

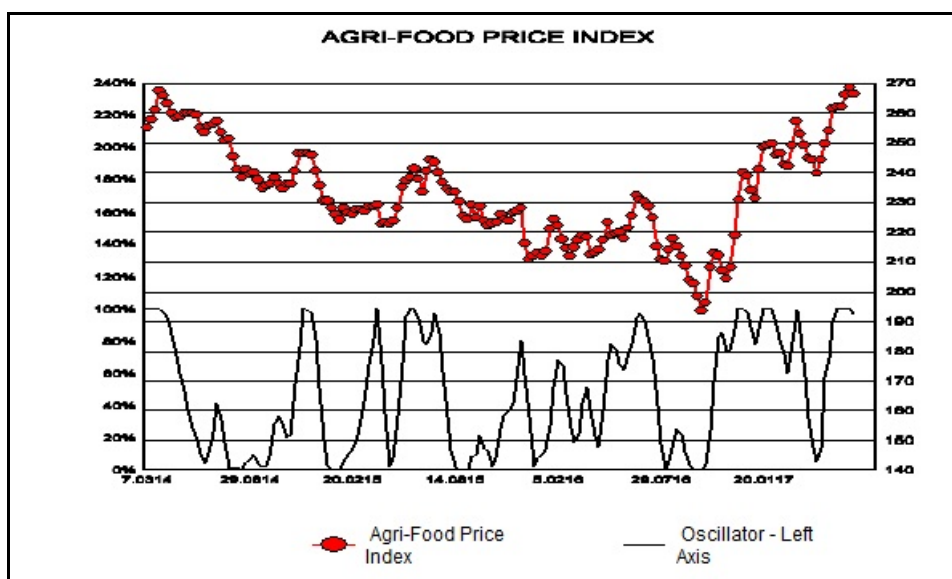
# The AGRI-FOOD VALUE VIEW

“Wealth Creation Through Global Agri-Food Investments”

INTERIM COMMENTS

24 June 2017

*Agri-Food Price Index hit new all time high for the week ended 16 June.* As we have previously noted, each bull market is generally led by a different group than the last one. Animal proteins have clearly been dominant while the grains have been sold off. Remember the primary source of demand growth for meats: Prosperity. Economic growth in the non-developed world is raising demand for meats as consumers shift to higher income food budgets. Today that source of commodity demand growth is not given sufficient attention.

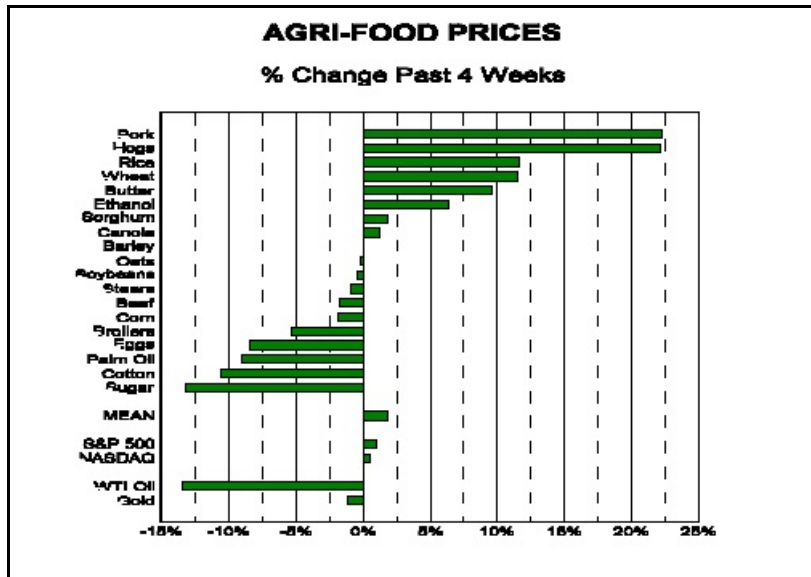


## AGRI-FOOD PRICE INDEX

Latest Value	4 Week Change	200-Day Moving Ave.	52-Week High	52-Week Low	52-Week % Change
265.41	+ 1.2%	237.00	268.44	193.39	+37%
			-1%	+37%	14.9%

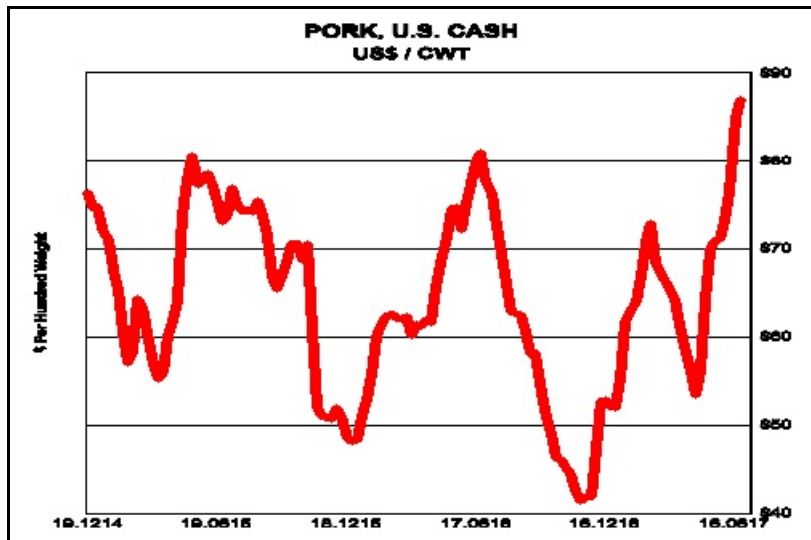
As excited as we are about the new high for the Agri-Food Price Index, we are watching for one of the best indicators of a positive trend. In the days before PCs we did charts on graph paper. In that era paper was widely used. When the plot came to the end of the graph paper one had to tape another page to it so as to be able to continue the graph. I had some that were as much as five feet long. How one taped that next piece of graph page was a good indicator of future market direction. We will be “taping” the next one at upper right to allow the plot to go higher. But remember, in all market moves will be interruptions, At the present time, for example, animal protein prices are passing their seasonal peaks which means those prices will have a negative bias till seasonal lows in the Fall.

Juvenile trading by low IQ traders is worth mentioning. That trading has been especially evident in corn and soybeans. However, it has been observable in other markets for some time. On Monday and Thursday corn and soybean futures were hit especially hard by this trading nonsense. Traders were trading the same news on both days. Coming into Monday two news items were dominant. First, Brazil’s grain crops are “big”. Does anyone on the planet other than a monk in Tibet not know that? Second, rains are moderating in the Midwestern U.S. and the Sun is out. Summer has officially arrived in Midwestern U.S., just like it does EVERY year at this time. That is reason corn and soybeans are grown there.



Point is that was the news on Monday, and traders pushed corn and soybeans down. That was also the news on Thursday. Traders were trading the same news again, and they do this often. For example, how many times has the market pushed AAPL up on the news of the iPhone 8? But, we have to live with this nonsense. It will end, and fundamentals will reemerge.

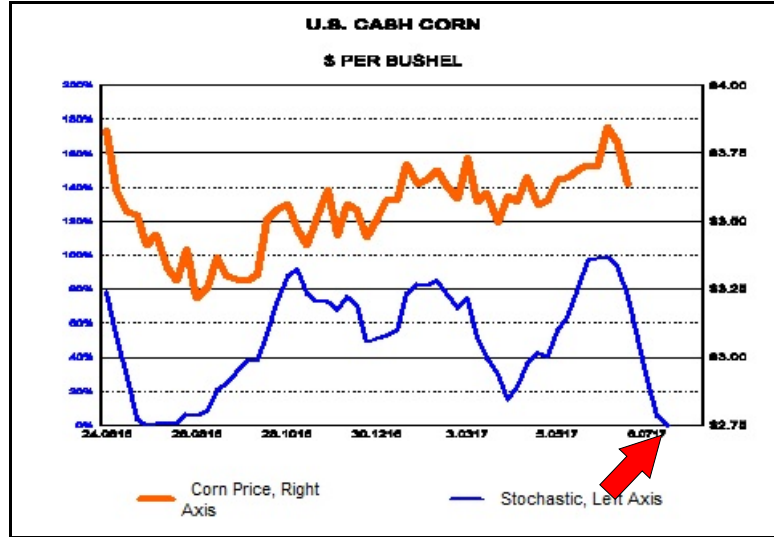
Top chart is percentage price change over past 4 weeks for each Agri-Commodity. Pork is at top, but is approaching a seasonal peak. Rice continues to shake off the long bear market in which had been. Wheat has been the surprise crop for some time as hot dry weather in many places hurt that crop. Cotton and sugar continue to dominate the bottom of the chart. Sugar is one closest to bottom, but likely not there yet.



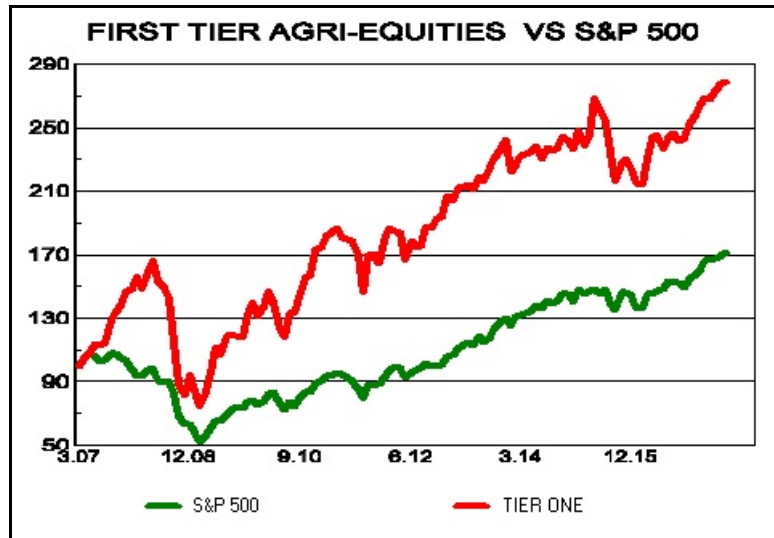
Recently we looked at US pork prices, bottom chart. At that time prices did not look as if they would move above the last short-term high before seasonal puts pressure on them. That view, as apparent in the chart, was not right. US pork prices have skyrocketed above the highs of past two years. Appears that a new positive cycle has developed in pork. Confirmation will come with the seasonal low this Winter if it is above previous low. We will look at U.S. production and exports of meat in the July issue.

Earlier tirade over trading released our pent up emotions. So, when might US corn prices bottom? That bottom

will be created by a combination of emotional exhaustion and hot weather. In top chart to right we have projected out the stochastic oscillator as it might unfold. It will reach maximum over sold in about the middle of July when U.S. Summer really starts being hot. *Due to mathematics of oscillator, it is a weekly measure, it will likely lag the actual bottom, and serve as more of an event confirming low to that date. Given that date and recent market action, US cash corn should make another important low next week.*



Due to 4<sup>th</sup> U.S. rate increase and expected unwinding of Fed Res balance sheet, U.S. stock market, where most of our stocks trade, is now in final stages of a bull market. Performance of NASDAQ and S&P 500 has been largely due to fewer and fewer stocks, mostly FANG and few others, being pushed irrationally higher. Violent rotation is occurring as portfolio managers desperately try to be in that which will perform each day.

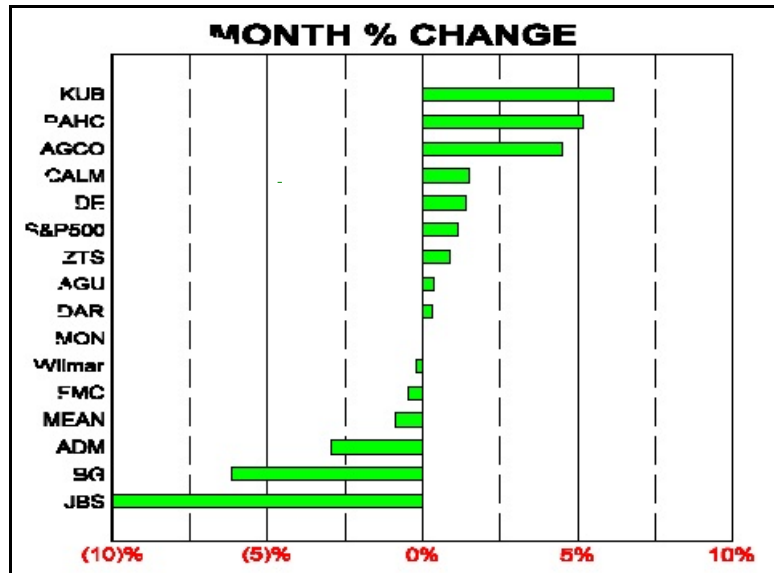


36% of Agri-Equities have performed better than the market thus far this month. Agri-Equity return was pulled down largely by three stocks, as can be observed in bottom chart.

For the month to date:

- S&P 500: + 1.1%
- NASDAQ: + 1.0%
- Tier One: + 0.5%
- Agri-Equities: - 0.9%
- Tier Two: - 6.0%

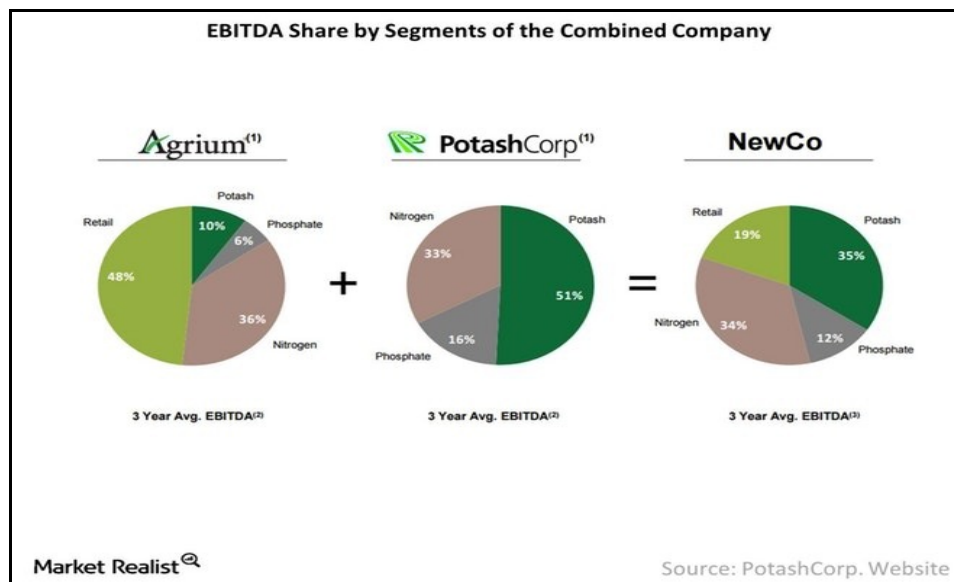
Bottom chart is the performance to date for the current month for each of the Agri-Equities.



ADM and BG are two to watch. ADM could be pushed below \$40. Should that happen, watch for entry point to add it to

portfolios. BG may be pushed below \$75. Investors should then start to look for a price to add it to portfolios.

AGU’s valuation has been suspended due to pending merger. We would take the view that while the new company might have some merger related issues in year ahead, the combined company is one to own. Adding to portfolios is advised. AGU and POT will become Nutrien in third quarter. Following chart shows what the new company will look like. Do not believe new symbol has been announced.



Source:

[http://marketrealist.com/2017/06/nutrien-segments-will-look-like-post-merger/?utm\\_source=yahoo&utm\\_medium=feed&ypr=yahoo](http://marketrealist.com/2017/06/nutrien-segments-will-look-like-post-merger/?utm_source=yahoo&utm_medium=feed&ypr=yahoo)

MOO: In a recent web cast for financialsense.com we suggested the use of MOO, an Agri-Food ETF. We had not previously mentioned it. We believe investors should build their own portfolios and avoid paying additional fees. Also has been times when we did not like their portfolio construction. With today’s elevated valuation levels, using the diversified portfolios may be less painful than picking the wrong stock at the wrong time if the market corrects the over valuation relative to U.S. interest rates. For more information use this link:

[MOO ETF Info](#)

Eat well and prosper, *NED*  
 Ned W. Schmidt,CFA  
[ned@agrifoodvalueview.com](mailto:ned@agrifoodvalueview.com)  
 Follow us @AgriFoodVV

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**AGRI-EQUITIES VALUATIONS (Prices = 23 June 1300 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>
	<sup>1</sup> WILMAR	\$2.52	\$ 3.5 / + 40%		JBSAY	\$3.81	\$10.2 / +172%
	AGU	\$ 92.7	Merger with POT Pending				
HI	MON	\$117.4	\$128.0 / + 9%				
	ADM	\$41.2	\$44.9 / + 9%				
HI	DAR	\$15.7	\$16.8 / + 7%				
	BG	\$75.1	\$76.9 / + 2%				
HI	KUBTY	\$84.3	\$71.3 / -15%	HI	<sup>2</sup> FMC	\$75.0	\$58.0 / -23%
HI	AGCO	\$66.9	\$50.7 / -24%	HI	PAHC	\$37.1	\$26.6 / -28%
	CALM	\$37.8	\$27.5 / -27%				
HI	ZTS	\$62.8	\$42.3 / -33%				
HI	DE	\$124.2	\$78.7 / -37%				
<b>TIER</b>	<b>ONE</b>	<b>Mean</b>	<b>- 2%</b>				
<b>TIER</b>	<b>ONE</b>	<b>Median</b>	<b>+ 0%</b>				

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

<sup>2</sup>Possible 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 1 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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***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](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.

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

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