

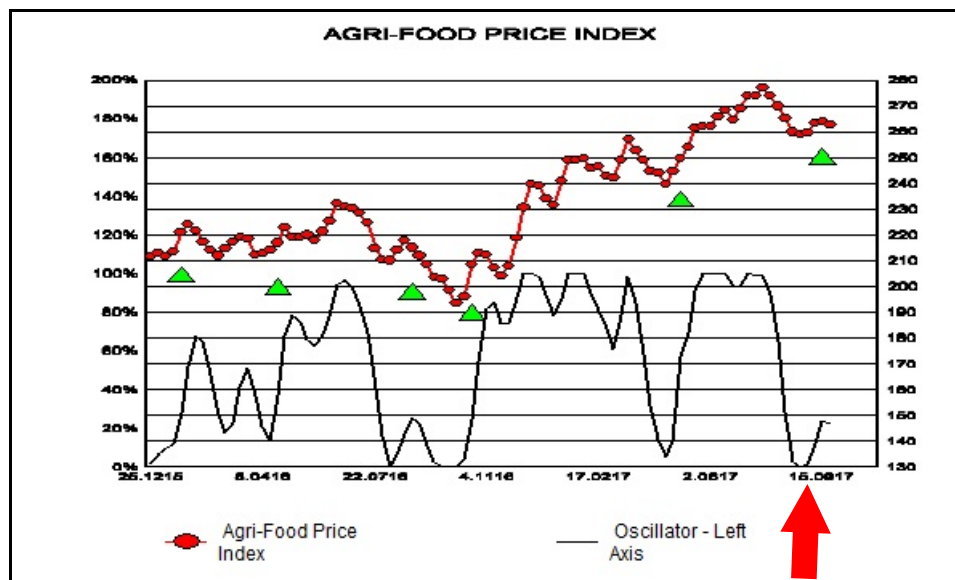
# The AGRI-FOOD VALUE VIEW

“Wealth Creation Through Global Agri-Food Investments”

## INTERIM COMMENTS

24 September 2017

*Arguing with a market is often unwise, but times do exist when the trading mentality does distort a market.* On the next page we are going to look at the performance of grain prices since their respective 52-week lows. Two stand out as mispriced, and one in particular, corn, has had its price so compressed that a strong rally could develop. Agri-Food Price Index, chart below, has been trying to move higher this past month. Strength in grain prices has been offsetting seasonal weakness in animal proteins. With Northern Hemisphere grain harvest underway, juvenile traders may have to deal with reality rather than allowing their imaginations to dictate their actions.



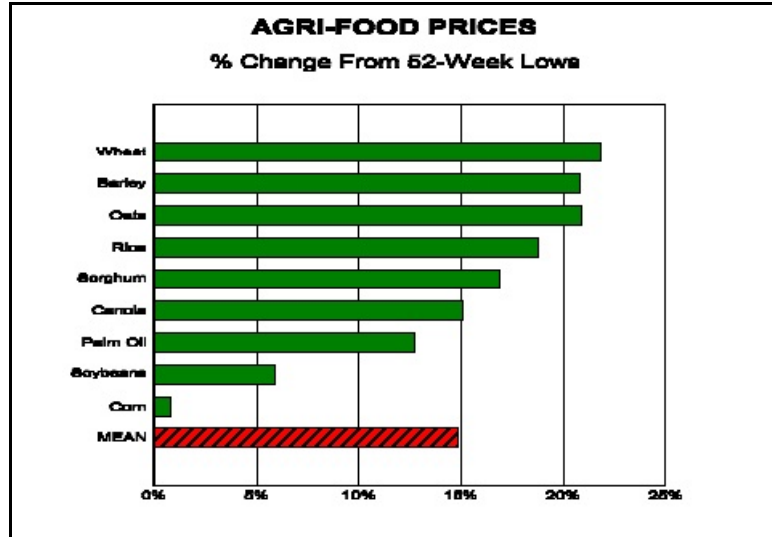
### AGRI-FOOD PRICE INDEX

Last Value	4 Week Change	200-Day Moving Ave.	52-Week High	52-Week Low	52-Week % Change
262.73	+ 1.3%	255.38	277.15	193.37	+36%

### 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)	103 -1	- 3%	+23%	- 2%	+ 4%
Corn (Aug)	70 +1	-11%	+ 6%	- 4%	- 0%
Wheat (May)	130 -1	+ 3%	+ 6%	- 1%	- 2%

Table bottom of previous page is a way of looking at global situation in major grains. Note this data is for crop year 2018, the current crop year. Days in inventory for both soybeans and corn are expected to fall due to lower crop production and consumption stronger than production. Wheat situation is distorted by Chinese inventories. Without China, world wheat inventories are expected to fall from 85 days to less than 80. That is likely the reason wheat prices have been so strong.



Top chart is percentage price change from 52-week lows of prices for grains and palm oil. The average gain has been almost 15%. Wheat has been the strongest. **But two prices stand out as particularly weak, with US cash corn prices a clear outlier.**

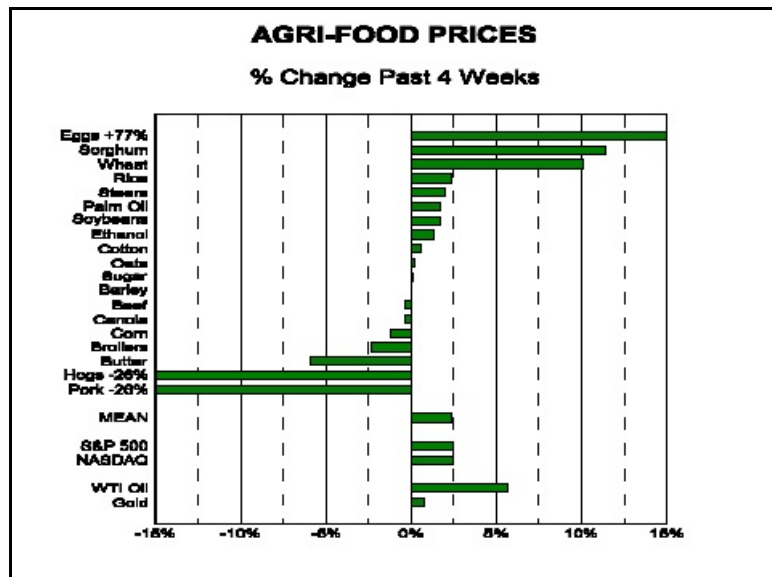
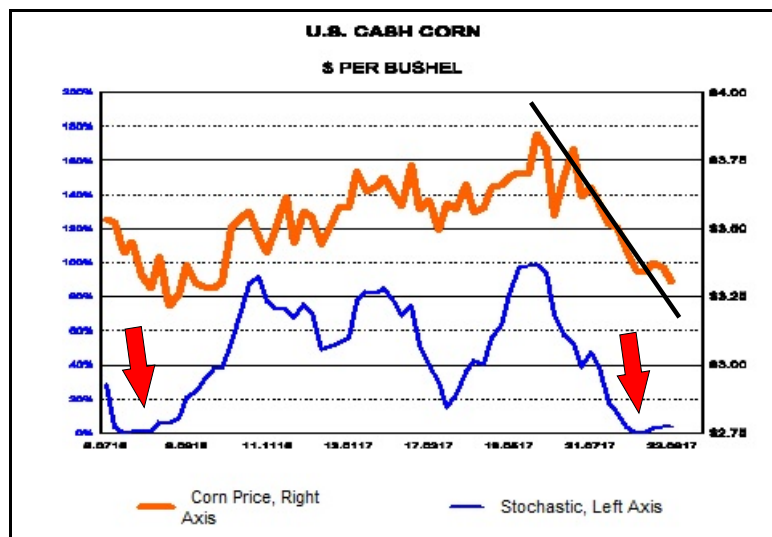


Chart suggests corn prices are grossly mispriced, with soybeans also under priced. Think of bearishness in grain markets as a quantity. A week ago that bearishness was spread roughly equally between soybeans and corn. Now that bearishness has increasingly been focused on corn.

Middle chart is of percentage price change over past four weeks for each of the Agri-Commodities. While egg prices clearly lead, note that after eggs a number of grain prices then follow. But, corn prices were down. Sorghum, which competes somewhat with corn, was extremely strong this past month. That too suggests corn is being mispriced. Hog/pork prices continue down due to traders mistaking seasonal weakness as fundamental weakness. Some small hints this past week that beef complex may be near to ending seasonal weakness.



Bottom chart is of US cash corn prices. In

top chart on previous page we observed that corn is an outlier. Prices of most grains have risen nicely from their lows, but corn has not. In middle chart we observed that sorghum prices are not confirming weak corn prices. In bottom chart we see an exaggerated sell off that has pushed corn to an incredibly over sold condition.

Taken together all this suggest that US cash corn prices could be set up for a rally that will surprise many as bearishness has been focused excessively on corn prices.

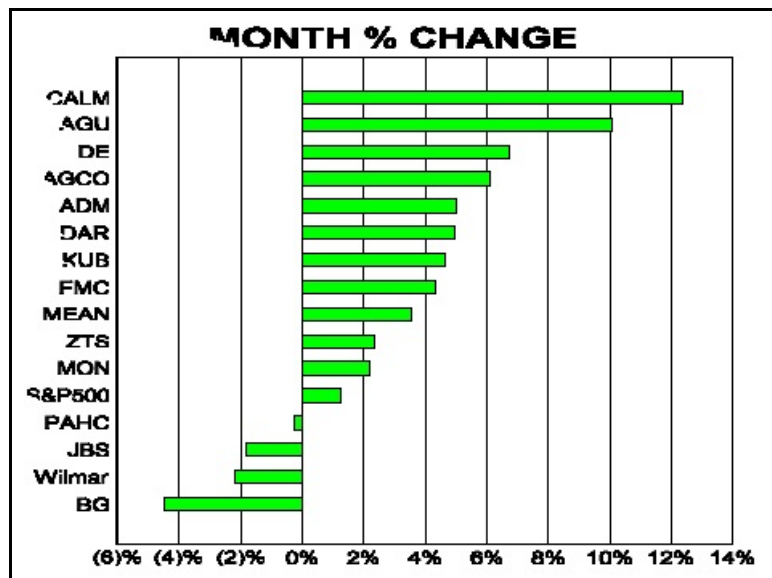
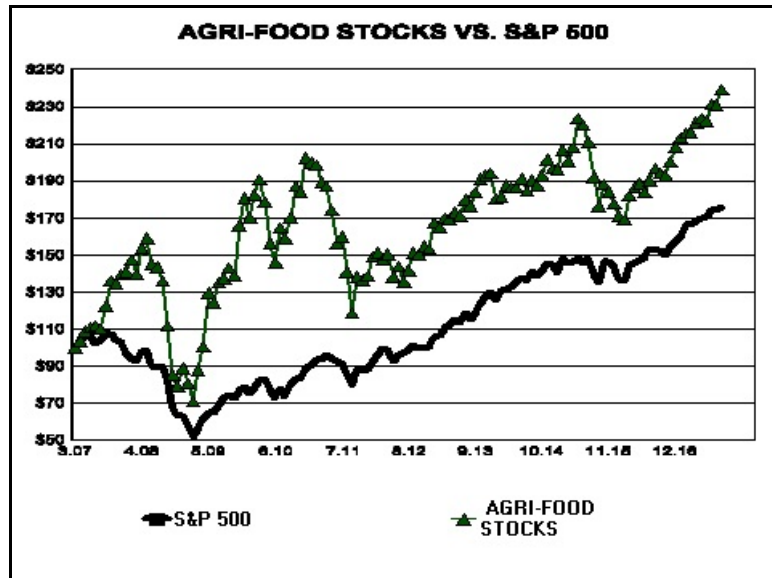
According to CNBC, 22 September, APPL has shed ~\$50 billion of market capitalization since latest new product announcement. Seems “old” products like sorghum and wheat were better investments this past month than new electronic toys. In part due to APPL, as shown below, NASDAQ Composite is down month-to-date. For past 12 months Agri-Equities up 23% versus NASDAQ Composite up 21%.

71% of Agri-Equities have performed better than the market thus far this month.

For the month to date:

- Tier One: + 4.3%
- Agri-Equities: + 3.6%
- S&P 500: + 1.2%
- Tier Two: + 0.7%
- NASDAQ: - 0.0%

**NEW HIGH!**



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

CALM clearly has lead this month. With US egg prices up more than 400% from 52-week low some are betting on better results for company. Earnings improvement from higher US egg prices may not come as quickly as traders are betting it will.

Investors seem to think AGU/POT merger a positive development. We also noted previously that AGU has purchased a chain for retail farm stores. That action will increase retail exposure versus wholesale fertilizers which is desirable in a period of continuing excess fertilizer production capacity.

AGCO and DE both up strongly. Possible that investors realize that Agri-Commodity prices have improved dramatically. But, still think they may be disappointed with earnings due to overly optimistic expectations.

ADM seems to have been recognized as one of the cheaper Agri-Equities.

BG has moved down to a price where it seems somewhat attractive. However, stock may be continuing to unwind the enthusiasm that developed over possibility of being acquired by Glencoe. At this time we think the stock is likely to move down below \$70, and we would wait for that possibility.

Eat well and prosper,

***NED***

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

**AGRI-EQUITIES VALUATIONS (Prices = 22 September 1600 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> <b>WILMAR</b>	<sup>2</sup> <b>\$2.392</b>	<b>\$ 3.6 / + 50%</b>		<b>JBSAY</b>	<b>\$5.36</b>	<b>\$10.1 / + 89%</b>
	<b>BG</b>	<b>\$71.3</b>	<b>\$79.6 / +12%</b>				
	<b>MON</b>	<b>\$119.8</b>	<b>\$128.0 / + 7%</b>				
	<b>ADM</b>	<b>\$43.4</b>	<b>\$45.4 / + 5%</b>				
<b>HI</b>	<b>DAR</b>	<b>\$18.3</b>	<b>\$15.7 / -14%</b>				
	<b>AGU</b>	<b>\$107.9</b>	<b>\$87.6 / -19%</b>	<b>HI</b>	<b>PAHC</b>	<b>\$35.4</b>	<b>\$28.4 / -20%</b>
<b>HI</b>	<b>KUBTY</b>	<b>\$91.1</b>	<b>\$71.6 / -21%</b>	<b>HI</b>	<b>FMC</b>	<b>\$90.0</b>	<b>\$70.4 / -22%</b>
	<b>AGCO</b>	<b>\$72.6</b>	<b>\$52.9 / -27%</b>				
	<b>DE</b>	<b>\$123.8</b>	<b>\$90.9 / -27%</b>				
	<b>ZTS</b>	<b>\$64.2</b>	<b>\$44.2 / -31%</b>				
	<b>CALM</b>	<b>\$41.0</b>	<b>\$27.8 / -32%</b>				
<b>TIER</b>	<b>ONE</b>	<b>Mean</b>	<b>- 7%</b>				
<b>TIER</b>	<b>ONE</b>	<b>Median</b>	<b>-16%</b>				

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

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

***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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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)

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](mailto:ned@agrifoodvalueview.com)

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