



## Agriculture Industry Flash

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Tuesday, August 30<sup>th</sup>, 2016

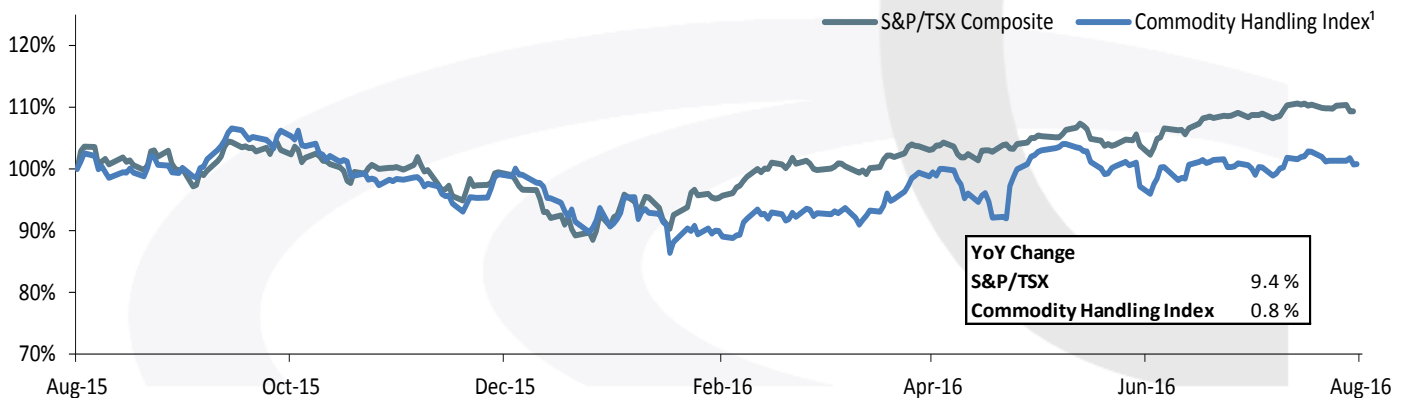


## COMMODITY HANDLING

### News Scan

- On Aug. 25<sup>th</sup>, **Green Plains Inc.** announced it will acquire three eastern US ethanol plants from **Abengoe Bioenergy** for ~US\$237 million in cash. The facilities have combined annual production capacity of 236 million gallons per year. The plants also provide Green Plains with access to the Mississippi River, supporting its new export terminal planned in Beaumont, Texas
- On Aug. 17<sup>th</sup>, **Richardson International** unveiled plans to invest C\$120 million in its canola processing plant in Lethridge, Alberta. The investment will be used to maximize operating efficiencies and modernize the facility to significantly increase canola crush capability to more than 700,000 tonnes per year, from 450,000 tonnes currently
- On Aug. 23<sup>rd</sup>, **COFCO International** announced it will acquire the remaining minority stake in **Nidera Capital** which it did not own, for an undisclosed sum. COFCO said it intends to pursue a full integration of Nidera, and its recently acquired subsidiary Noble Agri (now known as COFCO Agri) in order to leverage the combined capabilities of COFCO Agri's asset base, and solid system of Nidera's origination and trading networks, both further complemented by the advantages of Nidera's seeds business
- Starting Sep. 1<sup>st</sup>, China has said it will only allow canola shipments containing no more than 1% of waste product, compared with the current allowance of 2.5%. Rick White, CEO of the Canadian Canola Growers Association, reported that the tougher restrictions will mean grain traders will have to pass on the higher costs of processing to farmers, and will slow down all grain shipments through western terminals due to the extra time and equipment required to clean the grain down to the threshold level. Statistics Canada estimates Canadian farmers will produce 17 million tonnes of canola this year, making it the 3<sup>rd</sup> biggest harvest on record

### 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                      | 24,760 | 31,718 | 10.2x        | 8.8x        | 18.6x          | 14.5x        | (2.3)%        | (9.5)%         |
| Bunge Limited            | 8,775  | 14,906 | 7.1x         | 6.9x        | 11.8x          | 10.4x        | (1.6)%        | (21.2)%        |
| Graincorp Limited        | 1,439  | 2,458  | 11.3x        | 9.1x        | 37.6x          | 20.2x        | (0.4)%        | (12.2)%        |
| The Andersons, Inc       | 1,017  | 1,656  | 11.0x        | 7.2x        | 38.7x          | 14.4x        | 1.6 %         | (6.1)%         |
| AGT Food and Ingredients | 683    | 1,068  | 11.0x        | 9.6x        | 17.0x          | 13.5x        | (0.4)%        | (12.5)%        |
| Ceres Global Ag          | 107    | 182    | na           | na          | na             | na           | (0.2)%        | (22.0)%        |
| <b>Mean</b>              |        |        | <b>10.1x</b> | <b>8.3x</b> | <b>24.7x</b>   | <b>14.6x</b> | <b>(0.5)%</b> | <b>(13.9)%</b> |

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

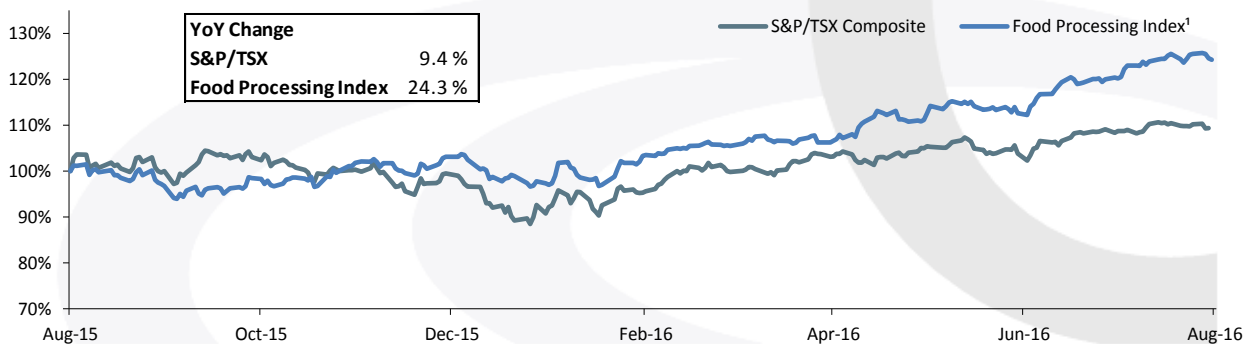


## FOOD PROCESSING

### News Scan

- On Aug. 26<sup>th</sup>, **AB InBev** announced it expects to cut ~3% of its combined workforce, or ~5,500 jobs after it has acquired SABMiller. AB InBev is aiming to achieve pre-tax savings of at least \$1.4 billion per year within the four years after completion of the takeover through increased efficiency, sharing best practices and the removal of overlaps in corporate and regional headquarters
- On Aug. 17<sup>th</sup>, **Ingredion** announced it will acquire the rice starch and rice flour business of Thailand-based **Sun Flour Industry Co.**, for an undisclosed sum. The acquisition supports Ingredion's global strategy to increase its higher-value specialty ingredients business and enhances Ingredion's global supply chain while leveraging other investments made in Thailand
- On Aug. 15<sup>th</sup>, **Premium Brands Holdings** announced it will acquire **Fletcher's Fine Foods**, a manufacturer and marketer of premium bacon and fresh sausage products, for US\$5 million. Fletcher's has annual sales of ~\$US17 million. The transaction fits with Premium Brands' strategy of investing in companies with regional brands and providing management teams with the resources needed to further grow their businesses
- On Aug. 11<sup>th</sup>, **Land O'Lakes** and **Bidco Africa** announced a new joint venture business that will combine the animal feed leadership of the Land O'Lakes business with Bidco's market knowledge and distribution networks across East Africa, along with its rapidly growing feed business. Bidco is a manufacturer of vegetable oils, fats, hygiene products and laundry detergents in East and Central Africa. The venture will explore the development of new value-added feed products and services designed to meet the specific needs of local farmers

### 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.    | 20,241     | 25,213 | 12.7x        | 12.2x       | 19.7x          | 18.4x        | (1.7)%        | (5.6)%            |
| George Weston Limited  | 11,378     | 20,329 | 6.6x         | 6.4x        | 17.7x          | 15.9x        | (1.0)%        | (4.2)%            |
| Ingredion Incorporated | 9,836      | 11,442 | 11.3x        | 10.7x       | 20.0x          | 18.5x        | 0.3 %         | (1.4)%            |
| Tate & Lyle plc        | 4,480      | 5,192  | 11.6x        | 11.3x       | 20.9x          | 19.3x        | (0.9)%        | (1.8)%            |
| Maple Leaf Foods Inc.  | 3,008      | 2,855  | 10.4x        | 9.8x        | 23.0x          | 20.8x        | (2.5)%        | (5.9)%            |
| SunOpta Inc.           | 535        | 1,095  | 11.1x        | 9.0x        | 27.3x          | 15.0x        | (1.6)%        | (32.5)%           |
| Rogers Sugar           | 462        | 559    | 9.6x         | 8.5x        | 14.4x          | 14.6x        | 0.5 %         | (1.8)%            |
| <b>Mean</b>            |            |        | <b>10.5x</b> | <b>9.7x</b> | <b>20.4x</b>   | <b>17.5x</b> | <b>(1.0)%</b> | <b>(7.6)%</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.

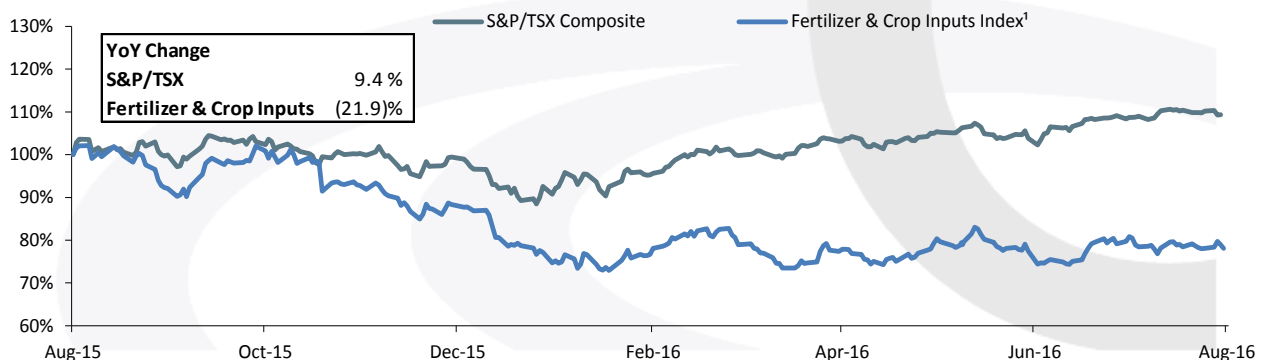


## FERTILIZERS & CROP INPUTS

### News Scan

- On Aug. 22<sup>nd</sup>, **ChemChina** announced the Committee on Foreign Investment in the United States (CFIUS) has approved the company's US\$43 billion takeover of **Syngenta**. The review was opened after several U.S. lawmakers and groups representing farmers had expressed fears over a Chinese state-owned company being in a position to influence the U.S. food supply. The remaining major regulatory hurdle the deal now has to clear is an antitrust review by the European Union, which the companies may seek to facilitate through divestitures, if required
- On Aug. 23<sup>rd</sup>, reports indicated negotiations between **Bayer** and **Monsanto** are advancing toward a deal after the companies made progress on issues including purchase price and termination fee. The companies could reach an agreement in the next two weeks which would pave the way for the commencement of the regulatory approvals process
- On Aug. 16<sup>th</sup>, **BHP Billiton's** CEO, Andrew Mackenzie, announced the company may close or postpone its Canadian Jansen potash project upon completion of two shafts in 2018 or 2019. The shafts are ~60% complete, with a total project cost of US\$2.6 billion. While recent progress indicated the final cost will likely be below US\$2.6 billion, Mackenzie cited the project could be mothballed if potash prices remain low and the market is not ready for additional supply in three years
- On Aug. 25<sup>th</sup>, **Yara International** announced it is acquiring **Adubos Sodoeste's** fertilizers blending unit in Brazil, for an undisclosed sum. The unit has a total capacity of 300,000 tonnes per year, and the investment is aligned with the company's strategy to track the rapid development of the agriculture region in Goiás - which has outgrown the national average in recent years

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

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|                              | Market |        | TEV/EBITDA |       | Price/Earnings |       | Week Δ | Δ Price   |
|------------------------------|--------|--------|------------|-------|----------------|-------|--------|-----------|
|                              | Cap    | TEV    | 2016E      | 2017E | 2016E          | 2017E | Price  | 52Wk High |
| Agrium Inc.                  | 12,590 | 17,989 | 9.9x       | 9.1x  | 17.7x          | 15.6x | 1.4 %  | (15.3)%   |
| Potash Corp.                 | 13,832 | 17,304 | 15.1x      | 12.5x | 40.1x          | 29.0x | 3.6 %  | (38.1)%   |
| Yara International ASA       | 12,737 | 14,172 | 6.6x       | 6.7x  | 16.1x          | 15.3x | 2.0 %  | (29.6)%   |
| The Mosaic Company           | 9,981  | 12,869 | 11.2x      | 9.0x  | nmf            | 27.2x | 1.9 %  | (31.1)%   |
| CF Industries Holdings, Inc. | 5,649  | 12,372 | 9.8x       | 8.4x  | 22.8x          | 19.0x | 6.6 %  | (58.9)%   |
| Nufarm Ltd.                  | 1,657  | 2,568  | 9.2x       | 8.3x  | 16.1x          | 14.6x | (3.8)% | (7.6)%    |
| Input Capital Corp.          | 119    | 110    | 20.2x      | 5.0x  | nmf            | 20.0x | (4.1)% | (36.5)%   |
| Mean                         |        |        | 11.7x      | 8.4x  | 22.5x          | 20.1x | 1.1 %  | (31.0)%   |

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



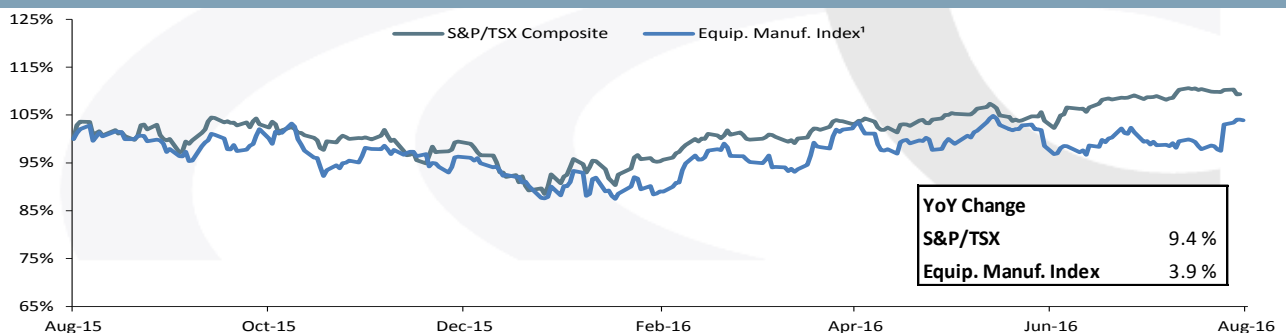


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Aug 22<sup>nd</sup>, process equipment leader **Bühler** and **Bosch Connected Devices and Solutions** agreed to expand their existing collaboration for increased innovation and market launches, further leveraging the opportunities of the “Internet of Things.” New products from the collaboration are expected for 2017, including incorporating network connectivity and wireless sensors into food production technologies to measure real time operating metrics. The partnership will help create process solutions and services that improve yield and performance at reduced operating costs for farmers, commodity handlers, and food processing companies
- On Aug. 19<sup>th</sup>, **Canadian Pacific Rail** assured customers that it is well-positioned and prepared to move this year’s record western Canadian grain crop. The crop is forecast to be significantly bigger than the five-year average, and as a result, CP has called on all its supply chain partners to work collaboratively to continue moving the record amounts of grain. It has also made significant investments in its infrastructure to move grain more efficiently. **Canadian National Rail** also began preparing for the transport of the record harvest, with transport plans sent out to its grain customers in early July
- According to the annual Government of Canada Hopper Car Fleet Report, the amount of maintenance needed to keep Canada’s aging fleet of grain hopper cars in service is increasing, with nearly 3,400 of the 8,406 federally owned cars in service scheduled to be retired in 10 to 20 years. The fleets will begin to be retired in just six years, and given the lead time needed to build replacements, orders for new fleets may begin in the next few years
- On Aug. 23<sup>rd</sup>, **Deere** announced it will lay off about 145 production workers in Waterloo, IO and Davenport, IO as the company continues to adjust the size of its production workforce to meet market demand. The Waterloo plant manufactures the company’s large tractors and Davenport manufactures construction equipment such as dump trucks

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

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|                              | Market |        | TEV/EBITDA |       | Price/Earnings |       | Week Δ | Δ Price   |
|------------------------------|--------|--------|------------|-------|----------------|-------|--------|-----------|
|                              | Cap    | TEV    | 2016E      | 2017E | 2016E          | 2017E | Price  | 52Wk High |
| Deere & Company              | 27,432 | 29,344 | 14.1x      | 16.1x | 25.8x          | 29.3x | 13.5 % | (1.5)%    |
| AGCO Corp                    | 3,941  | 5,295  | 8.9x       | 8.8x  | 21.0x          | 19.4x | 4.1 %  | (13.3)%   |
| Ag Growth International Inc. | 503    | 768    | 11.2x      | 9.5x  | 20.0x          | 14.2x | 4.3 %  | (2.1)%    |
| Rocky Mountain Dealerships   | 133    | 432    | 16.7x      | 15.2x | 10.4x          | 9.3x  | 3.5 %  | (1.1)%    |
| Cervus Equipment Corporation | 142    | 379    | 10.1x      | 9.4x  | 15.8x          | 10.9x | 4.4 %  | (23.5)%   |
| Mean                         |        |        | 12.2x      | 11.8x | 18.6x          | 16.6x | 6.0 %  | (8.3)%    |

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 USDA's Crop Progress report for Aug. 15, 74% of corn acres are in "good" (53%) or "excellent" (21%) condition through Aug. 14<sup>th</sup>. This compares with 74% the previous week and 69% last year at this time. With 95% of soybeans "blooming," this year's crop is up from the 92% a year ago and up slightly on the 5-year average of 93%
- According to a USDA report published Aug. 18<sup>th</sup>, the United Arab Emirates is projected to consume about 1.03 million tonnes of wheat in the 2016-17 marketing year, up 8% from 2015-16. The increase in consumption reflects the UAE's steadily growing population and expanding tourism industry
- Canada's three largest duck producers, Brome Lake, King Cole Ducks, and Fraser Valley Specialty Poultry, expect to double overall annual production from the current level of 5.5 million ducks. Brome Lake is spending C\$30 million to build a facility in a former beef plant in Asbestos, Que., and King Cole Ducks also stated it has plans to increase output to stay competitive. Duck is increasingly being selected as an alternative to beef, which has experienced steep price increases
- On Aug. 22<sup>nd</sup>, a South African court ordered the government to increase the tariff on wheat imports by 30%. South Africa adjusts the tariff on a regular basis using a variable formula based on world price movements in order to maintain profitability for its domestic growers
- On Aug. 26<sup>th</sup>, the USDA announced it plans to buy up to US\$11.7 million worth of shell egg and egg products in order to reduce surplus supply to assist farmers suffering from low margins. Earlier in the week, the USDA announced a US\$20 million buyout of 11 million pounds of cheese as supply is at its highest level in 30 years. The egg surplus relates to the bird flu outbreak suffered last year. The outbreak's aftermath significantly reduced egg supplies and sent prices skyrocketing, especially for liquid or breaker eggs that baking manufacturers often use
- On Aug. 25<sup>th</sup>, Moms Across America, Beyond Pesticides and the Organic Consumers Association filed a lawsuit against General Mills over glyphosate residues in Nature Valley granola bars. The members claim General Mills is misleading the public because the label on the granola bars says 'made with 100 percent natural whole grain oats' while the granola bars contain trace amounts of glyphosate, which cannot be considered 'natural' as it is found in synthetic herbicides
- Precipitation maps across Western Canada show most areas received above-average rainfall last month, with many areas receiving double or triple their normal accumulations for the month of July. The plentiful rain has been favourable for most crops, but lentil yields have taken a hard hit due to disease and flooding. Wheat crops are better equipped to cope with high rainfall, but disease concerns are widespread and downgrades due to bleaching and lodging may occur

### Commodities Futures as of August 26<sup>th</sup>, 2016

| Commodities Futures     | Ticker    | Price Unit  | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|-----------|-------------|---------------------|---------------|--------------|
| Corn (CBOT)             | CBOT: ^C  | \$ per bu.  | \$3.25              | (2.73)%       | (7.47)%      |
| Wheat (CBOT)            | CBOT: ^W  | \$ per bu.  | \$4.07              | 0.31 %        | (11.11)%     |
| Oats (CBOT)             | CBOT: ^O  | \$ per bu.  | \$1.85              | (6.15)%       | (11.95)%     |
| Rough Rice (CBOT)       | CBOT: ^RR | \$ per cwt. | \$9.93              | 2.48 %        | (15.68)%     |
| Barley (USDA)           | USDA: ^24 | \$ per bu.  | \$4.95              | 0.00 %        | 0.00 %       |
| Rapeseed (Canola) (ICE) | ICE: ^RS  | CAD per T   | \$459.70            | 1.28 %        | (4.61)%      |
| Ethanol (CBOT)          | CBOT: ^ET | \$ per gal. | \$1.43              | 2.29 %        | 3.26 %       |



## Recent Earnings News

|                                      | Last Quarter |                |  |                          |                    |
|--------------------------------------|--------------|----------------|--|--------------------------|--------------------|
| Company                              | Period Ended | EPS YoY Change | Comments   | Analyst Consensus (US\$) | Premium to Current |
| Fertilizers & Crop Inputs            |              |                |  |                          |                    |
| Input Capital Corp.                  | 30-Jun-16    | (102.7%)       | Virtually all canola from last year's crop sold prior to March 31 year-end, in line with Input's desired marketing plan. Input ended the quarter with 107 active streaming contracts across the 3 prairie provinces (up from 78) and over 94% of contracts are booked at an average net realizable price of over C\$485 / MT | C\$2.71                  | 48.8%              |
| Equipment Manufacturers and Services |              |                |  |                          |                    |
| Deere & Company                      | 31-Jul-16    | 1.3%           | Weakness in global markets for farm and construction equipment leads offset by strong execution and disciplined cost and asset management  | \$83.45                  | (3.8%)             |

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