



Agriculture Industry Flash

Monday, March 14th, 2016

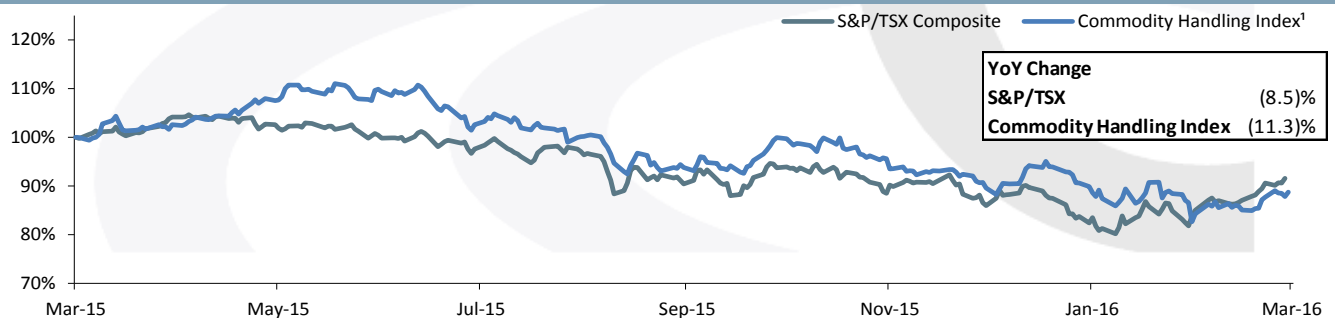


COMMODITY HANDLING

News Scan

- On Mar. 4th, Bloomberg reported Canada Pension Plan Investment Board and state-owned Saudi Agricultural and Livestock Investment Co were among the lead bidders for a minority stake in the agriculture unit of Glencore. The firms are presenting final bids for the unit this month and Glencore is open to selling stakes to more than one party, according to Bloomberg, as the company aims to slash net debt to US\$17-US\$18 billion by the end of 2016 - US\$1 billion more than previously planned
- On Mar. 14th, The CBH Group rejected a proposal from the Australian Grains Champion (AGC) to privatize the co-op as it believes the proposal would destroy value for members and their strategic network, and gives too much power to GrainCorp
- On Mar. 7th, Cargill announced its acquisition of the FPL Food ground beef processing plant in Columbus, SC, for an undisclosed sum. The 100,000-square-foot plant adds to Cargill's existing portfolio of meat processing facilities and enables the company to better serve eastern retail and foodservice customers
- On Mar. 7th, Bloomberg reported that Vitol Group is restructuring its grains trading operations after a three-year foray into the market by closing offices and moving traders to its main oil-trading hubs. The pull-back follows Vitol's move in 2014 to scale back its sugar business, where it said last year it would retain the ability to trade some cargoes in the future
- On Mar. 7th, The Michigan Sugar Co. announced it will expand into specialty cane sugar products with the purchase of AmCane Sugar, for an undisclosed sum. The purchase, which includes AmCane's refinery in Taylor, Mich., and packaging facility in Toledo, Ohio, is expected to increase Michigan Sugar's sales volume by about 15% and revenue by more than US\$60 million, and strengthens its ability to serve the nation's sugar supply needs on a cost competitive basis
- On Mar. 10th, Paterson Grain reported it will build a high throughput elevator with 55,000 tonnes of storage and a loop track rail system in Innisfail, AB, with loading capacity of 150 car unit trains in seven hours, and a dual receiving area for efficient truck unloading. The news comes after GrainsConnect announced it will build a 37,000 tonne elevator just north of Innisfail

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
ADM	21,737	26,476	6.9x	7.2x	13.8x	14.3x	(2.8)%	(31.3)%
Bunge Limited	8,085	12,227	6.6x	6.6x	11.5x	10.7x	2.4 %	(39.6)%
Graincorp Limited	1,298	1,864	9.5x	8.3x	37.9x	28.2x	2.0 %	(27.6)%
The Andersons, Inc	843	1,296	6.6x	6.9x	16.9x	16.2x	0.6 %	(36.1)%
AGT Food and Ingredients	682	978	13.3x	10.3x	20.8x	15.8x	3.1 %	(3.1)%
Ceres Global Ag	116	185	na	na	na	na	0.4 %	(26.1)%
Mean			8.6x	7.9x	20.2x	17.0x	0.9 %	(27.3)%

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

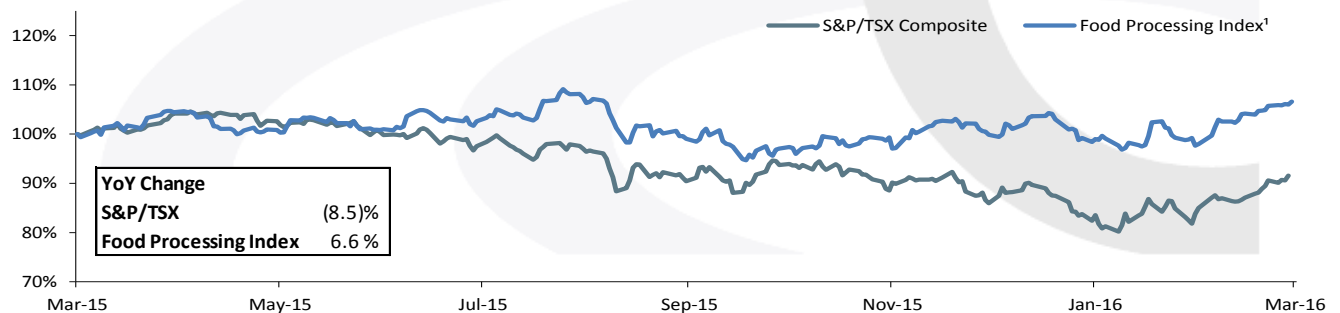


FOOD PROCESSING

News Scan

- On Mar. 1st, China Resources Beer agreed to buy out the remaining stake in its Snow Beer venture with SABMiller Plc for US\$1.6 billion, in a move that may help AB InBev secure Chinese antitrust approval for its acquisition of SABMiller. The partnership began in 1994 and has since expanded into more than 90 operations across China, with Snow now being the world's best-selling beer by volume. The Snow deal is conditional on the successful acquisition of SABMiller by AB InBev
- On Mar. 2nd, Arbor Investments announced it will acquire South Coast Baking for an undisclosed sum. South Coast is a frozen cookie dough manufacturer that operates out of two manufacturing facilities strategically located in Irvine and Springdale, Ark. South Coast will join Arbor's baking platform, and its complementary product offering and strategic manufacturing locations will create significant opportunities to expand the platform's geographic reach across all product categories
- On Mar. 11th, ConAgra Foods announced it is investing US\$30 million to expand its Lamb Weston operations at the Boardman, Oregon facility. The investment will increase processing capacity by ~50 million pounds to handle demand growth in the category both in the US and abroad
- General Mills is accelerating its commitment to doubling the organic acreage from which it sources ingredients, expecting 250,000 acres by 2019 - a year ahead of its previous goal. General Mills will require a more robust pipeline of organic growers and strong strategic relationships it aims to grow its sales from natural and organic products to \$1 billion by 2019
- On Mar. 8th, Entropy, an Israeli consultancy, advised institutional investors to oppose Nestle's bid to buy out minority shareholders in Osem. Entropy claims Nestle's offer of \$845 million, or 82.5 shekels per share, undervalues the company as it represents an EBITDA multiple of 13.4x, which is less than other purchases by Nestle in recent years that averaged multiples of 15.6x

Relative Performance Index



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	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
ConAgra Foods, Inc.	19,041	27,720	13.1x	13.5x	19.7x	18.7x	1.3 %	(3.6)%
George Weston Limited	10,704	21,583	5.7x	5.4x	19.5x	17.4x	(0.3)%	(3.8)%
Ingredion Incorporated	8,275	9,871	11.0x	10.3x	18.2x	16.6x	(0.2)%	(1.5)%
Tate & Lyle plc	3,797	4,673	10.2x	9.9x	15.1x	15.6x	(1.7)%	(14.4)%
Maple Leaf Foods Inc.	2,725	2,577	16.2x	10.5x	nmf	23.2x	3.9 %	(0.7)%
SunOpta Inc.	424	910	13.3x	9.4x	17.5x	16.0x	3.6 %	(55.9)%
Rogers Sugar	464	644	9.9x	9.3x	14.2x	14.2x	0.2 %	(66.9)%
Mean			11.4x	9.8x	17.4x	17.4x	1.0 %	(21.0)%

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.

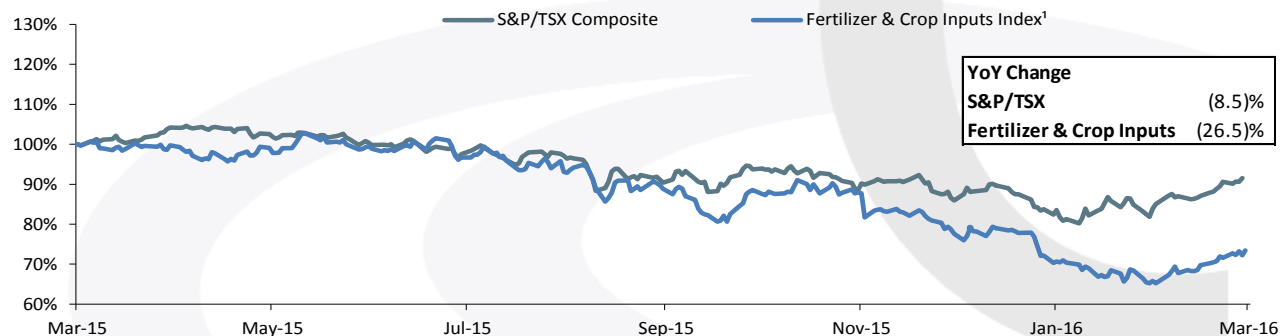


FERTILIZERS & CROP INPUTS

News Scan

- On Mar. 2nd, Corbion completed the pre-engineering for a 75,000-tonne polymerization plant in Thailand and is entering the basic-engineering phase. Corbion said it will be able to produce a complete portfolio of polylactic acid (PLA) polymers at the plant, ranging from standard PLA to innovative high-heat resistant PLA. Additionally, Corbion will expand its existing lactide plant in Thailand by 25,000 tonnes per year, enabling the production of a wider range of lactides. Estimated capital expenditures costs are ~€65 million (\$70.5 million) for the PLA plant and ~€20 million (\$21.7 million) for the lactide plant
- On Feb. 29th, Potash Corp announced it is halting production starting Mar. 20th, at the Allan and Lanigan mines in Saskatchewan for approximately one month, in an attempt to match supply with market demand. The stoppage will be done without any layoffs through maintenance shutdowns and comes amid falling potash prices on the world markets
- On Mar. 1st, Yara announced it plans to cut operating costs and raise investments to become more competitive and grow its business. The company raised its 2016 capex estimates to NOK 17.9 billion, compared to NOK 14.4 billion in 2015. During the next six months Yara will establish a corporate improvement program, consisting of several initiatives aimed at reducing cost and increasing efficiency
- On Mar. 10th, Bayer Crop Science announced it is looking at potential targets to enhance its seeds operation as competitive threats increase with big mergers among its rivals, including DuPont and Dow. Bayer signalled that faster growth in seeds was important for the company to ensure customers get a more balanced package of products and services

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market			TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
Agrium Inc.	15,030	19,953	9.2x	9.9x	12.6x	14.2x	2.6 %	(18.3)%
Potash Corp.	15,312	18,445	8.6x	11.2x	15.2x	24.3x	(1.6)%	(43.6)%
CF Industries Holdings, Inc.	8,307	13,986	7.1x	7.3x	9.4x	13.3x	3.0 %	(49.3)%
Yara International ASA	12,451	14,079	5.5x	5.7x	11.1x	11.7x	(0.1)%	(24.0)%
The Mosaic Company	10,117	12,777	5.7x	7.7x	10.2x	16.6x	(3.1)%	(40.2)%
Nufarm Ltd.	1,565	2,181	8.8x	7.8x	neg	16.9x	9.0 %	(12.2)%
Input Capital Corp.	106	78	4.7x	4.0x	38.2x	26.3x	4.9 %	(50.1)%
Mean			6.8x	7.3x	16.8x	18.2x	2.0 %	(36.6)%

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

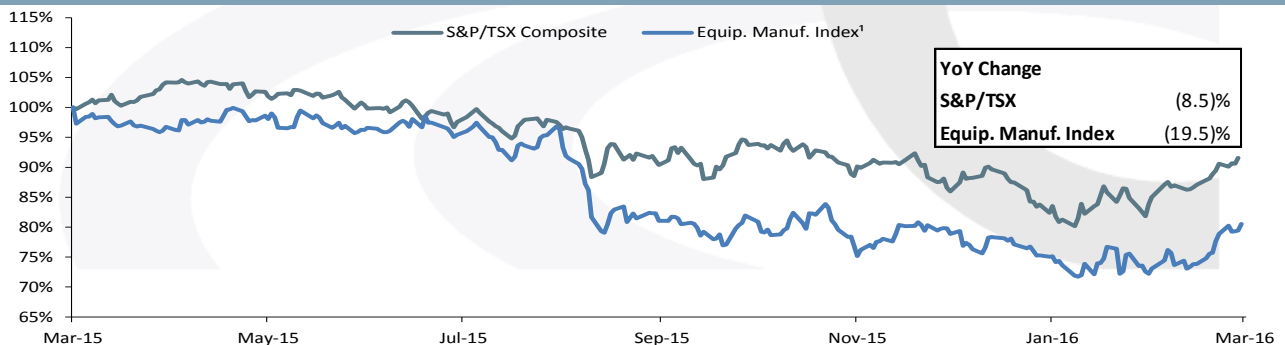


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Mar. 9th, Ag Growth (AGI) announced it has acquired Entringer S.A, a Brazilian-based manufacturer of grain bins, bucket elevators, dryers and cleaners for R\$30 million, representing a 5.4x multiple to the company's six-year average EBITDA. Entringer provides AGI with a measured entry into the rapidly expanding agricultural sector in Brazil and local manufacturing capability to avoid high tariffs and taxes that had restricted AGI's ability to compete in the market
- On Mar. 14th, AGI announced it will acquire NuVision Industries, a Canadian builder of fertilizer blending plants and material handling facilities, for a maximum purchase price of C\$26 million, representing 4.0x 2015 normalized EBITDA. NuVision represents a strategic entry into the fertilizer sector, allowing AGI to offer leading, turnkey fertilizer systems
- On Mar. 10th, Deere & Co reported it is laying off 125 employees across two plants in Iowa, as struggles with weak demand in farming machinery continue. The cuts include 75 employees at DE's Dubuque, Iowa, factory, which is part of the company's construction and forestry division, and 50 workers at its Ankeny, Iowa, operation, part of the agricultural and turf business
- On Mar. 2nd, Canadian Pacific Railway announced it is looking at all legal options in response to what it described as concerted efforts by certain U.S. railroads to block its proposed merger with Norfolk Southern Corp. The \$28 billion plan to buy Norfolk has garnered support from more than 80 shippers, but is being opposed by Norfolk and a number of industry groups and other rail customers. CP had previously raised concerns that U.S. railroads were working collectively to oppose its proposed merger
- On Mar. 1st, the Wall Street Journal reported that CP had approached CSX Corp in January about a takeover, but the U.S. railroad company rebuffed CP's advances. Both companies declined to comment, but CP CEO, Hunter Harrison, stated that there would be benefits from a tie-up with either CSX or Norfolk Southern

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2015E	2016E	2015E	2016E	Price	52Wk High
Deere & Company	26,156	29,417	11.9x	12.9x	26.3x	28.5x	(2.3)%	(15.6)%
AGCO Corp	4,289	5,464	7.5x	7.3x	16.1x	22.5x	(0.3)%	(10.2)%
Ag Growth International Inc.	324	547	9.2x	8.3x	15.4x	13.4x	13.0 %	(44.5)%
Cervus Equipment Corporation	149	417	12.0x	10.2x	16.5x	10.8x	4.6 %	(35.4)%
Rocky Mountain Dealerships	88	113	4.9x	4.4x	7.8x	6.9x	(0.2)%	(36.9)%
Mean			9.1x	8.6x	16.4x	16.4x	3.0 %	(28.5)%

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

- The forecast for Brazil's 2015-16 soybean production has increased to a record 100 million tonnes, the U.S. Department of Agriculture's (USDA) Foreign Agricultural Services said in a Mar. 4th report. The higher production is a result of a 200,000 hectare increase in the planted area, to a total of 33.2 million hectares, supported by good rains through February in the Center-West, which is expected to help yields. Further, soybean exports are forecast to reach a record 55.5 million tonnes, as strong demand in China and the strong dollar continues to incentivize exports
- According to the USDA Economic Research Service, global trade in rice is expected to decline for the second consecutive year in 2016. Reduced imports by Nigeria, the world's second-largest rice import market, account for the largest share of the decline in global rice trade. Imports by Nigeria are expected to fall 17% in 2016, the result of a recent increase in import tariffs, declining oil revenues, and foreign exchange restrictions
- On Mar. 14th, Nidera announced its Corabia River facility, located south of Romania, is now officially operational. The terminal consists of grain storing, handling and conditioning facilities with a total capacity of 18,000 metric tons (MT) throughout six silos and equipped with a laboratory, two truck weighing scales, a conveying system, and dryer, temperature, and aeration systems. The facility's strategic location facilitates the collection of crops from farmers and other facilities in the region in order to feed the company's port terminal in Constanta
- Excessive rain and heat levels in various areas of Argentina could lead to damage, resulting in yield and area losses of soybean, according to the USDA Foreign Agricultural Service. Various provinces could soon receive enough rain to result in significant area losses due to flooding, with contracts in the region indicating over 1.5 million hectares could be at risk
- On Mar. 10th, The American Equipment Manufacturers Association reported machinery exports were down for the third year in a row in 2015 to US\$7.4 billion, from US\$8.6 billion in 2014. Canada, which purchased US\$2.2 billion in US machinery, reduced their purchases by 17% due to the strong US dollar and weakening farmer demand as a result of the fall in commodity prices
- Last year was a record year for Canadian consumption of poultry, with each Canadian eating an average of 31.7 kg of chicken, compared to 26.5 kg of beef and 20.6 kg of pork. Retail demand continues to increase even as the economy slumps, and it may make the Chicken Farmers of Canada Association more willing to increase quota allocations across the country to enable growth to all provinces
- The International Grains Council has raised its forecast for global corn and wheat production in 2015-16. The all-grains ending stocks projection is lifted by 10 million tonnes to 465 million, the highest level in almost 30 years. The IGC also forecast an expansion in the global corn area for the 2016-17 crop. World corn production is expected to climb to 213 million tonnes compared to 200 million tonnes a year earlier
- France will provide farmers with tax breaks worth more than \$700 million in an attempt to counter a crisis in the livestock sector, as farmers have angrily protested low dairy and meat prices arising from oversupply and falling prices linked to a Russian embargo on EU food products

Commodities Futures as of March 11th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:AC	\$ per bu.	\$3.65	2.71 %	3.91 %
Wheat (CBOT)	CBOT:AW	\$ per bu.	\$4.75	6.59 %	3.77 %
Oats (CBOT)	CBOT:AO	\$ per bu.	\$1.91	7.37 %	(9.04)%
Rough Rice (CBOT)	CBOT:ARR	\$ per cwt.	\$10.33	(3.00)%	(12.23)%
Barley (USDA)	USDA:A24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ARS	CAD per T	\$463.40	3.72 %	(3.84)%
Ethanol (CBOT)	CBOT:ET	\$ per gal.	\$1.43	3.10 %	3.47 %



Recent Earnings News

	Last Quarter				
Company	Quarter Ended	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling					
Olam International Limited	31-Dec-15	(281.5%)	EBITDA growth of 10.5% due to higher prices and volumes in Edible Nuts, Spices & Vegetable Ingredients, Confectionary Ingredients, and contributions from ADM Cocoa. Earnings were negatively affected by higher finance costs to fund various acquisitions throughout the year and the buyback of convertible bonds	\$1.98	14.2%
Food Processing					
SunOpta Inc.	2-Jan-16	(284.3%)	Consumer Products sales grew as as result of acquisitions and growth in aseptic beverages. Margins were negatively impacted by logistical and inventory issues leading to selling off excess inventory at lower prices	\$7.61	53.4%
Equipment Manufacturers and Services					
Ag Growth International Inc.	31-Dec-15	(44.4%)	Equipment sales were negatively impacted by the drought in Western Canada, and low US demand due to smaller crop, an extended replacement cycle for grain augers, and cautious buying behavior, but partially offset by strong growth in international markets	\$35.79	16.6%

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