



Agriculture Industry Flash

Tuesday, October 25th, 2016

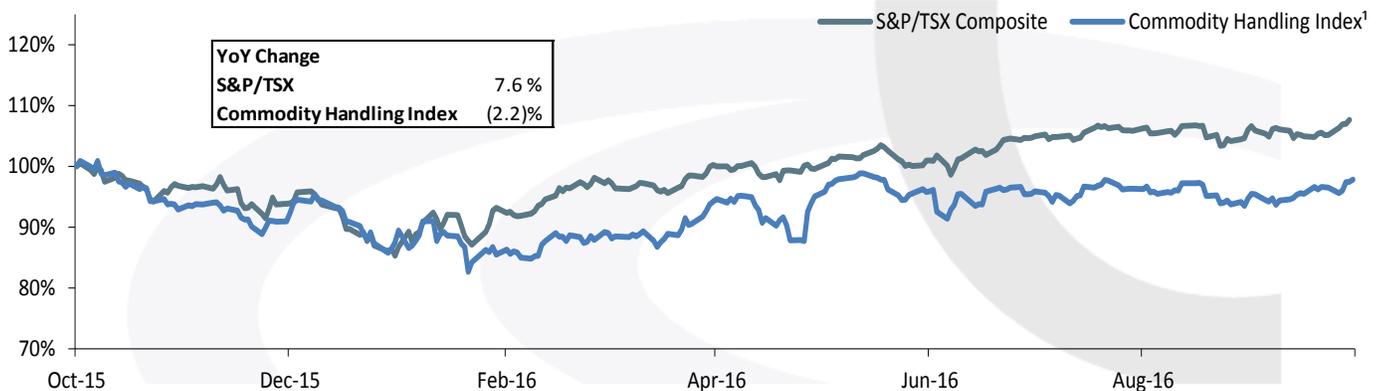


COMMODITY HANDLING

News Scan

- On Oct. 20th, **Cargill** announced it is exiting the Canadian egg processing business and will sell its egg processing plant in Ontario to **Global Egg Corp.**, for an undisclosed sum. The majority of the plant's 53 employees are expected to transfer to Global Egg. The facility complements Global Egg's existing egg processing footprint in the region, and better positions the buyer to align with the recent shift in demand for cooked egg products
- On Oct. 21st, **Wheat Growers**, a grain and agronomy cooperative in North & South Dakota, announced it has opened its \$40 million Kennebec Grain Terminal with a total grain storage capacity of 4.08 million bushels. It also loaded its first 115-car unit train with soybeans. The shuttle loader facility has a rail shipping capacity of 80,000 bushels per hour and a 115-car circle track. That, combined with a total truck receiving capacity of 60,000 bushels per hour, gives the Kennebec Elevator one of the fastest dumping speeds in the industry
- On Oct. 12th, **GrainCorp** received approval from the Australian Competition and Consumer Commission (ACCC) to acquire **Cargill's** bulk grain storage and handling facility in Gilgandra, New South Wales. The Cargill facility is next to GrainCorp's existing storage and handling facility, raising competition concerns, but the ACCC considered that there will remain effective competition from other suppliers of storage and handling services in the region
- On Oct. 20th, **Viterra** announced the opening of its new high throughput grain terminal in Ste. Agathe, Manitoba. The new facility is highly efficient and has 30,000 tonnes of grain storage and a 134 railcar loading capacity, including a loop track with access to CN and BNSF rail lines

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	24,620	31,575	10.6x	8.9x	19.3x	14.4x	0.5 %	(10.0)%
Bunge Limited	8,485	14,614	7.8x	6.8x	12.3x	10.2x	2.9 %	(23.8)%
Graincorp Limited	1,448	2,463	11.3x	8.9x	37.9x	20.3x	3.2 %	(9.6)%
The Andersons, Inc	1,035	1,675	10.8x	7.3x	36.7x	14.4x	1.0 %	(3.7)%
AGT Food and Ingredients	695	1,070	11.4x	10.0x	18.0x	14.0x	(0.1)%	(8.1)%
Ceres Global Ag	110	186	na	na	na	na	1.9 %	(13.5)%
Mean			10.4x	8.4x	24.9x	14.7x	1.5 %	(11.5)%

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

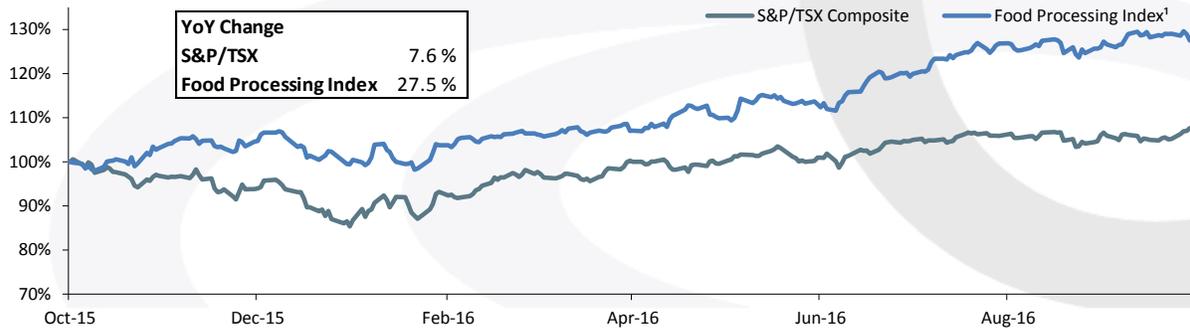


FOOD PROCESSING

News Scan

- On Oct. 17th, **Ontario Teachers' Pension Plan (OTPP)** announced it is acquiring **Constellation Brands Canada (CBC)**, the Canadian operation of Constellation Brands, for C\$1.03 billion. CBC is Canada's largest wine business and the acquisition represents a transaction multiple of ~12.0x FY2017E EBITDA. CBC provides OTPP with stable and predictable cash flows in a growth industry. Closing of the transaction is expected by the end of the year
- On Oct. 13th, reports indicated **Pepsi** is nearing a deal to acquire sparkling probiotic U.S. drinks company **KeVita Inc.**, for a likely valuation of ~US\$500 million. The deal would be PepsiCo's first outright acquisition through its venture arm dubbed Naked Emerging Brands, whose mission is to expand the company's portfolio of sugary drinks by developing brands that appeal to health-conscious consumers, and comes as the latest push by Pepsi to diversify its soft drinks business amid softening demand for traditional sugar-based soft drinks
- On Oct. 13th, **Kellogg Co.** announced it will acquire Brazilian food group **Ritmo Investimentos (or Parati Group)** for US\$429 million. Parati Group offers a wide range of regional snacking brands, including Minueto, Zoo Cartoon, and Hot Cracker Biscuits. The acquisition is Kellogg's largest in Latin America and furthers two of the company's strategic priorities of becoming a "global snacking powerhouse" and expanding its presence in emerging markets. Parati Group net sales are expected to be ~US\$190 million and it operates five distribution centers and two production facilities, employing 3,200
- On Oct. 19th, **Stratas Foods** purchased the **Supreme Oil Co.**, for an undisclosed sum, to expand its manufacturing presence in the Northeast US. Supreme Oil offers a variety of oils, shortenings, mayonnaise and dressings to the food service and retail industries

Relative Performance Index



Key Indicators

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	Market		TEV/EBITDA		Price/Earnings		Week Δ	ΔPrice
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
ConAgra Foods, Inc.	21,017	25,494	12.2x	11.8x	19.5x	18.7x	1.0%	(1.6)%
George Weston Limited	10,340	19,719	6.5x	6.4x	16.8x	15.0x	(0.7)%	(10.2)%
Ingredion Incorporated	9,413	11,002	10.8x	10.2x	19.1x	17.7x	(2.2)%	(6.9)%
Tate & Lyle plc	4,420	5,087	11.6x	11.0x	20.8x	17.9x	(2.3)%	(2.7)%
Maple Leaf Foods Inc.	3,061	2,918	11.0x	10.4x	24.2x	21.8x	(1.2)%	(4.0)%
SunOpta Inc.	629	1,189	12.1x	9.7x	30.8x	15.9x	(1.1)%	(12.3)%
Rogers Sugar	453	547	9.7x	8.6x	14.5x	14.7x	(1.1)%	(4.6)%
Mean			10.6x	9.7x	20.8x	17.4x	(1.1)%	(6.1)%

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.

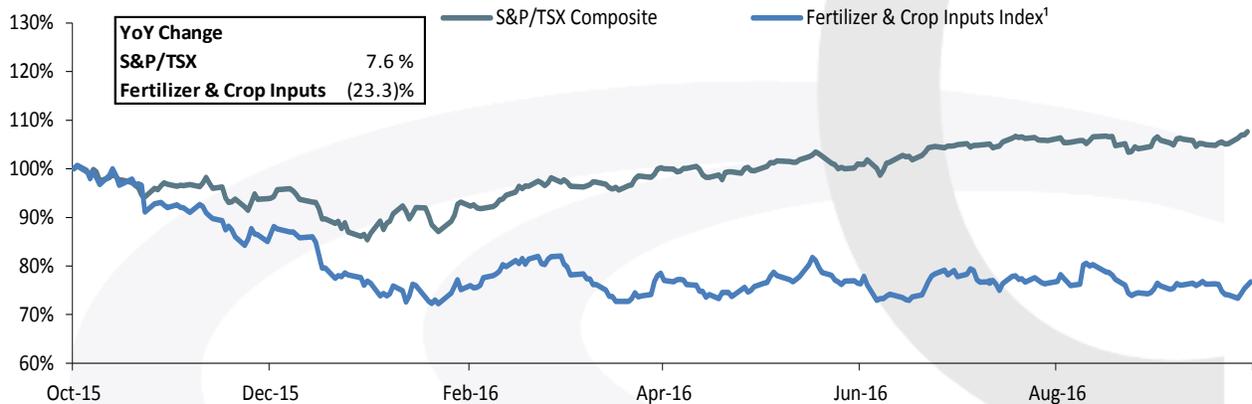


FERTILIZERS & CROP INPUTS

News Scan

- On Oct. 14th, reports indicated **China National Chemical Corp. (ChemChina)** was in discussions with **Sinochem Group** about a possible merger that would create a fertilizer and chemicals giant with almost US\$100 billion in annual revenue. The deal has been proposed by China's central government as part of its efforts to slash the number of state-owned companies and create larger, more competitive global industry players. Backing from Sinochem might also help ChemChina finance its US\$43 billion Syngenta deal on more favorable terms
- On Oct. 17th, **CF Industries** had its credit rating cut to junk by S&P Global Ratings as the company grapples with slumping crop-chemical prices. The lower ratings reflect S&P's view that ongoing depressed pricing in the nitrogen fertilizer sector will weaken credit metrics to levels that are not appropriate at the previous ratings, and that it does not anticipate any meaningful pricing recovery in 2017
- On Oct. 20th, **EuroChem Group** announced it completed a tender offer for its outstanding Eurobonds due 2017 and a simultaneous new issue to finance the purchase of notes under the tender offer. An efficient tender structure and process provided bondholders with greater certainty around the new issue allocation and stimulated strong tender participation, with 57% of the notes tendered. With a yield of 3.80%, the new benchmark US\$500 million Eurobonds issue matures in April 2020

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
			2016E	2017E	2016E	2017E	Price	52Wk High
Agrium Inc.	12,562	17,960	10.0x	9.3x	17.9x	16.2x	3.0%	(9.0)%
Potash Corp.	13,786	17,154	15.5x	13.4x	43.1x	32.4x	4.0%	(25.1)%
CF Industries Holdings, Inc.	6,043	12,768	10.5x	9.1x	24.7x	21.3x	16.3%	(52.1)%
The Mosaic Company	8,513	11,396	9.8x	8.0x	48.2x	26.0x	5.0%	(34.2)%
Yara International ASA	9,405	10,830	5.1x	5.4x	13.8x	13.6x	6.6%	(31.4)%
Nufarm Ltd.	1,807	2,487	8.4x	7.8x	16.4x	14.9x	(0.9)%	(7.7)%
Input Capital Corp.	104	95	18.7x	4.6x	neg	20.1x	(1.6)%	(37.7)%
Mean			11.1x	8.2x	27.3x	20.6x	4.6%	(28.2)%

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

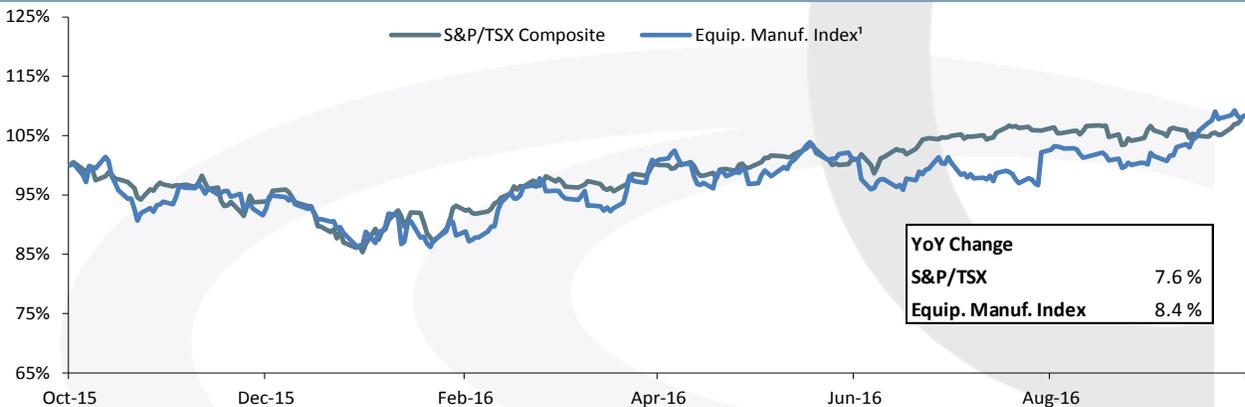


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Oct. 13th, in a response to the U.S. Department of Justice's lawsuit to block **Deere's** acquisition of **Precision Planning**, Deere stated the acquisition will increase consumer choice and directly benefit growers. Deere challenged the Justice Department's definition of "high-speed precision planting system" saying it was vague and ambiguous. Deere also denied "that there is any meaningful economic market consisting of high-speed precision planting systems"
- On Oct. 13th, **Hanjin Shipping** announced it is selling major businesses, including its Asia-U.S. route network, and will receive letters of intent by Oct. 28th. In a regulatory filing the company said a Seoul court overseeing its receivership process approved a public auction of the major businesses, and it is to get binding bids from interested parties by November 7, after a due diligence process
- On Oct. 18th, South Korea's **Hyundai Merchant Marine Co** said it may submit a preliminary bid for the assets. A bid by Hyundai Merchant Marine would be looked on favorably by the South Korean government if it helps Hyundai Merchant Marine expand market share or normalize its business, government sources have said
- On Oct. 18th, Hanjin Shipping also announced it plans to lay off about 400 land-based employees in South Korea in the near future as it tries to cut costs. The company had about 700 land-based employees in South Korea as of Q2 2016

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
Deere & Company	27,176	29,072	13.4x	15.8x	24.6x	29.2x	0.0 %	(3.3)%
AGCO Corp	4,162	5,525	9.3x	9.2x	22.1x	20.4x	0.5 %	(8.4)%
Ag Growth International Inc.	516	773	11.5x	9.8x	22.3x	15.7x	1.0 %	(1.2)%
Rocky Mountain Dealerships	131	421	16.9x	14.8x	10.5x	9.3x	(4.4)%	(6.2)%
Cervus Equipment Corporation	152	383	10.4x	9.8x	18.0x	11.8x	(0.3)%	(15.7)%
Mean			12.3x	11.9x	19.5x	17.3x	(0.6)%	(6.9)%

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 an Oct. 17th Global Agricultural Information Network report from the USDA, Japan's wheat production for 2016 is expected to decrease significantly (25%) to 760,000 tonnes due to unfavorable weather conditions. The forecast follows a record wheat crop in 2015 and comes as heavy rains delayed the harvest and negatively impacted the quality of the grain. As a result, yield and production estimates in that area are expected to be below average
- On Oct. 19th, the USDA reported that corn production in Brazil for the 2015-16 marketing year was forecast at 67 million tonnes, down 21% from 85 million tonnes in 2014-15, as an early start to the dry season is having a major impact on corn yields. Production in 2016-17 is forecast to rebound, to 83 million tonnes, behind increased profitability
- In a state plan released on Oct 20th, the Chinese State Council announced it will take more measures to develop modern agriculture in the next five years. The objective is to build an efficient, environment-friendly and resource-saving agriculture, maintain the supply of agricultural products and improve farmers' income. According to the plan, the national output of grain in 2020 is expected to reach 550 million tonnes, 50 million tonnes more than in 2015. The plan calls for improvements in agricultural technology, reformed agricultural management, green agriculture, and cultivating professional farmers, amongst other goals
- On Oct. 18th, the Argentine government announced it will delay a previously planned reduction of soybean export taxes until 2018, while implementing a new plan to bolster soybean production in the northern part of country. Beginning January 2018, the export tax will be reduced by 0.5 percentage points each month until December 2019. By the end of 2019, the soybean export tax will be 18%, down from its present level of 30%. In addition, it plans to bolster soy production by providing a refund equivalent to 5% of the price of soybeans beginning in March 2017
- The Alberta Wheat Commission is proposing a 7.6% reduction in provincial wheat taxes to \$1.09 per tonne effective next August. Alberta wheat growers currently pay a per tonne levy to the Alberta Wheat Commission as well as a per tonne levy known as the Western Canadian Deduction. Both levies are used to support wheat research, varietal development work and marketing initiatives
- Despite an unusually hot and dry summer, soybean yields in Ontario are expected to be strong, between 50-60 bushels per acre compared to the 4-year average soybean yields of 45.5 bushels per acre. The news is similar for soybeans in Manitoba with reported yields of 45 to 55 bu. per acre. August rains drove the strong soybean crop in Ontario and helped boost yields in Manitoba. Manitoba's soybean crop also benefitted from a long growing season because spring arrived early and September was free of frost
- In an Oct. 14th release, the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) said it is urging the U.S. grain handling industry to fully implement safety and health programs. According to OSHA it only takes 5 seconds for flowing grain to engulf and trap a worker, and only 60 seconds for a worker to be submerged and in serious danger of death by suffocation. In 2010, 51 workers found themselves engulfed by grain stored in bins, and 26 died – the highest number on record. In 2015, the industry reported 22 grain-entrapment cases nationwide

Commodities Futures as of October 21st, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.52	1.81 %	0.28 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.14	4.81 %	(9.58)%
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.18	19.19 %	3.75 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$10.29	2.24 %	(12.57)%
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$507.40	8.91 %	5.29 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.55	1.98 %	11.79 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
Fertilizers & Crop Inputs					
Yara International ASA	30-Sep-16	79.4%	Underlying EBITDA was 35% lower, as weaker fertilizer prices were only partly offset by higher deliveries of Yara-produced products, lower energy cost and currency translation gains. The global farm margin outlook and incentives for fertilizer application remains supportive overall, and while grain prices are lower, prices for several key crops like sugar, coffee and oils are higher than a year ago	NOK 281.04	(1.3%)
Equipment Manufacturers and Services					
Canadian Pacific Railway Limited	30-Sep-16	14.7%	Revenues fell 9% to \$1.554 billion from \$1.709 billion as a delayed grain harvest weighed on results. Net income was up 7% to \$347 million from \$323 million as a result of CP's commitment to efficiency, asset optimization, and operational improvements	C\$216.55	10.5%

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