



Agriculture Industry Flash

Tuesday, June 7th, 2016

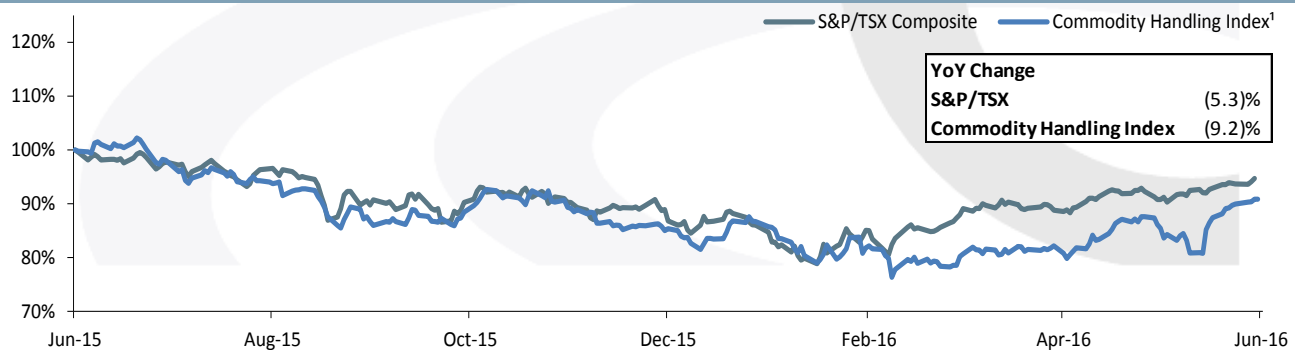


COMMODITY HANDLING

News Scan

- On June 3rd, HC2 Holdings revised its offer to US\$1.15 billion for The Andersons' grain, rail and ethanol operations, compared to the previous proposal of US\$1.0 billion for all shares of the company. HC2 had also previously offered US\$950 million for just the grain and rail assets last month. HC2 adjusted its offer to 'include the interest in the ethanol assets by another strategic partner'. The Andersons stated that the revised offer proposes to break up the company leaving the remaining units to be 'incomplete, incongruous and unattractive' as all business units are complementary in nature
- On May 27th, Cargill reached an agreement to sell its Argentine flour-milling unit comprised of 7 milling plants to Molinos Canuelas Sacifia, for an undisclosed sum. The purchase will make the Argentine company the country's largest flour miller with 25% of a market estimated at 5 million metric tonnes a year, and supports Cargill's ongoing restructuring efforts
- On June 2nd, The Scoular Co. announced it is buying the Tri-Field Farms elevator in Netley, Manitoba for an undisclosed sum. The elevator was originally built by Manitoba Pool Elevators, is located in a shortline railroad with access to CP, and was sold in 2000 to Tri-Field. Tri-Field has made significant investments in the facility to increase bin space and the marketability of locally produced grains and oilseeds
- On June 1st, Viterra officially opened its new grain terminal near Grimshaw, Alberta. The facility has 30,000 tonnes of grain storage and 104-railcar loading capacity
- On June 2nd, ADM announced it is further expanding its soy crushing capabilities in Europe after starting up its new soybean crushing capacity at its Straubing, Germany plant
- On June 1st, ADM announced it completed the acquisition of a Morocco-based corn wet mill that produces glucose and native starch. The purchase comes after ADM acquired several corn processing facilities in Europe last fall, and strengthens its global position in the sweetener and starch market, particularly in Morocco where demand is high

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
		Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
ADM		25,619	31,352	9.8x	8.8x	17.8x	15.0x	1.2 %	(17.3)%
Bunge Limited		9,485	14,486	7.3x	7.1x	12.6x	11.3x	2.8 %	(27.2)%
Graincorp Limited		1,472	2,453	11.7x	9.5x	33.7x	20.7x	(0.3)%	(6.8)%
The Andersons, Inc		1,015	1,718	10.9x	7.6x	44.1x	13.9x	0.1 %	(16.0)%
AGT Food and Ingredients		701	1,106	11.2x	9.9x	18.6x	13.4x	4.3 %	(10.0)%
Ceres Global Ag		118	188	na	na	na	na	(1.5)%	(25.0)%
Mean				10.2x	8.6x	25.4x	14.8x	1.1 %	(17.0)%

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

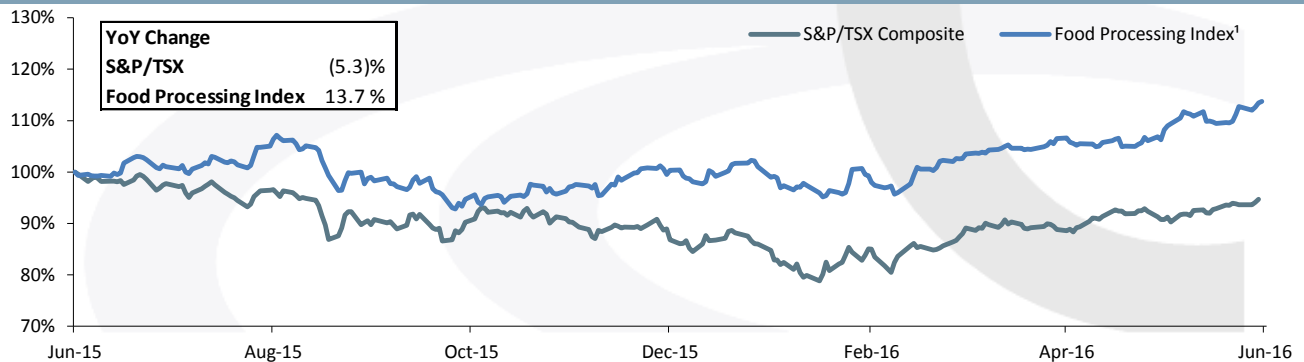


FOOD PROCESSING

News Scan

- On June 1st, Coca Cola announced it is acquiring Unilever's AdeS, a soy-based beverage business with a strong presence in Latin America, for US\$575 million. AdeS reported sales of US\$284 million last year, and enables Coca Cola to expand its non-carbonated beverage portfolio (which are outpacing carbonated beverage markets in growth) while solidifying its presence in strategic Latin American markets (where growth prospects for soda are brighter)
- On May 23rd, ConAgra Foods agreed to sell its Spicetec Flavors & Seasonings unit to Givaudan for US\$340 million. The divestiture supports ConAgra's efforts to focus on its core portfolio, and is part of Givaudan's '2020' strategy to strengthen capabilities in integrated solutions where flavour and taste play a key role
- On May 27th, hedge fund Tourbillon Capital Partners, SunOpta's largest shareholder with a 9.9% stake, released a letter urging the company to launch a sale process. Tourbillon has suggested the company should consider all value-maximizing alternatives
- On June 1st, Cargill announced it is acquiring Five Star Custom Foods for an undisclosed sum. Five Star specializes in cooked protein products, soups and sauces for restaurants and food processors. The acquisition provides added capabilities to Cargill, and supports its efforts to enter high-margin segments that capitalize on consumer trends for cleaner-label products
- On May 31st, General Mills announced it is recalling about 10 million lbs of flour after an E. coli outbreak associated with flour sickened 38 people in 20 U.S. states between Dec. 21, 2015, and May 3, 2016. General Mills stated it has not found traces of E. coli in its flour products or facilities

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.	20,298	25,858	13.3x	12.3x	19.8x	18.3x	2.3 %	(0.6)%
George Weston Limited	11,317	19,209	6.5x	6.0x	18.3x	16.6x	0.6 %	(4.6)%
Ingredion Incorporated	8,600	10,245	10.3x	9.8x	17.9x	16.6x	0.4 %	(0.9)%
Tate & Lyle plc	4,280	5,015	10.1x	9.9x	18.1x	16.7x	1.8 %	(1.1)%
Maple Leaf Foods Inc.	3,052	2,920	10.8x	10.0x	23.1x	20.6x	(0.3)%	(2.4)%
SunOpta Inc.	409	929	9.0x	7.5x	20.0x	11.2x	25.0 %	(58.4)%
Rogers Sugar	425	573	9.6x	9.6x	14.0x	14.0x	1.7 %	(0.3)%
Mean			10.0x	9.3x	18.7x	16.3x	4.5 %	(9.7)%

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.

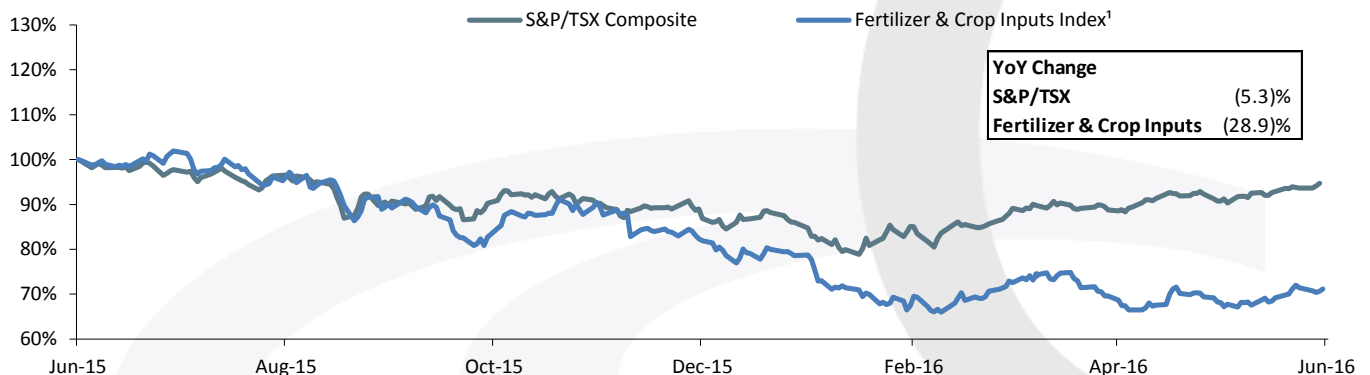


FERTILIZERS & CROP INPUTS

News Scan

- On June 2nd, Bayer announced it has secured about US\$63 billion in financing from five banks for its proposed acquisition of Monsanto. The five banks will provide about US\$12.5 billion each in short-term bridge loans, and the loans include an option to be increased should Bayer bump up its current offer of US\$122/share (which Monsanto has said is too low). Bayer is likely to issue bonds amounting to US\$20 - \$30 billion to refinance part of the bridge loan
- On June 2nd, Praxair announced it has completed its acquisition of Yara International's European CO2 business, as well as its acquisition of Yara's remaining 34% stake in the Yara Praxair Holding AS industrial gas joint venture, for a combined transaction value of €300 million. The transactions are consistent with Praxair's business strategy to expand its presence in resilient end-markets such as food and beverage, as well as drive growth through synergistic acquisitions
- Following the announcement, Yara reported that it has priced its \$500 million bond offering with a yield of 3.849% per annum over 10 years. The bond offering was 'well received in the market' and will further increase Yara's financial flexibility and extend its maturity profile

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
Potash Corp.	14,059	17,524	12.8x	10.9x	30.4x	22.2x	0.1 %	(45.5)%
Agrium Inc.	12,686	17,684	9.3x	8.5x	16.1x	14.1x	1.2 %	(15.0)%
Yara International ASA	12,782	14,045	6.0x	5.8x	13.0x	12.4x	(3.9)%	(32.4)%
CF Industries Holdings, Inc.	6,669	12,685	8.5x	7.3x	14.4x	12.5x	(1.2)%	(59.3)%
The Mosaic Company	9,340	12,214	8.8x	7.2x	28.4x	17.8x	2.2 %	(43.3)%
Nufarm Ltd.	1,503	2,379	8.9x	8.1x	17.4x	14.0x	0.8 %	(13.0)%
Input Capital Corp.	132	117	12.3x	4.4x	38.2x	na	(7.9)%	(32.5)%
Mean			9.5x	7.5x	22.6x	15.5x	(1.2)%	(34.4)%

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

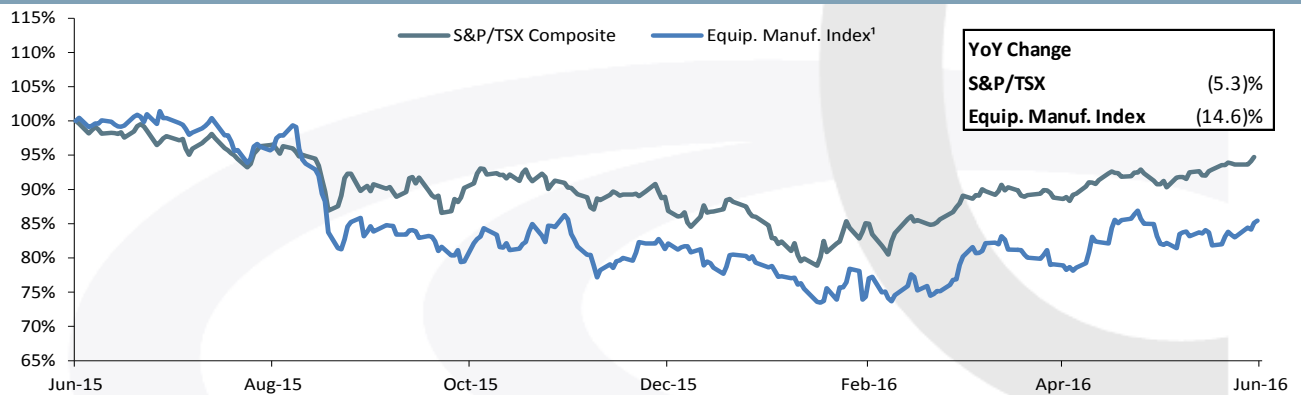


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- According to the Association of Equipment Manufacturers (AEM), exports of U.S.-made agricultural equipment for the first quarter of 2016 dropped 8% overall compared to the first quarter of 2015, for a total of US\$1.7 billion shipped to global markets. Europe recorded a double-digit gain of 21% for a total of US\$495 million, while Canada saw a drop of 20% for a total of US\$468 million. Central America also saw double-digit gains, while the largest drops came from Africa and South America
- While U.S. agricultural equipment exports to the world continue to decline, this quarter's year-over-year decline of 8% was lower than last quarter's 17% decline and 2015 third-quarter decline of 29%. Declines continued to be expected as global market drivers responsible for the agriculture downturn, such as low commodity prices and the larger global malaise, remained in place. Further, international trade overall is slowing down, and the strong U.S. dollar continues to hamper the nation's global competitiveness
- In a report by the Globe and Mail, CN Rail's marketing chief, Jacques Ruest, warned that there are 'probably more layoffs' coming in addition to the 1,200 people already laid off. Industry-wide declines in cargo-volumes of at least 10% this year have resulted due to a weaker North American economy, poor demand for coal, a steel-making slump and a prolonged plunge in oil prices. As a result, CN has parked ~20% of its locomotive fleet, and will actively look for ways of becoming more efficient

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2016E	2017E	2016E	2017E	Week Δ Price	52Wk High
Deere & Company	26,891	29,124	11.8x	12.7x	27.2x	29.4x	6.6 %	(12.9)%
AGCO Corp	4,380	5,935	10.1x	9.8x	22.6x	20.0x	3.1 %	(8.3)%
Ag Growth International Inc.	427	696	10.0x	8.8x	14.4x	12.5x	(3.5)%	(27.0)%
Rocky Mountain Dealerships	109	416	18.7x	15.9x	10.6x	8.5x	0.1 %	(23.0)%
Cervus Equipment Corporation	140	396	10.0x	9.5x	14.2x	10.6x	3.1 %	(31.4)%
Mean			12.1x	11.3x	17.8x	16.2x	1.9 %	(20.5)%

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 June 1st, the U.S. Food and Drug Administration (FDA) released draft targets for voluntary sodium reduction in the food industry. The targets call for sodium consumption limited to 3,000 mg per day in the short term (two years) and 2,300 mg per day in the long term (10 years), compared to the current daily average sodium intake of 3,400 mg per day. The FDA's action comes after a lawsuit filed by The Center for Science in the Public Interest against the FDA in October 2015 for failing to act on a decade-old petition for salt reduction in the U.S. food supply
- The FDA also approved an overhaul to the nutrition-facts panel that appears on the back of all packaged food and beverages, to list how many grams of sugar have been added by manufacturers and what percentage of the recommended daily maximum that represents. Health officials say added sugars have no nutritional value and increase overall caloric intake, helping fuel obesity and diabetes while steering Americans away from nutrient-rich foods. Government health officials recommend eating no more than 12.5 teaspoons of added sugar per day, though on average Americans eat 20 teaspoons per day
- In an interview with the Financial Post, Saputo CEO Lino Saputo Jr. stated that Canada would have been better off, and more competitive, with no milk supply management. He stated that because of supply management, plants with the same technology are running at about 70% capacity, compared to 98% capacity in the U.S; though local farms do benefit from reduced volatility as the current system guarantees dairy farmers a price and demand for their products
- Canola crush margins have improved considerably over the past few weeks and are now sitting at near the best levels of the year. On May 27th, Canola Board Crush Margin calculated by ICE Futures Canada was \$107 higher than the nearby July contract, compared to levels closer to \$84 a month earlier and the year-ago level of \$71. Crush margins indicate the profitability of the product values compared to the seed cost when processing canola, and with the end of the crop year quickly approaching, as well as tightening supply in Western Canada, crush margins are likely to deteriorate in coming months
- The U.S. Government Accountability Office (GAO) will launch a review of cattle pricing, including the impact of high-frequency trading on futures, after ranchers complained about a sharp drop in price last year compared to record levels reached in 2014. The National Cattlemen's Beef Association has attributed price swings to high-frequency traders. CME Group Inc., which operates U.S. cattle futures markets, has taken steps to reduce volatility, including cutting trading hours
- In the weekly crop progress report issued by the USDA on May 31st, spring wheat planting was nearly complete, at 95% as of May 29th, ahead of the five-year average of 77%. In Calgary, Alberta farmers had planted 84% of their spring wheat. Soybean plantings were 73% complete, sharply higher than 56% a week ago. U.S. farmers have sold nearly double the usual amount of new-crop soybeans this spring, as concerns about harvest losses in Argentina due to rain rallied prices. A shift to drier conditions in the U.S. and some moisture in the Canadian prairies should help overall crop conditions

Commodities Futures as of June 3rd, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:ˆC	\$ per bu.	\$4.18	1.15 %	19.04 %
Wheat (CBOT)	CBOT:ˆW	\$ per bu.	\$4.97	5.02 %	8.51 %
Oats (CBOT)	CBOT:ˆO	\$ per bu.	\$1.88	(1.12)%	(10.58)%
Rough Rice (CBOT)	CBOT:ˆRR	\$ per cwt.	\$11.37	3.41 %	(3.40)%
Barley (USDA)	USDA:ˆ24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ˆRS	CAD per T	\$520.40	0.58 %	7.99 %
Ethanol (CBOT)	CBOT:ˆET	\$ per gal.	\$1.67	1.21 %	20.77 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
Food Processing					
Tate & Lyle plc	31-Mar-16	435.4%	Major restructurings successfully executed, significantly strengthening the business. Speciality Food Ingredients saw margin expansion due to improved mix, volume growth and improved SPLENDA performance. Bulk Ingredients saw significant margin improvement as US corn wet milling industry dynamics remained well-balanced, and the segment saw manufacturing efficiency improvements	£6.4	1.3%
Fertilizers & Crop Inputs					
Input Capital Corp.	31-Mar-16	58.1%	Strong canola streaming revenue growth as higher volumes driven by Input's canola marketing program, which also translated to higher margins	C\$2.7	28.2%

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