



Agriculture Industry Flash

Monday, July 4th, 2016

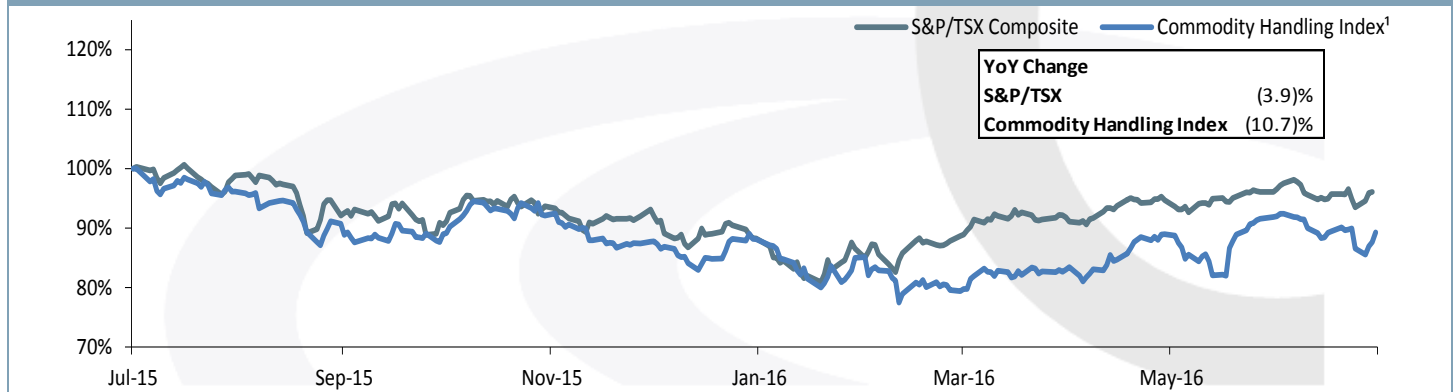


COMMODITY HANDLING

News Scan

- On June 27th, Viterra announced it is opening a new pulse facility in Tempest, Alberta. The new facility supports a focus on pulse cleaning, and is capable of cleaning, storing and shipping pulse crops. The plant has a capacity of 11,000 tonnes, can clean 50 to 60 tonnes per hour, and has a 25-car rail spot
- CBH Group announced plans to build a modern oat processing facility at the Metro Grain Centre in Western Australia. The project builds on CBH's 2015 acquisition of Blue Lake Milling, one of Australia's largest suppliers of processed oats, and will further strengthen demand for Western Australian oats and better positions the cooperative to capitalize on opportunities in Asia
- On June 24th, Meunerie Milanaise opened its new flour and specialty organic products mill in St-Jean-sur-Richelieu, Quebec. The first of its kind facility enables Milanaise to increase production of flour and specialty organic products, as well as improve its market share. Quebec leads the organic sector with 1,079 producers and 742 processors in 2014
- An elevator building boom on the Prairies is showing no signs of slowing as new facilities continue to come on line and existing ones are upgraded to accommodate faster unload times, more efficient rail car loading and longer grain trains. In the past few weeks, four high throughput concrete grain elevators have been opened across the West, including a pair of new G3 Canada facilities in Saskatchewan and Manitoba, and two Viterra concretes in Alberta and Saskatchewan. The four facilities add close to 150,000 tonnes of commercial grain storage capacity. Further, Paterson Grain is constructing a pair of 55,000 tonne elevators in Alberta, and both Cargill and Richardson are expanding existing facilities in Saskatchewan

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
ADM	25,201	30,924	9.6x	8.6x	17.4x	14.7x	0.4%	(13.4)%
Bunge Limited	8,263	13,254	6.7x	6.0x	10.9x	9.8x	(4.0)%	(33.1)%
Graincorp Limited	1,470	2,467	11.6x	9.3x	32.9x	19.9x	(2.9)%	(8.4)%
The Andersons, Inc	993	1,696	10.8x	7.4x	43.1x	13.6x	(0.3)%	(10.4)%
AGT Food and Ingredients	654	1,058	10.9x	9.5x	18.2x	12.8x	2.1%	(15.8)%
Ceres Global Ag	117	188	na	na	na	na	(0.9)%	(19.7)%
Mean			9.9x	8.2x	24.5x	14.2x	(0.9)%	(16.8)%

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

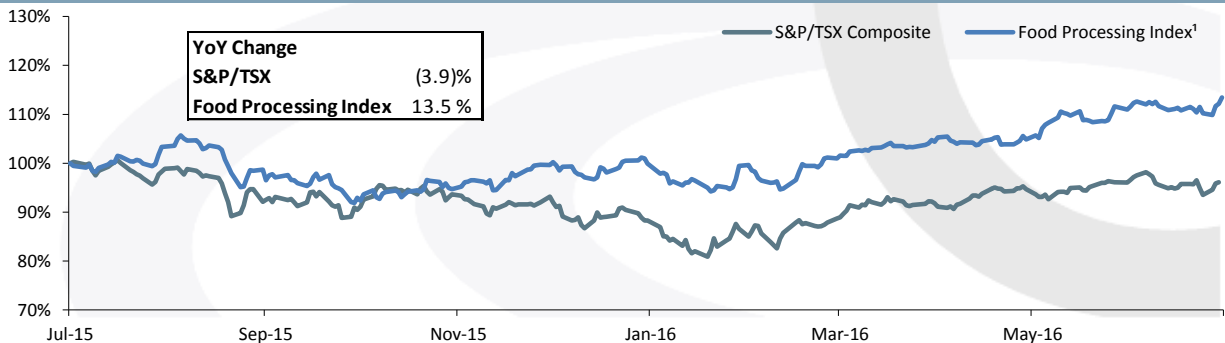


FOOD PROCESSING

News Scan

- On June 30th, Hershey rejected Mondelez's offer to acquire the company for US\$107/share, or -US\$25 billion with the assumption of debt. Mondelez has achieved its position as the second largest confectionary manufacturer in the world without any sizable presence in the U.S., while ~85% of Hershey's sales are in North America. Any deal would have to be approved by the Hershey Trust, which owns 8.4% of Hershey's common stock but maintains 81% of the company's voting power
- On June 28th, ConAgra's Lamb Weston/Meijer business inked a deal to form a joint venture with Belaya Dacha to serve the Russian market. No financial details were disclosed, but the partnership would allocate more than €100 million to set up the first French fry plant in Russia. The new French fry plant to be constructed in Moscow would have a production capacity of ~90,000 tons per year and would largely help to fulfill the growing market demand for frozen potato products in Russia
- On June 22nd, reports indicated Post Holdings has had discussions to combine with the Lamb Weston business, in a deal valued at about \$6 billion. The deal would be Post's largest to date, and would be structured as a Reverse Morris Trust, a tax efficient way to spin off a division, and subsequently merge it with another company
- On June 27th, the board of SunOpta announced that it has brought in outside advisors to review the company's operating plan and make suggestions for maximizing shareholder value
- On June 21st, Teasdale Foods announced it has acquired Hispanic foods maker Mesa Foods for an undisclosed sum. The Mesa acquisition, which includes private label tortillas, flatbreads, taco shells, taco kits, and chips, expands Teasdale's portfolio of branded and private label Hispanic foods sold in retail, foodservice, restaurant, and wholesale channels

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.	20,865	26,453	13.3x	12.8x	20.4x	19.1x	(0.2)%	(2.0)%
George Weston Limited	11,022	19,177	6.4x	6.2x	17.8x	16.2x	0.4%	(6.9)%
Ingredion Incorporated	9,316	10,992	11.1x	10.6x	19.4x	17.9x	2.7%	(0.9)%
Tate & Lyle plc	4,124	4,802	10.6x	10.4x	19.1x	17.6x	6.6%	(3.2)%
Maple Leaf Foods Inc.	2,860	2,719	10.1x	9.3x	21.7x	19.3x	0.8%	(8.4)%
SunOpta Inc.	358	878	8.6x	7.2x	17.3x	10.2x	(1.6)%	(63.6)%
Rogers Sugar	427	575	9.7x	9.7x	14.1x	14.1x	0.9%	(0.2)%
Mean			10.0x	9.4x	18.5x	16.4x	1.4%	(12.2)%

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.

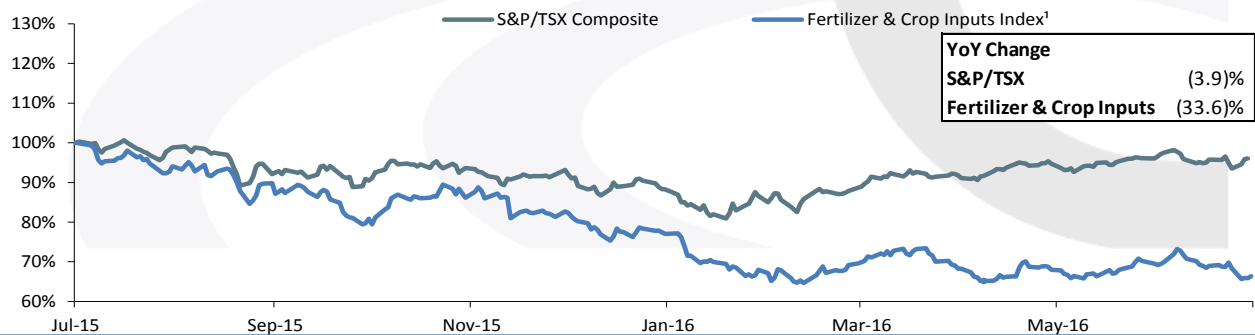


FERTILIZERS & CROP INPUTS

News Scan

- On June 29th, Monsanto announced it was in talks with Bayer and other companies regarding “alternative strategic options”, a month after it rejected Bayer’s US\$62-billion takeover offer. Monsanto’s options include combinations with other companies and businesses in the sector beyond Bayer. Potential deals could involve BASF and any businesses divested from the Dow/DuPont merger. There has been “no formal update on the Bayer proposal”, but Bayer, has stated it has no plans to raise its offer without reviewing Monsanto’s confidential information
- On June 30th, reports indicated that BHP Billiton had made an unsolicited takeover offer for Potash Corp. While no financial terms were released, reports stated Potash Corp was currently reviewing the proposal. In 2010 the Canadian government rejected BHP’s \$40 billion hostile takeover bid for Potash Corp. saying the offer failed to meet the criteria of providing a net benefit to the country
- On June 20th, Canpotex announced it was ending the construction of a new export terminal in British Columbia based on “economic and commercial considerations”. Canpotex announced back in 2008 it wanted to construct a new terminal at the Port of Prince Rupert with an annual throughput capacity of approximately 13 million tonnes, but a plunge in potash prices has made it difficult for companies to profitably keep production up
- According to a statement from Belarusian Potash Co. (BPC), Indian Potash will buy 700,000 metric tons at US\$227 a ton in the new agricultural season starting July 1. The price is the cheapest in almost a decade, and significantly lower than last year’s initial price of US\$332 a ton. BPC said the price was fair as it was in line or slightly higher than spot prices, and reflects the current situation in the global potash market
- On June 22nd, Input Capital announced it has secured a C\$25 million revolving credit facility, which will bolster its ability to provide working capital solutions to western Canadian canola farmers and is available to fund upfront payments to farmers

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
Agrium Inc.	12,443	17,436	9.2x	8.4x	16.0x	14.0x	(4.4)%	(16.5)%
Potash Corp.	13,581	17,040	12.5x	10.8x	29.8x	22.2x	(5.7)%	(46.8)%
Yara International ASA	12,496	13,733	6.1x	6.0x	13.8x	13.3x	(5.1)%	(38.9)%
The Mosaic Company	9,158	12,032	8.6x	7.3x	27.3x	17.0x	(6.5)%	(44.2)%
CF Industries Holdings, Inc.	5,618	11,630	7.7x	6.8x	12.6x	10.9x	(12.8)%	(65.7)%
Nufarm Ltd.	1,460	2,350	8.6x	7.8x	16.7x	13.4x	(1.9)%	(16.9)%
Input Capital Corp.	128	112	11.8x	4.4x	35.3x	na	(3.3)%	(33.2)%
Mean			9.2x	7.4x	21.6x	15.1x	(5.7)%	(37.5)%

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

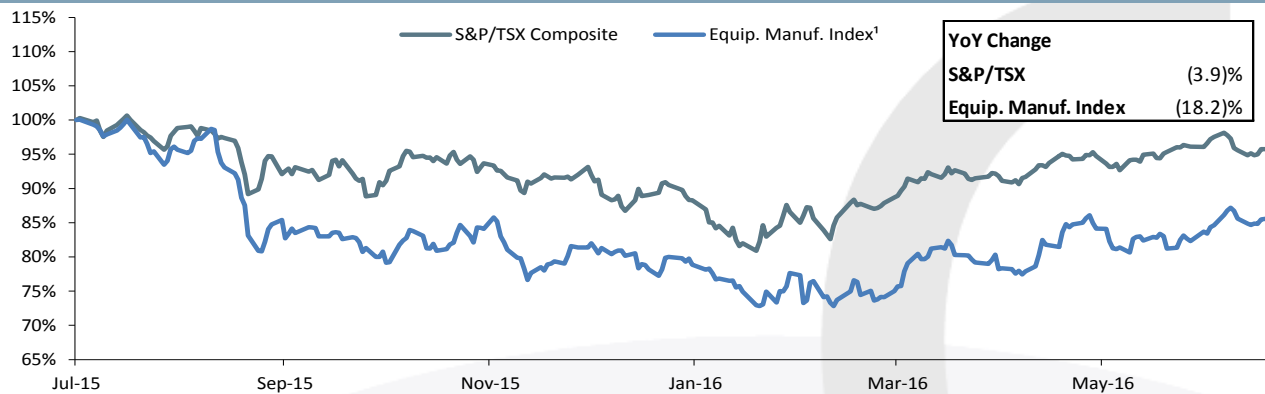


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On June 30th, AGCO announced it has acquired Cimbría Holdings from Silverfleet Capital for -US\$340 million. Cimbría is a Danish manufacturer of storage and handling equipment and processing lines for seed and grain. Cimbría sales, which are expected to reach -US\$240 million in fiscal 2016, are concentrated in Western Europe with growing exposure to Eastern Europe, Africa and the Middle East. The acquisition will leverage AGCO's GSI business and will offer substantial manufacturing, marketing and overhead synergies

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	2016E	2017E			2016E
Deere & Company	25,468	27,631	11.1x	11.9x	25.7x	27.9x	(3.9)%	(16.9)%
AGCO Corp	3,887	5,422	9.2x	9.0x	20.1x	17.8x	(9.8)%	(18.6)%
Ag Growth International Inc.	463	732	10.6x	9.3x	16.0x	13.7x	1.7%	(15.4)%
Rocky Mountain Dealerships	105	411	18.5x	15.7x	10.2x	8.2x	(1.0)%	(25.5)%
Cervus Equipment Corporation	135	391	9.9x	9.3x	13.7x	10.2x	(0.4)%	(30.0)%
Mean			11.8x	11.1x	17.1x	15.6x	(2.7)%	(21.3)%

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 Pulse Canada, lentils and chickpeas have been the fastest growing pulse segment by volume in the U.S., primarily because of pulse inclusion into processed foods such as snacks or pasta. Growth rates for overall snacks and pastas were between 10% to 26%, and in the majority of cases, growth rates for pulse inclusion were higher than the overall growth rate for that product category, demonstrating that pulses are on trend and meet consumer interests
- An alliance of top agriculture industry leaders, including Bayer and DuPont officially launched Radicle, an accelerator aimed at advancing early stage agricultural technology startups. By incubating leading agtech companies, Radicle works to reduce the time required to develop, market and commercialize the latest ag technologies that may solve global farming dilemmas. Radicle will work on challenges to productivity, sustainability and quality that growers face with focus on technology fields such as genomics and plant sciences, seed tech, biologicals for crop protection and regulation, digital ag (application of data and predictive analytics to precision ag), and disruptive farm systems
- On June 28th, reports indicated Mexico will allow expanded imports of Canadian beef starting in October, ending 13 years of restrictions related to mad cow disease. Mexico currently imports Canadian beef only from cattle under 30 months old. Canada currently sells on average \$136 million worth of beef annually to Mexico, or roughly 50% compared to \$270 million to \$290 million prior to the restrictions in 2013
- Analysts predict that U.S. companies with the highest euro exposure may underperform the most after the United Kingdom voted in favor of leaving the European Union. These companies will have to cope with the probability of a recession in the U.K., the immediate prospects of higher raw material costs (due to transaction currency exposure), and higher tariffs across Europe, which will likely result in higher costs to consumers through pricing in the near to medium term
- According to the USDA's Foreign Agricultural Service, Brazil's 2015-16 wheat production is estimated at 5.6 million tonnes, down 6% from the previous year as some producers switch to more profitable crops like corn and soybeans. Wheat consumption for 2015-16 is forecast down at 9.7 million tonnes, a 7% decrease from the previous year. The current economic situation, with inflation over 10%, is increasing prices which, in turn, are making some consumers reduce their consumption of wheat-based products. Compounding the problem, high domestic corn prices are forcing pork and poultry producers to find alternative sources of feed, with reports of producers using bread quality wheat to feed their animals
- In the USDA's annual June 30 Acreage report, corn planted area was estimated at 94.1 million acres, up 7% from 88 million acres in 2015, and the third highest on record. Soybean planted area was estimated at a record 83.7 million acres, up 1% from 82.7 million acres last year. All wheat planted area was estimated at 50.8 million acres, down 7% from 54.6 million acres last year
- According to Statistics Canada's Remote Sensing and Geospatial Analysis Section, Western Canada crops show great health. The Normalized Difference Vegetation Index (NDVI) map is light green or dark green for almost the entire region, which indicates a strong-yielding crop is on the way. Statistics Canada noted that the map looks almost identical to 2013, which had a record-shattering crop

Commodities Futures as of June 30th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.65	(11.64)%	3.99 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.45	(5.94)%	(2.81)%
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.01	5.92 %	(4.22)%
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$10.65	(3.18)%	(9.56)%
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$495.70	(4.19)%	2.86 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.60	(2.73)%	16.06 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
Food Processing					
General Mills, Inc.	29-May-16	108.1%	While sales fell 8.6% to \$3.93 billion, a cost-cutting drive is helping the company weather a downturn in cereal. Expense-reduction efforts are expected to generate annual savings of \$600 million by fiscal 2018	\$66.06	(8.2%)
ConAgra Foods, Inc.	29-May-16	(42.5%)	Revenues for the quarter were down 9.5% year over year, to \$2.8 billion. Profit was down 43.7% to \$117.6 million, as the company is in the midst of unloading several major divisions so it can focus on its consumer brands	\$50.08	3.5%
Equipment Manufacturers and Services					
Lindsay Corporation	31-May-16	(18.2%)	Irrigation systems revenues were \$117.3 million, down 11% from \$131.3 in the prior years third quarter, reflecting the combined effect of lower unit volume and reduced market pricing, though margins improved 1% in both irrigation and infrastructure due to the benefit of lower material costs and cost leverage in Europe	\$68.29	0.0%

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