



Agriculture Industry Flash

Tuesday, November 8, 2016

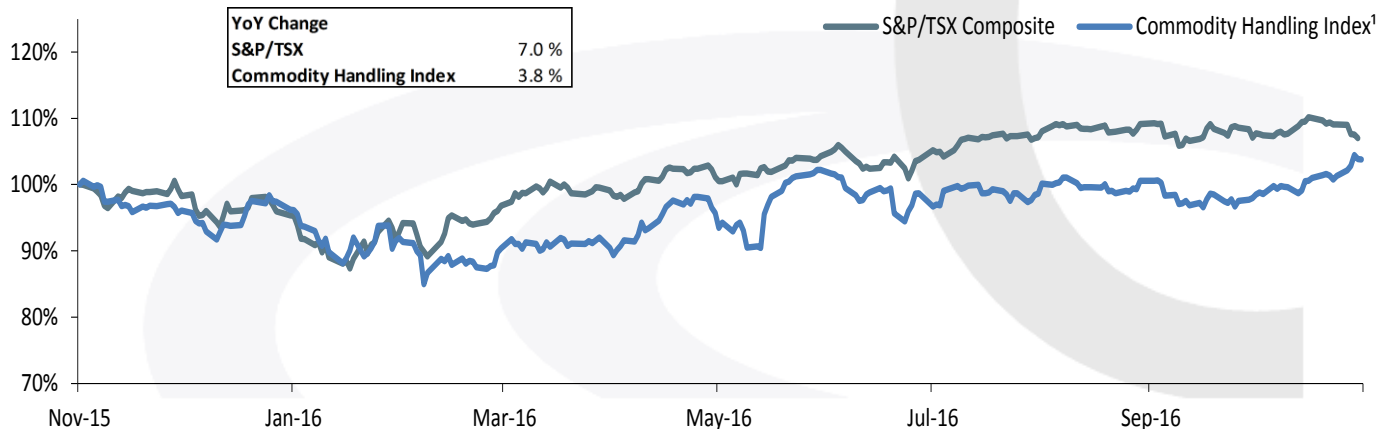


COMMODITY HANDLING

News Scan

- On Nov. 4th, **GrainsConnect Canada**, a joint venture of **GrainCorp** and **Zen-Noh Grain**, announced details of its second high-speed train loading terminal as part of its plan to create an integrated supply chain for Canadian grain and oilseed. The C\$30 million project will be located near Wilkie, Saskatchewan, Canada, and will have 35,000 tonnes of storage capacity with the ability to load 130 rail cars in 10 hours
- On Nov. 3rd, **Viterra Inc. (Viterra)**, a subsidiary of **Glencore International**, announced that it has opened its expanded Pacific Terminal at the Port of Vancouver. Viterra has invested more than \$100 million in the west coast terminal and tripled the terminal's annual handling capacity to more than 6 million tonnes
- On Nov. 1st, **ADM** announced that it will build a new, modern feed facility to replace its current operations in Quincy, Illinois. The new plant will centralize the Quincy production lines into a single, modern facility, allowing them to better and more efficiently meet customer needs, including increasing demand for unique pressed tubs, commercial feeds and specialty ingredients. ADM said it plans to begin construction soon, with a targeted completion date of mid-2018
- On Oct. 28th, **Miller Milling Co.** announced that it will be expanding its daily production capacity at its Saginaw, Texas, US, flour mill to 24,000 cwts. The project, will include construction of a new milling unit with 10,000 cwts, which will add 70% to capacity of the Saginaw

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	26,998	33,238	10.3x	8.7x	20.8x	15.9x	7.6 %	(2.0)%
Bunge Limited	9,666	15,110	8.8x	7.4x	15.1x	11.2x	12.3 %	(5.5)%
Graincorp Limited	1,476	2,503	11.4x	9.0x	31.5x	20.5x	1.3 %	(8.9)%
The Andersons, Inc	1,067	1,707	11.1x	7.5x	37.9x	14.8x	2.3 %	(3.2)%
AGT Food and Ingredients	645	1,016	10.9x	9.5x	16.8x	13.1x	(4.5)%	(14.3)%
Ceres Global Ag	108	184	na	na	na	na	(1.8)%	(14.6)%
Mean			10.5x	8.4x	24.4x	15.1x	2.9 %	(8.1)%

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

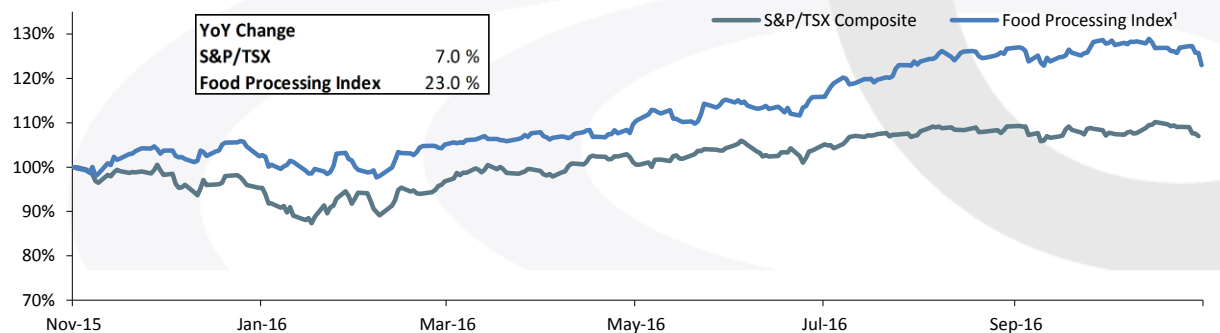


FOOD PROCESSING

News Scan

- On Nov. 4th, **The Hain Celestial Group, Inc. (Hain)** announced that Nasdaq has granted Hain's request for an exception to the Nasdaq Listing Rule, which requires companies to file timely periodic financial reports with the SEC. Hain has yet to release its fourth quarter or full-year 2016 results. Hain now has until Feb. 27th to resume its formal reporting with the SEC
- On Oct. 31st, **Constellation Brands Inc. (CB)** announced it is acquiring Obregon Brewery, a Mexican Brewery from **Grupo Modelo**, a subsidiary of **Anheuser-Busch InBev NV** for US\$600 million. The brewery is expected to produce 4 million hectoliters a year with minimal investment and optimization by CB and could eventually expand to produce 20 million hectoliters. The purchase increases free cash flow guidance for fiscal 2017 to a range \$575 - \$675 million, as Mexican capital estimate is reduced for the year
- On Nov. 3rd, **Sapphire Investments BV (SIB)**, a wholly-owned subsidiary of **Jacobs Douwe Egberts BV (JDE)**, has agreed to acquire **Super Group Ltd. (SG)**, a maker of instant foods and beverages. JDE is offering US\$1.05 billion for the company. JDE is looking to expand into Asia as part of its global coffee strategy
- On Nov. 3rd, **Goya Foods (GF)**, a producer of Latin cuisine, announced that it would be opening a 240,000 sq. ft. state of the art production facility in Secaucus, New Jersey as part of a US\$250 million investment. The facility, equipped to manufacture and distribute over 4 million cases of Goya products annually, features new production machinery with cutting edge technology, which will allow GF to operate more efficiently and cost effectively
- On Nov 3rd, **TreeHouse Foods** announced its intention to close a facility in Delta, B.C and reduce its manufacturing footprint in Battle Creek, Michigan. The decision was made in order to eliminate excess manufacturing capacity and align operations with the current and future needs of its customers

Relative Performance Index



Key Indicators

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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.	20,383	24,845	11.9x	11.5x	18.9x	18.1x	(3.2)%	(4.6)%
George Weston Limited	9,948	19,614	8.1x	7.6x	16.3x	14.6x	(4.8)%	(13.2)%
Ingredion Incorporated	9,285	10,675	10.3x	9.7x	18.2x	16.9x	(1.6)%	(8.4)%
Tate & Lyle plc	4,392	5,035	10.9x	10.2x	20.2x	16.7x	(2.4)%	(10.9)%
Maple Leaf Foods Inc.	2,979	2,737	10.4x	9.9x	23.8x	21.7x	(2.8)%	(6.1)%
SunOpta Inc.	611	1,171	11.9x	9.5x	29.9x	15.4x	(5.2)%	(15.5)%
Rogers Sugar	430	561	9.9x	9.3x	13.9x	14.1x	(2.5)%	(8.9)%
Mean			10.5x	9.7x	20.2x	16.8x	(3.2)%	(9.7)%

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.

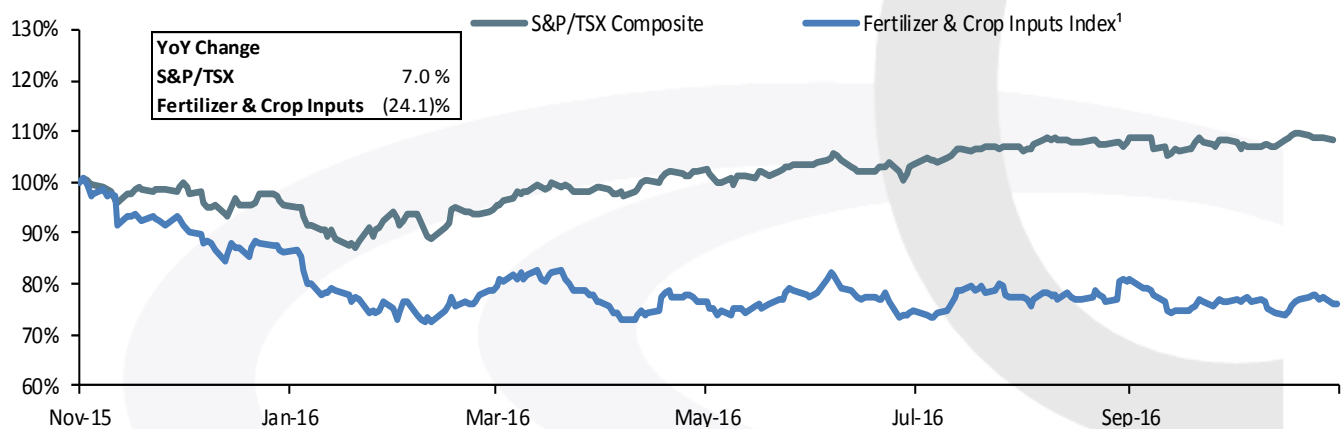


FERTILIZERS & CROP INPUTS

News Scan

- On Nov. 3rd, shareholders of **Agrium Inc. (Agrium)** and **PotashCorp. (Potash)** approved an all-stock merger of the fertilizer producers. The deal required two-thirds' support of votes cast by each company to proceed. Over 99% and 98% of Potash and Agrium shareholders voted in favour of the deal respectively. The companies agreed in September to merge into a new company, of which Potash investors would own 52%. The transaction now must clear regulatory hurdles, among other conditions
- On Nov. 1st, state-owned **China National Chemical Corp. (ChemChina)** announced it would extend its US\$43 billion cash offer for Swiss agrichemicals group **Syngenta Ag** to Jan. 5th while it works to gain regulatory approval for the deal. The European Union anti-trust regulators on Friday opened an in-depth investigation into the deal, China's largest ever foreign acquisition. Since the deal was unveiled on Feb. 3rd, the shares have traded below the offer price, with a widening spread indicating a bearish view that the deal will go through
- On Oct. 26th, **CF Industries** announced that the start-up of new ammonia plant at Donaldsonville's U.S nitrogen complex has now achieved consistent, stable operation over the nameplate capacity of approximately 3,600 tons per day. With Donaldsonville's expanded asset base, they are ideally positioned to serve customers in North America and 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
Agrium Inc.	12,359	18,414	10.6x	9.5x	18.5x	16.2x	(3.7)%	(10.0)%
Potash Corp.	9,987	13,338	12.2x	10.7x	31.0x	24.3x	(3.1)%	(23.2)%
CF Industries Holdings, Inc.	5,387	12,503	12.9x	10.0x	31.2x	26.7x	(5.8)%	(54.6)%
The Mosaic Company	8,581	11,873	10.2x	8.6x	39.5x	27.1x	3.0 %	(25.7)%
Yara International ASA	9,527	11,068	5.2x	5.5x	13.7x	13.8x	(4.3)%	(31.4)%
Nufarm Ltd.	1,743	2,430	8.1x	7.5x	15.7x	14.2x	(4.2)%	(11.9)%
Input Capital Corp.	95	85	16.8x	4.1x	neg	18.3x	(7.3)%	(43.3)%
Mean			10.9x	8.0x	24.9x	20.1x	(3.6)%	(28.6)%

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

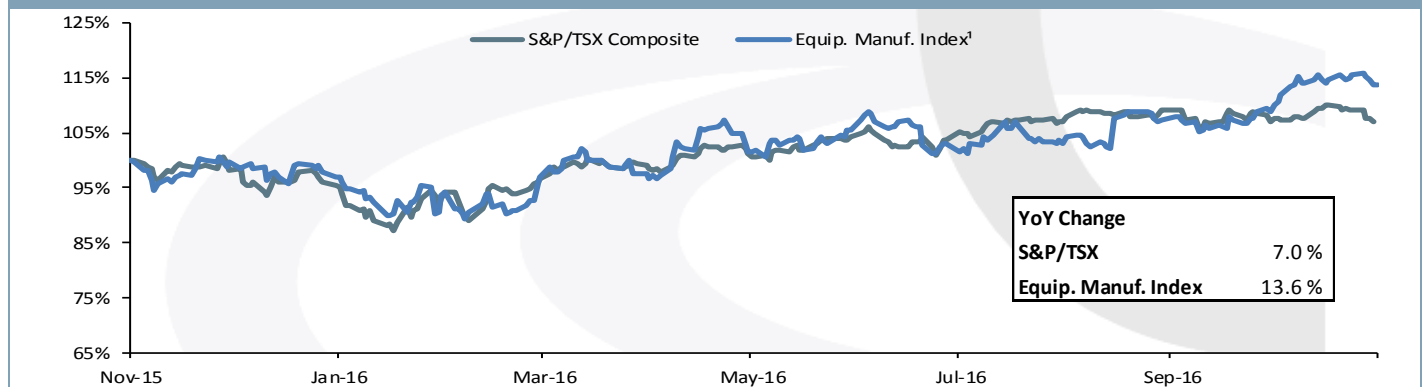


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Nov. 3rd, port officials announced that the thousands of empty shipping containers, stranded in Southern California after the bankruptcy of South Korean carrier **Hanjin Shipping Co. (Hanjin)** may have a way to get back home. The Port of Long Beach has arranged for a container ship to remove 4,300 containers that have been sitting in container yards since Hanjin's bankruptcy filing. For weeks after Hanjin's bankruptcy, major West Coast ports were turning away both loaded and empty containers owned or leased by Hanjin
- On Nov. 2nd, **AGCO Corp. (AGCO)** has announced a realignment of its regional structure which will see an increase in its on-the-ground presence in Africa. Effective Jan. 1st, 2017, AGCO will restructure its Asia Pacific region to include Africa. "With this new move, the realigned Asia Pacific and Africa (APA) region will be strongly positioned to leverage the synergies of similar market dynamics in the two territories" - says the AGCO Senior Vice President Gary Collar
- On Oct. 31st, **New Holland** announced they will acquire the grass and soil business of **Kongsilde Industries**. The company believes this acquisition will broaden the scope of machinery products it offers to attract growers looking for tillage implements and extended hay and forage offerings
- On Oct. 24th, It was announced that **CP Rail** is directly responsible for damages caused when a runaway train carrying crude oil derailed in 2013 in Lac-Megantic, Canada, according to new allegations recently filed in court by the Quebec government. Quebec is seeking to modify its \$409-million lawsuit against CP to reflect the new allegations and will argue its case in court on Nov. 8th

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	27,698	29,625	13.6x	16.1x	25.1x	29.8x	1.8 %	(1.4)%
AGCO Corp	4,053	5,953	10.0x	9.8x	21.4x	19.7x	(3.4)%	(10.8)%
Ag Growth International Inc.	515	772	11.5x	9.8x	22.4x	15.7x	(1.1)%	(2.9)%
Rocky Mountain Dealerships	131	420	16.9x	14.8x	10.7x	9.1x	5.0 %	(5.8)%
Cervus Equipment Corporation	158	388	10.6x	10.0x	18.5x	12.2x	4.4 %	(9.3)%
Mean			12.5x	12.1x	19.6x	17.3x	1.3 %	(6.0)%

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. 27th report by the USDA, Brazil's 2016-17 soybean production is forecast to reach a record of 101 million tonnes. The soybean planted area is forecasted at 33.7 million hectares. Brazil's soybean exports are forecast to be 57 million tonnes
- Northern Alberta producers are in particularly bad shape this year as fields are unharvested across the Prairies. Damp grain and muddy field conditions are further adding to what has already become one of the latest and most difficult harvest seasons in recent memory, with Alberta's harvest just 75% complete as of late October
- On Nov. 1st, the President of Argentina's National Health Service and Food Quality Organization (SENASA) and the Chief of Russia's Veterinary and Phytosanitary Federal Service signed a trade agreement to resume shipments of soybean meal and flour. In February, exports of soybean meal and flour from Argentina to Russia were suspended due to export condition discrepancies of genetically modified products. The new agreement also allows Argentina to export to members of the Eurasian Economic Union: Armenia, Belarus, Kazakhstan and Kyrgyzstan
- The USDA released a report on Oct. 28th that stated that China's soybean imports are forecast to hit a record 86 million tonnes in 2016-17. Forecasts are up from the 83.2 million tonnes in 2015-16. The growth rate of soybean imports slowed due to an expected recovery in domestic soybean production and China's sale of oilseed and oilseed product reserves
- On Oct. 30th, Canada and the E.U. signed the Comprehensive Economic and Trade Agreement (CETA), a comprehensive E.U.-Canada economic agreement to boost trade, strengthen economic relations and create jobs. The trade agreement opens agricultural markets and could keep prices in Europe down while providing consumers with more choice. As a major producer of high-quality food, the E.U. will benefit from improved access to Canada's market of high-income consumers. CETA could end nearly all Canadian duties on these products, which will benefit the E.U. food processing industry
- On Nov. 3rd, Minister of Transportation Marc Garneau announced that he will be introducing new legislation that will create a more transparent rail system. It will include reciprocal penalties between shippers and the railways in service level agreements and address concerns raised during consultations about the maximum revenue entitlement for grain (revenue cap) and extended inter-switching
- On Nov 3rd, the chair of the Ontario Sugarbeet Growers' Association said the newly formed Ontario Sugarbeet Processors' Cooperative will require that Ontario farmers quadruple the province's sugar beet acreage if plans for a new processing plant at Sarnia move forward. They are looking to grow another 30,000 acres on top of the 10,000 acres they already grow in Ontario for the Michigan Sugar Co.
- U.S. launched a trade challenge against China for reneging on obligations as its wheat subsidies are a violation of its World Trade Organization obligations. The Chinese government set its 2017 state wheat purchase price at \$349 US per tonne or \$9.50 per bushel, which is about double what North American growers are paid for various classes of wheat

Commodities Futures as of November 4, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:AC	\$ per bu.	\$3.48	0.69 %	(0.82)%
Wheat (CBOT)	CBOT:AW	\$ per bu.	\$4.14	4.78 %	(9.60)%
Oats (CBOT)	CBOT:AO	\$ per bu.	\$2.28	24.66 %	8.50 %
Rough Rice (CBOT)	CBOT:ARR	\$ per cwt.	\$9.89	(1.79)%	(16.02)%
Barley (USDA)	USDA:A24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:RS	CAD per T	\$508.40	9.12 %	5.50 %
Ethanol (CBOT)	CBOT:ET	\$ per gal.	\$1.55	2.18 %	12.01 %



Recent Earnings News

	Last Quarter				
Company	Period Ended	EPS YoY Change	Comments	Analyst Consensus (US\$)	Premium to Current
Commodity Handling					
Archer-Daniels-Midland Company	30-Sep-16	41.5%	Revenues fell 4.4% to \$15.832 billion, while EPS increased 41.5% to \$0.58. They announced results were driven by U.S exports that surged, creating improved merchandising opportunities	US \$46.00	(2.0%)
Bunge Limited	30-Sep-16	(44.5%)	Revenues increased 6.1% to \$11.423 million, while EPS dove 44.5% to \$0.79, as a result of the agribusiness impacted by low farmer selling in South America, reducing grain origination and soy crushing results	US \$74.71	7.8%
Food Processing					
Maple Leaf Foods Inc.	30-Sep-16	76.9%	Maple Leaf Foods reported a 5% revenue increase and 70% jump in quarterly profit as lower costs and higher prices boosted earnings at its prepared meats business. The meat products unit, more than doubled to \$65.9 million in 3Q16	C \$33.93	14.4%
Tate & Lyle plc	30-Sep-16	91.6%	Revenues rose 12.9% to £660.5 million during 3Q16, with EPS rising 91.6%, to £0.14. This was largely due to strong performance in both specialty foods and bulk ingredients, as well as good growth in their core business	£8.04	6.4%
Ingredion Incorporated	30-Sep-16	30.4%	Revenues increased by 3.6% to \$1.489 billion, while EPS rose 30.4% to \$1.93, as a result of more favourable price/product mix across the portfolio, as well as global optimization efforts contributing to margin expansion	US \$141.75	10.5%
Fertilizers & Crop Inputs					
The Mosaic Company	30-Sep-16	(75.6%)	Net sales in 3Q16 were \$2.0 billion, down from \$2.1 billion last year. Operating earnings during the quarter were \$70 million, down from \$246 million a year ago, primarily driven by lower potash prices and lower phosphate margins	US \$26.22	7.0%
CHS, Inc.	30-Sep-16	na	CHS announced net earnings for F2016 of \$424.2 million, down 46% from fiscal 2015, reflecting lower pre-tax earnings within the company's Energy and Ag segments, as well as its Corporate and other category. Moreover, the global downturn continued to affect both earnings and revenue during 2016	n/a	n/a
Agrium Inc.	30-Sep-16	nmf	Agrium's revenue fell 11% to \$2.245 billion, with reported 3Q16 EPS of (\$.30), a steep decline from 3Q15 EPS of \$.72 - primarily due to lower potash prices	C \$101.88	(15.0%)
Yara International ASA	30-Sep-16	(79.4%)	Revenues fell 12% to NOK 23.863 billion, while EPS fell from \$14.56 to \$3.00. Yara announced the weaker results were a result of lower fertilizer commodity prices, partly offset by strong growth in premium product deliveries	NOK 282.04	(1.0%)
Equipment Manufactures					
AGCO Corporation	30-Sep-16	(35.6%)	Revenues slightly increased 1.5% to \$1.661 billion, while EPS dropped 35.6% to \$0.50, largely due to lower global demand for farm equipment, which is expected to continue to negatively impact AGCO's earnings in 2016	US \$49.35	(0.4%)

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