



Agriculture Industry Flash

Wednesday, August 3rd, 2016

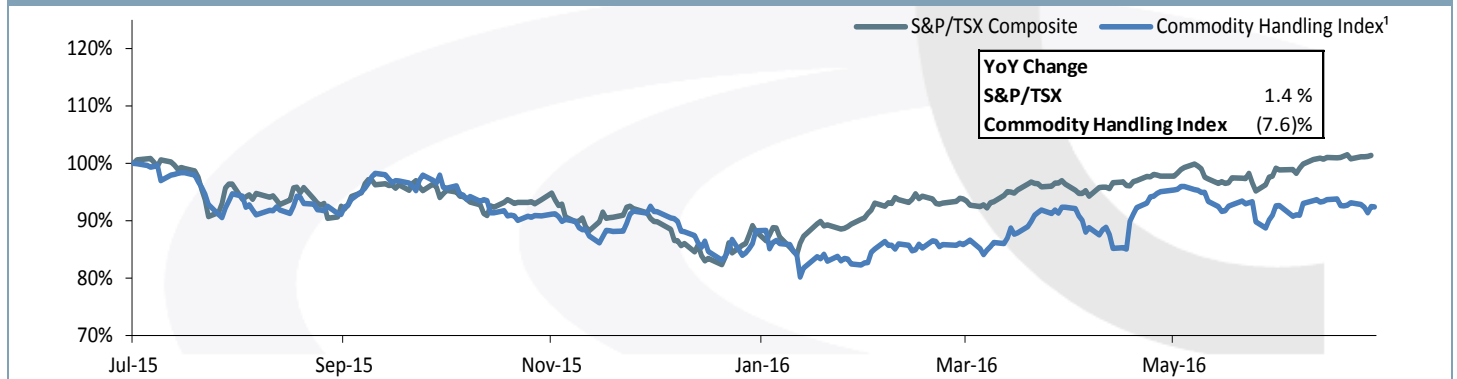


COMMODITY HANDLING

News Scan

- On July 29th, Bunge announced it is starting up its new flour mill in Rio de Janeiro, Brazil in September 2016. The mill is located in the region where the company is focusing its investments to modernize its operations, expand its production capacity and meet the needs of the growing market. The new mill is expected to grind more than 600,000 tonnes of wheat per year
- Bunge also announced it is expanding its Brazilian export terminal joint venture with Amaggi. Amaggi will acquire 50% of the transshipment station in Miritituba and the port terminal in Barcarena, which are a part of the port complex Miritituba-Barcarena (PA) Bunge. The partnership is in line with Bunge's strategy to optimize its assets in the region and will allow the terminal to operate on the Northern Corridor route via the Tapajos waterway
- On July 26th, The Andersons announced the opening of its newly constructed 2.9 million bushel elevator in Tennessee. The mill increases The Andersons Grain Group's capacity to nearly 151 million bushels throughout the U.S.
- On July 21st, Anchor Ingredients announced it has acquired a special crop processing facility in North Dakota. The company also announced its launch of a new export division. The processing facility is located in the center of key special crop growing regions and will dramatically increase Anchor's storage and processing capacity
- On July 26th, OmniTrax, owner and operator of the Port of Churchill in northern Manitoba, Canada, announced it has closed the port which ships an average of 514,000 tonnes of grain per year, after it had put the rail line and port up for sale in January. The port is Canada's only deep sea Arctic port and operates from late July through mid-November shipping grain, as well as other crops around the world

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	26,488	32,245	10.2x	9.0x	18.5x	15.4x	3.1 %	(8.9)%
Bunge Limited	9,198	15,395	7.8x	7.1x	12.3x	10.9x	5.9 %	(25.4)%
Graincorp Limited	1,473	2,489	11.5x	9.2x	38.5x	20.7x	(2.0)%	(10.0)%
The Andersons, Inc	1,033	1,737	11.6x	7.8x	43.0x	14.1x	0.8 %	(6.7)%
AGT Food and Ingredients	581	982	10.2x	8.9x	15.4x	11.4x	(6.7)%	(24.9)%
Ceres Global Ag	117	187	na	na	na	na	(3.8)%	(22.0)%
Mean			10.3x	8.4x	25.5x	14.5x	(0.4)%	(16.3)%

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

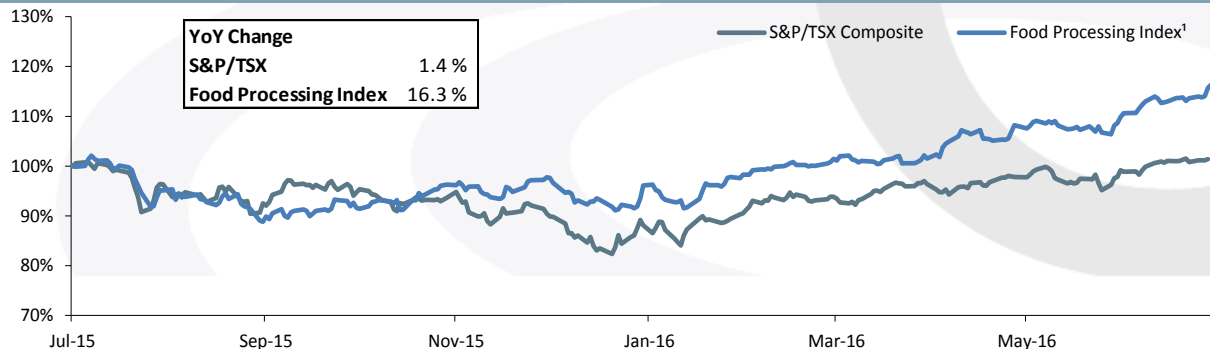


FOOD PROCESSING

News Scan

- On July 26th, AB InBev raised its bid to acquire SABMiller to £45 / share, or an equity value of £72.5 billion from its prior offer of £44 / share or £70.9 billion. The change comes after a number of activist investors and several shareholders voiced concerns that the cash deal was less attractive for most investors than before, as a result of the deteriorating sterling. The takeover is still awaiting regulatory approval in China before it is put up for approval from the SABMiller shareholders
- On July 21st, General Mills announced that it will sell or close five plants in the U.S., Brazil, and China, which could lead to 1,400 job cuts. The closures include a soup plant in New Jersey, fruit and Trix snacks plants in Brazil and China, and a baking mix plant in Ohio. The plant changes reflect evolving consumer trends, and support General Mills' strategy of identifying brands and segments with the "strongest profitable growth potential". The baking mix plant will be sold to Mennel Milling, for an undisclosed sum, and will allow Mennel to expand its product offering to better serve its customer base
- On July 27th, Inventure Foods announced it will commence a strategic and financial review with the objective of increasing shareholder value. The review may result in the company pursuing value-enhancing initiatives as a standalone company, capital structure optimization, a sale of the company or certain assets, or other business combinations
- On July 19th, Utz Quality Foods reported it will acquire Golden Flake Snack Foods, a manufacturer and distributor of potato chips, pork skins, popcorn, and cheese puffs, for approximately US\$146 million. Golden Flake's product line, market coverage, and manufacturing facilities blend well with Utz's desire to expand and grow its markets in southern U.S.
- On July 21st, Tokyo-based Yamazaki Baking announced it acquired bagel maker and distributor Bakewise Brands from private equity firms, Ancor Capital Partners and Merit Capital Partners, for an undisclosed sum. Bakewise Brands' portfolio of 400 products and 65 years of bakery experience will allow Yamazaki to confidently expand into the North American market

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.	20,515	26,081	13.2x	12.6x	20.0x	18.7x	(1.2)%	(4.2)%
George Weston Limited	11,385	19,099	6.5x	6.4x	17.8x	16.4x	0.5 %	(3.4)%
Ingredion Incorporated	9,618	11,214	11.1x	10.5x	19.6x	18.1x	0.3 %	(0.6)%
Tate & Lyle plc	4,455	5,140	11.4x	11.1x	20.7x	19.0x	3.1 %	(0.2)%
Maple Leaf Foods Inc.	3,069	2,921	10.7x	10.1x	23.7x	21.4x	0.8 %	(3.3)%
SunOpta Inc.	483	1,004	9.9x	8.2x	23.9x	13.8x	9.9 %	(50.8)%
Rogers Sugar	447	543	9.4x	8.3x	14.0x	14.2x	7.4 %	(0.5)%
Mean			10.3x	9.6x	19.9x	17.4x	3.0 %	(9.0)%

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.

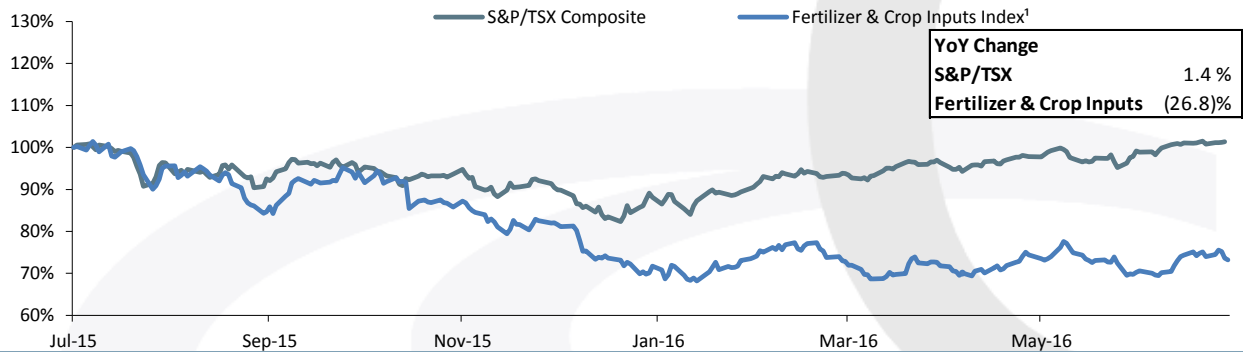


FERTILIZERS & CROP INPUTS

News Scan

- On July 19th, Monsanto rejected Bayer's revised US\$55 billion takeover offer stating the bid was "financially inadequate" and that the company was still open to further talks with Bayer and other parties regarding a deal. Reports indicated Monsanto might entertain a deal with BASF as it would allow Monsanto to sell farmers a greater offering of crop chemicals along with seeds
- On July 28th, Agrium reported it will invest in Finistere Ventures Fund II, an agtech venture fund focused on identifying and investing in technologies across early-to-growth stage companies within the areas of plant nutrition, biologicals, seed technology, digital agriculture and novel farm systems. While financial details were not disclosed, Agrium said the investment will play an important role in supporting its innovation and technology strategy of developing a total-acre solutions offering that is well-positioned to address existing and emerging grower challenges
- On July 27th, Federated Co-operatives Ltd. (FCL) announced it is investing C\$75 million to build two high-throughput fertilizer terminals in Western Canada. These facilities, which are expected to be fully operating in early 2017, will warehouse, blend and distribute a full suite of crop nutrition products to Co-op Agro Centres. The facilities will store a combined 72,500 tonnes of fertilizer, and each facility will be able to dispense up to 400 tonnes of straight fertilizer per hour

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		
Agrium Inc.	12,564	17,559	9.5x	8.8x	17.0x	15.1x	(2.4)%	(15.0)%
Potash Corp.	13,108	16,554	14.5x	11.8x	38.7x	26.7x	(8.7)%	(44.3)%
Yara International ASA	12,410	13,639	6.5x	6.6x	15.8x	15.0x	(2.0)%	(34.0)%
The Mosaic Company	9,445	12,320	9.2x	7.9x	32.7x	20.1x	(4.5)%	(40.5)%
CF Industries Holdings, Inc.	5,753	11,766	8.2x	7.7x	14.2x	13.4x	(2.0)%	(63.3)%
Nufarm Ltd.	1,672	2,581	9.2x	8.4x	16.2x	14.8x	4.3 %	(6.6)%
Input Capital Corp.	134	119	9.3x	5.6x	neg	25.9x	3.9 %	(27.7)%
Mean			9.5x	8.1x	22.4x	18.7x	(1.6)%	(33.0)%

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

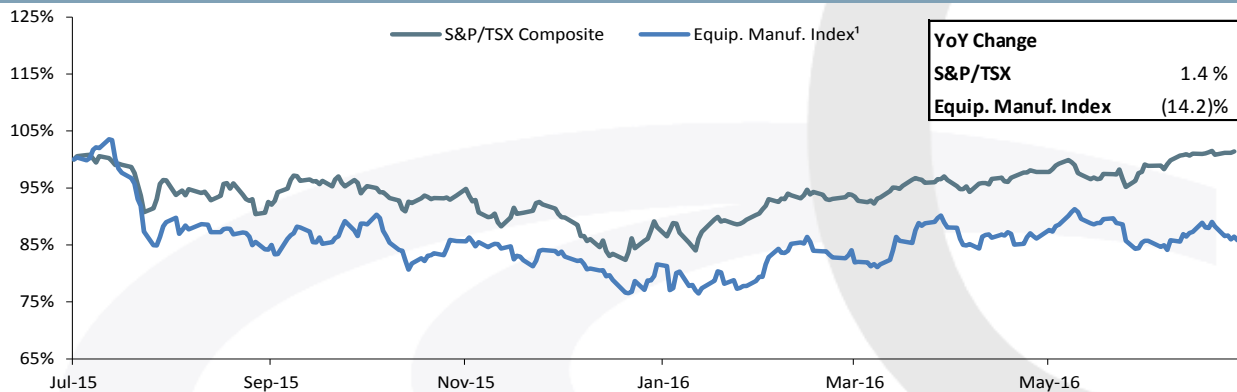


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On July 20th, Ag Growth International announced it has acquired Mitchell Mill Systems Canada, a manufacturer of material handling equipment used in grain, fertilizer, animal feed, food processing, and industrial applications, for an undisclosed amount. The acquisition of Mitchell expands AGI's commercial business into eastern Canada, and expands its reach in the U.S., while also providing an expanded product offering. Mitchell Mill had revenues of approximately \$30 million in the fiscal year ended Feb. 29, 2016
- On July 29th, Breteche Industrie Group announced it has acquired Shick Solutions, a U.S. ingredient automation company, for an undisclosed sum. The acquisition brings Breteche a base of operations in North America for sales, technical support and aftermarket service, allowing it to expand its supply of complete dough make-up solutions
- On July 22nd, Deere & Co announced it will lay off 120 production employees at the John Deere Harvester Works plant in East Moline, Illinois. The Harvester Works employs about 1,050 production employees. The move comes as Deere continues to adjust the size of its production workforce to market demand for productions manufactured at each of its facilities

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
Deere & Company	24,421	26,534	10.5x	11.4x	24.7x	26.7x	(3.0)%	(20.3)%
AGCO Corp	3,972	5,510	9.4x	9.2x	20.6x	18.6x	(0.8)%	(16.8)%
Ag Growth International Inc.	471	739	10.7x	9.3x	16.2x	13.8x	(1.5)%	(10.4)%
Rocky Mountain Dealerships	107	412	18.6x	15.8x	10.4x	8.4x	(0.1)%	(17.7)%
Cervus Equipment Corporation	135	390	9.9x	9.3x	13.7x	10.3x	(5.9)%	(26.4)%
Mean			11.8x	11.0x	17.1x	15.6x	(2.3)%	(18.3)%

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 the USDA, corn production for 2016-17 could reach 14.5 billion bushels, 939 million bushels above last year's harvest, and 324 million bushels more than what was harvested from the record 2014-15 crop. The record production comes as feed and residual use is expected to consume 5.5 billion bushels, up 300 million bushels from the 2015-16 crop. With projected supply expected to exceed total use of the 2016-17 crop, ending stocks are forecast to grow to 2.1 billion bushels, up from the 1.7 billion bushels expected at the end of the 2015-16 crop year
- The larger supply is expected to have a dampening effect on prices, making U.S. corn more competitive in the global market and boosting exports to 2.1 billion bushels in 2016-17, up from 1.9 billion bushels from the 2015-16 crop, and the highest since 2007-08 when they reached 2.4 billion bushels
- On July 20th, the Global Food Security Act was officially signed into law by U.S. President Barack Obama. The bill ensures the continuation of the Feed the Future Initiative, which seeks to help selected developing countries increase their food production and security, and improve nutrition for vulnerable populations
- On July 20th, Statistics Canada reports indicated Canada will have 342,602 acres of potatoes in 2016, a 1.8% decline from 2015. French fry demand is weakening or flat in North America and potato yields have been creeping upward, thus cutting into overall acres. Further, labour disputes between shipping companies created headwinds in export markets
- On July 21st, officials of Export Development Canada stated that the failed military coup in Turkey will not disrupt trade with Canada's second largest lentil buyer. Trade disruptions are unlikely as the Turkish stock markets were open on July 18, and there is a strong incentive for the Turkish government to show its citizens that the country's distribution networks for key commodities are stable and operational
- On July 27th, the European Bank for Reconstruction and Development announced microfinance institution, NOA sh.a, was the first borrower under its new Albania Agribusiness Support Facility. The funding will allow NOA to support local agribusinesses, which accounts for ~20% of the country's GDP, and provide support for capacity building, product development, and marketing outreach
- On Aug. 1st, the USDA announced that Japan and South Korea have both taken steps to block imports of Western White U.S. wheat after unapproved genetically-modified plants were found growing in Washington State. Japan has also suspended distribution of all previously purchased U.S. wheat until testing is established

Commodities Futures as of July 29th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:ˆC	\$ per bu.	\$3.42	(4.90)%	(2.53)%
Wheat (CBOT)	CBOT:ˆW	\$ per bu.	\$4.07	(5.29)%	(11.08)%
Oats (CBOT)	CBOT:ˆO	\$ per bu.	\$1.99	3.51 %	(5.29)%
Rough Rice (CBOT)	CBOT:ˆRR	\$ per cwt.	\$9.94	(4.88)%	(15.55)%
Barley (USDA)	USDA:ˆ24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ˆRS	CAD per T	\$453.90	(8.04)%	(5.81)%
Ethanol (CBOT)	CBOT:ˆET	\$ per gal.	\$1.42	(11.71)%	2.60 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
Commodity Handling					
Archer-Daniels-Midland Company	30-Jun-16	(22.7%)	Lower than expected profit as a result of poor ethanol margins (and consequently lower production), volatile oilseed processing margins, and lower earnings in its flavorings and food ingredients businesses	\$43.10	(2.6%)
Bunge Limited	30-Jun-16	64.0%	Strong performance in Grains and Food & Ingredients as a result of better market conditions in Brazil and operational and commercial improvements. Strategic efforts have allowed Bunge to manage through a period of significant volatility in prices and margins	\$71.00	7.8%
Food Processing					
George Weston Limited	26-Mar-16	18.2%	Improvement in earnings driven by strong performance at Loblaw as a result of improvements in Retail, the positive contribution from incremental net synergies, and foreign exchange gains	C\$125.00	7.8%
Ingredion Incorporated	30-Jun-16	7.5%	More favorable price/product mix across the portfolio, as well as margin expansion propelled by global optimization efforts all contributed to increases in profitability	\$137.00	2.8%
Maple Leaf Foods Inc.	30-Jun-16	nmf	Earnings topped estimates as a result of strong performance in meat products, lower operating costs and increased prices. Maple Leaf has benefitted from its initiatives of shutting down plants and modernizing others	C\$33.31	12.1%
Rogers Sugar Inc.	2-Jul-16	nmf	Margin improvements from volume increases mostly due to strong demand from existing customers, higher by-product revenues, and lower beet costs	C\$6.06	(2.4%)
Fertilizers & Crop Inputs					
Potash Corporation of Saskatchewan Inc.	30-Jun-16	(72.0%)	Sales fell 39% to \$1.1 billion as a result of low potash prices due to an oversupply of potash and uncertain state of Chinese demand. Decreasing margins partially mitigated by the company producing well below its potential capacity	\$19.00	(6.7%)

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