



Agriculture Industry Flash

Tuesday, February 16th, 2016

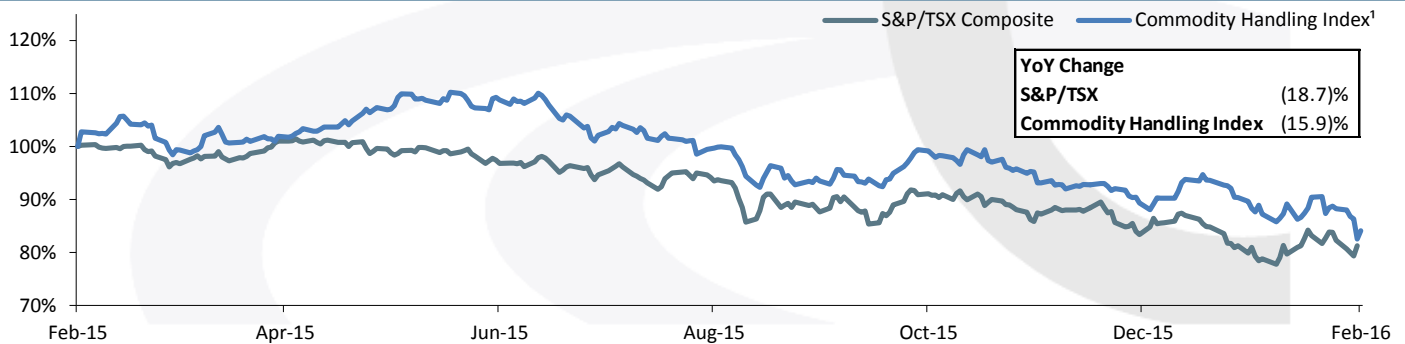


COMMODITY HANDLING

News Scan

- On Feb. 2nd, Archer Daniels Midland reported FY15 earnings of US\$1.85 billion, or \$2.98/share, compared to US\$2.24 billion, or US\$3.43/share in FY14. The decline is primarily as a result of industry headwinds, including declining global soybean crush margins affecting oilseeds processing, and declining US ethanol margins affecting corn processing
 - ADM also announced two acquisitions; the purchase of a Moroccan corn wet mill from Tate & Lyle, and a controlling stake in Harvest Innovations, a supplier of soy proteins, oils, and gluten-free ingredients. Both transactions support ADM's shift towards higher-margin products to combat current industry headwinds
- On Feb. 11th, The Andersons reported a net loss in FY15 of US\$13.1 million, or 46¢/share, compared to income of US\$109.7 million, or \$3.84/share, in FY14. The decline was due to excessive rains in the Eastern Corn Belt lowering crop production and weakened market conditions affecting the grain group. The decline was partially offset by record performance in rail, and strong execution in ethanol despite a very challenging energy environment
- On Feb. 11th, Bunge reported FY15 earnings of US\$1.23 billion, or \$4.83/share, an increase of 1.9% from FY14, driven by record earnings in Agribusiness of US\$1.05 billion, up 17.7% from \$895.0 million in FY14. Bunge saved ~US\$100 million annually from performance improvement initiatives, and leveraged its balanced global footprint to combat market conditions
- On Feb. 10th, Ceres Global Ag announced a loss of C\$13.4 million, or 50¢/share in FY3Q16, compared to earnings of C\$2.3 million, or 13¢/share, in the same period last year. The decline was due to lower wheat prices and increased supply from foreign markets due to the strength of the U.S. dollar, but partially offset by an 18% increase in sales as strong demand drove higher volumes

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
ADM	18,830	24,622	6.4x	6.5x	11.9x	12.0x	(4.8)%	(39.1)%
Bunge Limited	6,874	11,006	5.9x	5.9x	9.7x	7.8x	(13.4)%	(44.7)%
Graincorp Limited	1,354	1,884	10.0x	8.2x	37.2x	23.4x	(2.2)%	(19.3)%
The Andersons, Inc	666	1,115	5.4x	5.6x	13.4x	9.8x	(10.6)%	(49.8)%
AGT Food and Ingredients	591	870	12.6x	9.7x	19.1x	14.5x	2.0%	(5.8)%
Ceres Global Ag	109	175	na	na	na	na	(5.4)%	(23.9)%
Mean			8.1x	7.2x	18.3x	13.5x	(5.7)%	(30.4)%

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

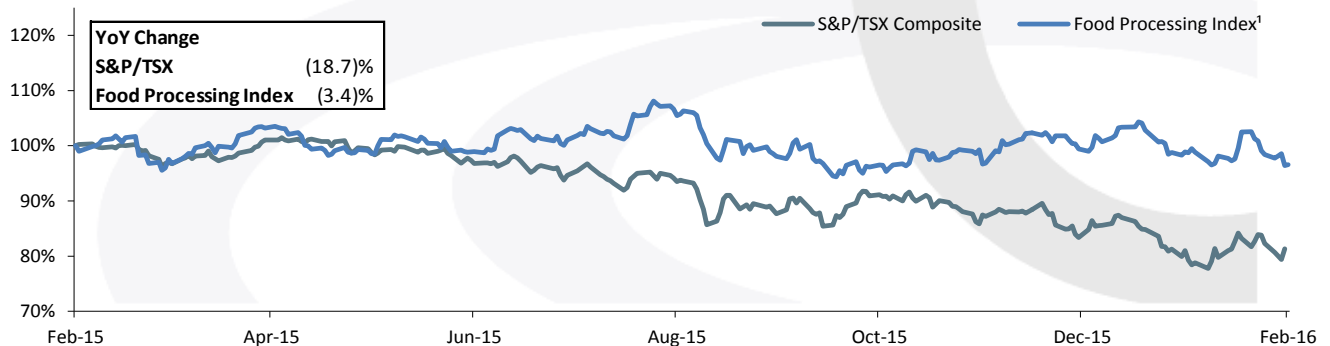


FOOD PROCESSING

News Scan

- On Feb. 11th, SunOpta announced it entered into a \$350 million five-year credit agreement for a senior secured asset-based revolving credit facility to replace its previous North American and European multi-purpose credit facilities. Funds from the expanded facility will be used to support working capital, fund future strategic initiatives, and for general corporate needs
- On Feb. 4th, Post Holdings reported FY1Q16 earnings of US\$25.5 million, or 15¢/share, compared with a loss of US\$97.0 million, or \$2.04/share in the same period last year, primarily due to sales and volume increases in ready-to-eat cereal, arising from the MOM acquisition, as well as strong demand in private brands
- On Feb. 11th, TreeHouse Foods reported FY15 earnings of US\$114.9 million, or \$2.63/share, up from US\$89.9 million, or \$2.23/share in FY14. Soft overall market conditions and weakness in the Canadian dollar were more than offset by improved margins due to strong operational efficiencies and favourable commodity costs
- On Feb. 5th, Tyson Foods reported record FY1Q16 earnings of US\$491.0 million, up 49% from the same period last year, as a result of lower feed prices and livestock costs, as well as significant cost initiatives expected to save -US\$500 million in FY16
- On Feb. 4th, Nestle announced it will buy out minority holders of Israel's largest listed foodmaker, Osem, for US\$840 million. While Nestle already owns 63.7% of Osem, full ownership will give it more flexibility in controlling operations and food pricing, which is of critical importance in Israel's tough political and consumer market
- On Feb. 4th, Ingredion purchased Chinese state-owned Shandong Huanong Specialty Corn for an undisclosed sum, to enhance its capacity in the rapidly-growing Asia-Pacific region with a vertically integrated manufacturing base for specialty ingredients

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
			2015E	2016E	2015E	2016E		
ConAgra Foods, Inc.	17,478	26,085	12.3x	12.7x	18.1x	17.2x	5.6%	(8.6)%
George Weston Limited	9,356	22,486	8.4x	7.7x	18.0x	15.7x	(1.2)%	(10.6)%
Ingredion Incorporated	7,658	9,236	10.3x	9.6x	16.8x	15.4x	(3.2)%	(6.1)%
Tate & Lyle plc	3,638	4,426	9.7x	9.4x	14.4x	14.7x	(8.9)%	(19.0)%
Maple Leaf Foods Inc.	2,194	1,982	13.0x	8.7x	41.2x	20.6x	(0.7)%	(6.7)%
SunOpta Inc.	428	709	11.4x	7.9x	24.0x	16.7x	(3.3)%	(53.5)%
Mean			10.8x	9.3x	22.1x	16.7x	(2.0)%	(17.4)%

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

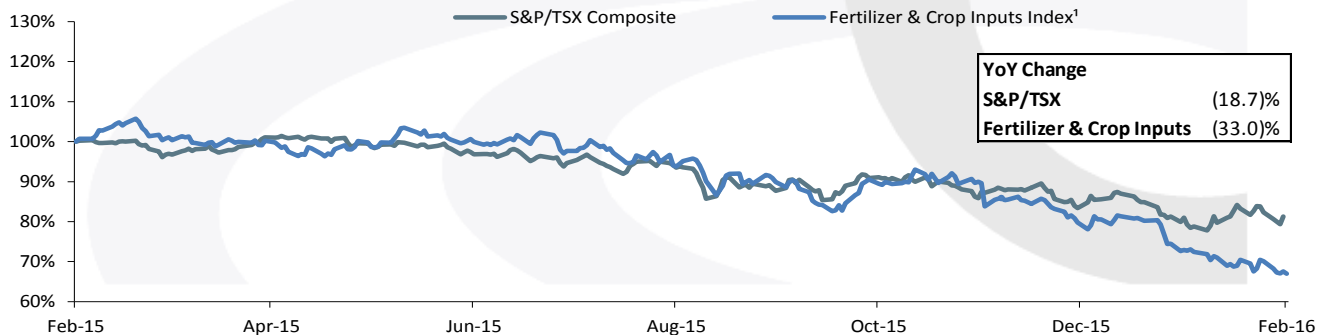


FERTILIZERS & CROP INPUTS

News Scan

- On Feb. 3rd, ChemChina offered ~US\$43 billion cash to buy Syngenta, or US\$465 per ordinary share plus a special dividend of CHF 5 to be paid before closing. Syngenta's board is unanimously recommending the offer to shareholders
- On Feb. 9th, Agrium reported FY15 earnings from continuing operations of US\$988.0 million, or \$6.98/share, up 24% from US\$798.0 million, or \$5.51/share, in FY14. Despite lower nutrient prices and a challenging commodity market, Agrium's integrated strategy stabilized earnings, as evidenced by higher sales volumes in nitrogen and potash, while still managing to significantly lower production costs
- On Feb. 11th, Mosaic reported FY15 net income of US\$1.0 billion, or \$2.78/share, constant with earnings in the prior year, despite a 2% decline in net sales. Cost-savings initiatives, including lowering cash cost per production and SG&A by 16% and 6% respectively, strategic investments, and prudent balance sheet management enabled Mosaic to increase its margins, offsetting lower sales volumes and potash prices, as well as lower phosphate margins
- On Feb. 11th, Yara International reported FY4Q15 earnings of NOK 434.0 million, or NOK 1.58/share, down from NOK 1,860.0 million, or NOK 6.74/share in the same period last year. The decrease was as a result of negative price trends for all nutrient commodity prices, weaker farm economics in key producing regions, and significant downtime in several plants affecting production volumes; the decline was partially offset by continued growth in Brazil, especially in premium product deliveries
- On Feb. 1st, CF Industries and CHS announced they have commenced their nitrogen fertilizer strategic venture, which entitles CHS to purchase up to 1.1 million tonnes of granular urea and 580,000 tonnes of UAN annually from CF Industries for ratable delivery, representing 8.9% of CF's total production capacity once capacity expansion projects are completed in 2016

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
		2015E	2016E	2015E	2016E		
Agrium Inc.	13,891	18,804	8.6x	9.3x	11.7x	12.9x	(4.6)% (21.9)%
Potash Corp.	13,065	16,025	7.9x	10.0x	13.7x	21.6x	(8.2)% (54.6)%
Yara International ASA	12,268	13,870	5.5x	5.6x	11.1x	na	(5.7)% (28.9)%
CF Industries Holdings, Inc.	6,769	11,773	6.0x	5.3x	7.8x	8.2x	0.1% (57.3)%
The Mosaic Company	8,725	11,378	5.1x	6.8x	8.8x	10.1x	(7.8)% (57.4)%
Nufarm Ltd.	1,212	1,787	7.9x	6.9x	18.3x	13.1x	(0.5)% (27.4)%
Input Capital Corp.	91	72	4.6x	4.3x	36.4x	27.0x	(7.4)% (52.8)%
Mean			6.1x	6.5x	16.0x	16.0x	(4.9)% (46.4)%

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

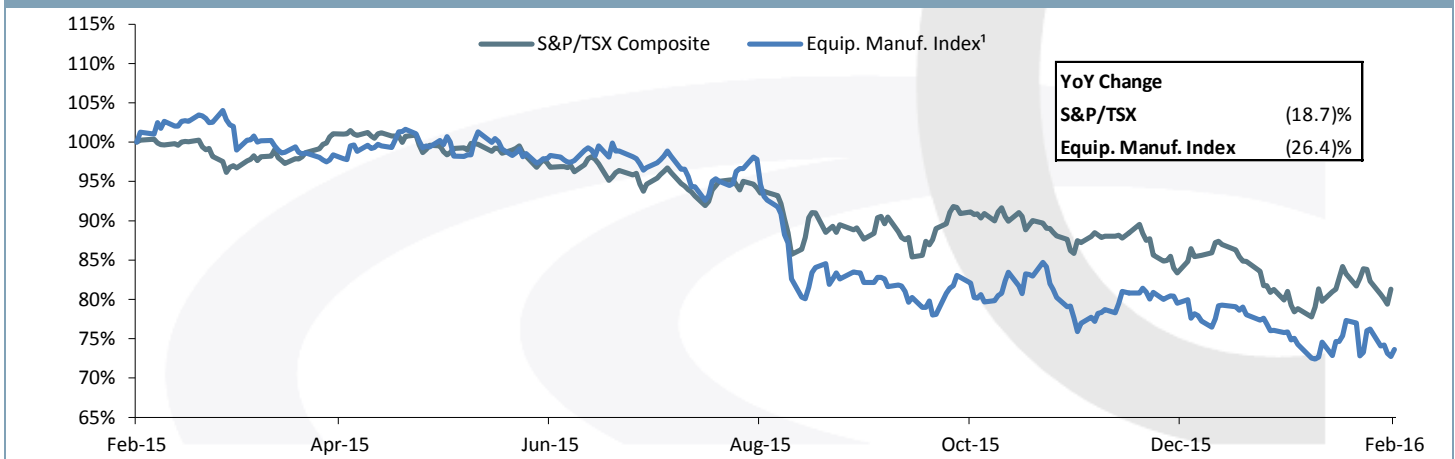


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Feb. 2nd, AGCO reported FY15 earnings US\$266.4 million, or \$3.06/share, down from US\$410.4 million, or \$4.36/share in FY14. Sales for the year declined by 23.2%, from US\$9.72 billion to US\$7.47 billion due to weaker industry demand and dealer inventory reductions. Earnings were also affected in South America, Europe, and Asia/Pacific due to weak industry conditions and unfavourable currency translation. Despite the challenging market conditions, the company has worked aggressively to better align costs and working capital, with inventory reductions contributing over US\$300 million in free cash flow
 - AGCO also announced that it plans to invest about US\$295 million in 2016 on technology and new products, up from US\$122 million in 2015. Precision agriculture software has become a top priority as commodity prices have fallen, and the company announced it is looking to cooperate with German-based 365FarmNet, a farm management and software company
- On Feb. 5th, GEA Group announced it will acquire Italian-based Imaforni International, for an undisclosed sum. Imaforni is a supplier of industrial processing equipment and solutions for the biscuits industry, generating €85 million in sales in FY2015. GEA said the acquisition of Imaforni is “highly complementary” to its acquisition of Comas that took place last year, and makes GEA a market leader for sophisticated equipment in the biscuits industry

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
	Cap	TEV	2015E	2016E	2015E	2016E		
Deere & Company	24,199	27,360	10.9x	11.8x	24.2x	26.3x	(0.2)%	(20.3)%
AGCO Corp	3,907	5,078	6.9x	6.7x	14.1x	19.7x	(3.4)%	(21.0)%
Ag Growth International Inc.	266	503	8.9x	7.7x	12.9x	9.9x	(5.9)%	(54.5)%
Cervus Equipment Corporation	132	385	11.7x	9.8x	15.7x	9.9x	(5.6)%	(40.0)%
Rocky Mountain Dealerships	83	107	4.8x	4.4x	7.7x	6.8x	(7.7)%	(36.0)%
Mean			8.7x	8.1x	14.9x	14.5x	(4.6)%	(34.4)%

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

- On Feb. 11th, Glencore reported its total agriculture production for 2015 was 11.5 million tonnes, up 6.4% from 10.8 million tonnes last year, driven by increased oilseed crush volumes, reflecting the acquisitions of the Magdeburg plant in Germany and the Becancour (TRT) plant in Canada
- Production data from the Kazakhstani Statistical Agency shows total grain production in 2015 at 18.2 million tonnes and total wheat production at 13.7 million tonnes, 6% more than last year. The increase in wheat production can be attributed to a strong harvest and a greater use of mineral fertilizer treatments, though the area is reported to have high moisture content, resulting in lower quality wheat and additional costs for drying
- On Jan. 29th, the U.S. Department of Agriculture's (USDA) Foreign Agricultural Services (FAS) reported Canada's combined production of wheat, barley, corn and oats is forecast to fall marginally in 2016-17 as a result of a 10% decrease in corn which will be offset by small increases in wheat and barley production. The weakness of the Canadian dollar compared to the U.S. dollar has been helping Canada aggressively export grain in the 2015-16 marketing year but will likely weaken in the coming months as oil is expected to recover somewhat and the Canadian dollars strengthens. Further, corn production will see a decline as it loses acreage to soybeans
- Buckwheat flour is a hot item in parts of Quebec and Ontario, thanks in part to the gluten-free consumer trend. Buckwheat is selling at C\$16.50 per bushel in Manitoba, and plantings have increased to 10,000 acres in 2015, up from 4,000 - 5,000 historically. Consumers, particularly in Quebec, are paying a premium for the gluten-free wheat alternative
- On Feb. 11th, Archer Daniels Midland announced it is conducting a strategic review of its dry mill ethanol plants, particularly searching for partnerships or sale of assets. The review comes as ADM seeks to shift its focus to developing new food ingredients as domestic demand for ethanol is forecast to remain flat over the next decade
- On Feb. 4th, Canada joined 12 other countries in signing the Trans-Pacific Partnership agreement, with the deal now only awaiting ratification. The ratification period is two years and requires six countries representing 85 percent of the collective gross domestic product. The Canadian Agri-Food Trade Alliance urged swift ratification by all countries as greater access to Japan and Vietnam would benefit agricultural exporters because tariffs on products such as canola, wheat, beef and pork would be removed
- According to the Canadian Agricultural Human Resource Council, with oil field job losses, worker interest in the ag sector is increasing. However, the majority of interest is in agribusiness, rather than on-farm roles which still face a critical labour shortage

Commodities Futures as of February 12th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:AC	\$ per bu.	\$3.63	(2.12)%	3.42 %
Wheat (CBOT)	CBOT:AW	\$ per bu.	\$4.62	(2.71)%	0.90 %
Oats (CBOT)	CBOT:AO	\$ per bu.	\$1.96	(0.51)%	(6.72)%
Rough Rice (CBOT)	CBOT:ARR	\$ per cwt.	\$10.77	(2.18)%	(8.54)%
Barley (USDA)	USDA:A24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ARS	CAD per T	\$476.20	1.08 %	(1.18)%
Ethanol (CBOT)	CBOT:ET	\$ per gal.	\$1.39	(3.00)%	0.51 %



In other news...

- Sonoma Brands and Barnraiser have announced a partnership that joins a food and beverage products incubator and venture fund with a social and funding community that specifically focuses on sustainable and better-for-you foods
 - For Barnraiser members, Sonoma Brands offers training and mentorship to ensure those entrepreneurs are equipped to best utilize the crowdfunded capital they've earned and to grow into mature, disruptive brands
 - Barnraiser brings to the partnership the food and beverage entrepreneurs of tomorrow that will lead this industry disruption with products that are healthy and sustainable
 - Jon Sebastiani, founder of Sonoma Brands, hopes that an influx of healthy and sustainable food and beverage startups could put pressure on larger manufacturers to make their own products healthier and more sustainable to compete and stay relevant as consumers' preferences continue to change
- It was an exciting start to February for the startup world, with food and beverage startup accelerator AccelFoods launching a new \$20 million fund to provide capital assistance to startups from pre-seed through Series B stages
 - AccelFoods focuses on producers of foods without allergens and gluten, foods classified as ethnic, foods that contain natural ingredients and targeted to the on-the-go market
 - Its first investments include makers of on-trend ingredients, including gluten-free noodles, mung beans savory snacks, brewed ice coffee, and compressed tea
 - Venture firms have increased food and beverage investments in recent years. The record segment investment total for 2015 was \$603 million across 48 deals, an increase of 60% over the \$377 million raised across 46 deals in 2014, according to Dow Jones VentureSource data
 - That number stands to increase further in 2016 with the recent debuts of food and beverage investment groups like General Mills' 301 Inc., Edible Ventures, and CAVU Venture Partners

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