



## Agriculture Industry Flash

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Monday, December 19<sup>th</sup>, 2016

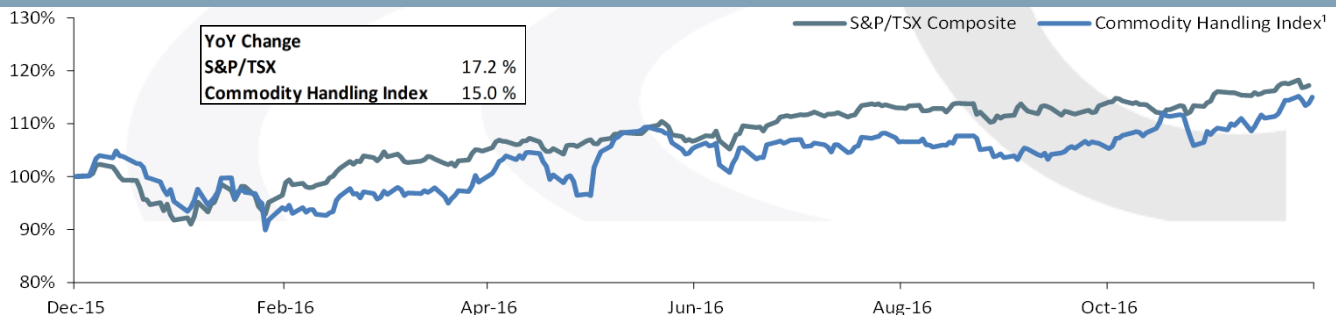


## COMMODITY HANDLING

### News Scan

- On Dec. 15<sup>th</sup>, **Bunge Ltd.** announced that it will acquire a 55% stake in olive oil and seed oil producer **Ana Gida**, based in Turkey. The acquisition will provide Bunge with a strong vegetable oil portfolio across all price segments and will help to increase its reach and access to customers throughout Turkey. Financial terms of the transaction were not disclosed
- On Dec. 14<sup>th</sup>, **Nidera** announced that it had discovered a balance sheet accounting issue related to its Brazilian operations. News agencies reported that the issue is a US\$150 million hole related to pre-payment deals in which a trader pays for a commodity ahead of it being delivered. Nidera said it is investigating the cause but has informed its lenders and **COFCO**, which has ownership of Nidera, has underwritten the financial support required to ensure compliance with covenants
- On Dec. 12<sup>th</sup>, **Archer Daniels Midland Co. (“ADM”)** announced that it plans to expand overall grind and finishing capacity for sweeteners and starches at its corn wet mill facilities in Turkey and Bulgaria. Improvements made in the facilities will also improve operational efficiency which will increase domestic and overseas sales competitiveness
- On Dec. 8<sup>th</sup>, **Australian Grain Technologies (“AGT”)** announced that it is in negotiations to acquire **InterGrain Ptd Ltd.** The companies believe a merger will strengthen Australian-focused cereal breeding by bringing together two strong, local plant breeding companies focused on the development and adoption of improved varieties. AGT and InterGrain hope to have the transaction finalized in time for the 2017 field season but it remains subject to regulatory review by the Australian Competition and Consumer Commission. Financial terms are not yet disclosed
- On Dec. 7<sup>th</sup>, **Louis Dreyfus** announced that it will begin operations later in December at the Don River grain terminal in Russia. The terminal is slotted to export grain and has 10 silos with a capacity to store 50,000 tonnes of grain. It also has the capability to handle ships up to 5,000 tons
- On Dec. 7<sup>th</sup>, **Ag Processing Inc. (“AGP”)** received approval for the construction of its first soybean processing plant in South Dakota with construction slated to begin in spring 2017. It will be the tenth soybean processing plant for AGP

### 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                      | 26,762 | 32,996 | 10.2x        | 8.5x        | 20.7x          | 15.8x        | (0.1)%       | (2.9)%        |
| Bunge Limited            | 10,157 | 15,606 | 9.1x         | 7.3x        | 16.0x          | 11.7x        | (0.7)%       | 3.3 %         |
| Graincorp Limited        | 1,544  | 2,183  | 10.0x        | 7.8x        | 32.1x          | 21.5x        | 2.1 %        | 0.2 %         |
| The Andersons, Inc       | 1,186  | 1,578  | 13.0x        | 7.3x        | nmf            | 18.3x        | 1.6 %        | 4.2 %         |
| AGT Food and Ingredients | 628    | 1,008  | 10.9x        | 9.4x        | 16.5x          | 12.8x        | (1.8)%       | (16.9)%       |
| Ceres Global Ag          | 140    | 217    | na           | na          | na             | na           | 2.8 %        | (16.6)%       |
| <b>Mean</b>              |        |        | <b>10.6x</b> | <b>8.1x</b> | <b>21.3x</b>   | <b>16.0x</b> | <b>0.6 %</b> | <b>(4.8)%</b> |

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

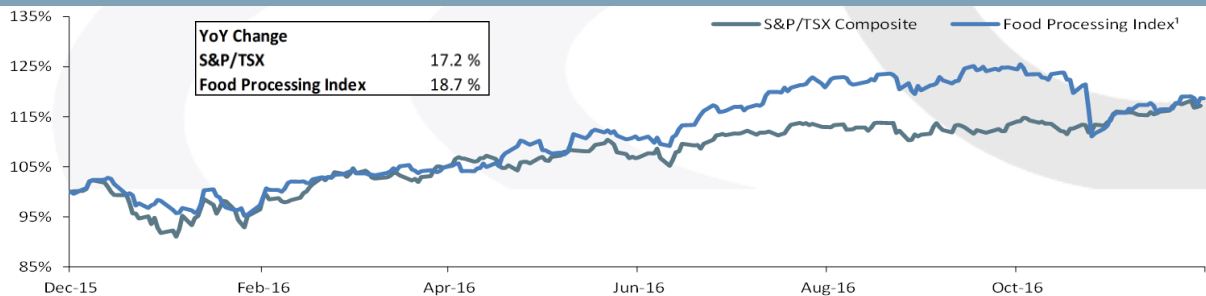


## FOOD PROCESSING

### News Scan

- On Dec. 15<sup>th</sup>, **Anheuser-Busch InBev** announced that it will sell its 26.4% stake in South Africa's **Distell Group** to state-owned pension fund **Public Investment Corp**, as agreed during its US\$100 billion takeover of **SABMiller**. The stake in Distell is worth US\$645 million. South Africa's Competition Commission made the disposal a condition of the takeover
- On Dec. 9<sup>th</sup>, Japan's **Sumitomo Corp** agreed to buy **Fyffes** for US\$800 million in a deal that will merge the largest banana distributors in Asia and Europe. Sumitomo agreed to pay a 49% premium over the Dec. 8<sup>th</sup> closing price. Sumitomo said the deal will give it greater scale and diversity along with helping expand its produce division
- On Dec. 15<sup>th</sup>, **Lesaffre** announced that it will be acquiring **LFI Tollblend Ltd.**, U.K., and Spain-based **Tecno Bakery S.L.** The acquisitions are part of Lesaffre's expansion strategy in sourdoughs and baking ingredients in Western Europe. Financial terms of the transaction were not disclosed
- On Dec. 12<sup>th</sup>, **Altamont Capital Partners** announced the acquisition of **Maxi Canada, Inc.**, a leading manufacturer of frozen poultry products based in St-Lin-Laurentides, Quebec. Maxi will benefit from oversight and support led by Altamont's operating partner and CEO of Tall Tree Foods, Tim Bruer. Financial terms of the transaction were not disclosed
- On Dec. 9<sup>th</sup>, **Premium Brands Holdings Corp.** announced that it will acquire Toronto-based **Diana's Seafood** for an undisclosed amount. Diana's has annual sales of ~C\$18 million. Premium Brands plans to use Diana's strength in niche seafood products to expand the offerings of its other seafood and wholesale food business
- On Dec. 7<sup>th</sup>, **Nestle** announced that it would sell its nutrition drink brand Nutrament to **Harvest Hill Beverage Company** whose parent private equity firm is **Brynwood Partners**. Financial details of the transaction were not disclosed
- On Dec. 9<sup>th</sup>, **Rogers Sugar Inc.**, Canada's largest sugar refiner, said that after more than 25 years with the company, Stuart Belkin would retire as chairman on Feb. 1, 2017. Dallas Ross will replace Belkin as chairman

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

|                        | Market Cap | TEV    | TEV/EBITDA   |             | Price/Earnings |              | Week Δ Price  | Δ Price 52Wk High |
|------------------------|------------|--------|--------------|-------------|----------------|--------------|---------------|-------------------|
|                        |            |        | 2016E        | 2017E       | 2016E          | 2017E        |               |                   |
| ConAgra Foods, Inc.    | 16,815     | 21,201 | 10.9x        | 14.3x       | 17.0x          | 21.4x        | (0.1)%        | (21.4)%           |
| George Weston Limited  | 10,852     | 19,693 | 6.6x         | 6.5x        | 17.0x          | 15.6x        | (0.7)%        | (5.7)%            |
| Ingredion Incorporated | 9,110      | 10,493 | 10.1x        | 9.6x        | 17.8x          | 16.6x        | 1.1 %         | (10.1)%           |
| Tate & Lyle plc        | 3,959      | 4,586  | 9.7x         | 9.1x        | 18.3x          | 14.6x        | 1.3 %         | (19.5)%           |
| Maple Leaf Foods Inc.  | 2,822      | 2,571  | 9.8x         | 9.2x        | 22.5x          | 20.5x        | (0.9)%        | (11.4)%           |
| SunOpta Inc.           | 708        | 1,260  | 13.2x        | 10.5x       | 35.9x          | 18.6x        | (3.0)%        | (2.6)%            |
| Rogers Sugar           | 465        | 596    | 9.8x         | 9.7x        | 14.5x          | 13.8x        | (0.2)%        | (1.9)%            |
| <b>Mean</b>            |            |        | <b>10.0x</b> | <b>9.8x</b> | <b>20.4x</b>   | <b>17.3x</b> | <b>(0.3)%</b> | <b>(10.4)%</b>    |

<sup>1</sup> "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, SunOpta, and Rogers Sugar.

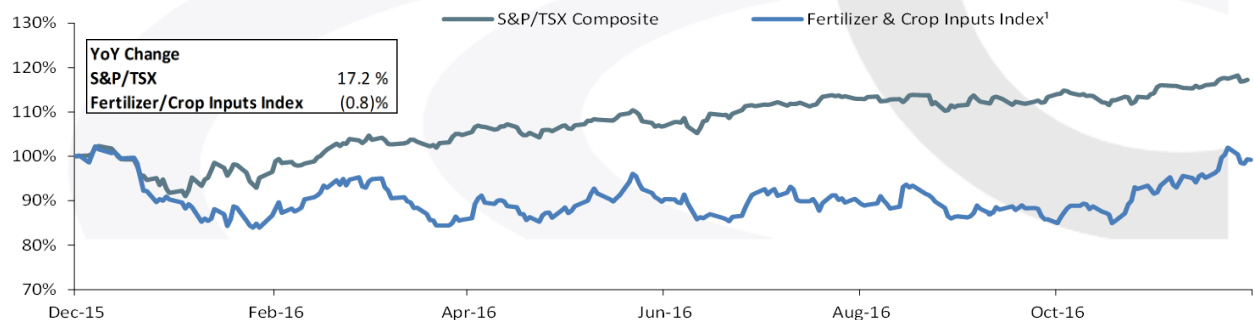


## FERTILIZERS & CROP INPUTS

### News Scan

- On Dec 19<sup>th</sup>, **Vale SA** agreed to sell part of its fertilizer business to **Mosaic Co** for US\$2.5 billion. Vale will receive US\$1.25 billion in cash and US\$1.25 billion in newly issued shares of Mosaic, a roughly 11% stake in the firm. The divestiture aims to help Vale cut debt and focus on core mining activities. Mosaic will acquire the rest of Vale's phosphate assets in Brazil, as well as Vale's stake in the Bayóvar mine in Peru and the Kronau potash project in Canada
- On Dec. 13<sup>th</sup>, shareholders of **Monsanto Co.** approved the company's merger with **Bayer AG**. The proposed US\$66 billion transaction still remains subject to customary closing conditions, including the receipt of required regulatory approvals. The transaction is expected to close in late 2017
- On Dec. 12<sup>th</sup>, **Black & Veatch** and **Casale SA** announced the signing of a global licensing and cooperation agreement that designates Black & Veatch as a licensee for Casale's fertilizers, melamine, methanol and related chemical technologies. Under the terms of the agreement, Black & Veatch is granted a global license to engineer a fertilizer plant that would leverage Casale's technologies
- On Dec. 12<sup>th</sup>, **Platte River Equity** announced that it will acquire **Tiger-Sul Products**, a global leader in sulphur fertilizers and crop performance products, for an undisclosed sum. Tiger-Sul was acquired from **J.J. Baker & Bro., Inc.**, which had owned Tiger-Sul since 2005 and will continue to retain a minority equity position. Tiger-Sul is looking to accelerate its growth by leveraging Platte River's resources and industry experience
- On Dec. 7<sup>th</sup>, **Input Capital Corp.** announced that it will initiate a new dividend policy whereby Input will pay a quarterly dividend to class "A" common shareholders. Concurrent with the establishment of this dividend policy, the Board of Directors declared an inaugural quarterly dividend of C\$0.01 per share

### 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.                  | 13,794 | 19,882 | 11.7x        | 10.5x       | 20.8x          | 18.1x        | (7.5)%        | (3.3)%         |
| Potash Corp.                 | 11,345 | 14,789 | 13.4x        | 12.0x       | 34.8x          | 27.9x        | (7.5)%        | (6.8)%         |
| CF Industries Holdings, Inc. | 6,872  | 13,993 | 14.5x        | 11.1x       | 39.2x          | 33.2x        | (4.7)%        | (35.7)%        |
| The Mosaic Company           | 10,353 | 13,652 | 12.0x        | 10.2x       | 44.6x          | 34.0x        | (5.9)%        | (9.5)%         |
| Yara International ASA       | 10,298 | 11,748 | 6.0x         | 6.3x        | 15.7x          | 15.8x        | 0.0%          | (19.3)%        |
| Nufarm Ltd.                  | 1,762  | 2,416  | 8.5x         | 7.8x        | 16.7x          | 15.1x        | 2.8%          | (6.4)%         |
| Input Capital Corp.          | 119    | 109    | 16.1x        | 5.6x        | nmf            | 26.9x        | 3.5%          | (14.6)%        |
| <b>Mean</b>                  |        |        | <b>11.7x</b> | <b>9.1x</b> | <b>28.6x</b>   | <b>24.4x</b> | <b>(2.8)%</b> | <b>(13.7)%</b> |

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

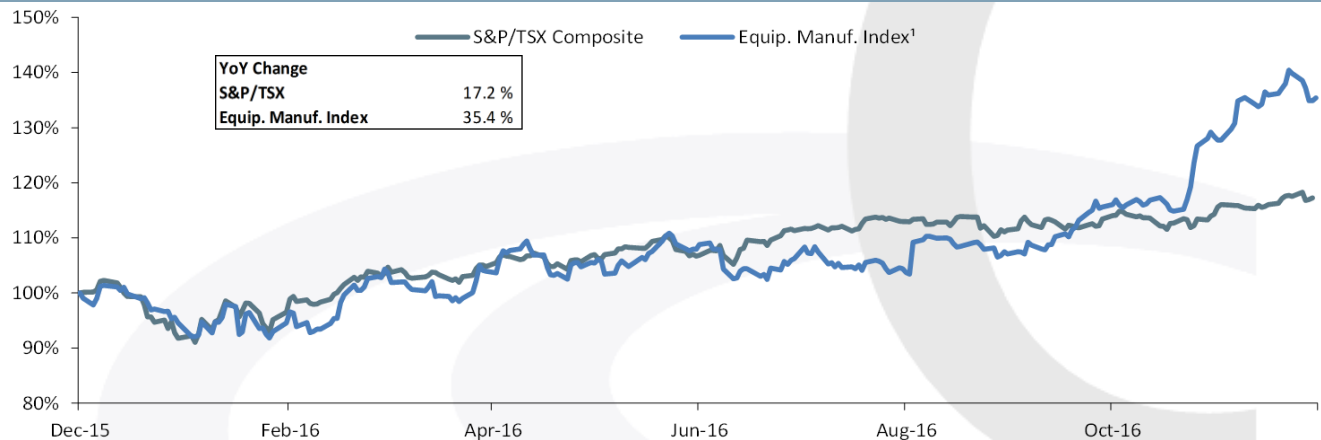


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Dec. 13<sup>th</sup>, **Sentera** announced that it will partner with **RDO Equipment Co.**, a total solutions provider with 78 stores servicing agriculture, construction, environmental, surveying, and irrigation industries. The partnership will augment RDO's product offering and will give its customers access to a variety of Sentera's unmanned aerial vehicle solutions
- On Dec. 13<sup>th</sup>, **Nibulon** announced that it had broken the record of cargo shipped via the Southern Buh River in Ukraine. Since the beginning of 2016, Nibulon has made 150 trips along the Southern Buh River transporting 300,000 tons of grains and oilseeds, breaking the previous record of 50,000 tons shipped via the river
- On Dec. 6<sup>th</sup>, **ACGO Corp.** announced development partnerships with **Aglytix** and **Farmobile**, two agricultural technology companies that deliver farm optimization services to customers. The partnerships are expected to enable growers to reduce waste, increase yield and improve profitability through actionable insights for their fleet, in their fields and across their farms

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

|                              | Market |        | TEV/EBITDA   |              | Price/Earnings |              | Week Δ Price  | Δ Price 52Wk High |
|------------------------------|--------|--------|--------------|--------------|----------------|--------------|---------------|-------------------|
|                              | Cap    | TEV    | 2016E        | 2017E        | 2016E          | 2017E        |               |                   |
| Deere & Company              | 31,996 | 34,173 | 12.8x        | 14.2x        | 22.8x          | 26.1x        | (1.8)%        | (2.9)%            |
| AGCO Corp                    | 4,674  | 6,610  | 11.2x        | 10.9x        | 24.8x          | 23.4x        | (3.5)%        | 2.0 %             |
| Ag Growth International Inc. | 605    | 859    | 11.7x        | 10.1x        | 22.4x          | 16.8x        | (4.5)%        | (5.0)%            |
| Rocky Mountain Dealerships   | 138    | 384    | 14.5x        | 12.9x        | 10.2x          | 8.9x         | (2.2)%        | (0.8)%            |
| Cervus Equipment Corporation | 189    | 357    | 8.7x         | 8.6x         | 16.0x          | 13.1x        | (2.7)%        | (1.0)%            |
| <b>Mean</b>                  |        |        | <b>11.8x</b> | <b>11.3x</b> | <b>19.2x</b>   | <b>17.7x</b> | <b>(2.9)%</b> | <b>(1.5)%</b>     |

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

- In its Dec. 9<sup>th</sup> report, the USDA made numerous changes to global forecasts primarily due to production outlook increases in countries such as Brazil and Australia, including additions to already record-high wheat, corn and soybean production. The USDA increased its forecast for 2016-17 global wheat production to a record 751.26 million tonnes, up 6.54 million tonnes from the November outlook and up 2% from 735.49 million tonnes in 2015-16
- In its November crop production report, Statistics Canada stated that total 2016 wheat production in Canada was estimated at 31.7 million tonnes, up 15% from 27.6 million tonnes in 2015. This is the second time production has exceeded 30 million tonnes in the past five years. The average all wheat yield was 53.2 bushels an acre, up 24% from 2015, which more than offset a 7% decline in harvested area at 21.9 million acres
- Myanmar's corn production is expected to increase by 6% in the 2016-2017 marketing year due to the expansion of rain fed corn growing areas and increased demand from neighbouring countries in the region. Trade sources report that the corn planted area has steadily increased in recent years due mainly to lower production cost and better profitability for corn as compared to competing crops such as potato and garlic
- On Dec. 8<sup>th</sup>, India's Finance Minister Arun Jaitley said that the government would reduce the import duty on wheat to zero from 10% after having already lowered it from 25% in September. This will allow overseas purchases to climb to their highest levels in many years. The move reflects the government's effort to improve domestic availability of wheat in wake of rising prices and concerns about the 2016-17 wheat crop
- According to a USDA report, Brazilian domestic soybean prices in reals may increase due to a 5.3% US dollar appreciation against the Brazilian reals. Due to the current currency volatility, commercialization of the 2016-17 crop is still below last year's pace. Producers continue to be more strategic with their selling strategy as they expect a rebound in domestic soybean prices in the next few months
- In a December quarterly report, the ABARES stated that the total Australian winter crop production is forecast to increase by 32% in 2016-17 to a record high of 52.4 million tonnes, led by strong gains in wheat, barley and canola production. Wheat production is forecast to rise by 35% in 2016-17 to a record high of 32.6 million tonnes. Favourable seasonal conditions in most cropping regions during spring boosted the production potential of crops, which were generally in very good condition at the end of winter
- According to the Italian Rice Association, Italy, the largest rice producer in the EU, expects a 3% increase in area planted to rice during the 2016-17 marketing year. Italy's rice area was forecast at 234,300 hectares, up from 227,329 hectares in the 2015-16 marketing year. The year-over-year gain reflects the higher profitability of the rice sector compared to that of corn and soybean
- U.S. soybean acres are set to close the gap between soybean and corn in 2017 to one of the narrowest on record as Chinese demand and low grain prices prompt farmers to plant more acres of the oilseed. Corn prices are under pressure because supplies are ample, with the largest U.S. stocks in three decades, along with tough competition on exports from cheaper South American corn and other feed grains

### Commodities Futures as of December 16<sup>th</sup>, 2016

| Commodities Futures     | Ticker   | Price Unit  | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|----------|-------------|---------------------|---------------|--------------|
| Corn (CBOT)             | CBOT:AC  | \$ per bu.  | \$3.56              | 4.05 %        | 1.39 %       |
| Wheat (CBOT)            | CBOT:AW  | \$ per bu.  | \$4.09              | 3.51 %        | (10.70)%     |
| Oats (CBOT)             | CBOT:AO  | \$ per bu.  | \$2.24              | 4.13 %        | 6.54 %       |
| Rough Rice (CBOT)       | CBOT:ARR | \$ per cwt. | \$9.48              | (2.47)%       | (19.46)%     |
| Barley (USDA)           | USDA:A24 | \$ per bu.  | \$4.95              | 0.00 %        | 0.00 %       |
| Rapeseed (Canola) (ICE) | ICE:ARS  | CAD per T   | \$525.80            | (0.36)%       | 9.11 %       |
| Ethanol (CBOT)          | CBOT:AET | \$ per gal. | \$1.57              | 0.00 %        | 13.89 %      |



## Recent Earnings News

| Company                              | Period Ended | EPS YoY Change | Last Quarter                                                                                                                                                                                                                                         |                          |                    |
|--------------------------------------|--------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|
|                                      |              |                | Comments                                                                                                                                                                                                                                             | Analyst Consensus (US\$) | Premium to Current |
| <b>Fertilizers &amp; Crop Inputs</b> |              |                |                                                                                                                                                                                                                                                      |                          |                    |
| Input Capital Corp.                  | 30-Sep-16    | 61.9%          | Six month revenue generated from streaming contracts was \$7.8 million. In the same period last year, Input generated revenue of \$11.8 million. Y-o-y canola sales and revenue comparisons are difficult to make due to variable harvest conditions | C\$2.66                  | 29.7%              |

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