



Agriculture Industry Flash

Monday, November 21st, 2016

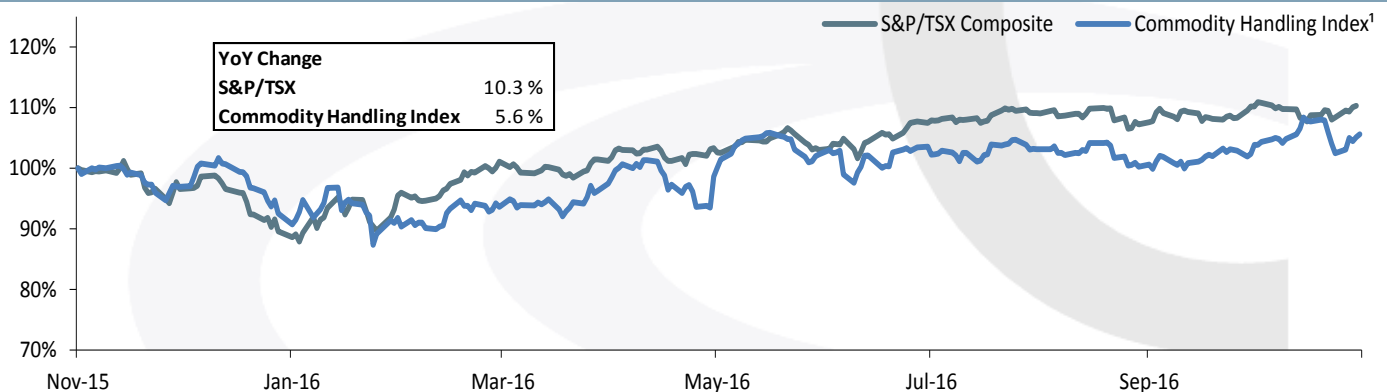


COMMODITY HANDLING

News Scan

- On Nov. 17th, **Land O'Lakes** announced it is beginning work on a 155,000 square-foot headquarters project. The US\$80 million expansion will allow the company to consolidate its 1,800 Twin Cities workers at its home base in Arden Hills, Minnesota
- On Nov. 10th, the District of Kansas released a statement that it has determined that there is insufficient evidence to support criminal charges against **Bartlett Grain Co.**, for its 2011 grain elevator explosion that fatally wounded 6 workers. However, a U.S. Occupational Health and Safety Administration (OSHA) investigation continues after OSHA cited the company for several safety violations in 2012
- On Nov. 7th, grain and specialty crop handler **Agrocorp Processing** announced it is moving its Canadian headquarters to Moose Jaw, Saskatchewan from Vancouver, B.C. Agrocorp has operated a \$20 million, high-speed loading and cleaning pulse facility in Moose Jaw since 2013. As part of the move, the company said it expects to add 20 new jobs as the company expands over the next three years in Moose Jaw
- On Nov. 10th, **Trans Cargo Terminal SRL** completed its grain export terminal expansion project at Giurgiulesti International Free Port in Moldova. With the expansion, Trans Cargo Terminal now is able to load more than 1,000 tonnes of grain per hour onto maritime vessels of up to 8,000 tonnes, as well as river barges, giving it the fastest loading rate of any grain terminal in the region
- On Nov. 16th, Dwayne O. Andreas, longtime chief executive officer of **Archer Daniels Midland Co.**, who was credited with transforming the company into an agribusiness powerhouse passed away at 98 years old. Andreas became a director in 1966 and CEO in 1971, positions he would hold until he stepped down in 1997

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 | 25,024 | 31,211 | 9.6x | 8.0x | 19.3x | 14.7x | 4.2 % | (9.2)% |
| Bunge Limited | 9,393 | 14,834 | 8.6x | 7.0x | 14.8x | 10.8x | 4.7 % | (4.5)% |
| Graincorp Limited | 1,433 | 2,074 | 9.6x | 7.7x | 29.6x | 19.9x | (2.1)% | (7.5)% |
| The Andersons, Inc | 1,090 | 1,479 | 12.0x | 6.8x | nmf | 16.9x | 11.0 % | (1.6)% |
| AGT Food and Ingredients | 629 | 1,004 | 11.0x | 9.5x | 16.7x | 13.0x | (0.9)% | (15.8)% |
| Ceres Global Ag | 140 | 217 | na | na | na | na | 1.2 % | (17.1)% |
| Mean | | | 10.2x | 7.8x | 20.1x | 15.0x | 3.0 % | (9.3)% |

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

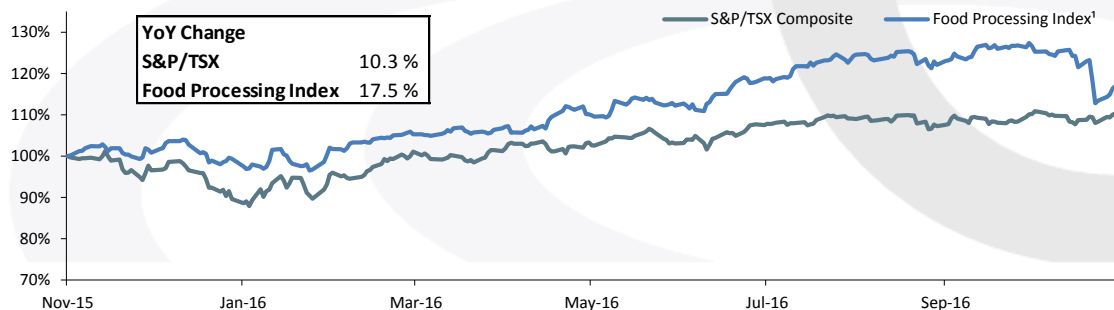


FOOD PROCESSING

News Scan

- On Nov. 17th, Thailand-based **Charoen Pokphand Foods** announced it will acquire U.S. single-serve frozen-entrees producer **Bellisio Parent** for US\$1.075 billion. The acquisition is in line with CPF's strategy to enter high-potential markets as the company looks to expand its offerings with more value-added products to serve rising demand in frozen-entrees
- On Nov. 17th, reports indicated Hong Kong conglomerate **Swire Pacific** is in talks to buy **Coca-Cola's** bottling assets in China, in a deal that would value the assets at about US\$1 billion. Swire Beverages is one of the largest soft drink bottlers for Coca-Cola in the world, and works closely with the U.S. firm on brand development and marketing
- On Nov. 8th, reports indicated at least six indicative offers have been submitted for a group of beer brands being sold by **AB InBev**. Worth more than 5 billion euros (US\$5.5 billion), the brands, including Pilsner Urquell and Lech, were put up for sale as part of AB InBev's US\$100 billion-plus takeover of SABMiller, which closed last month
- On Nov. 16th, **Yamazaki Baking**, Japan's largest baking company, announced it plans to invest US\$183 million in a new baking plant, the company's first new facility in 28 years. The plant will help the company meet growing demand for grab-and-go sandwiches and snacks and is expected to be operational by 2018, resulting in a ~10% increase in production capacity
- On Nov. 16th, **Quality Custom Distribution (QCD)** reached an agreement to acquire the assets of **Mile Hi Specialty Foods** for an undisclosed sum. Mile Hi provides distribution services to over 1,000 restaurants in 16 U.S. states, including Starbucks
- On Nov. 9th, an Alberta court granted an injunction to Ontario-based **Steam Whistle Brewing** and Saskatchewan-based **Great Western Brewing Company** against Alberta's rebate program for the province's small brewers. The breweries allege the Alberta Small Brewers Development Program, introduced by the Alberta government in August, is unconstitutional because it creates a barrier for out-of-province breweries as it instituted a markup of \$1.25/litre for all beer

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. | 16,110 | 20,481 | 10.6x | 13.8x | 16.1x | 20.0x | 5.4 % | (24.7)% |
| George Weston Limited | 10,248 | 19,448 | 6.6x | 6.5x | 16.7x | 15.1x | 5.2 % | (9.8)% |
| Ingredion Incorporated | 8,752 | 10,122 | 9.8x | 9.2x | 17.1x | 15.9x | 3.7 % | (13.7)% |
| Tate & Lyle plc | 3,915 | 4,535 | 9.7x | 9.1x | 18.3x | 14.8x | 1.1 % | (19.2)% |
| Maple Leaf Foods Inc. | 2,879 | 2,635 | 10.1x | 9.6x | 23.2x | 21.2x | 1.4 % | (8.5)% |
| SunOpta Inc. | 718 | 1,270 | 13.3x | 10.6x | 36.4x | 18.8x | 9.8 % | (1.0)% |
| Rogers Sugar | 422 | 552 | 9.9x | 9.2x | 15.2x | 13.9x | 1.5 % | (9.8)% |
| Mean | | | 10.0x | 9.7x | 20.4x | 17.1x | 4.0 % | (12.4)% |

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.

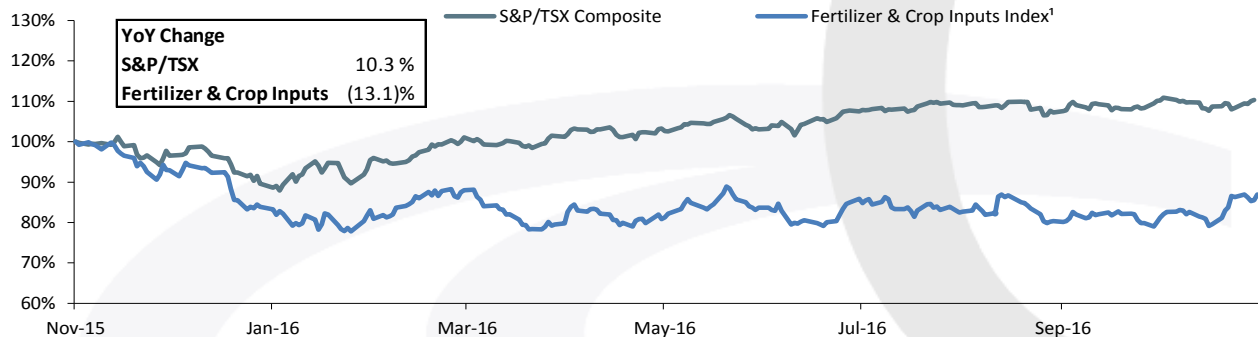


FERTILIZERS & CROP INPUTS

News Scan

- On Nov. 17th, U.S. Senator, Chuck Grassley, has raised concerns over the **ChemChina / Syngenta** deal, specifically with ChemChina's possible use of the Foreign Sovereign Immunities Act through Syngenta's U.S. subsidiary. The Foreign Sovereign Immunities Act (FSIA) of 1976 is a law that establishes the limitations whether a foreign sovereign nation may be sued in U.S. federal or state courts. ChemChina has stated that Syngenta would be entirely owned by the Chinese state-owned company, meaning it would be possible for Syngenta to assert sovereign immunity as a defense to claims brought in U.S. courts, but further stated that the immunity would not extend to Syngenta's U.S. business
- On Nov. 9th, the Ontario Superior Court of Justice issued a final order approving the merger of equals between **Agrium** and **PotashCorp**. The companies have received a supplemental information request from the Canadian Competition Bureau and a second request from the US Federal Trade Commission on Nov. 2nd
- On Nov. 7th, reports indicated seven U.S. state attorney generals have joined a federal antitrust probe of the planned merger between **DuPont** and **Dow Chemical**. A separate group of state attorney generals are also expected to join a probe of **Bayer's** plan to buy **Monsanto**. The states are concerned that the companies may raise pesticide and herbicide prices for farmers following a merger, and have less incentive to compete to introduce better and cheaper products

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. | 13,587 | 19,670 | 11.4x | 10.2x | 20.5x | 17.7x | 0.3 % | (1.2)% |
| Potash Corp. | 11,050 | 14,451 | 13.3x | 11.7x | 34.3x | 27.0x | 0.9 % | (13.2)% |
| CF Industries Holdings, Inc. | 6,751 | 13,871 | 14.3x | 11.0x | 38.6x | 31.0x | 4.2 % | (38.1)% |
| The Mosaic Company | 9,898 | 13,195 | 11.5x | 9.7x | 43.7x | 31.6x | 3.1 % | (13.5)% |
| Yara International ASA | 10,194 | 11,658 | 5.9x | 6.2x | 15.4x | 15.4x | 0.2 % | (21.7)% |
| Nufarm Ltd. | 1,665 | 2,322 | 8.1x | 7.5x | 15.7x | 14.2x | (2.6)% | (12.0)% |
| Input Capital Corp. | 91 | 82 | 16.3x | 4.0x | neg | 17.9x | 0.6 % | (33.3)% |
| Mean | | | 11.6x | 8.6x | 28.0x | 22.1x | 1.0 % | (19.0)% |

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

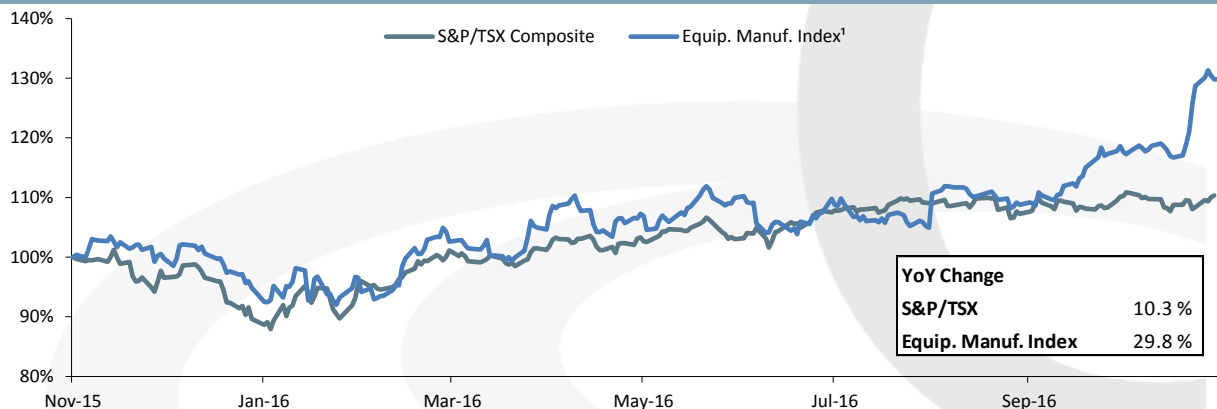


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Nov. 11th, **Cervus Equipment Corp.** announced it has entered into a definitive agreement with a single purchaser for the long-term sale and leaseback of approximately C\$55.7 million of real estate currently owned by the Company. The agreement provides for the sale of the land and buildings of 11 dealerships operated by Cervus and the leaseback by Cervus of those properties with initial lease terms ranging from 15-20 years. After retiring mortgages associated with the properties and rent deposits under the proposed lease, Cervus expects net free cashflow of approximately C\$27 million. The proposed sales prices and lease rates for the properties result in overall average market capitalization rates of 7.7%
- On Nov. 8th, **Canadian Pacific (CP)** announced that, despite a weather-delayed harvest, October was its highest recorded month for Western Canadian grain movement to the Vancouver ports. A record 15,865 carloads were moved to West coast ports in October, besting the previous record of 15,449 carloads in March 2016. According to CP, total Western Canadian grain movements in the month climbed 3.9% over last year, just off the record set in May 2014. CP and its supply chain partners have invested heavily in the past three years in grain country elevator capacity, and port capacity has already begun to fulfill the promise of greater efficiency, fluidity and velocity

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 | 28,914 | 30,914 | 14.2x | 16.8x | 26.2x | 31.1x | 0.9 % | (1.1)% |
| AGCO Corp | 4,231 | 6,142 | 10.3x | 10.1x | 22.5x | 21.1x | 0.9 % | (5.9)% |
| Ag Growth International Inc. | 575 | 826 | 11.4x | 9.9x | 21.5x | 16.2x | 0.7 % | (3.4)% |
| Rocky Mountain Dealerships | 131 | 374 | 14.3x | 12.7x | 9.8x | 8.5x | (1.7)% | (4.7)% |
| Cervus Equipment Corporation | 178 | 345 | 8.5x | 8.4x | 15.3x | 12.5x | 1.0 % | (0.3)% |
| Mean | | | 11.7x | 11.6x | 19.0x | 17.9x | 0.4 % | (3.1)% |

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 Nov. 15th, the USDA unveiled details on how it will disperse US\$200 million to more than 70 U.S. agricultural organizations to help expand export markets for U.S. farm and food products through the Market Access Program (MAP) and the Foreign Market Development (FMD) Program
- Under MAP, the FAS will provide \$173.5 million in fiscal year 2017 funding to 70 nonprofit organizations and cooperatives, including the U.S. Grains Council, with the funds to be used to promote their products to consumers around the globe through activities such as market research, technical assistant and trade fairs and exhibits
- Under FMD, the FAS said it will allocate \$26.6 million in fiscal year 2017 funds to 26 trade organizations that represent U.S. agricultural producers, including the American Soybean Association. FMD funds are geared toward generic promotion of U.S. commodities, rather than consumer-oriented promotion of branded products, and preference is given to organizations that represent an entire industry or are nationwide in membership and scope
- One of the driest seasons for agricultural production in recent years has Turkey facing a potential loss in grain production in November and December. Rainfall dropped in October by 58.3% compared to the yearly average and 75.3% year-over-year. The rain volume dropped to 20.5 mm in October from around 83 mm last year
- California has moved to ease water conservation rules for farmers in the northern and central parts of the state, a sign that a wet fall may portend an easing of the state's five-year drought by putting a temporarily stop to the requirement that agricultural users detail how much they take from key watersheds. The drought monitor's Oct. 27 report showed a slight easing with 81% of the state in drought in late October, compared with 97% a year earlier
- On Nov. 17th, the Alberta Wheat Commission (AWC) called for a Canadian grain grading system that is more in line with international market demands for Canada wheat, saying the Canadian wheat grading system needs to be reformed to "improve long-term profitability for farmers." The AWC is calling on the Canadian Grain Commission to establish a market-based system aligned with universally measured grain specifications in order to enhance the competitiveness of western Canadian wheat growers and ensure they receive fair market value for the grain they produce
- According to market research firm Innova Market Insights, the top five trends for 2017 include the continuation and growth of clean label, plant protein and sugar reduction products, as well as the emergence of more authentic ethnic cuisines and personalized nutrition
- Rain is delaying the wheat harvest in parts of Australia, threatening to disrupt deliveries to key markets such as India and Indonesia. With a near-record crop of ~30 million tonnes, exporters had sold new-crop wheat for shipment in Nov. and Dec. But rain in the eastern crop-belt, as well as frost in parts of the western growing region, have prevented farmers from gathering wheat on time, with the harvest running three weeks behind schedule in Western Australia
- This year's harvest season in Alberta has been a one-in-50-year event for cold temperatures and moisture, with October being unusually wet. Excess moisture in many fields resulted in wheat with 20% moisture, and only 81% of the harvest in the bin, which means producers need at least one more week of favourable weather to get crops off
- The Indian government's decision to abolish 500 and 1,000 rupee bank notes to stop the shadow economy may have adverse effects on millions of Indian farmers who cannot get enough cash to buy the seeds and fertilisers they need for their winter crops, threatening production of key commodities and hurting rural communities

Commodities Futures as of November 18th, 2016

| Commodities Futures | Ticker | Price Unit | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|----------|-------------|---------------------|---------------|--------------|
| Corn (CBOT) | CBOT:~C | \$ per bu. | \$3.48 | (0.29)% | (0.93)% |
| Wheat (CBOT) | CBOT:~W | \$ per bu. | \$4.12 | (0.51)% | (10.07)% |
| Oats (CBOT) | CBOT:~O | \$ per bu. | \$2.22 | 1.25 % | 5.59 % |
| Rough Rice (CBOT) | CBOT:~RR | \$ per cwt. | \$9.81 | (0.71)% | (16.65)% |
| Barley (USDA) | USDA:~24 | \$ per bu. | \$4.95 | 0.00 % | 0.00 % |
| Rapeseed (Canola) (ICE) | ICE:~RS | CAD per T | \$514.20 | 0.16 % | 6.70 % |
| Ethanol (CBOT) | CBOT:~ET | \$ per gal. | \$1.52 | (2.63)% | 9.84 % |



Recent Earnings News

| | Last Quarter | | | | |
|----------------------------------|--------------|----------------|---|--------------------------|--------------------|
| Company | Period Ended | EPS YoY Change | Comments | Analyst Consensus (US\$) | Premium to Current |
| Commodity Handling | | | | | |
| The Andersons, Inc. | 30-Sep-16 | nmf | In the third quarter, the Grain Group benefited from having shed its underperforming Iowa assets earlier this year and positioned itself to take advantage of improving crop conditions in the Eastern Corn Belt. Overall, grain production in the Eastern Corn Belt has rebounded from last year | US \$39.00 | 0.0% |
| GrainCorp. Ltd. | 30-Sep-16 | 468.1% | A diversified business model allowed GrainCorp to deliver a solid performance in the face of some significant challenges. Challenges in grains and oils, were partially offset by strong performance from GrainCorp Malt | A\$8.75 | 2.7% |
| Ceres Global Ag Corp. | 30-Sep-16 | (19.7%) | Late and consistent rains have delayed harvest in Canada and led to significant quality issues in durum and oats. This has created price volatility for these products resulting in a net loss in the quarter, despite volume goals being achieved | n/a | n/a |
| Food Processing | | | | | |
| SunOpta Inc. | 1-Oct-16 | nmf | Stable revenues year-over-year, and strong adjusted EBITDA of \$26.7 million, compared to \$13.2 million in Q3-15 as a result of increased volumes of IQF fruit and improved production efficiencies within frozen fruits | US\$8.42 | 13.7% |
| Equipment Manufactures | | | | | |
| Ag Growth International Inc. | 30-Sep-16 | nmf | Trade sales and adjusted EBITDA in the third quarter of 2016 were the highest ever for AGI as significant contributions from acquisitions complemented robust in-season sales in western Canada and strong results from AGI's Commercial business units | C\$54.29 | 3.1% |
| Rocky Mountain Dealerships, Inc. | 30-Sep-16 | 47.8% | Revenues were up 13.0% to \$222.6 million and Adjusted EBITDA increased by \$0.5 million or 4.3% to \$12.2 million, as the company continued to reap the benefits of strategies implemented over the past two years, including responsible inventory reduction, and reducing the fixed cost structure throughout the business | C\$10.84 | 18.6% |
| Cervus Equipment Corporation | 30-Sep-16 | 166.7% | The Company generated \$10.5 million of net income for the third quarter of 2016 compared, to \$3.9 million for the comparable period in 2015, as a result of volume improvements in Saskatchewan and Ontario, and cost reduction efforts | C\$16.25 | 4.8% |

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