



## Agriculture Industry Flash

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Monday, August 15<sup>th</sup>, 2016

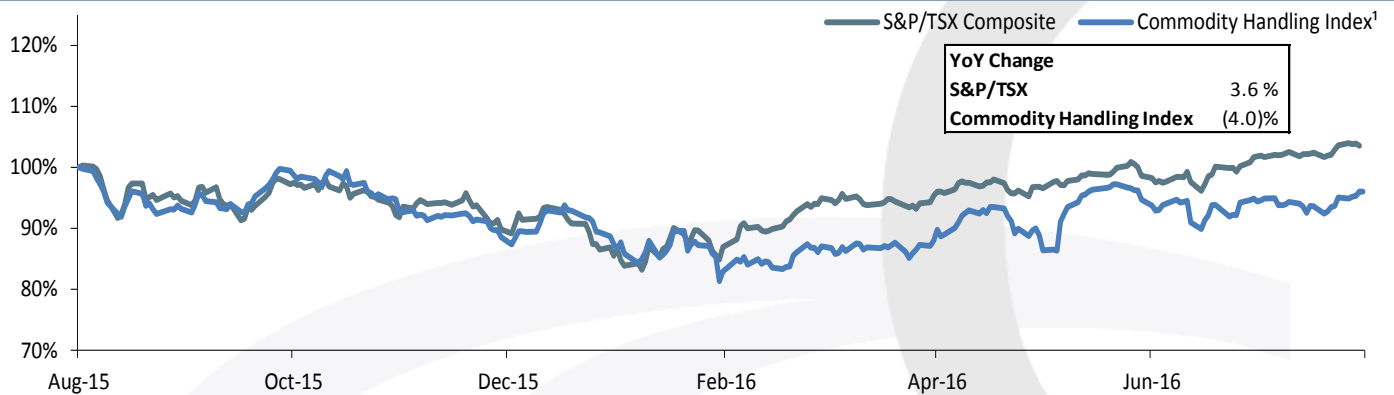


## COMMODITY HANDLING

### News Scan

- The Scoular Co. announced effective Aug. 22<sup>nd</sup>, Paul T. Maass, a long-time grain, flour milling and food industry executive with ConAgra Foods, Inc., will take over the role of chief executive officer (CEO)
- On Aug. 5<sup>th</sup>, Bunge announced it will acquire two of Cargill's oilseed processing plants located in the Netherlands and France, for an undisclosed sum. The aggregate annual processing capacity at the two locations is ~2 million tonnes. The assets are complementary to Bunge's existing soy processing operations in Europe, and will allow the company to further expand its global oilseed processing footprint, grow its presence in Europe's protein market, and further optimize global flows and logistics to serve customers
- On Aug. 3<sup>rd</sup>, CHS announced a partnership with TerraAvion under which the latter will offer its aerial imagery and data solutions to CHS's producer customers. The partnership is expected to help CHS's producer customers make informed and strategic decisions on where to allocate resources to maximize crop yields

### 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	2017E	Price	52Wk High
ADM	25,638	32,620	10.6x	9.1x	19.3x	15.0x	(0.9)%	(8.5)%
Bunge Limited	9,169	15,304	7.3x	7.1x	12.3x	10.9x	(0.7)%	(17.7)%
Graincorp Limited	1,475	2,504	11.4x	9.2x	38.1x	20.5x	0.8%	(10.9)%
The Andersons, Inc	1,043	1,682	11.2x	7.4x	39.7x	14.7x	(0.6)%	(3.7)%
AGT Food and Ingredients	676	1,061	10.9x	9.5x	16.9x	13.3x	7.5%	(13.3)%
Ceres Global Ag	107	182	na	na	na	na	(1.9)%	(20.6)%
<b>Mean</b>			<b>10.3x</b>	<b>8.4x</b>	<b>25.3x</b>	<b>14.9x</b>	<b>0.7%</b>	<b>(12.5)%</b>

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

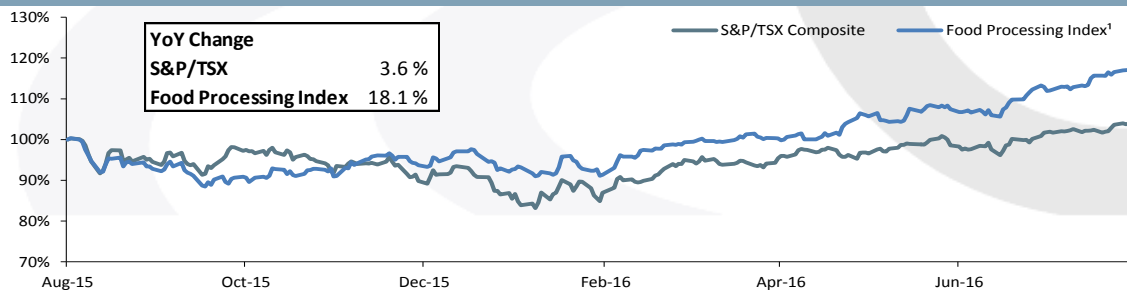


## FOOD PROCESSING

### News Scan

- On Aug. 12<sup>th</sup>, Mondelez International announced it will buy the rights to sell Cadbury-branded biscuits from Burton's Biscuit Co in a bid to sell more and combine chocolate and biscuits in new products. Mondelez, with its global distribution network, would be able to expand the reach of Cadbury Fingers biscuits and accelerate new products. While financial terms were undisclosed, reports indicated Mondelez had offered Burton's -US\$260 million for the rights
- On Aug. 3<sup>rd</sup>, Frutarom announced it will acquire Irish-based Redbrook Ingredients Services for \$44.8 million plus a potential earn-out. The acquisition reinforces Frutarom's market leadership in the U.K. and constitutes its first entry into the Irish market, establishing the company as one of the world's largest and leading companies for flavors, and strengthens its presence and position as a top global producer of natural, healthy and innovative savoury taste solutions
- On Aug. 2<sup>nd</sup>, Hearthside Food Solutions acquired Oak State Products, a contract manufacturer of cookies and bars, for an undisclosed amount. The company has annual sales of \$50 million and employs 300 people, and adds instant capacity to Hearthside's network. Oak State's flexible production lines complement Hearthside's existing large scale lines, creating potential synergies in operations, cultures and customers
- On Aug. 4<sup>th</sup>, Powerplant Ventures, a plant-based food and beverage private equity firm, announced it had closed a US\$42 million fund dedicated to investments in emerging plant-based producers. Powerplant Ventures allocates its investments across verticals including "blue ocean opportunities", "paradigm changers", and "next wave better for you foods"
- On Aug. 4<sup>th</sup>, private equity firm Thomas H. Lee Partners announced it acquired Give and Go Prepared Foods from OMERS, for an undisclosed amount. Give and Go Prepared Foods is an Etobicoke, Ont.-based maker of thaw-and-serve baked foods. Concurrent with the closing of the acquisition, Give and Go completed the acquisition of Create-a-Treat Ltd., NAFTA Foods and Packaging Inc., and related entities, collectively known as NAFTA CAT. NAFTA CAT makes edible craft products for celebrations and holidays, and is the largest North American manufacturer of gingerbread house kits

### 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.	20,465	25,442	12.8x	12.3x	19.9x	18.6x	0.6%	(4.6)%
George Weston Limited	11,556	19,248	6.5x	6.4x	18.3x	16.5x	(0.9)%	(2.7)%
Ingredion Incorporated	9,814	11,419	11.3x	10.7x	20.0x	18.5x	0.6%	(0.7)%
Tate & Lyle plc	4,416	5,115	11.7x	11.4x	21.0x	19.4x	1.2%	(0.1)%
Maple Leaf Foods Inc.	3,019	2,866	10.5x	9.9x	23.1x	20.9x	(1.9)%	(5.6)%
SunOpta Inc.	573	1,133	11.5x	9.4x	29.5x	16.4x	18.3%	(30.8)%
Rogers Sugar	462	559	9.6x	8.5x	14.4x	14.6x	0.5%	(1.2)%
<b>Mean</b>			<b>10.6x</b>	<b>9.8x</b>	<b>20.9x</b>	<b>17.8x</b>	<b>2.6%</b>	<b>(6.5)%</b>

<sup>1</sup> "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, SunOpta, and Rogers Sugar.

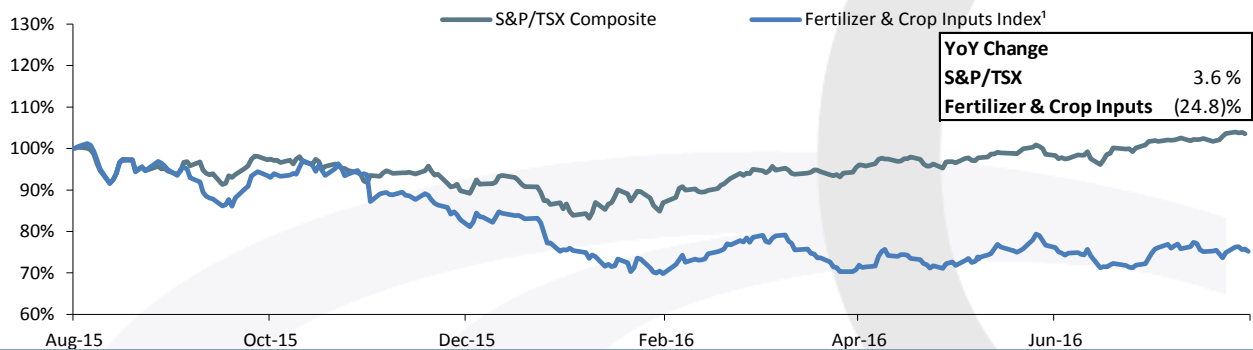


## FERTILIZERS & CROP INPUTS

### News Scan

- On Aug. 10<sup>th</sup>, Yara International announced it is buying Tata Chemicals' Babrala urea plant and distribution business in India for US\$400 million. The deal will expand the company's presence in the world's second-largest fertilizer market. The plant produces 0.7 million tonnes of ammonia and 1.2 million tonnes of urea each year, and is considered one of the most energy efficient urea plants in India
- On Aug. 11<sup>th</sup>, Nufarm announced it has opened a new distribution hub in Christchurch, New Zealand. Increased irrigation, land use intensification and growth in viticulture and horticulture have all contributed to a steady rise in Nufarm's South Island business in recent years, requiring it to expand in order to meet demand
- On Aug. 12<sup>th</sup>, Input Capital released a statement in regards to recent Canada-China canola disputes. Input affirmed that the current trade discussions will have no near-term implications for the business as 80% of planned canola sales are to domestic crushers who are not reliant on canola seed sales to China. Furthermore, 94% of the company's canola sales are already contracted and booked at an average net realized price in excess of C\$485 per MT

### 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	2017E	Price	52Wk High
Agrium Inc.	12,556	17,954	9.9x	9.0x	17.7x	15.5x	(0.8)%	(15.7)%
Potash Corp.	13,645	17,118	14.9x	12.3x	39.8x	28.2x	(0.3)%	(40.4)%
Yara International ASA	12,762	14,200	6.6x	6.7x	15.9x	15.1x	5.2%	(31.6)%
The Mosaic Company	9,518	12,405	10.9x	8.5x	nmf	24.5x	(0.3)%	(38.0)%
CF Industries Holdings, Inc.	5,210	11,933	9.3x	7.9x	20.8x	16.3x	1.2%	(65.1)%
Nufarm Ltd.	1,725	2,645	9.4x	8.5x	16.5x	15.1x	1.3%	(4.8)%
Input Capital Corp.	131	115	9.0x	5.4x	neg	25.2x	(2.8)%	(29.7)%
<b>Mean</b>			<b>10.0x</b>	<b>8.3x</b>	<b>22.2x</b>	<b>20.0x</b>	<b>0.5%</b>	<b>(32.2)%</b>

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

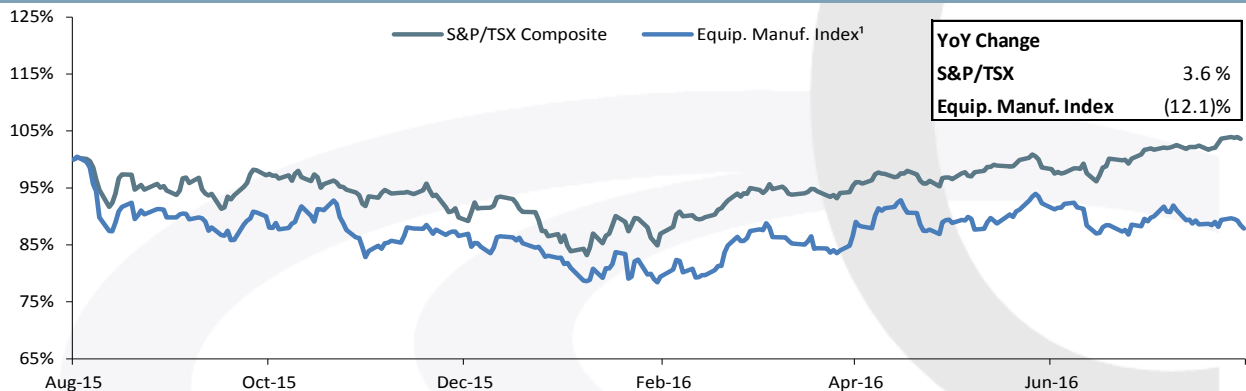


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Aug 9<sup>th</sup>, AGCO management reported at an analyst conference that while admittedly the company is in a cyclical downturn, it is fully focused on investing in its business for the long term. Beck said the company has centered its focus on investment of new technologies and new products. The company will look to expand its GSI grain storage segment through smaller bolt-on acquisitions and expansion into international markets. Expanding in developing markets also is an area of growth for the company as a whole
- On Aug. 4<sup>th</sup>, CNH Industrial announced it plans to offer new notes, with terms and pricing subject to market conditions. The net proceeds are intended to be used for working capital and other general corporate purposes, which may include repurchase of a portion of the outstanding 7.875% notes due 2017
- On Aug. 8<sup>th</sup>, Deere & Co announced it is partnering with HCSS, a leading provider of industrial management solutions, to further enhance the capabilities of John Deere's WorkSight module. Integrating HCSS's software with OEM telematics data, customers will have direct access to valuable information like meter readings, location, fault codes, utilization hours, and fuel consumption data for their entire fleet, regardless of the manufacturer

### 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	24,198	26,215	10.3x	11.7x	22.8x	25.8x	(1.7)%	(18.4)%
AGCO Corp	3,825	5,174	8.6x	8.6x	20.4x	18.8x	(2.6)%	(15.8)%
Ag Growth International Inc.	475	740	10.8x	9.2x	18.8x	13.4x	(2.2)%	(4.0)%
Rocky Mountain Dealerships	124	424	16.4x	14.9x	9.9x	8.7x	13.2%	0.0%
Cervus Equipment Corporation	136	373	9.9x	9.3x	15.3x	10.4x	0.2%	(26.6)%
<b>Mean</b>			<b>11.2x</b>	<b>10.7x</b>	<b>17.4x</b>	<b>15.4x</b>	<b>1.4%</b>	<b>(13.0)%</b>

<sup>1</sup> "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

- In its Aug. 12<sup>th</sup> report, the USDA reported projected U.S. wheat carryover on June 1, 2017, at 1.100 billion bushels, down 5 million bushels from the July projection but up 12% from 981 million bushels in 2016. The 2017 USDA numbers compared with average pre-report trade expectations of 1.115 billion bushels for wheat
- On Aug. 12<sup>th</sup>, the USDA reported 2016 US corn production forecast at a record 15.153 billion bushels, up 11% from 13.601 billion bushels in 2015 and compared with trade expectations that averaged 14.8 billion bushels. Average corn yield was forecast at a record 175.1 bushels an acre, up from 168.4 bushels in 2015
  - Soybean production was forecast at a record 4.060 billion bushels, up 3% from 3.929 billion bushels in 2015 and compared with the average of trade expectations at 3.9 billion bushels
  - All wheat outturn in 2016 was forecast at 2.321 billion bushels, up 3% from 2.261 billion bushels forecast in July, up 13% from 2.052 billion bushels in 2015 and compared with trade expectations of 2.3 billion bushels
- On Aug. 4<sup>th</sup>, the USDA reported U.S. farmers spent US\$362.8 billion on agricultural production in 2015, down 8.8% from US\$397.6 billion in 2014, reversing a long-term trend of growing costs. Per farm, the average expenditures totaled US\$176,181 in 2015, down 8% from US\$191,500 in 2014. Last year, an average U.S. farm spent US\$28,408 on feed, US\$22,047 on livestock, poultry and related expenses, US\$20,202 on farm services, and US\$15,443 on labor
- On Aug. 10<sup>th</sup>, Canadian officials met with Chinese officials in an attempt to convince them to back off a plan to toughen its standard for Canada's canola shipments, which threatens to stall \$2 billion in trade. China's quarantine authority AQSIQ announced it would impose stricter inspection standards for canola shipments starting Sept. 1<sup>st</sup>. China's new standard would allow no more than 1% foreign material, such as straw, per shipment, compared with the current maximum of 2.5%
- With lower-than-anticipated domestic corn supply in Brazil pushing prices up, the government attempted to provide relief to the pork and poultry producers by requesting that the National Biosafety Technical Commission (CTNBio) allow imports of genetically modified corn from the US. Brazilian officials now fear that the country may run out of corn by 2017, and it has already reduced tariffs on corn imports
- On Aug. 2<sup>nd</sup>, the US Wheat Associates were informed that Japan and South Korea have temporarily suspended new purchases of Western white wheat until they are able to validate and start using a new detection assay test provided by Monsanto and the USDA. The USW believe the suspension should only last between 2-3 weeks as the tests are implemented
- On Aug. 8<sup>th</sup>, ADM announced it has priced its offering of US\$1 billion 2.50% notes due 2026 at a price of 2.533%. Net proceeds from the offering will be used for general corporate purposes, including repaying outstanding commercial paper indebtedness

### Commodities Futures as of August 12<sup>th</sup>, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.33	(0.34)%	(5.20)%
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.40	8.37 %	(3.96)%
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$1.81	(8.17)%	(13.85)%
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$9.66	(0.31)%	(17.97)%
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$461.40	1.65 %	(4.25)%
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.41	1.00 %	1.95 %



## Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		Analyst Consensus (US\$)	Premium to Current
			Comments			
<b>Commodity Handling</b>						
The Andersons, Inc.	30-Jun-16	(53.2%)	Challenges in grain due to poor crop last fall in the eastern cornbelt, partially offset by positive impacts from a good wheat harvest, and benefits from productivity initiatives		\$39.00	4.5%
AGT Food and Ingredients Inc.	30-Jun-16	nmf	Adjusted EBITDA up 14% year-over-year largely due to strong margins on sales of beans and chickpeas from Canada and Australia partially offset by lower volumes due to diminishing supply of raw materials available in Canada		C\$43.86	20.0%
<b>Food Processing</b>						
SunOpta Inc.	2-Jul-16	nmf	Revenues benefited from higher demand for organic ingredients and growth in aseptic beverage volumes, offset by lower volumes of specialty raw materials and drop in sales in frozen fruit due to strawberry crop shortages		\$6.94	3.7%
<b>Fertilizers &amp; Crop Inputs</b>						
The Mosaic Company	30-Jun-16	nmf	Net sales in the second quarter of 2016 were \$1.7 billion, down from \$2.5 billion last year, reflecting lower potash and phosphate prices and lower sales volumes		\$26.63	(2.0%)
CF Industries Holdings, Inc.	30-Jun-16	(86.6%)	Sales and EBITDA down due to lower average selling prices across all segments, partially offset by an increase in sales volume as a result of the company's capacity expansion projects		\$25.49	14.1%
<b>Equipment Manufacturers and Services</b>						
AGCO Corporation	30-Jun-16	(50.0%)	Weaker agricultural equipment industry environment offset by strong expense and working capital management		\$48.31	2.5%
Ag Growth International Inc.	30-Jun-16	(56.9%)	Sales increased 27% as a result of strong North American Commercial sales, demand for Westeel products, and contributions from recent acquisitions. Margins remained strong as a result of acquisition synergies and proactive purchasing of raw materials to protect against rising costs		C\$42.50	1.8%
Cervus Equipment Corporation	30-Jun-16	nmf	Slight decrease in EBITDA as a result of lower income realized within the Commercial and Industrial segment, partially offset by cost reduction initiatives decreasing SG&A as % of revenue to 14.2%, from 15.7% last year		C\$13.19	17.1%
Rocky Mountain Dealerships, Inc.	30-Jun-16	70.0%	Revenues increased by \$19.1 million or 9.0% and EBITDA increased by \$3.8 million or 79.3% as a result of focus on cost containment and operational improvements per the company's new industrial equipment distribution strategy		C\$8.84	6.6%

### 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