



## Agriculture Industry Flash

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Monday, April 25<sup>th</sup>, 2016

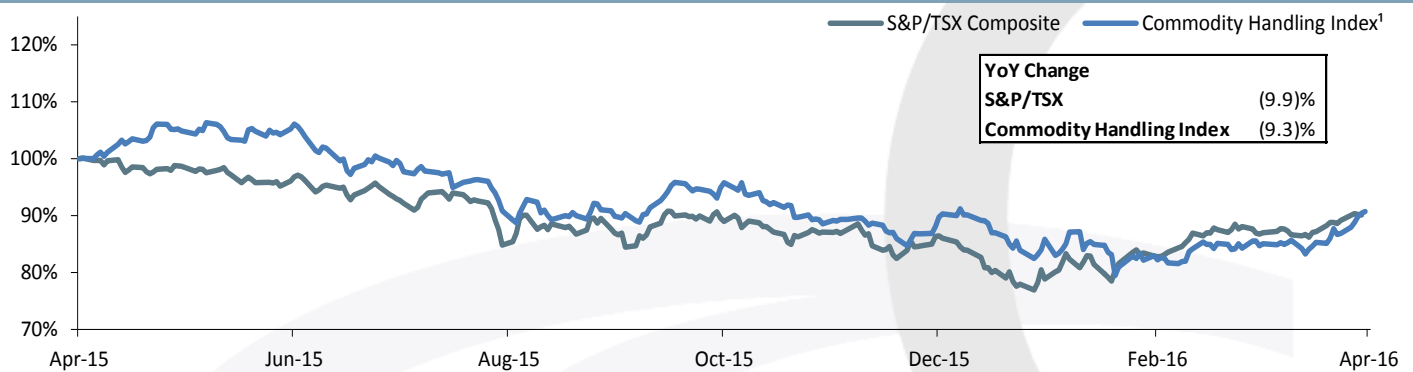


## COMMODITY HANDLING

### News Scan

- On Apr. 18<sup>th</sup>, Olam International and Mitsubishi announced they have formed MC Agri Alliance, a joint venture company that will import and distribute coffee, cocoa, sesame, edible nuts, spices, vegetable ingredients and tomato products in Japan. MC will hold 70% of the joint venture while Olam will have a 30% stake. The joint venture will leverage Olam's global supply chain networks and MC's extensive distribution and sales network in Japan, and will begin operating by Oct. 1<sup>st</sup>, 2016
  - Olam also announced it has secured a US\$650 million revolving credit facility, as a part of ongoing efforts to optimise the overall tenor and cost of its debt portfolio, and to fund working capital and general corporate needs
- On Apr. 22<sup>nd</sup>, reports indicated that The Gaviion Group is looking to expand and develop in the U.S., specifically by expanding its storage and handling capacity in Montana and the Dakotas, as well as expanding its ability to ship crops through the Gulf of Mexico by investing in terminals on the Mississippi River

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
ADM	23,530	28,317	8.0x	7.5x	16.0x	13.8x	6.2 %	(25.7)%
Bunge Limited	8,615	12,761	6.9x	5.8x	11.5x	10.2x	4.1 %	(35.6)%
Graincorp Limited	1,457	2,033	9.0x	7.3x	32.0x	19.0x	4.7 %	(20.3)%
The Andersons, Inc	938	1,393	7.5x	5.8x	18.4x	12.5x	4.8 %	(28.9)%
AGT Food and Ingredients	756	1,148	11.3x	10.1x	16.9x	14.3x	3.7 %	(2.1)%
Ceres Global Ag	121	193	na	na	na	na	3.7 %	(27.5)%
<b>Mean</b>			<b>8.6x</b>	<b>7.3x</b>	<b>18.9x</b>	<b>14.0x</b>	<b>4.5 %</b>	<b>(23.4)%</b>

1 "Commodity Handling Index" is composed of equally weighted market prices for: ADM, Bunge, Graincorp, The Andersons, AGT, and Ceres

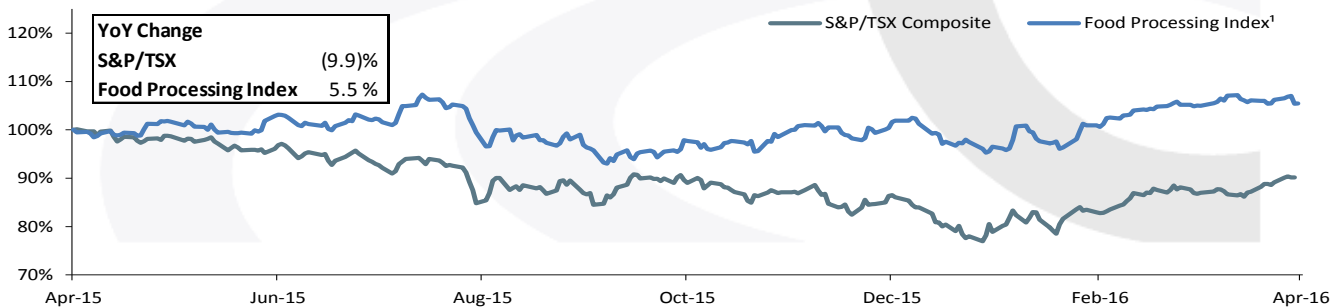


## FOOD PROCESSING

### News Scan

- On Apr. 18<sup>th</sup>, reports indicated that Jose Cuervo, a 200 year old tequila brand, is preparing for an IPO that could raise about \$750 million. An IPO could enable Jose Cuervo to produce more high-end premium and super premium varieties to capitalize on consumers' increased demand for premium spirits, particularly in the tequila category
- On Apr. 20<sup>th</sup>, Grupo Bimbo reached an agreement to acquire the Argentina bakery and food service business of General Mills for an undisclosed sum. Through this purchase, the company further consolidates its South American presence, enhancing its supply in the category of frozen bread that it is already manufacturing under the Bertrand brand
- On Apr. 19<sup>th</sup>, McCormick & Co announced it has acquired Botanical Food Co., an Australian-based manufacturer of the Gourmet Garden brand of packaged herbs, for \$114 million. Botanical has annual sales of ~\$53 million, growing at a double-digit rate. To continue to drive double-digit sales growth, McCormick said it plans to expand distribution, increase brand marketing and achieve greater household penetration
- On Apr. 12<sup>th</sup>, SunOpta announced it will offer \$300 million in senior secured second lien notes due 2023, in a private offering in the near future. The company intends to use the proceeds to repay outstanding bridge loans borrowed in connection with the acquisition of Sunrise Growers
- On Apr. 15<sup>th</sup>, Tyson Foods announced plans to build a \$136 million additional processing facility in Green Forest, AR, beside an existing plant which produces partially cooked chicken. The new plant will add about 85 jobs and expands capacity, but also cut down on travel time and expenditures for processing, which will generate savings and boost profit margins
- On Apr. 18<sup>th</sup>, Costco announced it will build a poultry processing plant in Nebraska, costing US\$180 million and creating 1,100 jobs. Costco chose the location due to the quality of the workforce, available land, and a highly supportive farm community

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
			2016E	2017E	2016E	2017E		
ConAgra Foods, Inc.	19,455	27,710	14.3x	13.1x	19.0x	17.5x	(2.3)%	(4.4)%
George Weston Limited	11,169	21,583	6.2x	6.0x	17.6x	15.8x	(1.4)%	(7.9)%
Ingredion Incorporated	8,250	9,844	10.2x	9.7x	16.5x	15.1x	(1.3)%	(4.3)%
Tate & Lyle plc	3,968	4,847	11.9x	11.5x	14.9x	15.4x	0.9 %	(5.2)%
Maple Leaf Foods Inc.	2,654	2,503	10.2x	9.3x	22.5x	19.2x	0.1 %	(6.6)%
SunOpta Inc.	458	945	9.8x	8.3x	18.8x	12.4x	(1.3)%	(54.6)%
Rogers Sugar	463	643	9.3x	9.6x	14.2x	14.2x	0.6 %	(66.9)%
<b>Mean</b>			<b>10.3x</b>	<b>9.6x</b>	<b>17.7x</b>	<b>15.7x</b>	<b>(0.7)%</b>	<b>(21.4)%</b>

1 "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, SunOpta, and Rogers Sugar.

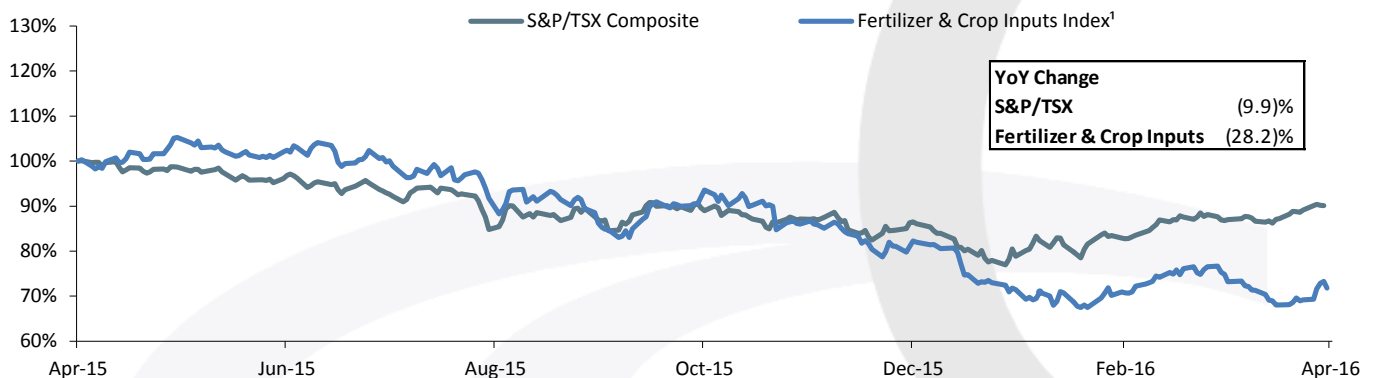


## FERTILIZERS & CROP INPUTS

### News Scan

- On Apr. 13<sup>th</sup>, reports indicated that Vale could be teaming up with Apollo Global Management to purchase Anglo American's niobium and phosphates fertilizer business in Brazil, for around \$1.5 billion. The news comes after Anglo said it wants to raise as much as \$4 billion from divestitures to cut net debt to under \$10 billion, amid a commodity price slump. Vale could extract synergies due to the proximity of Anglo's assets to its own, while Apollo could help provide capital at a time when many mining companies are struggling with weakened balance sheets and cash flow
  - Separate sources also indicated that The Mosaic Company and Eurochem Group could also be interested in the sale process, with binding bids expected in the next few weeks
- On Apr. 8<sup>th</sup>, Monsanto announced it will pull itself out of large-scale acquisitions in the seeds and agrichemicals industry, in order to focus on partnerships in research and development. Nearly a year after making a bid for rival Syngenta, the company now sees its best dealmaking opportunities in smaller acquisitions, licensing deals and partnerships

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market			TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
		Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
Agrium Inc.		14,485	19,403	9.9x	9.2x	14.2x	12.5x	1.6 %	(22.1)%
Potash Corp.		15,002	18,267	11.1x	10.1x	24.1x	19.8x	7.7 %	(44.5)%
Yara International ASA		12,765	14,434	6.0x	5.8x	12.7x	12.1x	3.6 %	(23.9)%
CF Industries Holdings, Inc.		7,748	13,424	7.4x	6.3x	12.7x	10.7x	7.1 %	(52.7)%
The Mosaic Company		10,064	12,724	7.9x	6.8x	18.7x	15.2x	9.3 %	(40.1)%
Nufarm Ltd.		1,474	2,395	8.5x	7.7x	16.2x	13.0x	(0.8)%	(18.9)%
Input Capital Corp.		103	73	3.6x	na	24.5x	na	3.2 %	(51.1)%
<b>Mean</b>				<b>7.4x</b>	<b>7.3x</b>	<b>18.2x</b>	<b>14.1x</b>	<b>5.0 %</b>	<b>(38.5)%</b>

1 "Fertilizers and Crop Inputs Index" is composed of equally weighted market prices for: Potash, Mosaic, Agrium, Yara, CF Industries, Nufarm and Input Capital

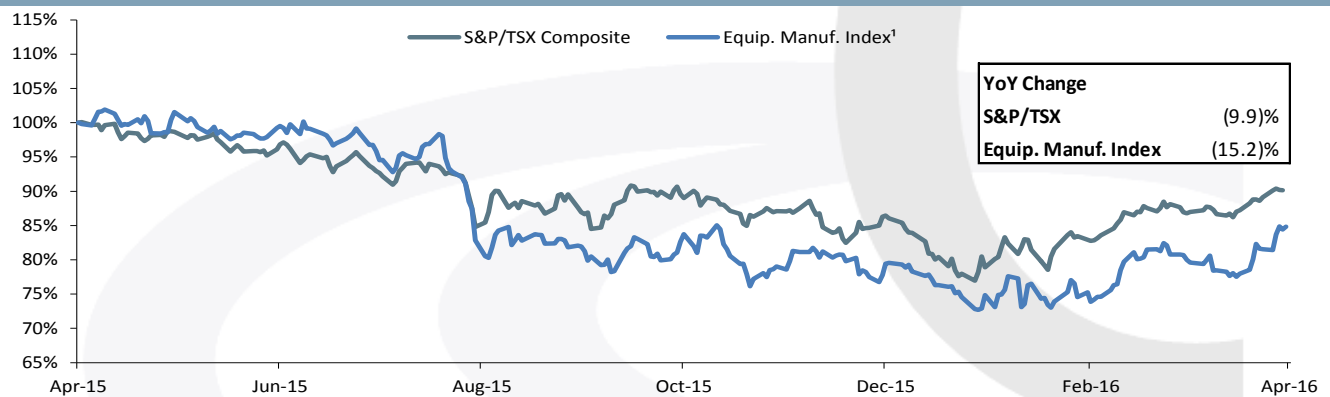


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Apr. 20<sup>th</sup>, Canadian Pacific Railway announced it will boost its quarterly dividend to 50¢/share, an increase of 43%, in addition to buying back 6.91 million shares, or about 5% of its public float, as the failure of its takeover of Norfolk Southern has freed up a significant amount of cash. CP's CEO, Hunter Harrison, went on to comment that he still believes consolidation in the industry is necessary in the longer term to reduce congestion and improve service for shippers - but Harrison acknowledged that consolidation likely won't happen before he retires in 2017
- On Apr. 11<sup>th</sup>, a report from RnR Market Research indicated that the worldwide market for agricultural drones may increase to \$3.69 billion by 2022, up over seven-fold from its current value of \$494 million. Drones are one way to help farmers gain higher productivity and more efficiently use their land, water and fertilizer resources, as well as provide the transparency in farming that consumers seek by enabling a digital method to track how food is processed and sourced
- On Apr. 7<sup>th</sup>, CLAAS and German dealer BayWa Ag announced partnership plans to open a new dealership in Alberta later this year. The expansion comes after CLAAS recently opened a parts centre in Regina. The partnership will help CLAAS continue its ambitious growth plans in Canada, and will allow BayWa to take a step into entering a new market in addition to its grain trading and fruit business, to achieve a more diversified international business

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
		Cap	TEV	2016E	2017E	2016E	2017E
Deere & Company	26,109	28,300	11.4x	12.3x	26.3x	28.5x	6.9 %
AGCO Corp	4,374	5,550	7.6x	7.4x	23.0x	20.3x	5.6 %
Ag Growth International Inc.	420	655	10.6x	8.5x	19.4x	15.4x	0.0 %
Cervus Equipment Corporation	149	407	10.5x	9.4x	13.0x	10.6x	2.1 %
Rocky Mountain Dealerships	100	126	5.3x	4.8x	9.3x	8.0x	3.3 %
<b>Mean</b>			<b>9.1x</b>	<b>8.5x</b>	<b>18.2x</b>	<b>16.6x</b>	<b>3.6 %</b>

1 "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth International and Cervus.





## ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

### News Scan

- According to a Statistics Canada survey released Apr. 21<sup>st</sup>, Canadian farmers expect to seed more lentils and peas and less canola, flax, oats and spring wheat this year. Farmers intend to plant a record 5.1 million acres of lentils, up 30% from last year and 4.3 million acres of peas, up 16% from last year, driven by back-to-back droughts in India, the world's largest importer of edible oils and pulses, which has boosted prices for imported pulses. Canola seedings would span 19.3 million acres, down 4% from last year, and all-wheat plantings were forecast at 23.8 million acres, down 1% from last year
- The average value of Canadian farmland increased 10.1% in 2015, according to Farm Credit Canada's annual appraisal update of 245 benchmark farms. The 2015 increase follows gains of 14.3% in 2014 and 22.1% in 2013. All provinces saw gains in farmland values, with Manitoba experiencing the highest average increase at 12.4%
- China plans to reduce corn planting in parts of the country by one-third, or 8.2 million acres, over five years and switch to crops such as soybeans or potatoes. The moves come after the government ended policies that supported corn prices, which resulted in huge stockpiles of corn as corn substitutes such as sorghum were imported at record levels
  - The plans come after China announced it is planning to boost its soy production to 19 million tons by 2020, or nearly 60% compared to soy output of 12 million tons in 2015, as it races to meet rising demand for the protein-rich food
- On Apr. 14<sup>th</sup>, Lantic Sugar, a subsidiary of Rogers Sugar, which owns the sugar factory in Taber, Alberta, announced it has expanded contracted sugar beet acres to 28,000 from 22,000 acres that were grown under contract last year. The company told growers it had received a substantial contract for sugar this year, and that, coupled with the lower Canadian dollar, led to expanded acreage
- According to a new U.S Grains Council report, Colombia's feed imports are likely to continue to expand significantly faster than historical trends have suggested, as the country's livestock sector is expected to increase output by more than 50% by 2030, and lagging crop production performance is projected to continue, which will force Colombia's livestock producers to depend on feed imports to support their expected expansion. U.S. feed grain exports to Colombia are expected to reach 5.5 million tonnes by 2020 and 7.8 million tonnes by 2030
- On Apr. 20<sup>th</sup>, Anheuser-Busch InBev announced its venture arm, ZX Ventures, is teaming up with Techstars to launch a new accelerator, Techstars Connection. The accelerator aims to foster connections between people and products more quickly and efficiently and to create elevated social experiences. Through this effort, AB InBev is positioning itself at the forefront of innovation, and it is able to oversee growth and evolution of the industry it currently leads
- On Apr. 18<sup>th</sup>, Technavio published its Global Organic Drinks report, which sees the organic drink market expanding through 2020 as a result of increases in product innovation, an expansion in the number of private label brands, and the expansion of organic wines and beers. Government regulations to curb the use of artificial flavors and ingredients in foods and beverages, and the widening of distribution channels for organics will supplement further growth in the sector

### Commodities Futures as of April 22<sup>nd</sup>, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:AC	\$ per bu.	\$3.75	6.00 %	6.83 %
Wheat (CBOT)	CBOT:AW	\$ per bu.	\$4.74	(0.29)%	3.47 %
Oats (CBOT)	CBOT:AO	\$ per bu.	\$2.07	11.96 %	(1.49)%
Rough Rice (CBOT)	CBOT:ARR	\$ per cwt.	\$10.76	10.25 %	(8.62)%
Barley (USDA)	USDA:A24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ARS	CAD per T	\$493.60	3.03 %	2.43 %
Ethanol (CBOT)	CBOT:ET	\$ per gal.	\$1.51	3.00 %	9.41 %



## Recent Earnings News

Ticker	Company	Last Quarter				
		Period Ended	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing						
ENXTPA:BN	Danone	31-Dec-15	11.7%	Organic revenue in the first quarter increased 3.5% as a result of robust baby food sales in Asia, stronger dairy product demand in North America, and a better than expected performance in the water division.	\$67.04	6.2%
Fertilizers & Crop Inputs						
OB:YAR	Yara International ASA	31-Mar-16	(75.0%)	EBITDA excluding special items was down 12% driven by lower fertilizer prices and deliveries, but partly offset by positive currency effects and lower energy cost. Global Yara fertilizer deliveries were 5% lower compared with first quarter 2015, mainly reflecting lower nitrate and compound NPK sales. All regions except Brazil saw lower sales.	\$349.79	6.5%

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