



Agriculture Industry Flash

Tuesday, June 21st, 2016

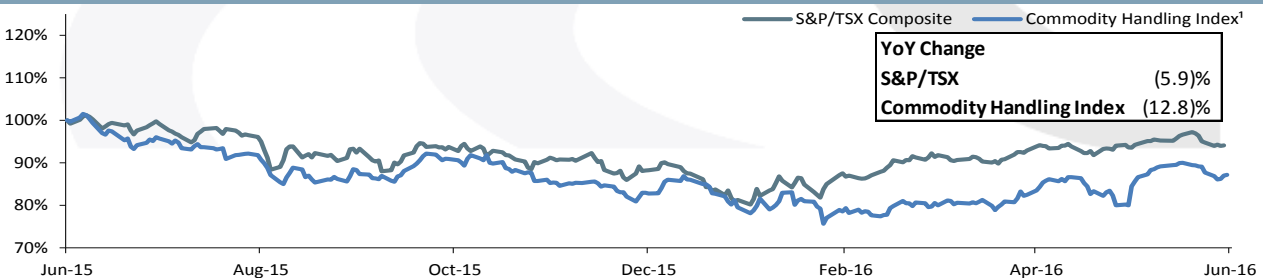


COMMODITY HANDLING

News Scan

- On June 9th, Glencore announced it further reduced its indebtedness by selling an additional 9.99% of Glencore Agricultural Products to B.C. Investment Management Corp. for US\$625 million, valuing the total equity of the company at US\$6.25 billion. Glencore will retain a 50.01% stake in the company which will continue to be run by the existing management team
- On June 9th, The Andersons released a letter stating HC2 Holding's most recent offer is even more unattractive than previous proposals as it is far below the trading values of comparable businesses and valuations of similar transactions. The proposal, which contemplates hiving off the ethanol, grain and rail businesses exacerbates the tax inefficiencies of an asset sale and would leave shareholders with considerably less value than they would receive from HC2's en bloc proposal of \$37 per share
- On June 17th, filings indicated Saudi Arabia's SALIC grew its stake in grain handler G3 Canada from 49% to 75% by exercising options and promissory notes into additional shares in the joint venture with Bunge. Saudi has been phasing out crop farming due to its intense water usage in the desert kingdom and has targeted investments in eight key crops, including wheat
- On June 9th, Olam International announced it acquired Brooks Peanut Co., the sixth-largest peanut sheller in the U.S., for US\$85 million. The purchase, along with the 2014 acquisition of McCleskey Mills, allows Olam to be directly involved with farm procurement and shelling and better positions Olam to meet demands in emerging markets in China and India
- On June 16th, Ardent Mills closed its Fremont, Nebraska flour mill. The mill had daily milling capacity of 6,700 hundredweight (cwts) of flour and also makes wheat germ. It will continue operating as a grain elevator with 1.2M bushels of storage capacity
- On June 15th, Bunge opened its US\$280 million industrial and transshipping complex at the Mykolaiv Sea Port in Ukraine. The complex includes one of Ukraine's most powerful oil terminal factories for the production of vegetable oil and will increase export potential - boosting product volume in Ukraine and cargo handling in the port by 1 million tonnes
- On June 9th, ADM and other supporters of biofuels said U.S. regulators underestimated the higher-ethanol fuel blends required at pumps when they proposed their 2017 Renewable Fuel Standard (RFS) requirements of 14.8 billion gallons for ethanol to be blended with gasoline and diesel. The companies stated it is not realistic to push ethanol use past about 10% of gasoline without an overhaul and most gasoline in the U.S. consists of about 10% ethanol. Regulators have until November 30th to finalize the proposal

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
ADM	24,861	30,574	9.6x	8.6x	17.3x	14.5x	(1.7)%	(19.3)%
Bunge Limited	8,602	13,595	6.8x	6.7x	11.4x	10.2x	(5.9)%	(33.8)%
Graincorp Limited	1,518	2,506	11.9x	9.5x	34.3x	20.8x	2.0%	(4.5)%
The Andersons, Inc	962	1,664	10.5x	7.3x	41.8x	13.2x	3.6%	(20.4)%
AGT Food and Ingredients	634	1,039	10.6x	9.3x	17.4x	12.3x	(3.6)%	(19.0)%
Ceres Global Ag	118	189	na	na	na	na	1.8%	(19.0)%
Mean			9.9x	8.3x	24.4x	14.2x	(0.6)%	(19.3)%

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

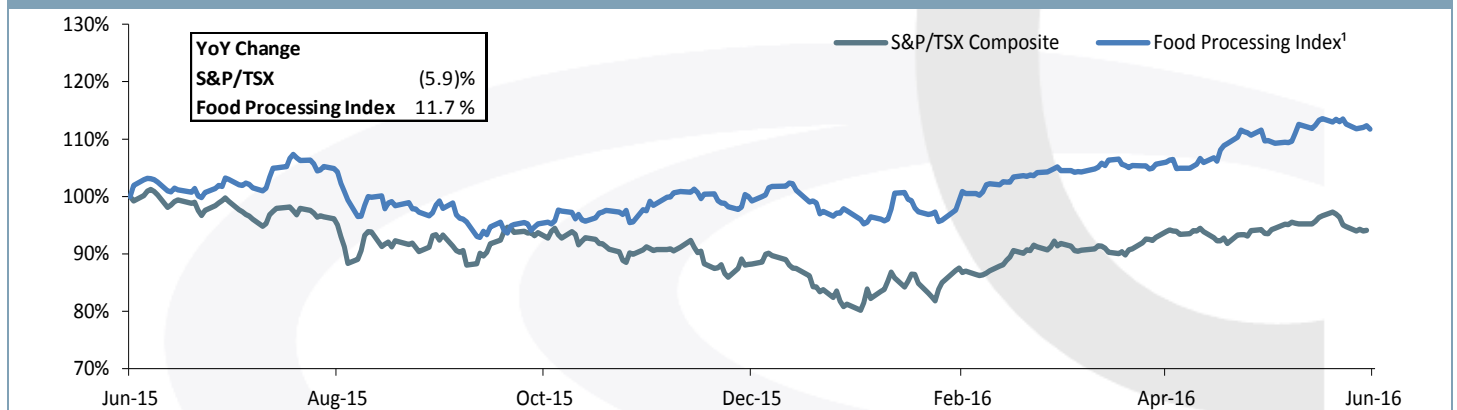


FOOD PROCESSING

News Scan

- On June 8th, ConAgra announced it will divest its national food ingredient sourcing and distribution business, JM Swank, to private equity firm Platinum Equity, for an undisclosed sum. The transaction, along with the divestiture of the Spicetec Flavors & Seasonings business less than two weeks prior, supports ConAgra's strategy on focusing on its core product portfolio
- Along with the transaction, ConAgra also announced it will invest more than US\$200 million to expand potato processing operations at its Lamb Weston facility, including the addition of a French fry processing line
- On June 17th, Kellogg's U.S. natural foods arm, Kashi Company, announced it acquired Pure Organic, maker of 'The Pure Bar' line of organic vegan snack bars, for an undisclosed sum. The products are certified organic, non-GMO, gluten-free, dairy-free, soy-free, and kosher. Pure Organic will benefit from Kashi's resources, relationships, and distribution network, while adding to Kellogg's product portfolio
- On June 14th, Hostess Brands announced the acquisition of in-store bakery company, Superior Cake Productions, for an undisclosed sum. Superior manufactures the 'Main' brand of sweet goods, and also manufactures premium baked goods sold through in-store bakeries at retailers, which is a fast-growing segment. The acquisition is Hostess' first since being acquired by Apollo Global Management in 2013, and supports the move towards innovation and growth beyond its Twinkies and Zingers brands

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.	20,455	26,023	13.3x	12.3x	19.9x	18.4x	(0.2)%	(0.7)%
George Weston Limited	11,010	19,304	6.4x	6.2x	17.7x	16.0x	(1.6)%	(7.6)%
Ingredion Incorporated	8,803	10,456	10.6x	10.0x	18.3x	17.0x	(0.2)%	(0.8)%
Tate & Lyle plc	4,069	4,788	9.9x	9.6x	17.6x	16.2x	(2.3)%	(4.2)%
Maple Leaf Foods Inc.	2,867	2,724	10.0x	9.3x	21.6x	19.2x	(3.5)%	(8.8)%
SunOpta Inc.	400	920	9.0x	7.5x	19.5x	10.9x	4.0%	(59.6)%
Rogers Sugar	427	575	9.6x	9.6x	14.0x	14.0x	1.0%	(0.3)%
Mean			9.8x	9.2x	18.4x	16.0x	(0.4)%	(11.7)%

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.

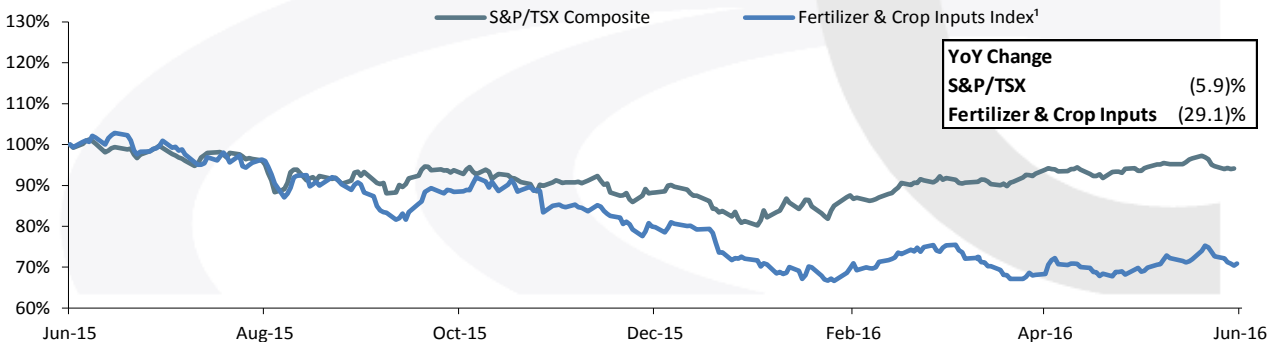


FERTILIZERS & CROP INPUTS

News Scan

- On June 17th, reports indicated Mosaic Co has entered into talks to buy Vale's fertilizer unit, in a renewed push to grow in South America and Africa. Sources indicated the value of Vale's fertilizer assets could reach US\$3 billion, in what will likely end up as a cash-and-stock deal. With a cash-and-stock deal, Vale would become Mosaic's biggest shareholder with a 12-15% stake. In February, Mosaic announced it is on the lookout for phosphate or potash assets that could be bargain-priced in a weak commodity sector. Brazil, the world's fifth-largest fertilizer consumer, makes for an attractive entry as demand is expected to grow twice as fast as global demand until 2025. Fertilizer sales in Brazil in the first 10 weeks of 2016 doubled from the same period a year earlier
- On June 16th, Monsanto announced it is selling its U.S. sorghum production assets to Remington Holding Co, and will roll its sorghum breeding business into a joint venture with the company, in transactions valued at US\$169.5 million. The move comes in a period of heightened dealmaking in the agricultural seeds and chemicals industry
- On June 16th, the Minister of Economy in Saskatchewan said that the province is considering whether to end a review of its potash royalty system, as producers struggle with low prices. Saskatchewan is home to 45% of global potash reserves and charges the highest royalties in the world, though the Minister stated that any changes would be revenue-neutral to its treasury
- On June 8th, Agrium CEO, Chuck Magro, stated that the company is planning to build up to 30 farm retail stores in North America by 2020. Further, the company is actively looking for acquisitions and plans to capture a quarter of the U.S. market over time, up from its current leading share of 17%

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		
Agrium Inc.	12,949	17,953	9.4x	8.7x	16.5x	14.4x	0.9%	(13.7)%
Potash Corp.	14,200	17,683	12.9x	11.0x	30.7x	22.9x	0.6%	(45.2)%
Yara International ASA	12,490	13,724	6.0x	5.9x	13.4x	12.8x	(3.6)%	(36.6)%
CF Industries Holdings, Inc.	6,608	12,624	8.4x	7.3x	14.4x	12.4x	(3.0)%	(59.7)%
The Mosaic Company	9,354	12,228	8.8x	7.4x	27.3x	17.0x	(0.9)%	(43.3)%
Nufarm Ltd.	1,448	2,329	8.6x	7.8x	16.7x	13.4x	(4.8)%	(16.8)%
Input Capital Corp.	134	118	12.5x	4.5x	42.4x	na	(5.4)%	(30.5)%
Mean			9.5x	7.3x	24.2x	15.7x	(2.8)%	(38.7)%

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

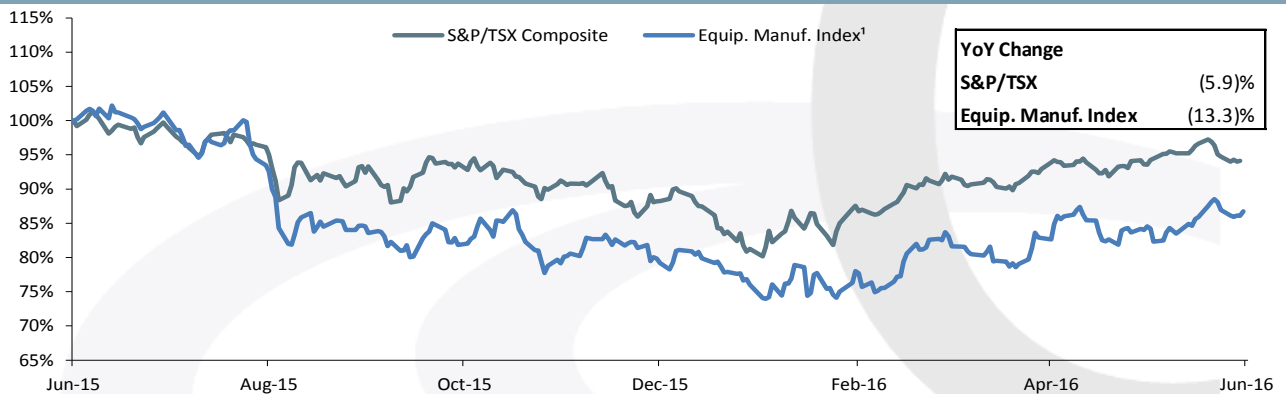


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On June 15th, Canadian National Railway's CFO and incoming CEO, Luc Jobin, announced the freight carrier might cut 2017 spending on locomotives and other equipment by as much as C\$400 million, compared to expected 2016 capital spend of C\$1.1 billion. In the current quarter, carloads are down 12%, primarily because of a decrease in iron ore shipments. As a result, CN has responded by parking over 400 locomotives, and limiting spend on locomotives and other equipment. However, the company will continue to invest in fail-safe train controls and other technologies that help the company improve productivity and service
- CN marketing chief, JJ Ruest, called the drop in the number of intermodal cargo boxes hauled by major railways in North America worrisome, as intermodal is 'probably the most diverse indicator of what the economy might be doing'. The number of containers hauled by both major Canadian railways in Canada and the United States has fallen by 3% this year, compared with the same period in 2015. While the drop has thrown into question the resilience of consumer spending, large crops expected in Canada and the United States, coupled with higher commodity prices and Canadian grain rates, offer some upside in the second half

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	2017E		
Deere & Company	27,026	29,266	11.9x	12.8x	27.3x	29.6x	0.4 %	(12.5)%
AGCO Corp	4,297	5,849	10.0x	9.7x	22.2x	19.5x	(3.1)%	(10.0)%
Ag Growth International Inc.	449	720	10.3x	9.1x	15.4x	13.2x	1.3 %	(20.2)%
Rocky Mountain Dealerships	107	415	18.5x	15.7x	10.3x	8.3x	1.4 %	(25.2)%
Cervus Equipment Corporation	143	401	10.1x	9.5x	14.4x	10.7x	1.5 %	(27.9)%
Mean			12.2x	11.4x	17.9x	16.3x	0.3 %	(19.1)%

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 U.S. Department of Agriculture (USDA) report released on June 16th, Egypt, the world's top wheat importer, faces \$860 million in extra costs and lost export opportunities this year because of "unorthodox agricultural measures," including a zero-tolerance policy on ergot fungus in wheat which has upset global grain trading and sparked a legal challenge against the government from global trader Bunge. The report also said Egypt will expend up to \$100 million because of unusual inspection and sampling policies for wheat shipments and other "burdensome tender requirements" that make government wheat imports more expensive, with the end-result being higher food prices for Egypt's overburdened consumers
- On June 16th, the USDA announced U.S. farmers plan to harvest their largest-over hops crop of 51,115 acres in 2016, up 17% from last year, giving craft brewers who are struggling to match surging demand for beers with more aroma and bitterness reason to cheer. The United States and Germany are the world's top hop growers, and in 2015, sales volume of U.S. craft beer rose 13% domestically and 16% for exports, while overall U.S. beer sales rose 0.2%, according to the Brewers Association
- On June 14th, cocoa grinders in Ivory Coast and Ghana, the world's top two bean producers, slashed output or suspended operations due to a lack of beans fit for processing, heightening the risk of a supply deficit. Port arrivals in Ivory Coast are lagging behind last year due to poor weather, while Ghana is set for only a modest recovery from last season's failed crop. Last season, Ghana-based grinders imported beans from Ivory Coast to keep factories running but that's not an option this year as low bean stocks have adversely affected both regions
- On the Chicago Mercantile Exchange, soybean futures (July contract) traded as high as US\$10.90 per bushel, or €352 per ton. That is the highest quote in the past 1.5 years, and ~25% higher than prices at the beginning of 2016. Analysts believe severe rainfall in Argentina, and a drought in Brazil have led to lower production and the increase in prices
- On June 8th, the USDA's Foreign Agriculture Service (FAS) announced that Ecuador has declared a number of corn production areas under a state of emergency due to viral and fungal disease. These areas account for roughly 65% of the nation's corn production, with the duration of the emergency set to a period of up to 6 months. The nation will implement emergency assistance programs to assist affected farmers. Corn producers indicate their yields might drop around 60%, and the total production at the national level may drop 25% - 40% as a consequence
- Wheat demand in Indonesia from the feed mill industry has increased considerably in the last six months, importing 2.9 million tonnes of wheat (500,000 tonnes went to feed mills), with around 80% of the imported volume used in the production of flour. Import volume for the year is expected to increase to 10 million tonnes, up 35% from 7.5 million tonnes last year

Commodities Futures as of June 17th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$4.42	7.02 %	25.94 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.94	4.44 %	7.91 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.25	18.41 %	7.07 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$11.56	5.14 %	(1.78)%
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$518.10	0.14 %	7.51 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.68	1.64 %	21.27 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Comments	Analyst Consensus (US\$)	Premium to Current
Food Processing					
Brick Brewing Co. Ltd.	1-May-16	nmf	Net revenue increased to \$9.5 million, from \$7.7 million in the prior year and EBITDA improved to \$1.9 million in the quarter, more than double the \$0.9 million in prior year led by volume growth in branded businesses Laker, Seagram and Waterloo, and a 50% increase in revenue from contract manufacturing	C\$3.08	28.1%

Origin Merchant Partners

220 Bay Street, Suite 1500
P.O. Box 23
Toronto, Ontario
M5J 2W4

OMP Agri-food Team:

Andrew Muirhead

Principal

T: 416-800-0697

andrew.muirhead@originmerchant.com

Jim Osler

Principal

T: 416-800-0784

jim.osler@originmerchant.com

Rob Penteliuk

Principal

T: 416-800-1780

rob.penteliuk@originmerchant.com

Sean McIntyre

Principal

T: 416-800-1753

sean.mcintyre@originmerchant.com