

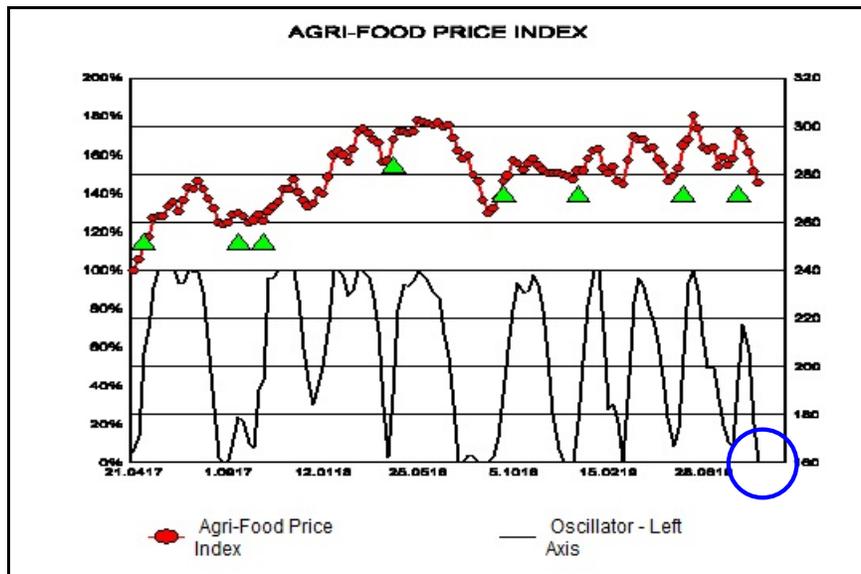
The AGRI-FOOD VALUE VIEW

“Wealth Creation Through Global Agri-Food Investments”

INTERIM COMMENTS

14 September 2019

A WASDE that did not create a blood pressure problem all across Ag-Land was welcome relief. Revisions were not large, and did not have any food for bears. That report did not increase negative psychology, and that is important. Negative psychology seems to have reached a maximum on Tuesday of this past week. USDA pricing reports for Tuesday had prices so low in some cases that those prices seem to be errors. On Wednesday those prices reversed Tuesday’s declines. Sometimes the market knows when news is not going to be bad, or good.



Psychology is important at this time, and simply a lack of bad news will help. Reports had been so negative buyers have been probably keeping inventories toward the low side. They may now not feel so secure with that position. Speculators have been short, and had been become braver with those positions. Now perhaps less secure.

Also note that August 2020 inventories on a global basis for corn and soybeans will be **down** from August 2019 levels. Declining inventories should add some support to prices.

Agri-Food Price Index, chart above, fell rather dramatically recently as sellers ravaged the grain markets and animal proteins moved into seasonal downtrends. Export market has not been sufficiently strong to offset that seasonal weakness. As highlighted in chart, index is now *deeply* over sold.

AGRI-FOOD PRICE INDEX

Last Value	4 Week Change	200-Day Mov/Ave.	52-Week High	52-Week Low	52-Week % Change
277.82	- 6.7%	278.74	304.22 - 9%	263.61 + 1%	+ 3%

Thursday afternoon was like a near party day. WASDE was not threatening. China made some large purchases of soybeans. Then came an announcement that China would not impose any “additional” tariffs on imports of U.S. pork and soybean. However, even Chinese press is not sure what “additional” means. Does it mean that tariffs will not be raised or does it mean no tariffs will be paid? We are not even sure if Chinese importers do

pay tariffs. In any event, grains moved higher Thursday afternoon. All of that also means the negative psychology should lessen some more, which is often more important than reality.

Top chart is of percentage price change over past four weeks for each of the Agri-Commodities. "C-" indicates Chinese price.

Cotton, in a rare burst of energy, took top spot, and we will look at those prices below.

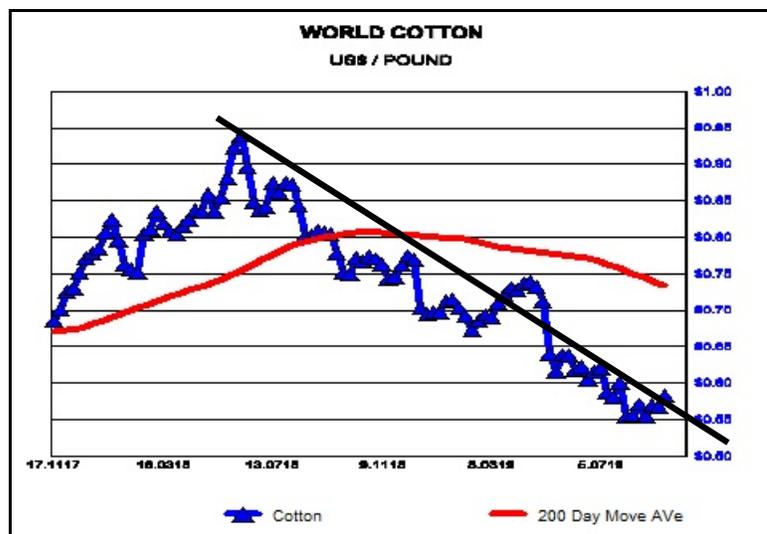
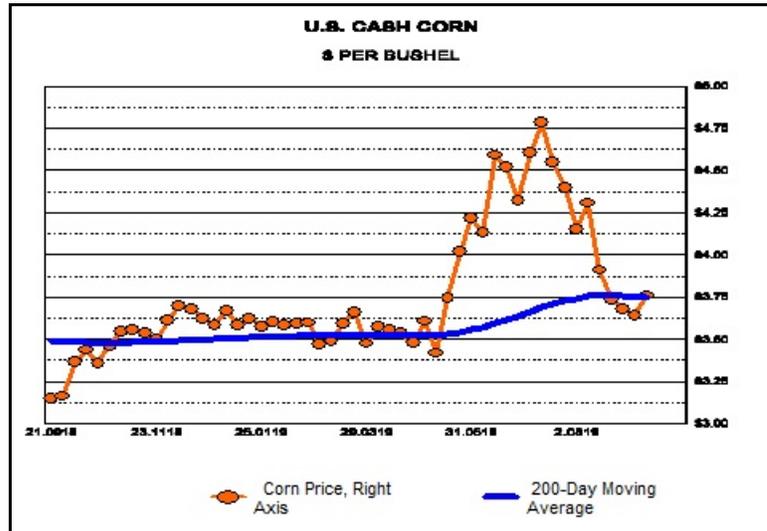
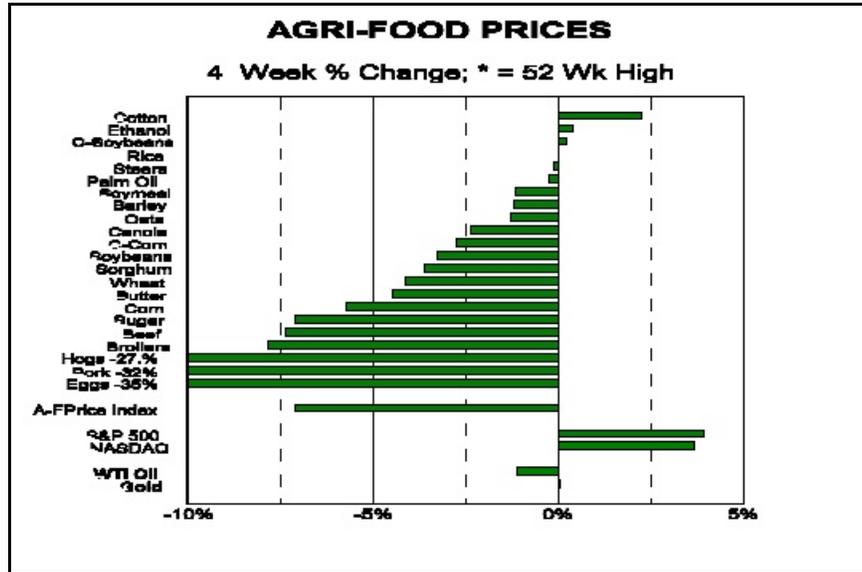
U.S. ethanol prices have simply bounced some, but do not think it is meaningful. However, a lot of interest in buying U.S. ethanol, but subject to government rules. Both China and Mexico would like to buy U.S. ethanol to reduce pollution. In mean time, Trump, refiners and ethanol interests are trying to come to a mutual agreement on refinery waivers.

On a positive note on grains, previous week seems to have been low for many grain prices. WASDE does not seem to be the force that will drive them lower.

US cash corn in middle chart, and it too seems to have put in a bottom that was reinforced by latest WASDE. Previous estimate of global production shortfall was 20.85mm tons. New estimate of shortfall is 23.28mm tons. That increase in shortfall is supportive of corn. Estimate of Chinese corn imports is 7mm tons versus 5mm tons last year.

World cotton price is at top of top chart. That leads to a question: Has world cotton price bottomed? As shown in bottom chart, price of cotton has had some strong moves over past few years, more recently of a negative kind.

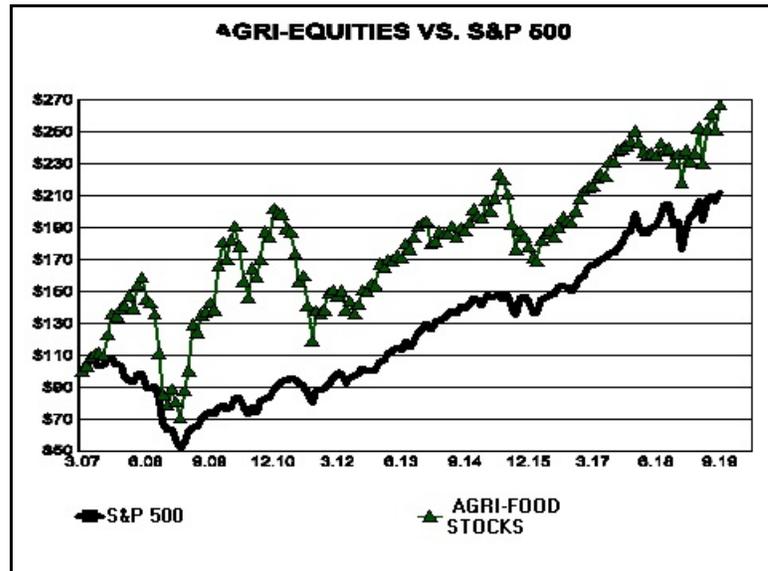
After peaking near \$0.95, price has slid by more than 40% to \$0.55. Price did move up through major down trend line



at beginning of year. In crop year 2019 world consumed more cotton than it produced. Those higher prices, however, encouraged planting of cotton. U.S. is expected to produce about a million more tons of cotton in crop year 2020 than it did previous year. That production will push world back into surplus this year. But, current prices will likely throttle production in next crop year. That all said, plentiful and cheap oil and gas that can be used to produce synthetics is still a major threat to cotton.

2020 crop year for cotton began first of August. So, only one month into new year U.S. cotton export sales are down 12% from a year ago. Actual exports are up 26%. Vietnam is now largest buyer of U.S. cotton, followed by China. Purchases by India are strong at 4.5 times last year.

NEW HIGH!



Agri-Equities so far in September are having a great month. That has happened for several reasons. First, North American crops are indeed going to be better than thought 4 months ago. That means more crops will be moving to users. In addition, prices for grains seem to have bottomed. Pessimism on Agri-Food had become too intense. It had to lessen.

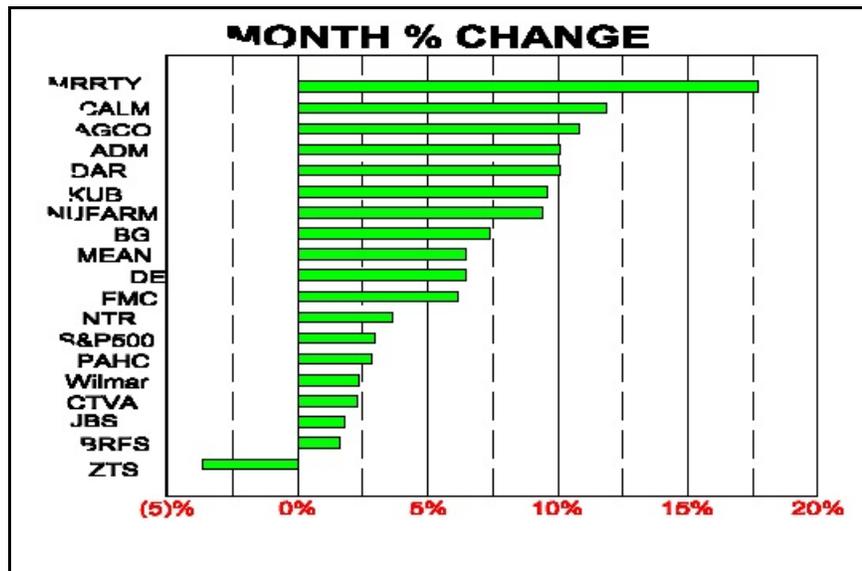
Trade war between China and U.S. may lessen in intensity. Both sides have signaled recently a more positive tone. However, it is always the last 10-20% that makes or breaks a deal.

Also, as we have noted before, Agri-Equities are part of “other” in stock market. “Other” has been getting more attention. Enthusiasm for old favorites is showing a tinge of weakness. CNBC, for example, reported on Friday that Goldman Sachs was out with a report that AAPL could fall by 25% over the next year. Such heresy! That call could be beginning of end for the blind faith in technology/internet stocks.

65% of Agri-Equities have performed better than the market thus far this month.

For the month to date:

- Tier One: + 6.9%
- Agri-Equities: + 6.5%
- Tier Two: + 6.0%
- S&P 500: + 3.0%
- NASDAQ: + 3.0%



Bottom chart on previous page is of returns month to date for Agri-Equities. It is a pretty picture.

MRRTY had been one meat stocks that had not moved, and it finally did. Also hit new 52-week high.

Fertilizer companies like NTR are having to deal with over supply in North American market. Due to flooding not as much fertilizer as expected was applied this Spring. Currently, foreign producers are selling into their market. Nearly all are shutting down some capacity.

ADM and BG have had a good month to date, and would seem to be candidates for consideration by investors. If China is indeed going to increase buying of U.S. grains then trading and shipping activity should increase. Further, 2020 is getting closer daily, and it should be a better year for both companies.

That ZTS captured the bottom position is not a good sign for that stock.

Eat well and prosper,

NED

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Publication schedule: Next monthly: 4 October Next Interim Comment: 24 September

AGRI-EQUITIES VALUATIONS (Prices = 13 September 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>
New 52-Wk High	Company	Price	Value / Potential %	New 52-Wk High	Company	Price	Value / Potential %
	BG	\$57.4	\$72.0 / +26%		CTVA	\$30.0	\$37.7 / +26%
	¹ Wilmar	² \$2.81	\$ 3.4 / +20%		BRFS	\$9.35	\$11.4 / +22%
	ADM	\$41.9	\$49.7 / +19%				
	NTR	\$52.2	\$61.6 / +18%		PAHC	\$21.2	Being reviewed
	KUBTY	\$78.1	\$87.2 / +12%				
					NUFARM ³	AUS\$5.15	AUS\$5.4 / + 5%
	CALM	\$45.4	\$42.8 / - 6%	HI	MRRTY	\$2.26	\$2.1 / - 5%
	AGCO	\$76.6	\$70.2 / - 8%	HI	FMC	\$91.6	\$ 82.4 / -10%
	DE	\$165.0	\$150.2 / - 9%				
	DAR	\$20.5	\$15.9 / -22%	HI	JBSAY	\$14.6	\$8.7 / -40%
	ZTS	\$121.8	\$68.2 / -44%				
TIER	ONE	Mean	+ 5%				
TIER	ONE	Median	+ 3%				

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

² US\$ equivalent of Singapore price.

³ 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.***

THE AGRIFOOD VALUE VIEW

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