

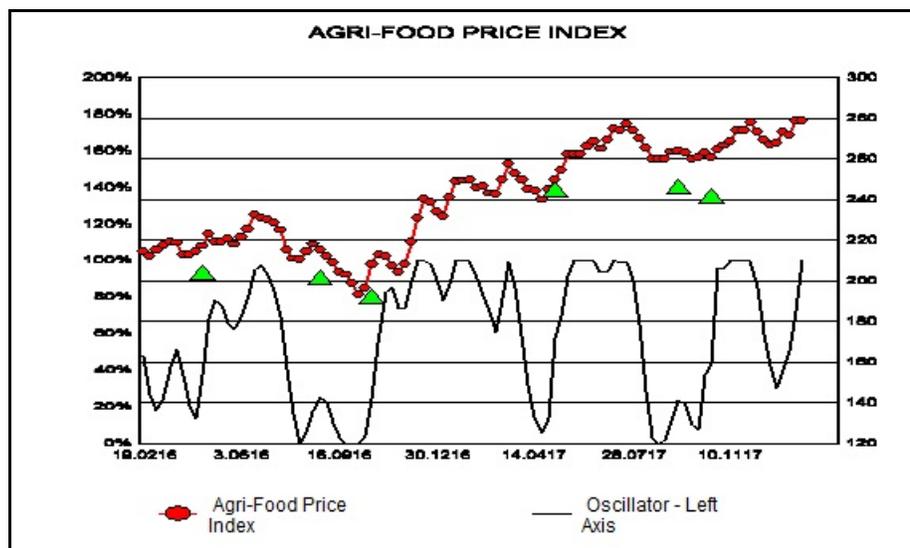
The AGRI-FOOD VALUE VIEW

“Wealth Creation Through Global Agri-Food Investments”

INTERIM COMMENTS

24 January 2018

First week of new year brought on stronger conditions in Agri-Commodities. Our Agri-Food Index, as shown in chart below, hit another new high last week. Index gained 2.6% last week, and was second in three with a gain of more than two percent. In last four weeks index up 4.5%. Global economic expansion is, at least for this week, the general feeling, and commodity prices have been reacting to that belief. For example, world cotton prices are up 23% since October, as global economic expansion devours cotton. Of 19 Agri-Commodities we follow, 16 are up thus far in year. And, some good news may be developing with soybeans, corn, and wheat.



AGRI-FOOD PRICE INDEX

Last Value	4 Week Change	200-Day Moving Ave.	52-Week High	52-Week Low	52-Week % Change
278.76	+ 4.5%	265.35	278.76 + 0%	239.73 +16%	+12%

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%	+24%	- 1%	+ 4%
Corn (Aug)	71 +1	-10%	+ 6%	- 3%	+ 0%
ex China	56 +1	- 0%	+23%	- 3%	- 0%
Wheat (May)	132	+ 6%	+ 5%	+ 1%	+ 0%
ex China	82 +2	- 2%	- 2%	+ 1%	+ 1%

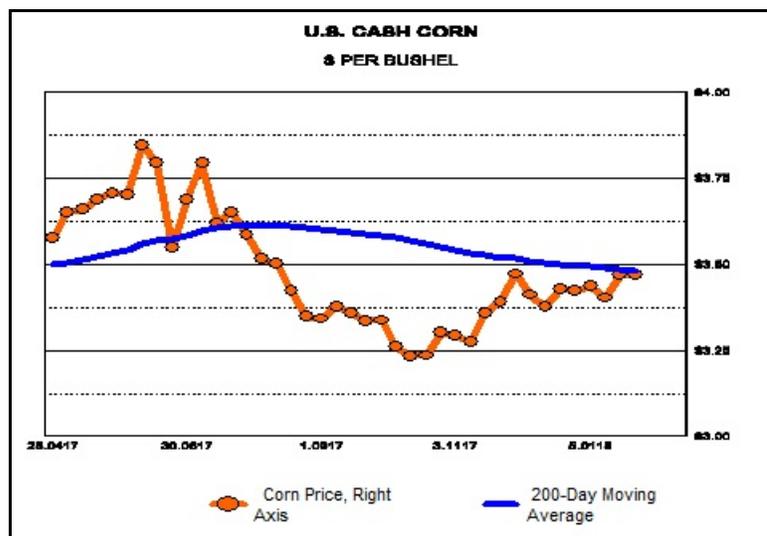
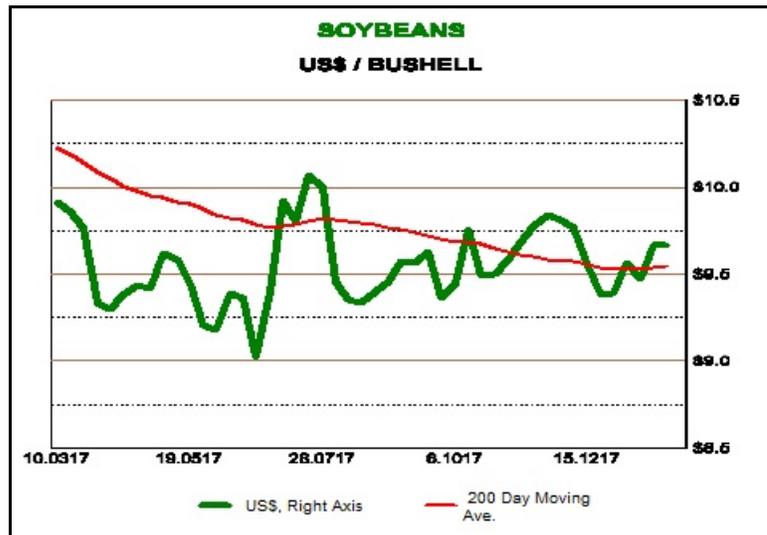
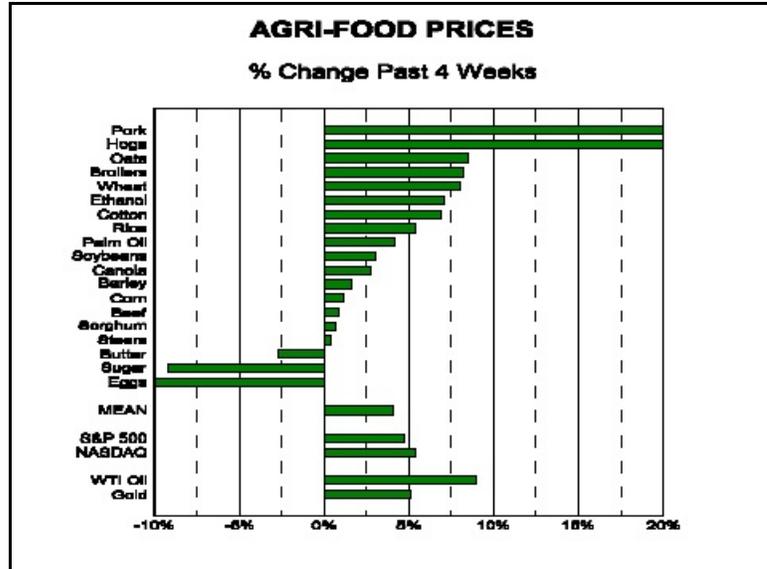
Top chart is percentage price change from 4 weeks ago for each Agri-Commodity. Pork and hogs liked beginning of the new year as they begin a period of seasonal strength. Same is true of broilers.

Wheat is #5 in the chart. Attitudes seem to be turning a tiny bit more positive on wheat. We have long argued that gross inventories are largely meaningless due to the size of Chinese reserves. As shown in table bottom of previous page, gross reserves including China are indeed large. But, when China excluded, days of supply drop to 82 days. That difference is starting to be acknowledged. Concern is also developing on the crop year 2019 harvest, now in the ground, as Winter dryness may be an issue in Northern Hemisphere.

In the futures market has long been an argument on wheat as large speculators have focused on the gross numbers. In latest COT report from CFTC on U.S. futures net long position of commercial firms jumped to 460 million bushels.

That difference of opinion is also readily apparent in soybeans, middle chart. Six weeks ago commercial firms were net short 270 million bushels. In latest report they had reversed their position, moving to net long of 559 million bushels. That change would seem significant.

Bottom chart is of US cash corn prices. Has now been 15 weeks since the low, though as we have noted move up from low has not been much. In the last nine weeks prices have moved in a tight range of about \$0.25 in size. Prices continue at just below 200-day moving average. Taking all that together, picture looks more like a bottoming process still developing. In futures, the commercials



continue a net long position, though not to the same extent as in soybeans and wheat.

Stock markets seem to be having a good time, especially in the U.S. Tax reform in the U.S. has been declared wonderful, fantastic, marvelous, terrific, tremendous, etc. And with that joyous feeling has come extreme *emotional exuberance* in U.S. stock market. Chart to right is of S&P 500. Using multi color lines we have highlighted the parabolic formation in that chart. Such a formation is one where the slope of the line increases. FOMO, fear of missing out, has people buying stocks because prices are going higher. Each of those line has a higher slope than previous one.

We know two things about parabolic formations. First, we cannot predetermine when formation will fail, but it will indeed fail. The failure out of a parabolic formation is painful!

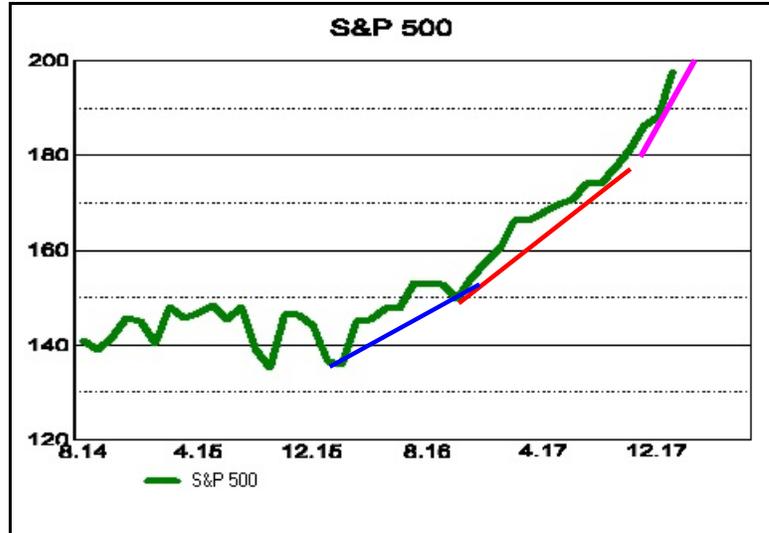
40% of Agri-Equities have performed better than the market thus far this month.

For the month to date:

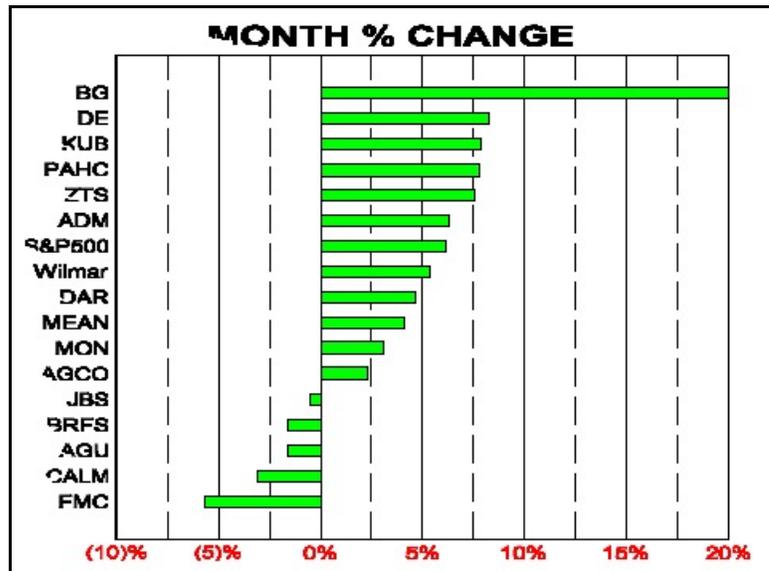
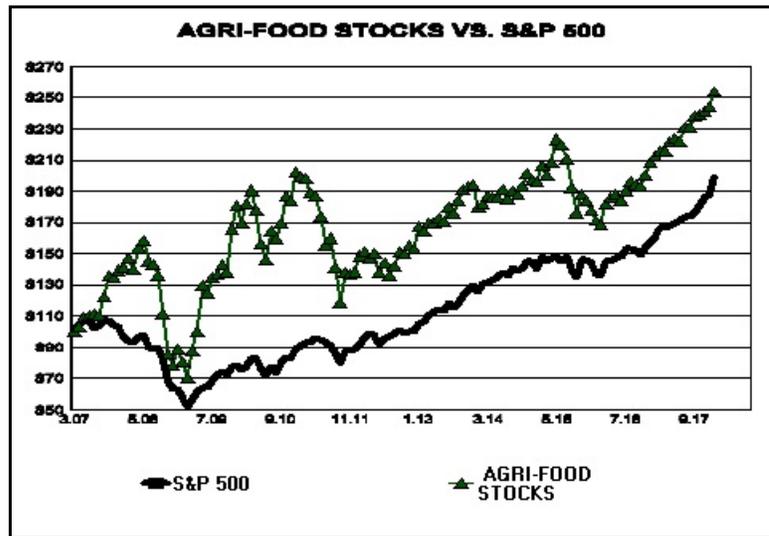
- NASDAQ: + 8.0%
- S&P 500: + 6.2%
- Tier One: + 5.6%
- Agri-Equities: + 4.1%
- Tier Two: - 0.0%

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

BG is clearly the winner thus far. ADM has apparently discussed making an offer to acquire BG. Now two companies have discussed acquiring BG, Glencore and ADM.



NEW HIGH!



Glencore's standstill agreement with BG is about to expire. Glencore would be then free to make an offer for BG. Should Glencore acquire BG we suspect that significant layoffs would occur. ADM as acquiring company may be more willing to preserve some jobs if the merger is done in a friendly manner. We would put odds of BG being acquired at about 60%.

An ADM/BG merger would create a single public company with revenues in excess of a hundred billion dollars. Further, it would be the only large Agri-Collector trading in public market. Others, Cargill and Dreyfus, are private companies. Many portfolio managers would have to own the stock simply because of company's size. That would explain ADM being #6 in chart.

FMC at bottom of chart likely because it is a step closer to spinning off lithium subsidiary. Lithium has been "hot" because of its use in electric car batteries. Chinese researchers have apparently made some research leaps with graphene, the likely successor to lithium.

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

Eat well and prosper,

NED

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Publication schedule: Next monthly: 4 February Next Interim Comment: 17 February

NOTE: Due to February being a short month, we will only publish Interim Comments on 17th.

From SCMP.com: Steak dinner in a top Hong Kong restaurant.

Link to article: [HK Food Article](#)



AGRI-EQUITIES VALUATIONS (Prices = 23 January 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 \$2.44	\$ 3.6 / + 47%		JBSAY	\$5.88	\$10.1 / + 72%
	ADM	\$42.6	\$45.2 / + 6%		BRFS	\$11.1	\$13.8 / +25%
	MON	\$120.4	\$128.0 / + 6%				
	NTR	\$53.1	³ Suspended				
	BG	\$81.1	\$79.6 / - 2%				
HI	DAR	\$19.0	\$15.7 / -17%		PAHC	\$36.1	\$31.2 / -14%
	AGCO	\$73.1	\$55.6 / -24%		FMC	\$89.3	\$69.1 / -23%
	KUBTY	\$106.5	\$72.4 / -32%				
	CALM	\$43.1	\$29.2 / -32%				
HI	ZTS	\$77.5	\$46.2 / -40%				
HI	DE	\$169.4	\$89.1 / -47%				
TIER	ONE	Mean	- 0%				
TIER	ONE	Median	-10%				

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

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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
