



Agriculture Industry Flash

Tuesday, October 11th, 2016

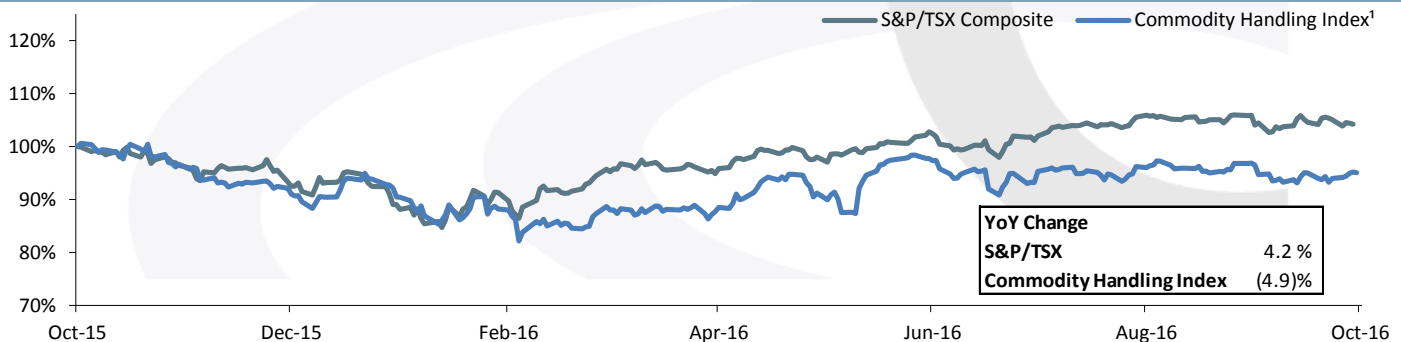


COMMODITY HANDLING

News Scan

- On Oct. 3rd, **ADM** announced it acquired **Caterina Foods**, a manufacturer of specialty gluten-free and high-protein pastas for an undisclosed amount. The acquisition expands ADM's capabilities downstream in the value chain, as well as its ability to meet the needs of health-conscious consumers by producing specialty pastas from legumes and grains other than wheat
- On Oct. 3rd, **Panhandle Milling**, **New Mexico Milling**, **Specialty Blends** and **Specialty Grains** announced a merger into a single operating group - Panhandle Milling, which will leverage all of the companies' strengths to remain innovative in the industry to produce flour and grain blends
- On Sep. 28th, **Cargill** opened its new feed plant in India. The plant will produce 10,000 tonnes of feed per month and feed 75,000 crows per day, providing quality feed and the latest know-how
- On Oct. 6th, **G3 Canada** opened its Glenlea facility, a high efficiency primary elevator in Manitoba with 34,000 tonnes of storage capacity and car loading capabilities of 1,600 tonnes per hour. The elevator features a 134-car loop and is serviced by the CN and BNSF Railway
- On Oct. 4th, **Consolidated Grain and Barge Co.** (CGB) announced it is investing more than US\$31 million to increase its soybean processing capabilities in southwest Indiana. The facility currently has upright grain storage capacity of 4.3 million bushels and flat storage capacity of 1.0 million bushels. The expansion will increase servicing opportunities for Indiana's soybean farmers and increase product supply for agribusiness customers
- On Oct. 3rd, **Kent Nutrition Group** (KNG) agreed to acquire **Deluxe Feeds**, for an undisclosed sum. Deluxe operates two mills in Iowa with manufacturing capacity of 2,000 tonnes of swine feed per day. This transaction will allow KNG to bolster its commercial business and regional focus by joining forces with another feed manufacturer in one of the top commercial animal producing regions in the country

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	24,812	31,772	10.5x	8.8x	19.2x	14.5x	1.1 %	(9.3)%
Bunge Limited	8,500	14,629	7.7x	6.7x	11.9x	10.2x	2.9 %	(23.7)%
Graincorp Limited	1,369	2,383	11.0x	8.7x	35.9x	19.3x	0.6 %	(14.4)%
The Andersons, Inc	1,000	1,639	10.7x	7.1x	36.0x	14.0x	(1.1)%	(7.0)%
AGT Food and Ingredients	693	1,069	11.3x	9.9x	17.8x	13.9x	2.5 %	(8.9)%
Ceres Global Ag	104	180	na	na	na	na	0.6 %	(18.6)%
Mean			10.2x	8.3x	24.2x	14.4x	1.1 %	(13.7)%

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

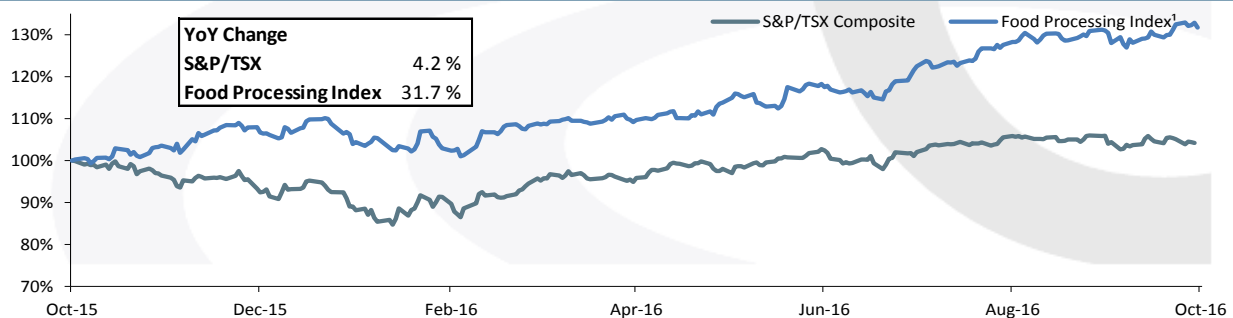


FOOD PROCESSING

News Scan

- On Oct. 7th, **Mars** announced it plans to combine its Mars Chocolate and Wrigley segments into a new entity, Mars Wrigley Confectionery, in order to simplify operations and accelerate growth opportunities. The combination is proposed to be phased-in during 2017. To create this combination, Mars intends to buy Berkshire Hathaway's minority stake in its Wrigley chewing gum business, which will give Mars sole ownership
- On Oct. 4th, **Constellation Brands** announced it has acquired craft whiskey maker, **High West Distillery**, for US\$160 million - as it continues its focus into premium U.S. liquor by further expanding in the fast-growing bourbon and rye categories
- On Sep. 26th, **ConAgra** announced it has acquired the packaged foods businesses of **Frontera Foods** for US\$109 million and **Red Fork LLC**, for an undisclosed sum. These businesses make authentic, gourmet Mexican food and contemporary American cooking sauces and provide ConAgra with a premium foods platform to grow off
- On Oct. 7th, **SunOpta** announced it received \$85 million from **Oaktree Capital** in exchange for preferred shares, to pay off its second lien debt. In reaching the agreement with Oaktree, SunOpta said it has concluded the previously announced review of strategic alternatives for the company
- On Oct. 10th, **AdvancePierre Foods** acquired **Allied Specialty Foods**, a manufacturer of raw and cooked beef and chicken Philly steak products, for US\$60 million. Allied provides a synergistic product platform and expanding geographic reach, while also expanding AdvancePierre's market-leading position in Philly steak by providing entry into fully-cooked product offerings
- On Oct. 5th, **Levine Leichtman Capital Partners** acquired **Nothing Bundt Cakes**, a franchisor of gourmet bakeries offering specialty Bundt cakes and related merchandise items in more than 175 locations in the United States and Canada, for an undisclosed sum. LLC's franchise expertise and resources will help the company move into its next phase of growth

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
ConAgra Foods, Inc.	20,501	25,480	12.2x	12.0x	19.0x	18.4x	(0.6)%	(4.1)%
George Weston Limited	10,458	19,820	6.5x	6.4x	16.9x	15.1x	(0.9)%	(9.7)%
Ingredion Incorporated	9,580	11,175	11.0x	10.4x	19.5x	18.0x	(0.3)%	(5.2)%
Tate & Lyle plc	4,484	5,164	11.6x	11.0x	20.7x	18.2x	3.8 %	(0.8)%
Maple Leaf Foods Inc.	3,098	2,957	11.1x	10.4x	24.3x	22.0x	1.4 %	(1.5)%
SunOpta Inc.	557	1,117	11.4x	9.1x	30.9x	15.9x	(6.2)%	(12.1)%
Rogers Sugar	466	561	9.9x	8.8x	14.9x	15.1x	(1.3)%	(2.2)%
Mean			10.5x	9.7x	20.9x	17.5x	(0.6)%	(5.1)%

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.

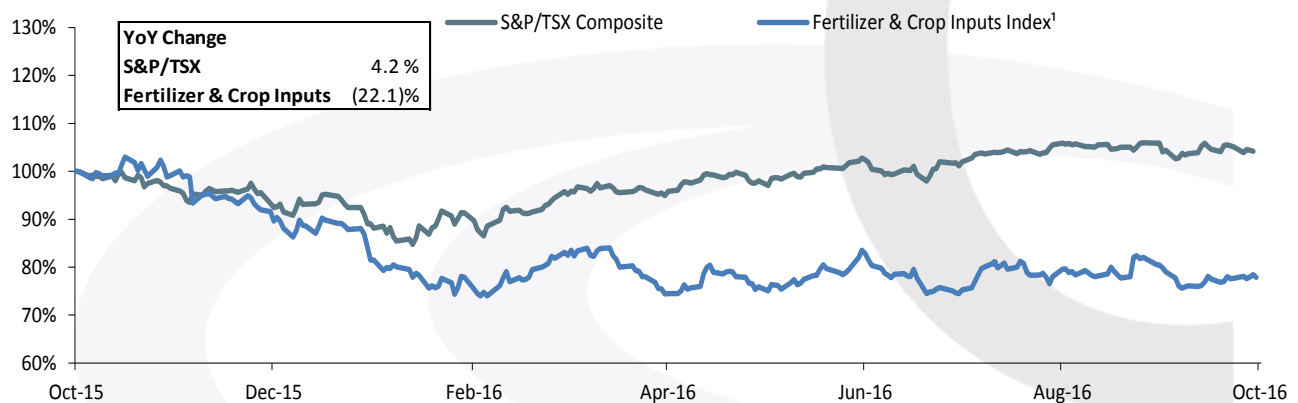


FERTILIZERS & CROP INPUTS

News Scan

- According to filings released on Oct. 6th, **Agrium** and **Potash Corp's** shareholders will hold separate meetings next month to vote on a merger agreement between the two fertilizer companies. The deal requires two-thirds approval by shareholders of each company, with Potash shareholders owning 52% of the new company
- On Oct. 5th, **Canpotex'** chief executive announced that dwindling inventories of potash held by Chinese buyers could lead to an earlier 2017 sales contract with Canpotex. An earlier Canpotex-China deal would allow deliveries to be more evenly distributed over the year. Canpotex expects 2017 shipments of 61 million to 63 million tonnes by all sellers combined, up from 60 million in 2016
- Reports indicated **Vale SA's** plan to dispose of fertilizer assets remains on track despite a request last week by Brazil's state development bank, BNDES, to analyze the transaction more carefully, pushing back the vote on the transaction to Oct. 20th. **Mosaic** could pay US\$3.6 billion for some of Vale's fertilizer assets while the sale of other unspecified operations within Vale's fertilizer unit is being negotiated with **Yara International**
- On Sep. 27th, **China National Chemical Corp.** filed for acquisition approval of **Syngenta** by the European Commission. The European Commission's preliminary decision deadline is set for Oct. 28th. The merger received approval from the Committee on Foreign Investment in the United States (CFIUS) on Aug. 22nd

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.	12,395	17,790	9.8x	9.1x	17.5x	15.7x	0.1 %	(10.7)%
Potash Corp.	13,426	16,811	15.0x	12.9x	41.5x	31.1x	(0.7)%	(27.6)%
CF Industries Holdings, Inc.	5,583	12,307	9.7x	8.4x	22.3x	19.3x	(1.6)%	(55.9)%
The Mosaic Company	8,608	11,491	9.9x	7.8x	48.5x	23.7x	0.5 %	(33.5)%
Yara International ASA	9,218	10,675	4.8x	5.0x	11.9x	11.6x	2.8 %	(34.2)%
Nufarm Ltd.	1,899	2,579	8.7x	8.1x	17.3x	15.7x	0.3 %	(2.8)%
Input Capital Corp.	107	97	18.5x	4.6x	nmf	19.4x	(0.5)%	(36.7)%
Mean			10.9x	8.0x	26.5x	19.5x	0.1 %	(28.8)%

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

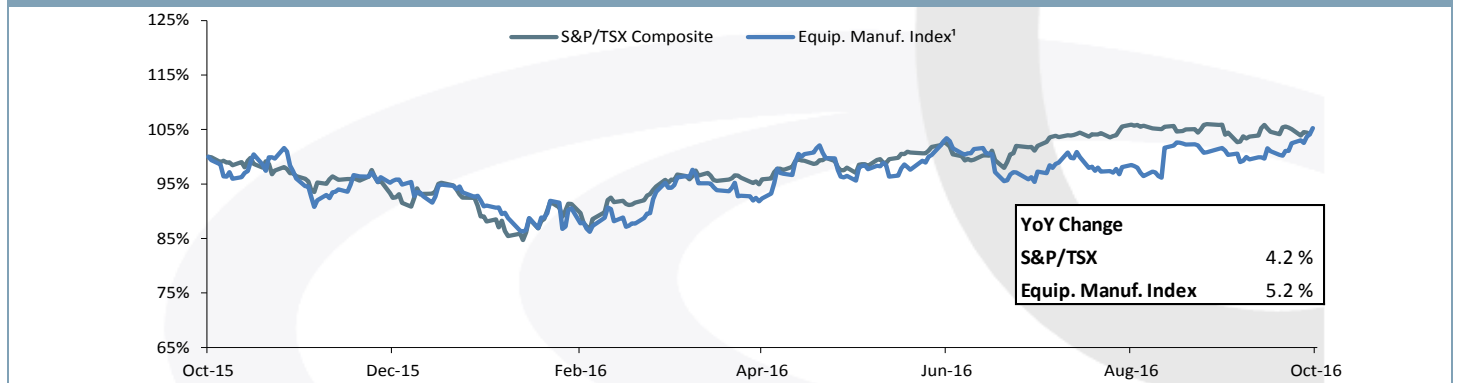


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Sep. 27th, **Cervus Equipment Corporation** announced it is seeking a long term sale and leaseback of approximately C\$50 to C\$60 million of real estate currently owned by the Company. This initiative aims to further align Cervus' capital structure with its focus as a dealer of high-quality equipment brands. Cervus expects a successful transaction to entail the land and buildings of approximately 10 dealerships with average initial lease terms of 15-20 years, with proceeds in the short term being used to reduce debt
- On Sep. 29th, **Green Diamond Equipment** and **Reddin Equipment**, two dominant John Deere dealers in the Maritimes, announced they are merging into one dealership, Green Diamond Equipment, effective Oct. 28. The combined dealerships will operate of a network of over 13 retail stores, and employ approximately 300 staff
- On Oct. 6th, railway representatives told the federal transportation committee meeting on the Fair Rail for Grain Farmers Act that extended interswitching is detrimental to their operations and should be eliminated as it will cause a 'slow and steady' decline of short lines in Canada. Furthermore, railways say they aren't adequately compensated for the interswitching costs. For every day that extended interswitching adds to the entire grain fleet, 785 additional rail cars are required to move the same amount of grain, which translates into an additional supply chain expense of more than C\$100 million, directly impacting the competitiveness of Canada's grain exports

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
Deere & Company	27,135	29,029	13.3x	15.8x	24.6x	29.2x	1.1 %	(3.4)%
AGCO Corp	4,072	5,432	9.1x	8.9x	21.7x	19.8x	1.8 %	(10.4)%
Ag Growth International Inc.	511	770	11.4x	9.7x	22.0x	15.4x	3.7 %	(0.1)%
Rocky Mountain Dealerships	135	427	17.0x	14.9x	10.8x	9.5x	(1.3)%	(3.9)%
Cervus Equipment Corporation	143	375	10.2x	9.6x	16.9x	11.1x	4.4 %	(21.2)%
Mean			12.2x	11.8x	19.2x	17.0x	1.9 %	(7.8)%

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

- On Oct. 5th, the USDA published news that farmer, rancher and fishery cooperatives in the United States posted record high net income of US\$7 billion in 2015, which was an increase of 14% from the previous year. Total business volume fell in 2015 to US\$149 billion for the top 100 co-ops, down 16% from US\$177 billion in 2014, the USDA said, but net income increased indicating a strong focus on efficient operations amongst cooperatives
- In an Oct. 3rd report, the USDA forecast a record Brazilian soybean crop of 101 million tonnes for the 2016-17 marketing year as a result of a slight increase in planted area. Although low global soybean prices continue to be a concern for Brazilian producers, the volatility of the Brazilian real may help producers, pushing domestic prices up as soybeans are priced in U.S. dollars in international markets. Crush for market year 2016-17 is forecast at 41 million tonnes to meet the increased biodiesel mandate and demands from the animal feed sector
- In a Sep. 28th report, the USDA announced Morocco is currently experiencing a severe drought, which has caused grain production to fall 70% from the previous year. In an effort to encourage local wheat production and increase local supply, the Moroccan government has been working to increase the quantity of land under irrigation as well as expanding access to crop insurance among farmers, and preserving seeds that will be provided to farmers for the next growing season
- In its Small Grains Summary 2016, the USDA estimated U.S. total wheat production in 2016 at 2.31 billion bushels, up 247.7 million bushels, or 12%, from 2.06 billion in 2015. The 2016 wheat crop was the nation's largest since 2.51 billion bushels in 2008. The recent five-year average U.S. wheat outturn was 2.09 billion bushels.
 - Harvested area of wheat was estimated at 43.89 million acres, down 7% from 47.32 million acres in 2015. The average wheat yield was 52.6 bushels per acre, a new record high
 - Wheat stocks as of Sept. 1 stood at 2.53 billion bushels, the biggest since 1987, and up 21% from last year's stock of 2.09 bushels. Wheat stocks ballooned as a jump in production and weak demand on exports filled storage bins
- On Sep. 30th, India extended its waiver to Canada which allows exporters to fumigate pulse shipments at destination in India, instead of the country's typical requirements that fumigation to ensure there is no presence of certain pests has to occur at the pulse's origin
- On Oct. 6th, **ConAgra** reported earnings from its **Ardent Mills** investment fell 36%, largely due to unfavorable wheat market conditions. Ardent Mills is the largest milling company in the U.S. arising from a joint venture between ConAgra and Cargill who each own 44%
- On Oct. 5th, **Bunge** introduced Whole Harvest USDA certified organic soybean oil and Non-GMO Project verified milled ancient grains products, as they leverage growing demand for organic and clean-label products. The new offerings will help food companies introduce organic oils and non-GMO milled ancient grains into more food applications than previously possible

Commodities Futures as of October 7th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.39	(1.91)%	(3.38)%
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$3.94	(0.22)%	(13.92)%
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$1.90	4.03 %	(9.45)%
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$10.10	0.30 %	(14.23)%
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$469.80	0.84 %	(2.51)%
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.52	0.13 %	9.77 %



Recent Earnings News

	Last Quarter				
Company	Period Ended	EPS YoY Change	Comments	Analyst Consensus (US\$)	Premium to Current
Commodity Handling					
Cargill	31-Aug-16	n/a	Adjusted operating earnings rose 35% to \$827 million, which compared with \$611 million in the previous year's first quarter. Recent acquisitions have brought in new capabilities as Cargill works to optimize plant efficiency, supply chains and cost structure. Earnings rose in all segments due to improved margins and strong international performance	n/a	n/a
Food Processing					
Constellation Brands Inc.	31-Aug-16	17.4%	Earnings growth primarily generated from a 17% jump in sales stemming from 13% organic net sales growth on a constant currency basis and acquisition benefits from Ballast Point, Meiomi and The Prisoner	\$182.00	6.3%
Fertilizers & Crop Inputs					
Monsanto Company	31-Aug-16	58.7%	While the company initially expected a drop in adjusted profit, net sales in the company's corn seeds and traits business jumped 34% as corn seed volumes rose in the United States. Further, expenses dropped by nearly 10% as cost-cutting measures paid off	\$119.76	16.3%

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