-Wk High</b>	<b>Company</b>	<b>Price</b>	<b>Value / Potential %</b>	<b>New 52-Wk High</b>	<b>Company</b>	<b>Price</b>	<b>Value / Potential %</b>
	BG	\$51.6	\$78.7 / +53%		BRFS	\$7.50	\$13.2 / +76%
HI	<sup>1</sup> WILMAR	<sup>2</sup> \$2.69	\$ 3.6 / +32%		DWDP	\$38.1	\$54.3 / +43%
	CALM	\$40.4	\$48.9 / +21%		PAHC	\$33.3	\$37.9 / +14%
	NTR	\$53.3	\$62.4 / +17%				
	ADM	\$42.8	\$49.9 / +17%				
	KUBTY	\$75.2	\$87.2 / +16%				
					NUFARM <sup>3</sup>	AU\$5.36	AU\$7.1 / +32%
HI	AGCO	\$72.1	\$71.5 / - 1%		FMC	\$79.2	\$ 86.4 / + 8%
HI	DE	\$168.3	\$135.7 / -19%	HI	JBSAY	\$9.99	\$8.8 / -12%
	DAR	\$21.7	\$15.4 / -29%				
HI	ZTS	\$100.7	\$61.4 / -39%				
<b>TIER</b>	<b>ONE</b>	<b>Mean</b>	<b>+13%</b>				
<b>TIER</b>	<b>ONE</b>	<b>Median</b>	<b>+16%</b>				

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

<sup>2</sup> US\$ equivalent of Singapore price.

<sup>3</sup> Primary market Australia, price in Australian dollars.

***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.***

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

Phone: 352-409-1785

Email: [ned@agrifoodvalueview.com](mailto:ned@agrifoodvalueview.com)

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

**OUR SUBSCRIPTION LINKS can be found at:** [www.agrifoodvalueview.com](http://www.agrifoodvalueview.com)

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Questions or comments? Email us at: [ned@agrifoodvalueview.com](mailto:ned@agrifoodvalueview.com)

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