



## Agriculture Industry Flash

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Monday, March 28<sup>th</sup>, 2016

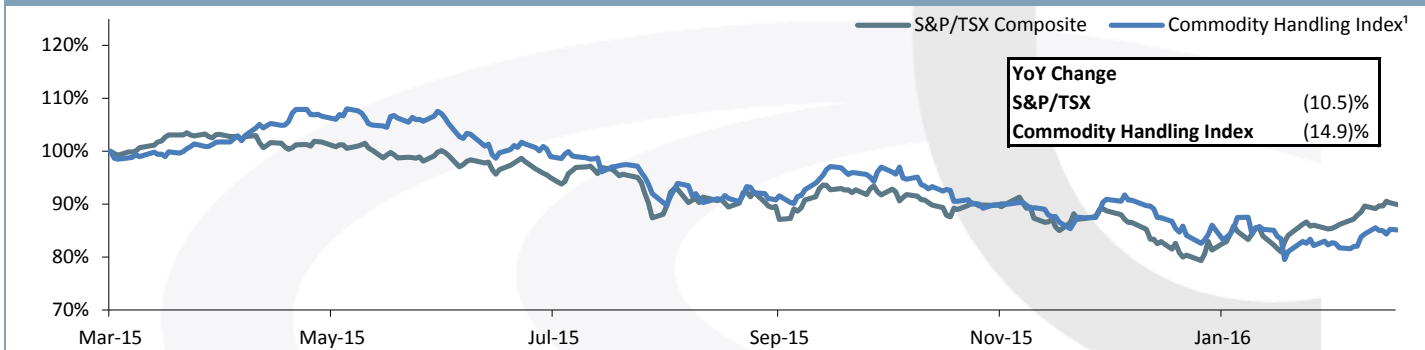


## COMMODITY HANDLING

### News Scan

- On Mar. 23rd, Archer Daniels Midland (ADM) opened its new, state-of-the-art flavour creation, application and customer service facility in Cranbury, New Jersey. The 15,700-square-foot site is designed to provide customers with a creative and innovative environment for their product development, and will be supported by flavourists, mint specialists, and application technologists
  - On Mar. 18th, ADM filed a lawsuit against Canadian Pacific (CP) over service disruptions in 2013 and 2014 at crop-processing plants in North Dakota and Minnesota, alleging they stemmed in part from cost-cutting initiatives and CP's pursuit of merger partners. ADM is seeking damages amounting to "several million dollars", as service disruptions resulted in "one of the worst and most persistent railroad services failures experienced by ADM in many years", and CP did not allow ADM to use alternative rail providers to mitigate service issues
- The Egyptian Ministry of Supply and Blumberg Grain are rapidly deploying 93 systems across Egypt designed to reduce post-harvest loss in locally grown wheat from 40% to less than 5%, in one of the largest food security mega projects in the Middle East and Africa. As of Mar. 23<sup>rd</sup>, all systems have shipped from plants in U.S. and are being installed in Egypt, with the end goal of saving the Egyptian government hundreds of millions of dollars annually, and bringing significant benefits to Egyptian farmers as the facilities will save crops, help store harvests longer and reduce waste as they are temperature controlled and enclosed to significantly reduce spoilage

### 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	21,659	26,397	6.9x	7.2x	13.7x	14.4x	(4.5)%	(31.6)%
Bunge Limited	8,034	12,175	6.6x	6.6x	11.4x	10.6x	0.5 %	(40.0)%
Graincorp Limited	1,297	1,860	9.6x	8.4x	38.1x	28.7x	4.6 %	(27.2)%
The Andersons, Inc	820	1,273	6.4x	6.7x	16.4x	15.8x	(3.9)%	(37.8)%
AGT Food and Ingredients	696	1,070	14.7x	11.1x	21.3x	16.0x	2.6 %	(4.1)%
Ceres Global Ag	115	185	na	na	na	na	(1.0)%	(27.5)%
<b>Mean</b>			<b>8.8x</b>	<b>8.0x</b>	<b>20.2x</b>	<b>17.1x</b>	<b>(0.3)%</b>	<b>(28.0)%</b>

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

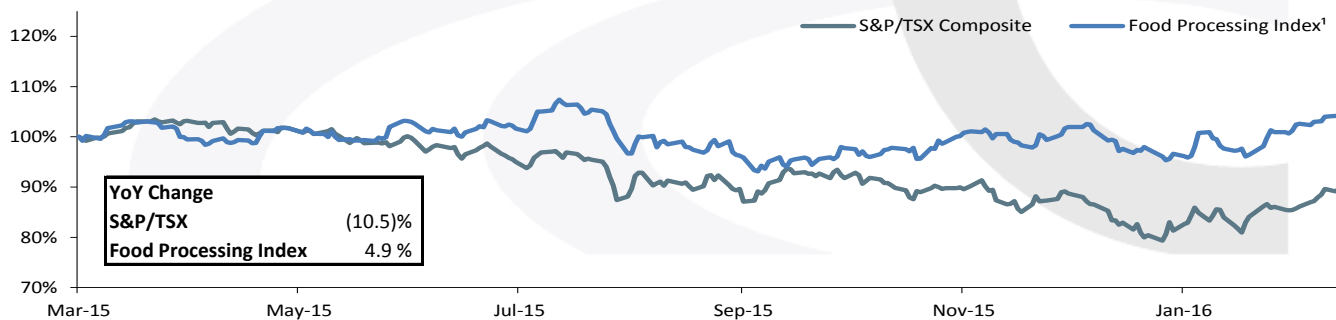


## FOOD PROCESSING

### News Scan

- On Mar. 14th, The Fresh Market (TFM) announced that it has agreed to a roughly US\$1.4 billion deal to be acquired by an affiliate of Apollo Global Management (APO). Fresh Market investors would receive \$28.50 per share, representing a 24% premium based on the Mar.11th closing price. The deal is conditioned on at least 50% of the company's shares being tendered in the offering. The transaction expected to close during the second quarter of 2016 if no alternative proposals arise
- On Mar. 23rd, Premier Foods rejected a second takeover approach from McCormick, saying the ~US\$700 million equity price tag undervalued the British maker of Mr. Kipling cakes and Bistro gravy. Premier added that the proposal fails to recognize the value of its performance to date and prospects for the future, including the strategic plans to accelerate growth
- On Mar. 22nd, Premium Brands announced it will acquire Montreal based C&C Packing for a total purchase price of C\$146 million. C&C is a leading supplier of fresh and frozen meat products to retailers and foodservice distributors across Canada with sales of ~C\$250 million. C&C complements Premium's protein distribution and trading initiatives with its strong and experienced management team and state-of-the-art facilities, and further diversifies its customer base into Quebec
- On Mar. 17th, Chobani announced a US\$100 million incremental investment to expand its manufacturing plant in Twin Falls, Idaho. Expansion initiatives include adding production lines for Chobani Flip, new production lines for foodservice customers, new equipment for its upcoming Chobani Meze dips and yogurt drinks, and launching products in new international markets including Mexico and Puerto Rico
- ConAgra Foods has been found liable for US\$109 million in a civil lawsuit stemming from a fatal 2009 plant explosion in North Carolina. However, Jacobs Engineering, the contracted company that performed the service at the plant, paid US\$109 million to settle lawsuits with affected parties

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
			2015E	2016E	2015E	2016E	Price	52Wk High
ConAgra Foods, Inc.	19,132	27,377	12.9x	13.9x	19.8x	18.8x	0.9 %	(3.1)%
George Weston Limited	11,184	21,583	5.7x	5.4x	20.4x	18.5x	(1.2)%	(3.4)%
Ingredion Incorporated	8,155	9,747	10.9x	10.2x	17.9x	16.4x	(2.5)%	(3.0)%
Tate & Lyle plc	3,698	4,558	11.3x	11.0x	14.9x	15.4x	0.6 %	(15.3)%
Maple Leaf Foods Inc.	2,701	2,552	16.1x	10.4x	49.7x	23.0x	(0.3)%	(1.6)%
SunOpta Inc.	379	866	12.7x	8.9x	15.6x	14.3x	(7.8)%	(60.4)%
Rogers Sugar	482	662	10.2x	9.5x	14.8x	14.8x	1.0 %	(65.6)%
<b>Mean</b>			<b>11.4x</b>	<b>9.9x</b>	<b>21.9x</b>	<b>17.3x</b>	<b>(1.3)%</b>	<b>(21.8)%</b>

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.

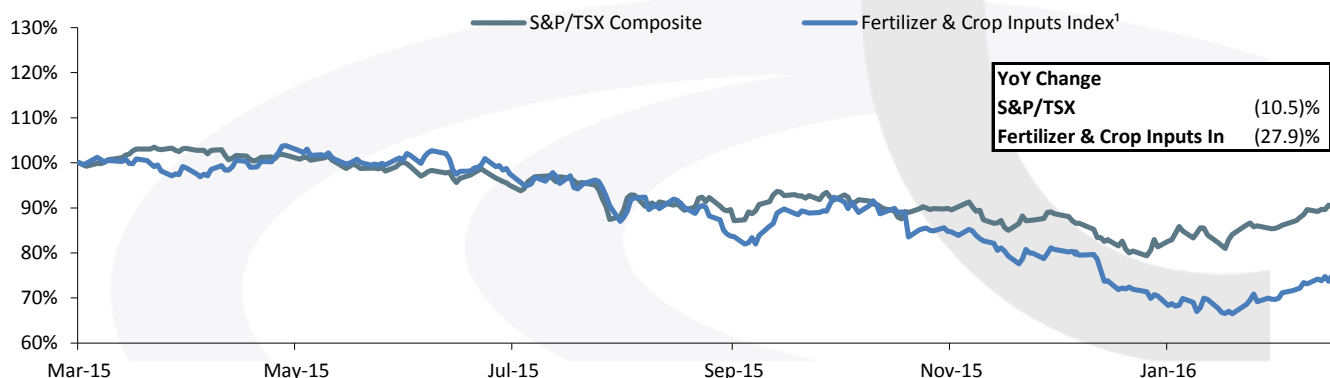


## FERTILIZERS & CROP INPUTS

### News Scan

- On Mar. 14<sup>th</sup>, Karnalyte Resources announced it has inked a major deal with Gujarat State Fertilizers and Chemicals Limited (GSFC) to finance the construction of the first phase of Karnalyte's 625,000 tonnes per year potash mine, located near Wynyard, Saskatchewan. The two parties also agreed to spin-out Karnalyte's secondary mineral assets and 241 square kilometres of unexplored lands into separate entities
  - The financing package amounts to US\$700 million, including senior secured debt, subordinated unsecured debt, and an equity infusion to be backstopped by GSFC
- On Mar. 24<sup>th</sup>, four U.S. Senators called for review of China National Chemical Corp's planned US\$43.1 billion acquisition of Swiss seeds and pesticide maker Syngenta AG. They insist that the U.S. government panel that reviews foreign acquisitions should assess the impact on domestic food security as a result of this acquisition. The call for review comes after Tom Vilsack, the US agriculture secretary, raised concerns in February over the merger's impact on foreign competition in China
- On Mar. 24<sup>th</sup>, speculation of a Chinese takeover of Nufarm grew, as chairman of Fuhua Group, Zhang Hua, secured a substantial 5.16 per cent holding in Nufarm. Fuhua Group is one of China's biggest glyphosate producers and a well-known supplier to Nufarm. While Zhang commented that the transaction was currently intended as a financial transaction, he reserves the right to increase or decrease the holding. Further, industry analysts commented that the global agri-chemical sector is consolidating, and Fuhua's strong relationship with Nufarm could hint at a potential merger

### 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.	15,034	19,958	9.2x	9.9x	12.6x	14.2x	(0.3)%	(15.3)%
Potash Corp.	14,274	17,392	8.1x	10.6x	14.2x	22.8x	(8.7)%	(45.9)%
CF Industries Holdings, Inc.	7,445	13,120	6.7x	6.8x	8.4x	11.6x	(8.9)%	(54.6)%
Yara International ASA	12,343	13,957	5.5x	5.7x	11.1x	11.7x	(1.9)%	(25.9)%
The Mosaic Company	9,610	12,267	5.5x	7.3x	9.7x	15.7x	(8.7)%	(42.8)%
Nufarm Ltd.	1,524	2,423	9.9x	8.8x	neg	16.9x	(1.8)%	(14.0)%
Input Capital Corp.	100	72	4.4x	3.7x	36.2x	24.9x	2.5 %	(52.8)%
<b>Mean</b>			<b>6.7x</b>	<b>7.2x</b>	<b>15.9x</b>	<b>17.3x</b>	<b>(4.6)%</b>	<b>(39.3)%</b>

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

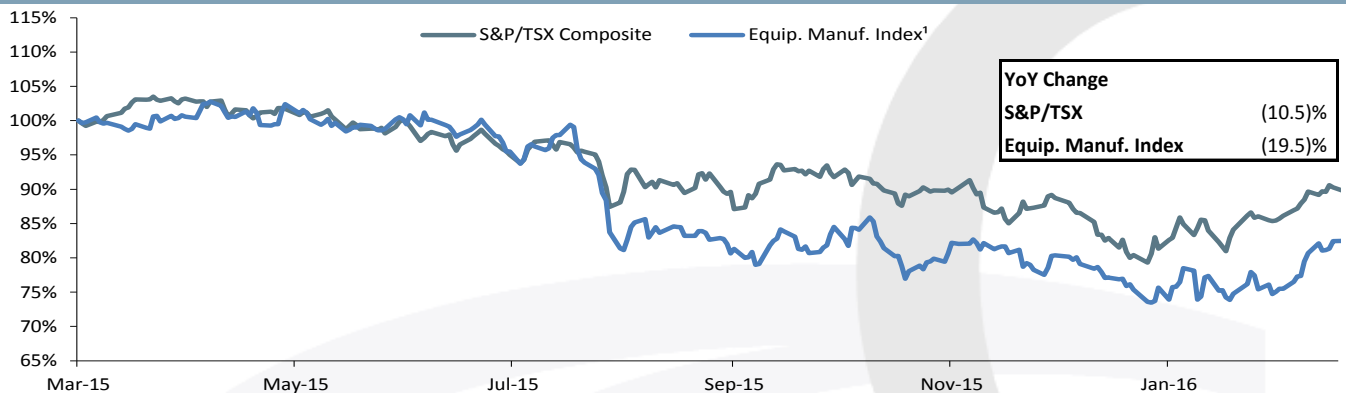


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Mar. 22<sup>nd</sup>, Valspar, a global leader in the coatings industry, reached an agreement with AGCO to become its approved supplier in Brazil. Per the agreement, AGCO will use Valspar's liquid, e-coat and powder coatings, and aftermarket paint products for use on all AGCO equipment. Valspar has been a supplier for AGCO in other regions since 1992, and the agreement will ensure expansion to Brazil is supported by strong value and the best service and support in the industry
- On Mar. 17th, it was reported that The Carter Group acquired the Brice Baker brand and intellectual properties this past fall, via its Franklin Hodge Industries Ltd. subsidiary. This move is part of a long term strategy to develop an agricultural division within the Franklin Hodge business

### 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	25,302	27,453	11.0x	11.8x	25.5x	27.6x	(3.4)%	(18.3)%
AGCO Corp	4,206	5,381	7.4x	7.2x	15.8x	22.0x	(3.0)%	(11.9)%
Ag Growth International Inc.	367	590	10.0x	9.2x	17.6x	17.0x	2.7 %	(36.5)%
Cervus Equipment Corporation	125	371	10.7x	10.0x	13.8x	11.4x	(8.8)%	(45.0)%
Rocky Mountain Dealerships	85	110	4.7x	4.9x	7.6x	8.3x	(0.5)%	(38.8)%
<b>Mean</b>			<b>8.8x</b>	<b>8.6x</b>	<b>16.0x</b>	<b>17.3x</b>	<b>(2.6)%</b>	<b>(30.1)%</b>

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 Campbell Soup Company has launched a \$125 million venture capital fund to invest in food startups. The fund, under the banner Acre Venture Partners L.P., will look for innovative food companies with new approaches, new business models, smart external development, and an ecosystem of innovative partners. The fund will ensure Campbell keeps pace with the “seismic-shift” taking place in the food industry as growing consumer demand for freshness and transparency is steadily increasing the pressure on traditional food companies
- On Mar. 16<sup>th</sup>, Agriculture and Agri-Food Canada released its forecasts for field crops in 2016-17, with durum planted area increasing by 2%, and durum production forecast to reach 5.9 million tonnes, an increase of 9% from 2015-16. Wheat is expected to rise 4% to 23 million tonnes despite a 2% lower planted area as a result of higher expected yields
  - In contrast, Russian wheat production is expected to decline by 5% in 2016-17, per SovEcon, and UrkArgoConsult pegged 2016-17 Ukraine wheat production at 17.3 million tonnes, down 30% from 2015-16 as a result of poor weather
- TIAA Global Asset Manamgenet (TGAM) and AGR Partners are launching a US\$600 million agribusiness pooled investment fund, according to SEC filings. Both companies have yet to comment on the fund. TGAM recently closed its US\$3 billion Global Agriculture II Fund targeting farmland assets in North and South America and Australia. AGR Partners invests in growth-stage agribusinesses across the food and agri value chain, focused on investments valued between \$25 - \$75 million
- Solazyme, creator of algae-based ingredients, is undergoing a company overhaul to refocus its operations on food, nutrition, and specialty ingredients. Solazyme, now TerraVia, identified the potential in this space and is repositioning its portfolio and operations to exclusively derive ingredients and products from algae for food and personal care
- The Port of Vancouver USA reported a record-breaking year with 2015 becoming the best year for revenue and tonnage in the port’s 104-year history. Overall exports moving through the Port of Vancouver were up 3.8% in 2015. Grain continues to be the port’s largest export by volume as it increased by 6.4% to 4.56 million tonnes in 2015. The port reported a record US\$38.2 million in operating revenue in 2015 (US\$37.5 million in 2014) and 6.95 million tonnes in total import/export cargo
- On Mar. 15<sup>th</sup>, Novorossiysk Commercial Sea Port (NCSP) Group announced that its consolidated cargo turnover for the first two months of 2016 is up 2.3% and reached 23.8 million tonnes. Bulk cargo volumes totaled 2.11 million tonnes. That included 1.14 million tonnes of grain, which was up 30.9% from 870,600 tonnes in the same period of last year. Container traffic reached 857,300 tonnes, an increase of 23.3%, compared to the same period of last year
- On Mar. 16<sup>th</sup>, Nidera announced the retirement of its CEO, Ton van der Laan commencing at the end of June
- On Mar. 18<sup>th</sup>, G3 Canada Limited, celebrated the groundbreaking of its Hamilton Lake terminal at the Port of Hamilton. Construction of the 50,000-tonne facility began last fall and is on schedule to complete in spring 2017. The bin foundations are nearly complete, and the installation of the steel bins and work on the below-ground portion of the receiving building are expected to begin in April. When complete, the facility will be able to ship and receive grain via truck, rail and vessel
- On Mar. 23<sup>rd</sup>, The Port of Antonina, located in Paraná, Brazil, announced a US\$31 million investment that will allow an increase in its annual traffic by 850,000 tonnes, raising port traffic to 2.3 million tonnes, an increase of 56.6%

### Commodities Futures as of March 24<sup>th</sup>, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:⁠C	\$ per bu.	\$3.70	4.12 %	5.34 %
Wheat (CBOT)	CBOT:⁠W	\$ per bu.	\$4.63	3.81 %	1.06 %
Oats (CBOT)	CBOT:⁠O	\$ per bu.	\$1.87	4.98 %	(11.06)%
Rough Rice (CBOT)	CBOT:⁠RR	\$ per cwt.	\$10.27	(3.62)%	(12.79)%
Barley (USDA)	USDA:⁠24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:⁠RS	CAD per T	\$470.90	5.39 %	(2.28)%
Ethanol (CBOT)	CBOT:⁠ET	\$ per gal.	\$1.45	4.54 %	4.92 %



## Recent Earnings News

			Last Quarter		
Company	Period Ended	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing					
AGT Food and Ingredients Inc.	31-Dec-15	(29.2%)	Reported revenue of C\$1.7 billion for FY'15 (up 25% from FY'14), and an adjusted EBITDA of C\$101 million for FY'15 (up 16.1% from FY'14). The growth in EBITDA is primarily accredited to the investments made in logistics and processing infrastructure	\$42.29	9.0%
Fertilizers & Crop Inputs					
Nufarm Limited	31-Jan-16	(75.0%)	Reported half-year revenue of A\$1.18 billion (stable with prior half year), EBIT of A\$71.2 million, up by 12% over the prior half year. The operational improvement is accredited to manufacturing footprint and efficiencies, procurement practices, and supply chain and logistics management	\$7.88	3.4%
Equipment Manufacturers and Services					
Cervus Equipment Corporation	31-Dec-15	(254.0%)	Reported revenue of C\$1.1 billion for FY'15 (up C\$154 million from FY'14), and same store EBITDA of C\$40.4 million for FY'15 (down C\$10.4 million from FY'14). Prolonged uncertainty in oil prices and appreciation of the US dollar reduced demand for new equipment in the Commercial and Industrial (C&I) segment	\$13.29	25.2%

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