

Black Swans 2025: Headwinds, Adaptation, and Preparedness for the Year Ahead



*Verdelis Investments |
PROAGINVEST LLC*

*Bob Trogele, PhD
CEO*



40 Seasons Media

*Jim Sulecki
Lead and Founder*

Agenda

- ▶ Who is Verdellis Investments / PROAGINVEST LLC and 40 Seasons Media?
- ▶ What Is a 'Black Swan'?
- ▶ Black Swans to Watch for in 2025
- ▶ How to Prepare and Adjust

Who Is Verdellis Investments?

- ▶ Verdellis Investments, operated by ProAgInvest LLC, provides investors with the potential for **attractive returns through their investments in ag tech**
- ▶ Focus is on a global portfolio of early-stage, innovative, technology-related companies active in **precision farming, green chemistry, biologicals**
- ▶ Invest in companies in which the fund can help developer a **smarter business model** and effective **market access plan**
- ▶ Bob Trogele, CEO



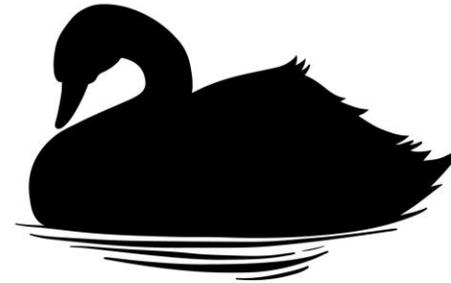
Who Is 40 Seasons Media?

- ▶ **40 Seasons Media LLC** is a market communications and content development advisory with deep roots in agribusiness and agriculture
- ▶ Jim Sulecki, Lead and Founder
- ▶ **For more:** www.40seasons.com



What's a 'Black Swan'?

- ▶ Based on an ancient saying that presumed black swans did not exist — until they were discovered in Australia in 1697
- ▶ 'Black swan' was reinterpreted to mean ***an unforeseen and consequential event***





Black Swan #1

Agroindustry Stagflation Continues But Slows

- ▶ Stagflation: inflation + economic stagnation
- ▶ Commodity prices flat to slightly up, overproduction of grains
- ▶ Declines in input costs haven't been significant enough to improve producer margins
- ▶ Could be multiple years of lower farm income — *unless* energy costs, input costs, interest rates, land prices, etc. readjust dramatically or weather events cause shortages





Black Swan #1 *(cont.)*

Agroindustry Stagflation Continues But Slows

? Key questions:

Will industry continue to finance Brazil growers with long payment terms? (See recent Brazilian ag bankruptcies)

Will the cost of capital continue?

Will the economic outlook be recovery or more of the same?



Black Swan #2

China Unraveling Continues: Struggling Economy

- ▶ China model of agrochemical production not working
- ▶ Global oversupply in part from China overcapacity
- ▶ Result: inexpensive products, few adding more value. Supplier / distribution margins eroding back to 2022 levels —> pressure on margins, profitability
- ▶ For producers, lower input prices is positive but not enough





Black Swan #2 *(cont.)*

China Unraveling Continues: Struggling Economy

? Key questions:

How long will the Chinese government and producer industry subsidize the global crop protection market?

Investment in China: is it real or is it not?

Will Trump administration negotiate a continuance of the Phase 2 trade deal?



Black Swan #3

Energy Remains Stable in 2025?

- ▶ Need to bring energy supply and demand into equilibrium????
- ▶ Will there be a global embargo on Russian / Ukrainian oil?
- ▶ Will there be growing demand from new markets? (E.g., AI)
- ▶ Oversupply and lower prices — for now. What does future hold? Key area: Middle East
- ▶ What about U.S. strategic oil reserves?





Black Swan #3 *(cont.)*

Energy Remains Stable in 2025?

? Key questions:

Will Ukraine / Russia war be resolved?

Can U.S. replace natural gas exports to Europe?



Black Swan #4

Political De-globalization Has Led To Trade War, Physical War, Now Crypto Wars

- ▶ Has continued with Russia-Ukraine, Middle East, China-Taiwan
- ▶ Is northeast Asia next, especially North Korea and South Korea — with influence by Russia and possible participation by China and the U.S.?

? Key question:

What would a major military engagement do to ag input supply, commodity exports, and supply of microchips for ag technology?





Black Swan #5

U.S. Inflation, Interest Rates Are Dicey

- ▶ Will 2017 tax code continue or be lowered?
- ▶ Will lower taxes and tariffs cause spur manufacturing to move back to the U.S.?
- ▶ Deregulation, lower taxes will favor our businesses
- ▶ Musk effect on lowering national debt and reducing bureaucracy?



? Key questions:

What effect would inflation and higher interest rates in the U.S. have on global trade?

Will we see the dollar increase in value vs. other currencies?



The Rest of the 2025 Black Swans

- ▶ **Ag tech:** failure to foresee and pay for continuing gains in ag tech could cost agribusiness money and opportunity
- ▶ **M&A:** hesitance (or lack of wherewithal) to expand via M&A could stunt recovery, growth
- ▶ **“The usual suspects”:** all continue, all are long-term trends
 - ▶ Labor shortages
 - ▶ Climate volatility
 - ▶ Regulatory pressure
 - ▶ Technological advancements

How to Prepare and Adjust in 2025

- ▶ **Cost avoidance.** Control operating expenses. Budget conservatively.
- ▶ **Look for expansion opportunities.** Asset acquisitions, mergers to improve the cost of business, investment of new money in growth segments.
- ▶ **Control cash flow.** Lower debt, reserve available money for opportunities to invest.
- ▶ **Embrace mid-term adaptation.** Implement smart business models — specific, measurable, attainable. Anticipate the competition. Maintain flexibility, focus.

Thank You!

Bob Trogele, PhD

- ▶ CEO, Verdellis Investments | PROAGINVEST LLC
- ▶ Independent board director, investor, entrepreneur
- ▶ Current board roles: Accumont Ltd., Emergent Connex, Clean Capital Group, Farm Journal Foundation
- ▶ Career in agribusiness working for “large caps” such as Hoechst, Aventis, and Bayer; “mid caps” such as Schering and FMC; “small cap” American Vanguard
- ▶ Adjunct Professor at the International Berlin School of Economics & Law

btrogele@proaginv.com

www.BobTrogele.com

www.VerdelisInvestments.com (coming soon)



Q&A