



Agriculture Industry Flash

Monday, September 26th, 2016

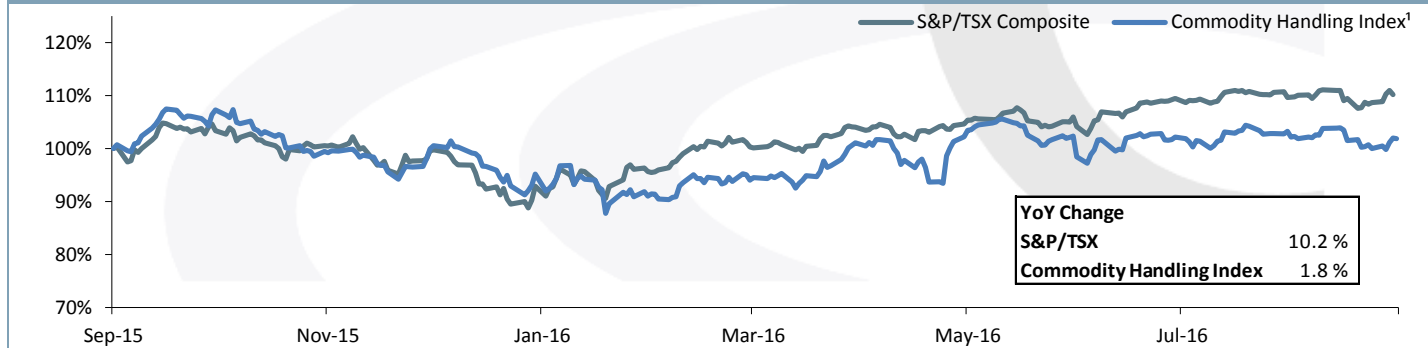


COMMODITY HANDLING

News Scan

- On Sep. 15th, **Viterra** announced it will build a new grain terminal in Wadena, Saskatchewan. The facility will have 34,000 tonnes of storage capacity and will be able to load up to 156 railcars through a loop track. Construction on the new facility will begin this fall and is slated for completion in the fall of 2018
- On Sep. 14th, **Smithfield Foods** reported it is expanding its grain purchasing and handling operations by adding facilities in Ohio, U.S. The acquisition of the facilities is expected to connect grain and soybean farmers with new, global markets while advancing Smithfield's commitment to supply chain sustainability
- On Sep. 20th, **Prairie Flour Mills** initiated a C\$18 million expansion of its mill in Elie, Manitoba, in order to double daily production capacity to 8,000 cwts over the next 18 months. The project reflects the growing demand for conventional and organic flour products
- On Sep. 23rd, **Perdue AgriBusiness** announced it will purchase 10 of the 12 grain elevators that the company has leased from **Southern States Cooperative**, for an undisclosed sum. The facilities represent more than 10 million bushels of grain storage
- On Sep. 22nd, China agreed to maintain Canadian canola exports at the current level of 2.5% dockage through to 2020, as both sides conduct research on how to resolve the shipment quality dispute. Over 40% of Canada's canola exports are to China, representing a C\$2.6 billion market
- On Sep. 21st, a group of **Louis Dreyfus Co.** subsidiaries active in Europe received a US\$100 million, three-year revolving loan from the European Bank for Reconstruction and Development (EBRD) to help finance working capital needs for agricultural commodity merchandising. The EBRD aims to strengthen the role of the private sector to improve efficiency while reducing food waste, as well as improving global food security by enhancing trade linkages and efficiencies between Egypt, the world's largest grain importer, and some of its major suppliers

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	24,707	31,664	10.2x	8.7x	18.6x	14.4x	1.0 %	(9.7)%
Bunge Limited	8,382	14,510	7.1x	6.7x	11.4x	10.0x	(1.1)%	(24.7)%
Graincorp Limited	1,404	2,424	11.1x	8.9x	36.6x	19.6x	0.6 %	(14.5)%
The Andersons, Inc	971	1,609	10.4x	7.0x	34.9x	13.5x	(1.3)%	(10.3)%
AGT Food and Ingredients	694	1,074	11.2x	9.8x	17.6x	13.9x	5.2 %	(9.6)%
Ceres Global Ag	109	187	na	na	na	na	5.5 %	(15.5)%
Mean			10.0x	8.2x	23.8x	14.3x	1.7 %	(14.1)%

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

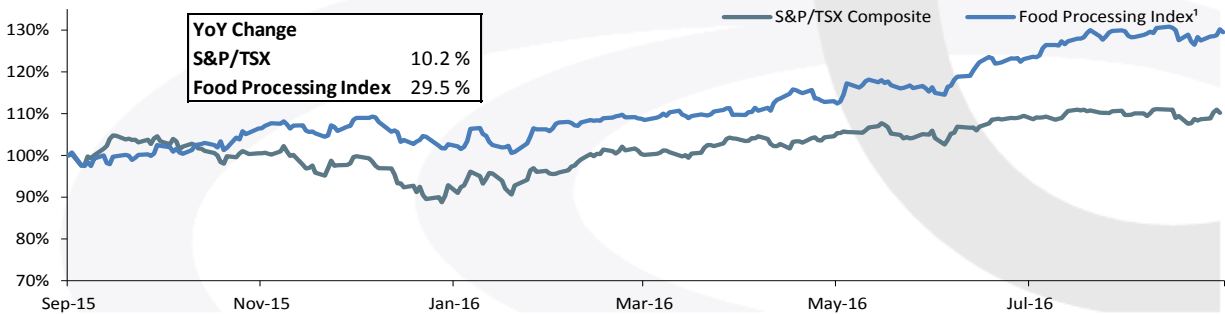


FOOD PROCESSING

News Scan

- On Sep. 21st, **Yorkshire Valley Farms** announced it has acquired **Farm Fresh Poultry Co-operative**, a farm-owned primary processor of air chilled chicken products, for an undisclosed sum. Post-acquisition of Farm Fresh, Yorkshire Valley will be a leading integrated producer of conventional and organic chicken along with organic egg and turkey products. Origin Merchant Partners acted as exclusive financial advisor to Yorkshire Valley Farms with respect to this transaction
- On Sep. 21st, **B&G Foods** announced it will acquire the spices business of **ACH Food Companies** for -US\$365 million. ACH Food makes spices and seasonings under brands such as Spice Islands, Tone's, and Durkee. It also markets Weber brand sauces that are sold under license. The acquisition significantly broadens B&G's position in the large and growing spices and seasonings category, as today's consumers look for healthier options, simpler ingredients, and enhanced flavour. B&G Foods also is acquiring a manufacturing plant in Ankeny, Iowa, as part of the transaction
- On Sep. 14th, **Mondelez** revealed plans to invest US\$65 million to build a global Research, Development & Quality network. Mondelez said the investment will enable it to better recruit, retain and develop talent across a range of science and technical areas while also creating a stronger presence in both emerging and developed markets
- On Sep. 16th, **Tate & Lyle** celebrated the opening of its expanded capacity at its oat ingredients manufacturing facility in Kimstad, Sweden. Operations at the Kimstad plant involve a chemical-free patented manufacturing process that the company uses to transform locally sourced Swedish oats into high value ingredients. With the expansion, Tate & Lyle now has increased capacity at the plant more than tenfold since acquiring it as part of its acquisition of Biovelop in May 2013, in order to keep up with growing demand for oat ingredients across the world as consumers look for healthier and tastier foods

Relative Performance Index



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	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
ConAgra Foods, Inc.	19,134	24,082	12.2x	11.7x	18.6x	17.4x	0.7 %	(10.8)%
George Weston Limited	10,843	20,014	6.6x	6.4x	17.3x	15.5x	1.7 %	(7.3)%
Ingredion Incorporated	9,332	10,917	10.8x	10.2x	19.0x	17.6x	0.3 %	(7.7)%
Tate & Lyle plc	4,379	5,078	11.0x	10.4x	20.3x	17.2x	1.2 %	(2.6)%
Maple Leaf Foods Inc.	3,052	2,905	10.8x	10.2x	23.7x	21.5x	2.8 %	(3.1)%
SunOpta Inc.	596	1,157	11.8x	9.5x	30.5x	16.6x	(1.3)%	(7.4)%
Rogers Sugar	479	575	10.0x	8.9x	15.1x	15.3x	4.9 %	(0.4)%
Mean			10.4x	9.6x	20.7x	17.3x	1.5 %	(5.6)%

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.

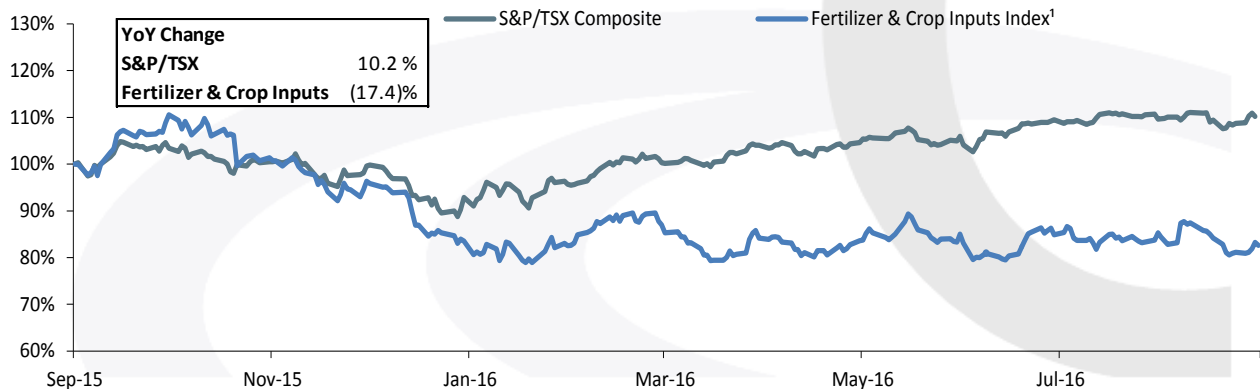


FERTILIZERS & CROP INPUTS

News Scan

- On Sep. 14th, **Bayer AG** agreed to acquire **Monsanto** in an all-cash transaction for US\$128/share, or -US\$66 billion. The transaction price represents a 44% premium to Monsanto's unaffected share price. The transaction has been approved by the boards of both companies and is expected to be completed by the end of 2017, but still must receive approval from regulatory agencies - though the companies have said they have received "encouraging feedback" from regulatory agencies
- On Sep. 19th, **Richardson International** announced it is expanding its Richardson Pioneer retail crop input network across Western Canada. Richardson plans to begin construction on the first three new crop inputs centers in Saskatchewan this fall and will be announcing additional new builds across the prairies. The three new crop inputs sites will each have high-speed fertilizer blending capabilities, modern offices and a 6,000-square-foot, AWSA-certified warehouse to provide customers with crop inputs products and services. The company intends to have all three new facilities fully operational by late 2017
- On Sep. 20th, **Mosaic** announced that a leak of contaminated water through a sinkhole at its fertilizer facility in Florida will cost US\$20 million - \$50 million to fix, though the incident will not materially affect phosphate production at the facility
- On Sep. 22nd, **Nufarm** CEO, Greg Hunt, announced that the company will actively seek to acquire any attractive assets that may have to be divested as part of regulatory approval for the three big acquisition deals in play - Bayer/Monsanto, Dow Chemical/DuPont, and ChemChina/Syngenta. Nufarm has access to as much as \$600 million of potential capital, with a focus on acquiring chemical assets or portfolios around corn and soybeans

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
Agrium Inc.	12,725	18,127	10.0x	9.2x	17.9x	16.0x	2.1%	(9.2)%
Potash Corp.	13,423	16,842	14.8x	12.8x	40.4x	30.2x	(0.5)%	(28.3)%
CF Industries Holdings, Inc.	5,276	11,998	9.5x	8.2x	21.1x	18.3x	(5.8)%	(58.3)%
The Mosaic Company	8,692	11,575	10.0x	8.0x	48.4x	23.8x	(2.8)%	(32.8)%
Yara International ASA	9,152	10,606	4.8x	4.9x	11.4x	11.0x	(1.2)%	(34.6)%
Nufarm Ltd.	1,829	2,512	8.4x	7.8x	16.6x	14.8x	9.3%	(4.9)%
Input Capital Corp.	114	105	19.6x	4.9x	nmf	20.5x	7.2%	(34.8)%
Mean			11.0x	8.0x	26.0x	19.2x	1.2%	(29.0)%

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

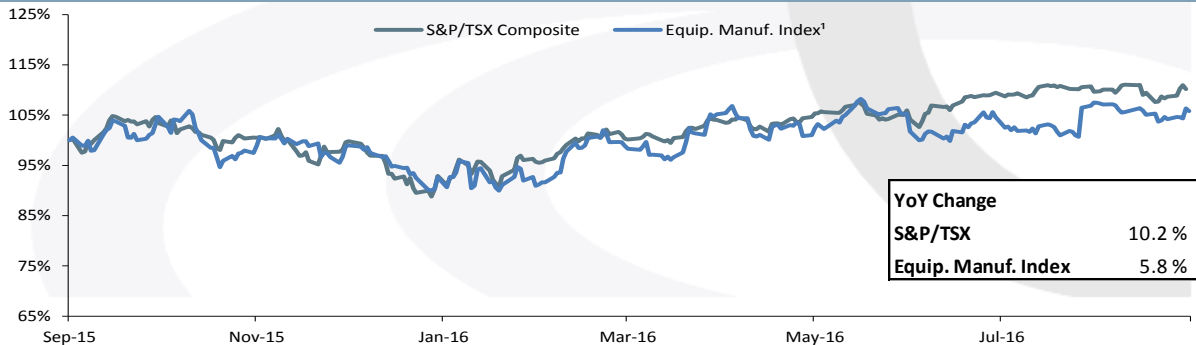


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- Court documents show that the U.S. Justice Department filed a lawsuit aimed at stopping **Deere & Co** from buying Monsanto's **Precision Planting** farm equipment business, which was announced in November 2015. The Justice Department said the proposed deal would mean higher prices for farmers who want to buy equipment for high-speed precision planting, which allows farmers to plant row crops like corn up to twice as fast as with conventional machinery. The complaint put the purchase price at about \$190 million, and estimated Deere and Precision Planting would own at least 86% of the market. Deere responded that it would fight the lawsuit, saying that the Justice Department's antitrust concerns were "misguided"
- On Sep. 20th, **Korean Air Lines**, the largest shareholder of **Hanjin Shipping**, agreed to lend US\$64 million to help unload cargo that has been stranded since the world's seventh-largest container carrier collapsed late last month. Hanjin has begun returning chartered vessels to their owners and had been trying to secure funds to help unload ships. An estimated \$14 billion of cargo was initially trapped on its ships around the world, creating havoc ahead of the crucial holiday shopping season. With debt of about 6 trillion won (US\$5.4 billion) at the end of June and the South Korean government's unwillingness to mount a rescue, the Seoul Central District Authority stated that expectations that Hanjin will survive are low
- On Sep. 23rd, the Federal Court of Appeal upheld an earlier ruling in favour of **Louis Dreyfus** for its rail service dispute with **Canadian National Railway (CN)**. The dispute alleged that CN failed to provide enough rail cars to Louis Dreyfus' grain elevators in Glenavon and Aberdeen, Saskatchewan, Canada, and Joffre and Lyalta, Alberta, Canada, to ship the 2013-14 crop. In total, 2,392 rail cars were ordered for weeks 30 to 35 of the crop year, but no cars were actually delivered. CN has argued that the exceptional size of the grain crop and adverse weather conditions impacted its operations

Relative Performance Index



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	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
Deere & Company	26,204	28,043	13.5x	15.4x	24.6x	27.9x	1.7 %	(6.0)%
AGCO Corp	3,879	5,230	8.7x	8.6x	20.7x	19.0x	2.3 %	(14.6)%
Ag Growth International Inc.	494	755	11.2x	9.5x	19.2x	14.2x	0.7 %	(1.2)%
Rocky Mountain Dealerships	134	429	16.8x	15.0x	10.7x	9.5x	(0.3)%	(1.9)%
Cervus Equipment Corporation	139	373	10.0x	9.3x	15.7x	10.8x	1.5 %	(24.0)%
Mean			12.0x	11.6x	18.2x	16.3x	1.2 %	(9.5)%

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 Sep. 12th, the USDA's monthly supply and demand report had a soybean yield forecast that was higher than the top end of analysts' expectation, up 1.7 bushels (bu) over the August forecast and up 2.6 bu from last year. The USDA now estimates the soybean crop at 4.2 billion bu, compared to last year's crop of 3.93 billion bu. The increase in the yield forecast was led by top production states Iowa and Illinois, which had near-perfect growing weather during the key development period in August
- The week of Sep. 19th saw heavy rains and flooding in the region, halting the harvest of corn and soybeans and forcing the closure of two Iowa crop processing plants. Soggy conditions and waterlogged fields have raised concerns of crop damage and disease, which could reduce farmer revenues at a time when grain prices are already near multi-year lows
- On Sep. 13th, the U.S. launched trade enforcement action against China at the World Trade Organization concerning excessive government support for domestic wheat, corn and rice production. The U.S. said China's market price support for wheat, corn and rice in 2015 was estimated at \$100 billion in excess of the levels committed to by China, which inflated Chinese prices above market levels, creating artificial government incentives for Chinese farmers to boost production and undercutting American farmers
- On Sep. 23rd, China announced a preliminary decision to impose a 33.8% duty on U.S. dried distiller's grains (DDGS), effective immediately. The decision comes after the U.S. launched trade enforcement action at the WTO, and nine months after China began its DDGS antidumping investigation. DDGS is a by-product of ethanol production used for animal feed. The U.S. is the largest DDGS producer and has a surplus to export, while China is the biggest importer
- On Sep. 21st, Alberta-based Western Feedlots, one of Canada's largest cattle feedlots, announced it will close feeding operations after marketing the cattle it currently owns, due to poor market conditions. The loss of the feedlots is expected to take out a material portion of demand for cattle across the Prairies
- In a Sep. 15th news release, the Alberta Wheat Commission called for improved railway accountability through the introduction of reciprocal monetary penalties that could be applied against grain shippers or railway companies for failure to uphold the terms of a shipping contract, as well as retaining the railways revenue cap to protect producers against excessive freight rate increases. The release stated that the current imbalance of market power allows railways to dictate operational terms instead of operating in a competitive commercial arrangement
- The rain forecast for large parts of the Canadian Prairies for the next few days has increased significantly as a result of a slow moving storm system from the western U.S. Areas may see 50-80 mm of rain accompanied by strong winds, and a significant delay to the harvest is expected. Wet weather also is expected to douse the U.S. Farm Belt next week, with forecasts for regular showers sparking concerns that above-normal precipitation will stall the progress of the nation's combines

Commodities Futures as of September 23rd, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:^C	\$ per bu.	\$3.36	3.98 %	(4.27)%
Wheat (CBOT)	CBOT:^W	\$ per bu.	\$4.04	2.54 %	(11.73)%
Oats (CBOT)	CBOT:^O	\$ per bu.	\$1.77	(1.87)%	(15.81)%
Rough Rice (CBOT)	CBOT:^RR	\$ per cwt.	\$9.65	2.44 %	(18.01)%
Barley (USDA)	USDA:^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:^RS	CAD per T	\$468.30	3.17 %	(2.82)%
Ethanol (CBOT)	CBOT:^ET	\$ per gal.	\$1.48	3.29 %	6.87 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter	
			Comments	Analyst Consensus (US\$) Premium to Current
Fertilizers & Crop Inputs				
Nufarm Limited	31-Jul-16	nmf	Decrease in earnings of 7% as a result of higher costs of doing business in Latin America, where strong growth and structural market changes resulted in higher expenses and significantly higher foreign exchange losses. Despite challenging market conditions which negatively impacted the global crop protection sector, the company generated a higher underlying gross profit margin of 29.6%, which was a significant improvement on the prior year (28.0%), and reflected a strong focus on higher margin product sales and the benefit of cost savings and restructuring initiatives	A\$8.84 (3.5%)

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