



Agriculture Industry Flash

Monday, January 4th, 2016

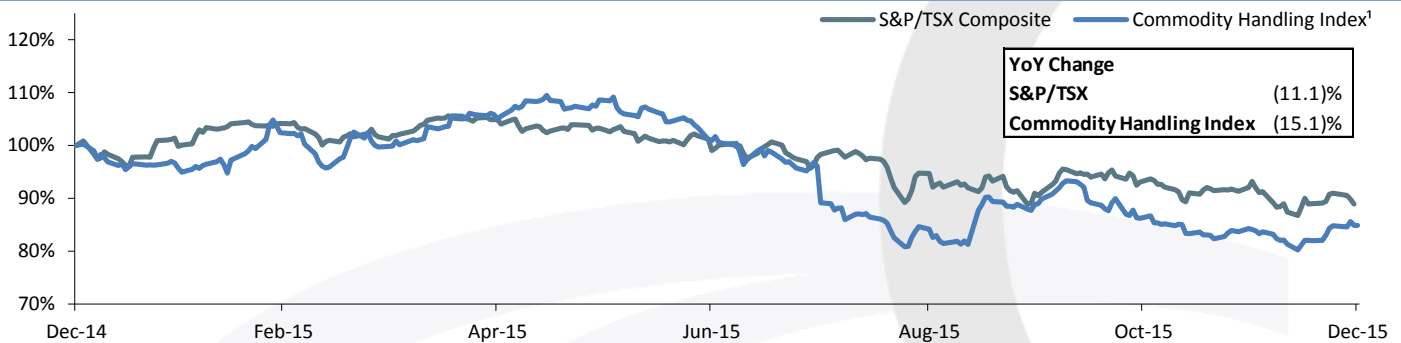


COMMODITY HANDLING

News Scan

- On Dec. 22nd, Noble Group announced it has sold its 49 percent stake in Noble Agri for US\$750 million to state-owned Chinese food processor, COFCO International. The deal comes after Noble's announcement in November that it will seek to raise US\$500 million through asset sale and strategic transactions. Post-transaction, Noble reported that its financial metrics are well in excess of those required of an investment grade credit
- On Dec. 31st, The Andersons announced it will commence expansion of an ethanol facility located in Albion, Michigan, in hopes to double the facility's production capacity. The facility was engineered for future expansion, and has highly efficient operations, making it a compelling investment for expansion to meet the growing supply of corn crop in Michigan
- On Dec. 21st, ADM reported that it will partner with Kinder Morgan (KMI) and Bailey Feed Mill to construct a new unit train rail facility and ethanol offloading system in Selma, North Carolina. KMI will invest in and construct the new facilities, which will be located at the Bailey Feed Mill and will have the ability to offload up to 96 railcar-long unit trains in a 24-hour period

Relative Performance Index



Key Indicators

	Market	Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
				2015E	2016E	2015E	2016E		
ADM		21,888	27,754	7.2x	6.6x	13.5x	11.9x	0.0 %	(31.2)%
Bunge Limited		9,822	13,569	7.0x	6.2x	13.3x	10.6x	0.8 %	(26.6)%
Graincorp Limited		1,437	1,982	10.3x	8.4x	38.8x	24.7x	5.9 %	(16.7)%
The Andersons, Inc		880	1,399	7.1x	5.9x	16.6x	11.7x	(3.4)%	(41.2)%
AGT Food and Ingredients		583	863	12.5x	9.6x	18.8x	14.3x	(0.6)%	(4.8)%
Ceres Global Ag		118	176	na	na	na	na	0.0 %	(12.3)%
Mean				8.8x	7.4x	20.2x	14.6x	0.4 %	(22.1)%

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

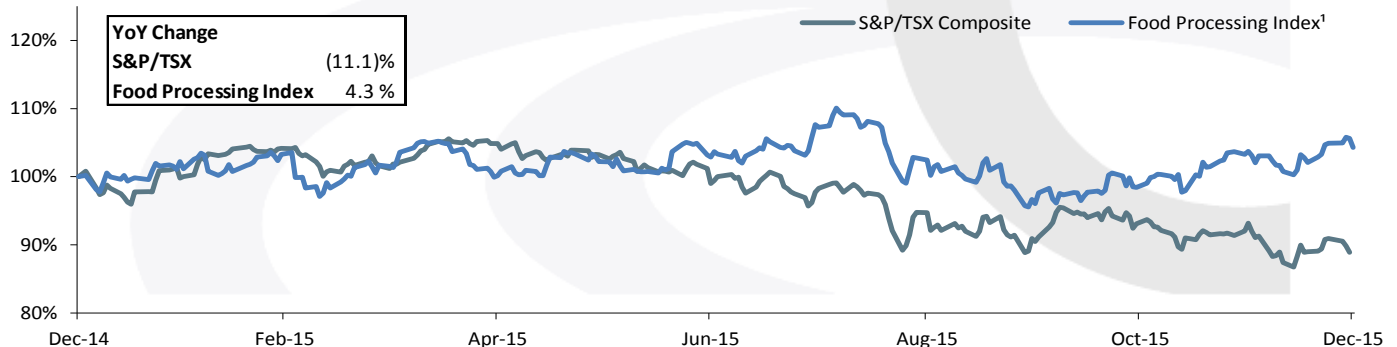


FOOD PROCESSING

News Scan

- On Dec. 22nd, ConAgra Foods reported FYQ2 earnings of US\$154.9 million, or 35¢/share, up significantly from \$10 million or 2¢/share in the same period last year. Adjusted earnings, which include the benefits related to the sale of the private-label business, were 71¢/share, up 16% from 61¢/share in the same period last year. While sales dipped slightly, cost cutting measures and the planned sale of its private-label business drove adjusted earnings well above analyst estimates.
 - ConAgra also announced it plans to further innovate its portfolio and enhance focus on wellness and authenticity. Along with innovation, ConAgra will look to pursue strategic acquisitions to further align with consumer trends, and divest any businesses that no longer fit within its new strategic focus
- On Dec. 22nd, AB InBev announced plans to acquire Colorado-based Breckenridge Brewery for an undisclosed sum. Through a unique portfolio of brands such as Vanilla Porter and Agave Wheat, Breckenridge expected to sell ~70,000 barrels of beer in 2015. The acquisition marks AB InBev's third craft brewery acquisition in the month of December, supporting the company's goal to expand its craft and imports business, while enabling local craft breweries to benefit from AB InBev's advanced distribution network in the U.S.
- On Dec 22nd, the U.S. Commodity Futures Trading Commission (CFTC) has been permitted to move forward in their lawsuit alleging that Kraft illegally drove down wheat prices in 2011, by buying more wheat futures contracts than it could have used thus driving the demand and cash price of wheat down, and earning US\$5.4 million in profit in the process. While Kraft has not responded to the allegations, some analysts and industry experts believe they are being singled out for behavior that traders engage in on a daily basis

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.	18,252	26,896	12.7x	13.1x	19.0x	17.9x	(0.6)%	(7.3)%
George Weston Limited	9,857	23,078	8.6x	7.8x	18.8x	16.4x	(0.2)%	(6.9)%
Ingredion Incorporated	6,857	8,563	9.6x	9.0x	16.4x	15.0x	(1.5)%	(3.8)%
Tate & Lyle plc	4,120	4,925	10.5x	10.2x	16.0x	16.3x	0.1 %	(12.2)%
Maple Leaf Foods Inc.	2,320	2,107	13.6x	9.2x	42.9x	21.5x	1.3 %	(2.0)%
SunOpta Inc.	582	868	13.8x	9.6x	32.5x	22.5x	(2.1)%	(37.1)%
Mean			11.4x	9.8x	24.3x	18.3x	(0.2)%	(6.4)%

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

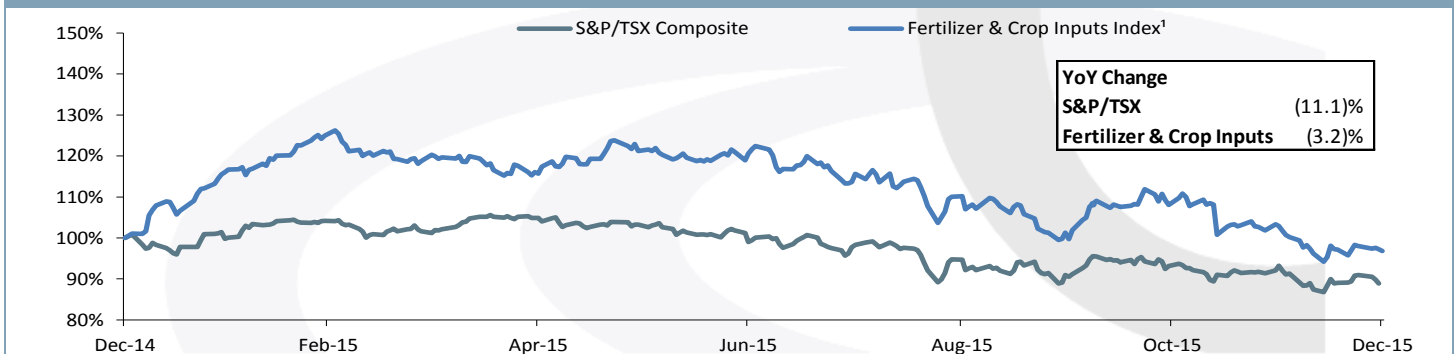


FERTILIZERS & CROP INPUTS

News Scan

- On Dec. 22nd, Syngenta Chairman Michel Demare confirmed the company is in talks with Monsanto, ChemChina, and other rivals, but had not yet received a concrete takeover offer and is continuing to keep all possible options open. While he declined to comment on details in negotiations between Monsanto and ChemChina, Demare added that any deal with a Chinese rival would add upside potential given China's need for food security and technology
- On Dec. 21st, Agrium Inc. announced the successful completion of its proving run for the one million tonne production expansion at its Vanscoy potash facility. The proving run has established a new annual nameplate capacity of 3.024 million tonnes for the facility, and will allow Agrium to distribute more potash in growing international markets while significantly lowering the company's potash cash cost of production and increasing earnings and free cash flow
- On Dec. 31st, Mosaic announced that it is seeking permission from the Manatee County Board of Commissioners to begin digging up 3,700 acres of farmland in East Manatee County, Florida, by next summer, in hopes to further shift its business to Florida as phosphate-rich land in the region becomes more and more limited
- Gensource Potash Corporation, a Saskatchewan-based startup, has raised more than C\$15 million in investments since October, which it will use to develop a vertically integrated approach to potash extraction. The company plans to combine small "selective dissolution" mines, which would eliminate surface tailings deposits and slash water consumption, with a sales strategy that would make agricultural producers partners in the company. Gensource's current project is the 123,000 acre Lazlo site, expected to cost C\$250 million, and generate 250,000 tonnes of potash per year

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.	14,264	17,183	8.3x	8.4x	14.7x	14.9x	(6.8)%	(49.7)%
Agrium Inc.	17,087	22,816	10.5x	10.1x	17.3x	16.3x	(4.1)%	(15.6)%
Yara International ASA	11,861	12,880	4.9x	5.2x	10.5x	10.7x	0.5 %	(13.9)%
CF Industries Holdings, Inc.	9,512	14,517	7.2x	5.7x	10.5x	9.6x	(7.6)%	(42.0)%
The Mosaic Company	9,726	12,293	5.5x	5.3x	9.7x	9.5x	(8.1)%	(48.7)%
Nufarm Ltd.	1,618	2,211	9.5x	8.2x	23.8x	16.8x	3.6 %	(5.7)%
Input Capital Corp.	99	80	7.3x	6.1x	nmf	25.5x	4.7 %	(48.4)%
Mean			7.6x	7.0x	14.4x	14.7x	(2.5)%	(32.0)%

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

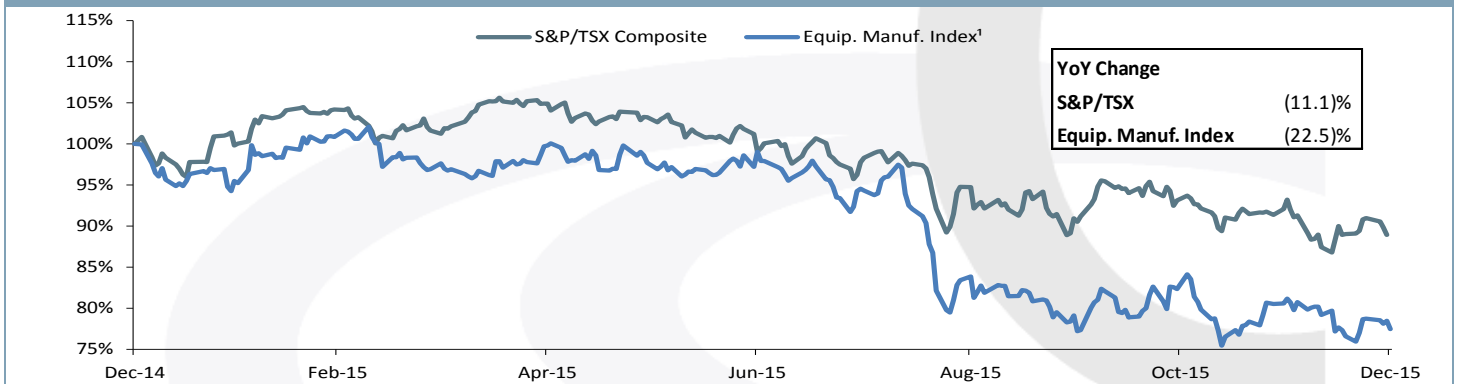


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Dec. 21st, Cervus Equipment Corp. announced that it has amended and extended its revolving credit facility, with a total principal amount of C\$100 million available to be drawn, as well as a C\$80 million accordion which Cervus may request as an increase to the total available facility. The cost of borrowing remains unchanged, while the maturity extends to Dec. 21, 2017, compared to Dec. 16, 2016, prior to the extension. The facility will be used to finance the company's general operating requirements, including capital expenditures, permitted acquisitions and permitted investments
- On Dec. 23rd, Norfolk Southern Corp. rejected a sweetened bid from Canadian Pacific Railway, stating that the sweetened bid, which added an additional \$3.4 billion payout to the original proposal of \$32.86/share in cash and a 0.451 share in the combined company, was "grossly inadequate", echoing language used in previous rebuffs
 - Canadian Pacific Railroad released a press release stating they were disappointed that Norfolk rejected the bid without engaging in dialogue with CP, and will review its strategic alternatives but still believes a merger between the two companies would benefit shippers, the industry and the public, and would generate substantial shareholder value
- On Dec. 31st, AgJunction, producer of precision farming solutions under the Outback and Satloc brands, announced it is reducing its workforce by one fifth following its merger with California-based Novariant on Oct. 16, 2015

Relative Performance Index



Key Indicators

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	High
Deere & Company	24,155	27,313	10.9x	11.8x	24.2x	26.2x	(3.7)%	(22.4)%
AGCO Corp	3,882	5,053	6.9x	6.7x	14.1x	19.0x	(1.4)%	(21.6)%
Ag Growth International Inc.	344	584	10.3x	8.8x	16.9x	12.3x	(1.1)%	(42.6)%
Rocky Mountain Dealerships	87	111	4.8x	4.3x	8.0x	6.9x	3.8 %	(35.0)%
Cervus Equipment Corporation	149	271	8.1x	6.6x	16.8x	10.5x	1.1 %	(35.7)%
Mean			8.2x	7.6x	16.0x	15.0x	(0.3)%	(31.5)%

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 the last day of trading for 2015, U.S. soybean futures were down nearly 1 percent, with corn, soybean, and canola seeing similar results. Annually, commodities were generally down, with corn down 9.4 percent, soybeans down 14.6 percent, and wheat down 19.1 percent, its second-largest yearly drop since 2008. However, canola was up 9.8 percent for the year, and smaller agriculture markets such as pulses, cocoa, cotton and sugar were the biggest winners in the 2015 commodities rout
- The International Research Institute (IRI) for Climate and Society forecast a high probability that El Nino will stick around through to the summer of 2016, which may then be followed by the La Nina, bringing drought to the U.S. corn belt in 2016. The combination of the two weather systems tend to bring heavy storms to coastal regions, and dry conditions to inland areas
- Hemp acres could drop sharply on the Prairies in 2016 because Manitoba Harvest, the largest hemp seed processor in Canada, is not offering production contracts as its existing supply should last well into 2017. The region has witnessed oversupply as a result of higher than expected yields; however, consumer demand for hemp products remains strong, and Manitoba Harvest expects demand for hemp seed to pick up again once existing inventory is extinguished
- On Dec. 24th, the U.S. Department of Agriculture (USDA) announced it will tighten regulations for field trials of genetically modified wheat, now requiring developers to apply for a permit to conduct field trials, compared to simply having the trials authorized by notification- a much less stringent process. With permits, the department can require a longer period to monitor volunteer plants, which can emerge following the harvest of a crop, and permits ultimately provide an additional level of safeguarding consistent with the biology of wheat
- On Dec. 30th, Cargill agreed to sell its crop insurance unit to Silveus Insurance Group, for an undisclosed sum, in attempts to reshape its business amid low crop prices. Cargill cited that crop insurance isn't core to its grain business, and farmers and other existing customers can still manage price risk through the company's grain marketing and other risk-management services

Commodities Futures as of December 31st, 2015

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:AC	\$ per bu.	\$3.58	(4.94)%	(9.36)%
Wheat (CBOT)	CBOT:AW	\$ per bu.	\$4.70	(1.75)%	(19.12)%
Oats (CBOT)	CBOT:AO	\$ per bu.	\$2.17	(9.30)%	(28.13)%
Rough Rice (CBOT)	CBOT:ARR	\$ per cwt.	\$11.84	5.34 %	2.51 %
Barley (USDA)	USDA:A24	\$ per bu.	\$4.95	0.00 %	(32.65)%
Rapeseed (Canola) (ICE)	ICE:ARS	CAD per T	\$486.50	0.72 %	9.82 %
Ethanol (CBOT)	CBOT:AET	\$ per gal.	\$1.42	(6.16)%	(10.21)%



In other news...

- The United Nations Food and Agriculture Organization has declared that 2016 will be the International Year of Pulses, with the idea to position pulses as a primary source of protein and other essential nutrients
 - Pulses are sometimes referred to as “superfood” as they are low in fat and high in protein and fibre
 - Pulses are also nitrogen-fixing crops, meaning they do not require nitrogen fertilizer as they fix their own nitrogen from the air, giving pulse crops environmental sustainability benefits
 - Exports for the crops are now valued at over \$3 billion, making them Canada’s fifth-largest crop, with India, China, and Turkey being the primary buyers
 - Growing pulse crops can yield many advantages, as they require little water, have high yields without requiring nitrogen fertilizer, and are increasing in demand as growing consumer demand for protein will drive meat prices higher, which in turn will result in consumers seeking non-animal protein alternatives such as pulses
- A sign on Highway 35, in Tisdale, Saskatchewan, warns motorists to keep an eye out for up to 100 bison that are roaming free in the surrounding area
 - Reports have surfaced of bison wrecking bales and damaging fences on nearby farms, but the 1,000 kilogram creatures can pose an even bigger threat to motorists on the highway
 - A meeting of producers and bison experts was scheduled for Dec. 19 to plan the safe capture and return of the runaways, as bison are protected under the Stray Animals Act, making it an offence to harm or take possession of them

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