



Agriculture Industry Flash

Tuesday, January 19th, 2016

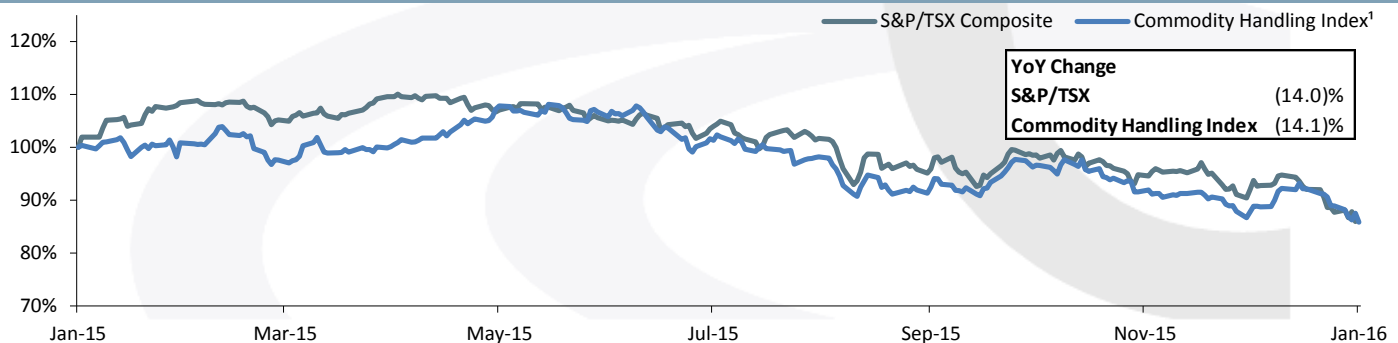


COMMODITY HANDLING

News Scan

- On Jan. 7th, Cargill reported FYQ2 earnings of US\$1,390 million, up 77% from earnings of US\$784 million in the same period last year. The increase is primarily due to gains on the sale of the U.S. pork business, and performance gains in key global businesses, including animal nutrition, and grain and oilseed processing
- On Jan. 7th, CHS Inc. reported FYQ1 earnings of US\$267 million, down 30% from US\$379 million in the same period last year. The decrease was largely due to lower selling prices for its energy and grain products due to deteriorating commodity prices, but was partially offset by improvements in processing and food ingredients resulting from higher soybean crushing margins
- On Jan. 11th, Olam announced it has acquired Amber Foods Ltd. for a total consideration of US\$275 million. Amber owns the wheat milling and pasta manufacturing assets of BUA Group in Nigeria, strengthening Olam's position as a top wheat miller and pasta player in the rapidly growing country and increasing its total wheat milling capacity from 2,380 TPD to 6,140 TPD
- On Jan. 5th, Viterra announced it has entered into an agreement with Pacific Coast Canola which will see PCC crush canola for Viterra at PCC's plant in Washington, in a move that expands Viterra's processing capacity. Further, Viterra's affiliate, Glencore Grain Investment, has increased its ownership in PCC to 50% from 16%, for no cash consideration
- On Jan. 15th, Ingredion stated it plans to invest US\$30 million in order to expand its Mexico-based San Juan Del Rio facility to support growing demand for its core and specialty products in the growing and profitable region
- On Jan. 15th, BroadGrain Commodities announced it plans to spend up to C\$25 million building a new high throughput elevator in Winnipeg, as well as a bean-processing and container packing facility, expanding the Company's footprint on Canadian soil and increasing its ability to handle high volume crops such as wheat, canola and soybeans

Relative Performance Index



Key Indicators

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
ADM	18,803	24,593	6.3x	5.8x	11.6x	10.2x	(8.4)%	(40.9)%
Bunge Limited	8,890	12,630	6.6x	5.8x	12.0x	9.6x	(6.5)%	(33.6)%
Graincorp Limited	1,209	1,723	9.4x	7.7x	34.6x	22.0x	(3.9)%	(25.8)%
The Andersons, Inc	747	1,264	6.2x	5.1x	14.1x	9.9x	(8.9)%	(45.3)%
AGT Food and Ingredients	593	862	13.0x	10.1x	20.0x	15.2x	4.5 %	(0.5)%
Ceres Global Ag	105	161	na	na	na	na	(4.1)%	(18.1)%
Mean			8.3x	6.9x	18.5x	13.4x	(4.5)%	(27.4)%

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

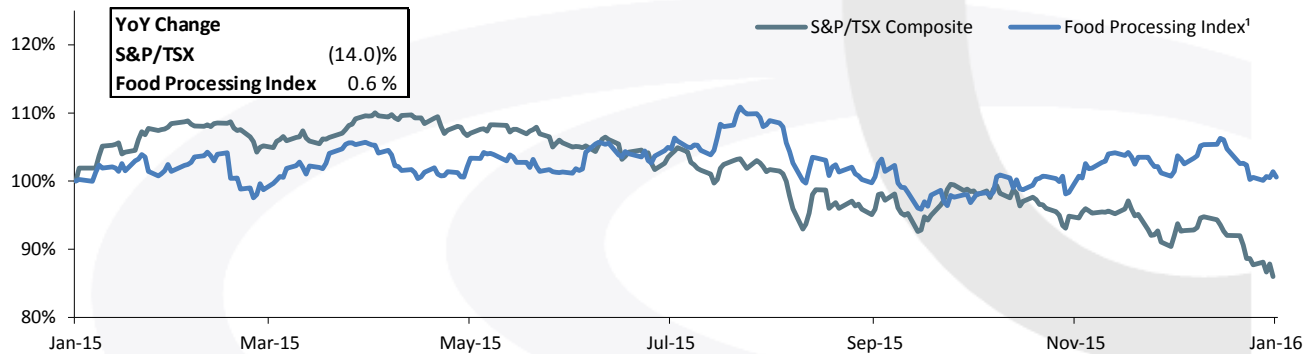


FOOD PROCESSING

News Scan

- On Jan. 8th, Constellation Brands reported FYQ3 earnings of US\$271 million, up 22% from US\$211 million in the same period last year due to strong beer sales. The segment continues to benefit from Constellation's acquisition of Grupo Modelo in 2013, which has generated double-digit sales growth as consumer preferences move towards import and craft brands over domestics
 - The Company also announced it will invest US\$1.5 billion to construct a second Mexico brewery in Mexicali, enabling Constellation to keep up with surging demand for its Mexican beer portfolio
- On Jan. 14th, Brown-Forman Corporation announced it will sell its Southern Comfort and Tuaca liqueur brands to Sazerac Co. in a deal valued at US\$544 million. The sale fits Brown-Forman's strategy to divest challenged or noncore brands, as Southern Comfort has lost market share due to the rise in popularity of Sazerac's Fireball brand
- On Jan. 14th, the WSJ reported private equity firm Brynwoods Partners will acquire Sunny Delight Beverages Co. for US\$195 million. While consumer tastes have shifted away from sugary drinks, Sunny Delight's recognizable design and loyal customer base is appealing to the firm. Brynwoods, owner of several juice brands, also plans to leverage relationships formed via existing brands to push Sunny Delight to more retailers
- On Jan. 6th, General Mills announced it has acquired Epic Provisions, a producer and marketer of a variety of meat snacks for an undisclosed sum. The acquisition positions General Mills for growth in a new natural snacking category, while giving Epic scale to increase consumer reach as well as the impact of the business on grassland regeneration and livestock management

Relative Performance Index



Key Indicators

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
			2015E	2016E	2015E	2016E		
ConAgra Foods, Inc.	16,901	25,484	12.0x	12.4x	17.6x	16.6x	(3.7)%	(14.2)%
George Weston Limited	9,151	21,795	8.4x	7.7x	18.2x	15.9x	(0.3)%	(9.6)%
Ingredion Incorporated	6,387	8,078	9.0x	8.5x	15.3x	14.0x	(2.1)%	(10.4)%
Tate & Lyle plc	4,024	4,804	10.5x	10.1x	16.1x	16.4x	3.3 %	(11.6)%
Maple Leaf Foods Inc.	2,107	1,903	12.8x	8.6x	40.8x	20.4x	(1.8)%	(6.9)%
SunOpta Inc.	559	833	13.9x	9.7x	32.6x	22.6x	9.7 %	(36.8)%
Mean			11.1x	9.5x	23.4x	17.7x	(0.9)%	(10.5)%

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

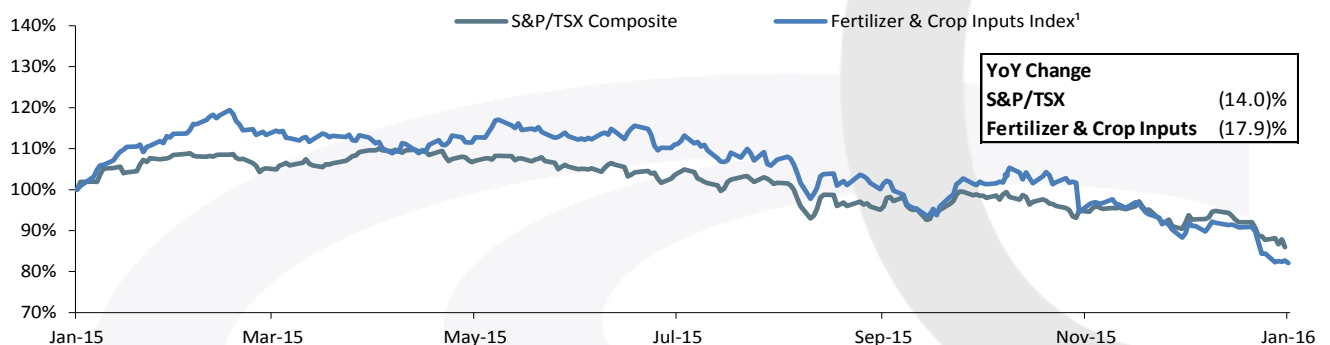


FERTILIZERS & CROP INPUTS

News Scan

- On Jan. 6th, Monsanto reported a net loss of US\$253 million in FYQ1, or 56¢/share, compared to a profit of US\$243 million, or 50¢/share in the same period last year. The loss was primarily attributed to currency losses, low commodity prices, and tighter spending by farmers, but was lower than analyst expectations as a result of rising soybean sales in Brazil
 - Monsanto also trimmed its 2016 earnings outlook to come within the lower end of expectations, partly due to a weak currency in Argentina. The Company also announced it will cut a further 1,000 jobs, bringing the total cuts to 3,600 jobs, or about 16% of its global workforce, through fiscal 2018
- On Jan. 4th, Scotiabank analysts issued a note suggesting Potash Corp. should purchase Intrepid Potash Inc. at up to a 50% premium, after failing in its bid last year for K+S AG. Intrepid is the largest U.S. producer of muriate-of-potash, also known as potassium chloride. Scotiabank stated Potash Corp. could benefit from shutting Intrepid's muriate-of-potash business and transferring production to Canada while continuing to run Intrepid's specialty potash business
- On Jan. 11th, Input Capital Corp. reported record canola streaming sales volumes in FYQ3 of 31,296 MT, up 282% from 8,182 MT in the same period last year. The increase was as a result of changes to its canola sales program, including focusing sales on canola crushers, which are less reliant on rail movement, and placing an emphasis on early canola movement and sales

Relative Performance Index



Key Indicators

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
Potash Corp.	13,640	16,432	8.3x	8.7x	14.7x	14.9x	4.0 %	(49.7)%
Agrium Inc.	17,111	22,840	10.5x	10.4x	17.4x	16.3x	5.7 %	(15.5)%
Yara International ASA	11,902	12,926	5.0x	5.1x	10.5x	10.7x	(4.7)%	(22.5)%
CF Industries Holdings, Inc.	7,358	12,363	6.1x	5.1x	8.1x	7.4x	(6.7)%	(55.1)%
The Mosaic Company	8,979	11,543	5.1x	5.1x	8.9x	8.8x	2.2 %	(52.7)%
Nufarm Ltd.	1,317	1,876	8.5x	7.4x	20.5x	14.5x	(8.3)%	(18.7)%
Input Capital Corp.	85	67	4.5x	4.2x	nmf	22.9x	(5.9)%	(53.6)%
Mean			6.9x	6.6x	13.4x	13.6x	(1.9)%	(38.3)%

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

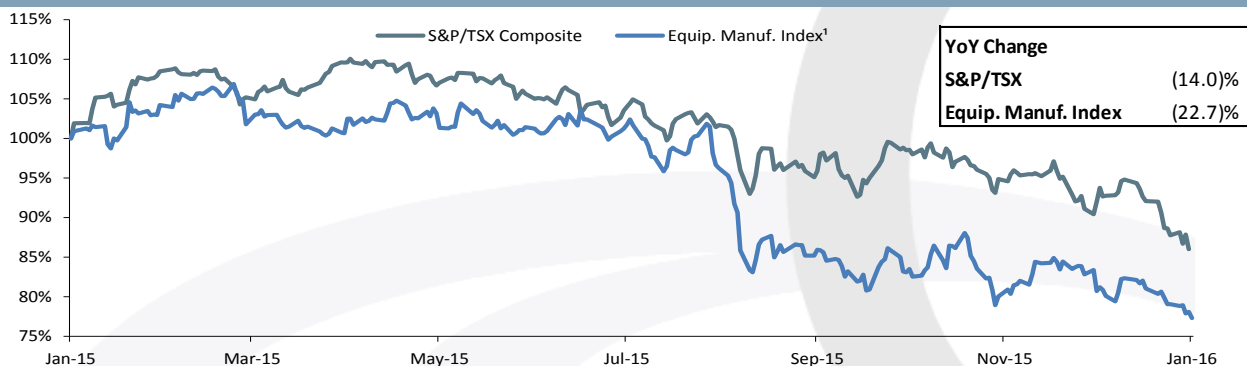


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Jan. 12th, Canadian Pacific Railway renewed its call for a merger with Norfolk Southern Corp. in a nine-page white paper. The Company stated that the US\$28-billion takeover of Norfolk Southern is needed to meet the current and future demands of North American economic growth, while easing rail congestion without the need to add track or terminals amid increasing government oversight. The merger fight could come to a proxy battle at Norfolk Southern's upcoming annual meeting
- On Jan. 5th, Deere & Co. announced it has elected Brian Krzanich, CEO of Intel Corp., to the Company's board of directors, citing his depth of leadership experience in technology, manufacturing and supply chain management as a valuable addition to the Company's board
- On Jan. 14th, a private investor group announced the acquisition of Bestway Inc., a manufacturer and marketer of agricultural field sprayers and a leading supplier of spray boom height control systems in the U.S, for an undisclosed sum. The acquisition will introduce updated technology with an increased emphasis on new product development and marketing

Relative Performance Index



Key Indicators

	Market		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price High
	Cap	TEV	2015E	2016E	2015E	2016E		
Deere & Company	23,157	26,267	10.4x	11.2x	23.2x	25.2x	(0.9)%	(25.6)%
AGCO Corp	3,825	4,996	6.8x	6.6x	13.9x	18.7x	(0.8)%	(22.7)%
Ag Growth International Inc.	329	559	10.3x	8.8x	16.9x	12.3x	(7.0)%	(50.7)%
Rocky Mountain Dealerships	76	99	4.5x	4.0x	7.4x	6.4x	(11.5)%	(40.4)%
Cervus Equipment Corporation	140	257	8.1x	6.7x	16.6x	10.4x	(2.1)%	(36.6)%
Mean			8.0x	7.5x	15.6x	14.6x	(4.4)%	(35.2)%

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 Jan. 14th, the United Nations' Food and Agriculture Organization reported that global food prices plunged 19% last year, making it the fourth consecutive annual fall in prices. Abundant supplies against timid world demand in a generally slowing global economy were cited as the main reasons for the weakness in food prices
- On Jan. 6th, the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) reported that Argentina has eliminated its export permit system for grains and oilseeds, replacing it with a reporting mechanism to track exports through Affidavits of Foreign Sale, thereby dropping the pre-approval requirement for export sales
 - Removing the export restrictions along with the recent devaluation of the Argentine peso and adjustments to export taxes are expected to increase export sales in the next months. In the long term, this change will encourage higher production of corn and wheat
- On Jan. 13th, Danish food ingredients maker Chr. Hansen announced it will buy Nutrition Physiology Company for a total consideration of US\$185 million, in order to increase its presence in the microbial solutions for the U.S. livestock industry and create a broader platform in probiotics that help farmers improve productivity and health through natural means
- Fertilizer Canada's Agricultural Ammonium Nitrate Code of Practice is now in full force -embodying robust industry standards for the safety and security of agricultural ammonium nitrate fertilizer. The Code requires manufacturers, distributors, and agri-retailers who are Fertilizer Canada members to provide their employees with accessible training resources and information and to assist in complying with federal regulations
- South Africa's worst drought in over a hundred years has devastated crops. The corn crop last year, when South Africa recorded its lowest average rainfall since records began in 1904, was down a third to less than 10 million tonnes, and the harvest is expected to be much lower this year and may require the country to import half of its corn requirements. Analysts also expect food prices to increase 15-20% due to the drought and the diminishing Rand, which slid 25% in 2015
- Campbell Soup announced it will label all its U.S. products for the presence of ingredients derived from GMOs, enforcing that it supports the enactment of federal legislation for a single mandatory labelling standard for food derived from GMOs and that it also supports a U.S. national standard for non-GM claims made on food packaging
- South Korea has lifted its ban on Canadian beef, which it imposed when Canada reported a case of BSE (mad cow disease) in a cow tested last February. South Korea was Canada's sixth-largest market for beef in 2014 and the resumption of beef trade is vital as the country typically pays a premium for cuts and offal that are less popular in North America
- Elgin wheat, a high-yielding American variety developed by plant breeders at North Dakota State University, is now available to Canadian growers for the first time. Elgin ND is an attractive option for wheat growers on the Eastern Prairies looking to minimize costs, and will be offered by Ceres Global Ag Corp. at prices of C\$5.90/bu to C\$6.10/bu for early fall delivery
- The El Nino phenomenon is expected to weaken during the Northern Hemisphere's spring and transition to normal conditions by late spring or early summer, a U.S. government weather forecaster reported on Jan. 14th

Commodities Futures as of January 15th, 2015

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:AC	\$ per bu.	\$3.63	3.38 %	3.38 %
Wheat (CBOT)	CBOT:AW	\$ per bu.	\$4.73	3.33 %	3.33 %
Oats (CBOT)	CBOT:AO	\$ per bu.	\$1.98	(5.65)%	(5.65)%
Rough Rice (CBOT)	CBOT:ARR	\$ per cwt.	\$10.67	(9.39)%	(9.39)%
Barley (USDA)	USDA:A24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ARS	CAD per T	\$484.70	0.58 %	0.58 %
Ethanol (CBOT)	CBOT:ET	\$ per gal.	\$1.37	(0.87)%	(0.87)%



In other news...

- Droughts and extreme heat have cut cereal production around the world by an average of 9.0% in the last half-century, according to a study published in the Nature Journal.
 - Cereal production losses averaged 13.7% in drought years from 1985, compared with 6.7% during earlier droughts
 - According to researchers, the trend could be caused by any combination of rising drought severity, increasing vulnerability and exposure to drought and greater reporting of drought events
 - The study highlights the urgency for the global cereal production system to adapt to extremes in a changing climate and its findings may help guide agricultural priorities and adaptation efforts to better protect farming systems and the populations that depend on them
- Last week was potato time in Las Vegas, with the hosting of the biggest potato event of the year, Potato Expo 2016
 - Over 2,000 growers, suppliers, and experts attended the trade show, which ran from Jan. 12 to Jan. 14. Among them was Spud Nation, which partnered alongside the United States Potato Board to launch a potato-based food truck
 - The trucks will serve 9 menu items made with a vast array of U.S. potato products, and are expected to generate \$250,000 in sales per truck, thanks to the growing demographic of “Vibrant Diners” who are classified as adventurous eaters who favour potatoes, averaging 5.2 weekly potato meal occasions
 - The venture is part of USPB’s broader plan to carry its message to market and leverage the messaging and health benefits of potatoes amid declining potato consumption in the country
 - In the U.S., per capita consumption of potatoes in 2014 amounted to 111.2 pounds per year, a 17.4% decline from 134.6 pounds per year in 2004
- With plans to sell nearly a quarter of a million hectares of Crown-owned farmland, Saskatchewan’s agriculture minister is offering the farmland at a 15% discount to the appraised value if purchased before March 31, 2016
 - The incentive is designed to encourage those who currently lease the land to buy it before the end of March, and will drop to a 10% discount on April 1, 2016, and a 5% discount on January 1, 2017
 - The government said it expects to sell about 242,000 hectares (600,000 acres) of land deemed to have “no public and low environmental benefit”
 - Lyle Stewart, Minister of Agriculture, suggests “it’s the best time to buy” as interest rates are low, and rent prices will increase 15% next year, and 30% the year after

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