



Agriculture Industry Flash

Tuesday, December 6th, 2016

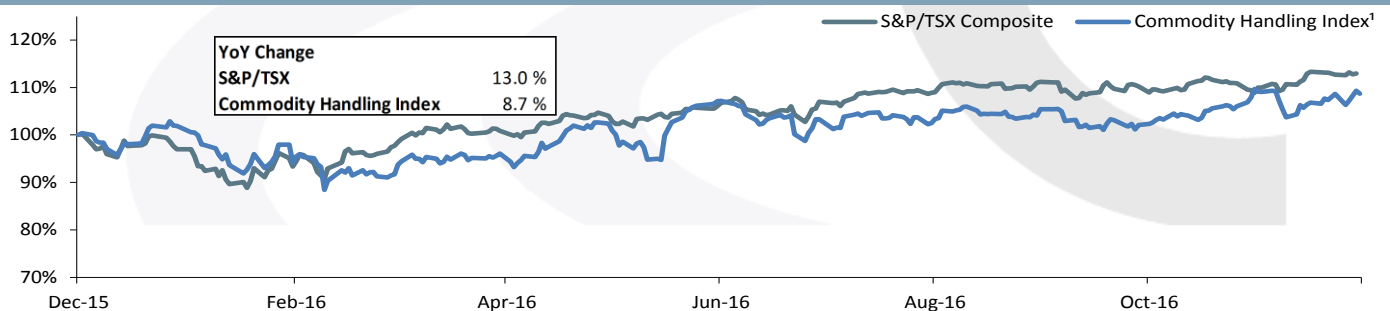


COMMODITY HANDLING

News Scan

- On Dec. 1st, **Archer Daniels Midland Co. (“ADM”)** said it has entered into an agreement to sell its 19.9% ownership stake in **GrainCorp Ltd.** for A\$8.53 per share, or approximately A\$387 million (US\$287.1 million). The transaction has been executed by way of an underwritten sale to an underwriter. ADM is looking to further reduce its invested capital and increase cash which it can redeploy to higher-return investments. ADM bought its stake in GrainCorp in 2012 before making a A\$3 billion takeover bid for the company in 2013. The deal received regulatory approval but was blocked by the Australian Federal Treasurer Joe Hockey
 - On Nov. 28th, **ADM** announced that it has reopened its oilseed processing facility in Chornomorsk, Ukraine, after completing a major expansion project that almost doubles the plant’s sunflower seed processing capacity and adds switch capacity that allows the plant to crush rapeseed
- On Dec. 2nd, **Pendleton Grain Growers (“PGG”)** announced that it has sold its propane division to **Morrow County Grain Growers (“MCGG”)**, for an undisclosed sum. The sale covers all PGG assets that are exclusively used in the propane business, including vehicles and inventory. PGG believes that MCGG is a strong partner in the local agricultural community
- On Nov. 30th, **Cargill** and **Calysta Inc.**, along with several third-party institutions, announced that they were planning to invest in the creation of the world’s largest gas fermentation facility in Memphis, Tennessee, to produce Calysta’s FeedKind protein. The facility is expected to come online in late 2018, producing up to 20,000 tonnes per year of FeedKind protein initially and expanding up to 200,000 tonnes per year when operating at full capacity
- On Nov. 22nd, **BayWa AG**, an international trading and service group, said it has agreed to acquire **Thegra Tracomex Group** through its Dutch agri-trading subsidiary **Cefetra B.V.** Cefetra will acquire five companies held by Thegra Tracomex Holding. Financial details were not disclosed but media estimates the purchase price is approximately US\$14 million. BayWa is looking to extend their functional activity with specialty products to diversify their overall portfolio

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
ADM	25,318	31,512	9.7x	8.1x	19.5x	14.9x	1.0%	(8.1)%
Bunge Limited	9,639	15,083	8.8x	7.1x	15.2x	11.1x	1.6%	(2.0)%
Graincorp Limited	1,510	2,161	9.8x	7.8x	30.8x	20.6x	2.2%	(3.9)%
The Andersons, Inc	1,097	1,486	12.1x	6.8x	n/m	17.0x	(2.6)%	(3.7)%
AGT Food and Ingredients	654	1,036	11.2x	9.6x	17.1x	13.3x	(1.7)%	(13.8)%
Ceres Global Ag	140	217	na	na	na	na	0.4%	(17.5)%
Mean			10.3x	7.9x	20.7x	15.4x	0.1%	(8.2)%

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

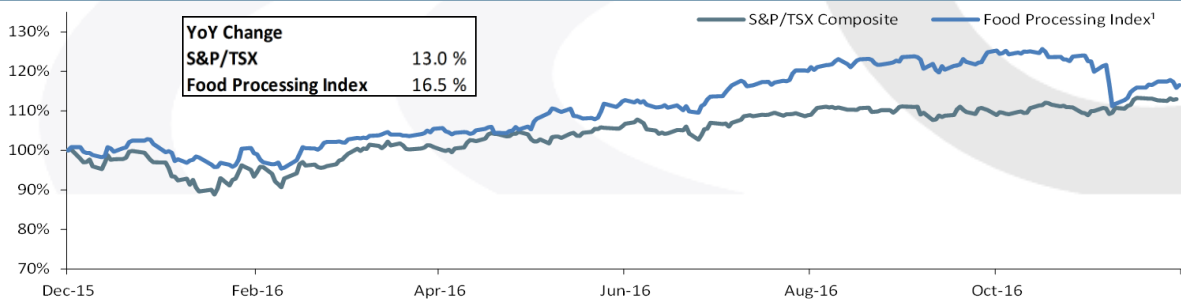


FOOD PROCESSING

News Scan

- On Nov 29th, **McCormick & Co.**, agreed to acquire 100% of the shares of **Enrico Giotti SpA**, an Italy-based flavour manufacturer, for approximately US\$127 million in cash. The acquisition is meant to expand McCormick's breadth of value-added flavour solutions in Europe along with improving strong and innovative R&D
- On Nov. 29th, **Pilgrim's Pride** announced that it will pay US\$350 million in cash for **GNP Co. ("GNP")** the maker of Gold'n Plump and Just Bare Chicken. Pilgrim's said it believes GNP's use of innovative technologies will enhance production efficiencies by increasing the rate of adoption of new technologies in its existing facilities
- On Nov. 22nd, **Dr Pepper Snapple** announced that it will buy antioxidant beverages maker **Bai Brands LLC** for US\$1.7 billion in cash. Dr Pepper Snapple, which is based in Plano, Texas, already has a roughly 3% stake in Bai and a distribution deal with the Hamilton, New Jersey-based company. The move is considered to be a defensive one in order for Dr Pepper Snapple to maintain its strategic relationship with Bai
- On Nov. 22nd, **B&G Food** announced that it will be acquiring **ACH Food's** spice business for US\$365 million in cash. The acquisition is expected to generate net sales in the range of US\$220 million to US\$225 million. It expects to realize US\$83 million in tax benefits from the transaction
- On Nov. 22nd, **Pepsi**, confirmed that it will buy probiotic drinks maker **KeVita Inc.** for an undisclosed amount. Reports suggest that the acquisition price is around US\$200 million. Pepsi is looking to expand its product lines with the fact that there are live probiotics in each drink. KeVita will continue to operate independently
- On Dec. 5th, **General Mills Inc.** said that they would cut as many as 600 jobs globally as part of a new organizational structure and eliminate the position of international chief operating officer. The company has been cutting costs amid adverse market conditions

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.	16,149	20,521	10.6x	13.8x	16.2x	20.1x	(2.2)%	(24.5)%
George Weston Limited	10,746	19,773	6.6x	6.5x	16.8x	15.4x	1.2 %	(7.0)%
Ingredion Incorporated	8,584	9,948	9.6x	9.1x	16.8x	15.6x	(1.1)%	(15.3)%
Tate & Lyle plc	3,918	4,552	9.5x	8.9x	na	14.2x	(2.1)%	(21.5)%
Maple Leaf Foods Inc.	2,812	2,558	9.7x	9.1x	22.3x	20.3x	(4.6)%	(12.1)%
SunOpta Inc.	718	1,270	13.3x	10.6x	36.4x	18.8x	1.1 %	(1.5)%
Rogers Sugar	467	599	9.8x	9.7x	14.5x	13.8x	2.0 %	(1.9)%
Mean			9.9x	9.7x	20.5x	16.9x	(0.8)%	(12.0)%

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.

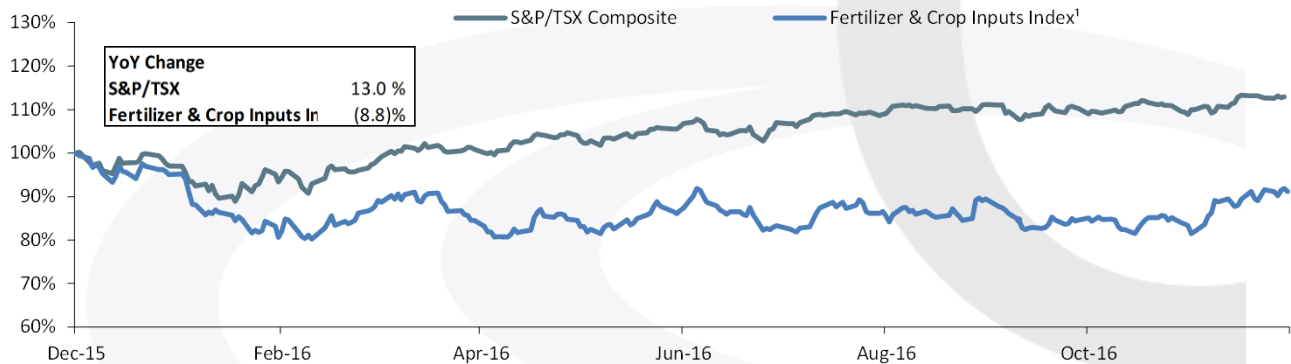


FERTILIZERS & CROP INPUTS

News Scan

- On Nov. 23rd, **PotashCorp** announced that it would cut production at its Cory, Saskatchewan mine to 0.8 million tonnes a year from 1.4 million, resulting in a reduction of 100 jobs and 40 temporary positions starting in February. Also in Saskatchewan, Potash will curtail production for six weeks at its Lanigan mine starting in January and for 12 weeks at Allan starting in February. The changes are as a result of the drop in potash prices
- On Dec. 1st, **ChemChina** said that it will be setting up a fund that will aim to raise US\$5 billion to help finance its purchase of **Syngenta**. The financing structure entails investors committing to the fund, which would in turn own equity in Syngenta. ChemChina is targeting about US\$25 billion in equity commitments to help fund the purchase
- On Dec. 2nd, former **Yara International** CEO Thorleif Enger and former management Tor Holba and Daniel Clauw were acquitted in a bribery case. However, the Norwegian appeals court upheld a guilty verdict on former chief legal officer Kendrick Wallace. Prosecutors had accused them of paying bribes to officials in India and Libya
- On Dec. 2nd, **Nufarm Ltd.** chairman Donald McGauchie told shareholders that they will be eyeing mergers and acquisitions. With the large volume of mergers and acquisitions in the crop production industry, they expect products or portfolios to be divested as these deals progress. This could provide opportunities for Nufarm if they see strategic opportunities that complement its portfolio, fit with its strategy, and are commercially sound

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.	13,823	19,911	11.7x	10.5x	20.8x	18.1x	0.4%	(1.8)%
Potash Corp.	11,398	14,855	13.5x	11.8x	34.8x	27.9x	0.8%	(10.5)%
CF Industries Holdings, Inc.	6,616	13,736	14.2x	10.9x	37.9x	31.9x	(0.6)%	(39.2)%
The Mosaic Company	10,094	13,392	11.6x	9.8x	43.5x	32.6x	5.1%	(11.8)%
Yara International ASA	10,087	11,582	5.7x	6.0x	14.9x	15.0x	(2.6)%	(24.1)%
Nufarm Ltd.	1,787	2,455	8.5x	7.8x	16.6x	15.0x	3.4%	(6.9)%
Input Capital Corp.	102	92	18.1x	4.5x	neg	19.5x	(8.9)%	(27.1)%
Mean			11.9x	8.8x	28.1x	22.9x	(0.3)%	(17.4)%

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

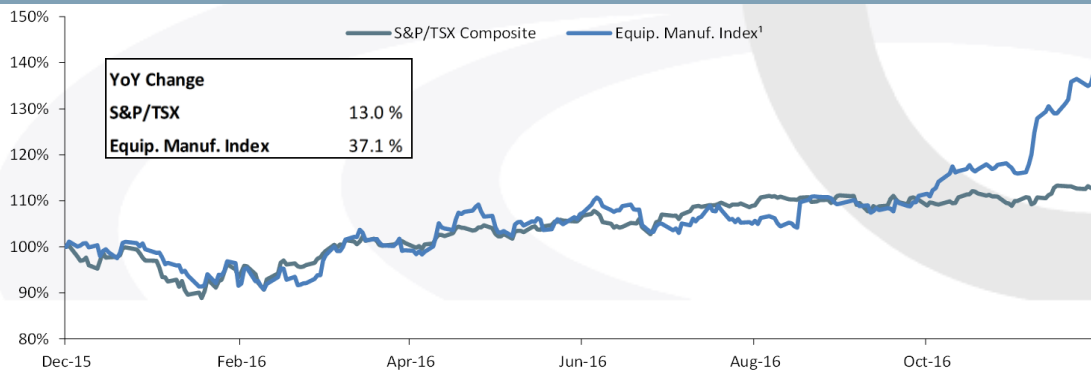


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Nov. 21st, **Ag Growth International Inc.** announced that it has closed its acquisition of **Yargus Manufacturing, Inc. (“Yargus”)**. Based in Marshall, Illinois, Yargus is a manufacturer of material handling equipment used primarily in commercial fertilizer applications. The transaction fits with Ag Growth’s strategy of leveraging and expanding its core commodity storage and handling base
- On Dec. 1st, **Maersk Line** announced that it will be buying rival **Hamburg Sud** for an undisclosed sum. The deal is the first full takeover in more than a decade in container shipping. The acquisition follows Maersk’s move to focus on transport and logistics along with providing the company with a strong platform in Latin America. Additionally, significant cost benefits will be realized
- On Nov. 23rd, **Deere Inc.** shares surged 10% in afternoon trading to a new multi-year high of above US\$100 a share after the company reported better-than-feared fiscal Q4 earnings. Weak commodity prices and low farm income are expected to contribute to a decline in full-year 2017 U.S. agricultural and turf industry sales of both large and small equipment. However, investor demand still remains high due to Deere’s strong cost control measures
- On Nov. 23rd, the European Commission said that it would be giving conditional approval for a merger between German container shipping line **Hapag-Lloyd** and the **United Arab Shipping Company**. The combined company is estimated to be worth approximately 7 to 8 billion euros. It would be the fifth largest shipping firm, with access to the Asia-to-Europe trade route and trans-Atlantic and trans-Pacific routes

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	31,914	34,086	12.7x	14.1x	22.7x	26.0x	(2.3)%	(3.2)%
AGCO Corp	4,562	6,492	10.9x	10.6x	24.2x	22.9x	0.6 %	(0.4)%
Ag Growth International Inc.	607	863	11.7x	10.1x	22.4x	16.8x	1.9 %	(2.2)%
Rocky Mountain Dealerships	138	385	14.5x	12.9x	10.1x	8.8x	(0.3)%	(1.4)%
Cervus Equipment Corporation	189	358	8.6x	8.6x	15.9x	13.0x	1.1 %	(0.1)%
Mean			11.7x	11.3x	19.1x	17.5x	0.2 %	(1.5)%

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

- According to a Nov. 18th, report by the USDA Foreign Agricultural Service, adverse weather conditions have affected field yield in Turkey, prompting a reduction in soybean production forecasts to 100,000 tonnes. In addition to weather, the soybean area is competing with wheat, corn, cotton and peanuts- the latter of which has generated attractive returns that have made it a viable alternative to soybean planting in the region
- On Dec. 2nd, the International Grains Council, again raised its forecast of global wheat flour trade, pointing to a new record up 2% from the prior season. For 2016-17, the IGC pointed to likely wheat flour volume of 15.5 million tonnes of wheat equivalent. This figure reflected an increase of 100,000 tonnes from the previous forecast and showed a gain of 200,000 tonnes from the prior peak in 2015-16
- On Nov. 21st, President-elect Donald J. Trump announced that on his first day in office he would scrap plans for U.S. participation in the Trans-Pacific Partnership, a trade agreement negotiated over seven years by the Obama administration with the governments of 11 other Pacific nations. The TPP aimed to lower barriers to trade in goods and services among 12 Pacific nations, including the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The TPP enjoyed broad support in the agriculture and agribusiness communities
- In the first major industry estimate for the 2017 grain crop, SovEcon said Russia could harvest 112.5 million tonnes next year compared with a record crop of 119.5 million tonnes expected this year. According to SovEcon, this year's record crop will leave Russia with 38 million tonnes of grain available for export in 2016-17 and very high stocks of 19.6 million tonnes by June 30, 2017
- In a Nov. 23rd report, the USDA forecast 2016-17 U.S. soybean exports at 2.050 billion bushels. China is the main purchaser of these soybeans, purchasing about 1 billion bushels annually of U.S. soybeans
- On Nov. 30th, OPEC agreed to cut oil production by 1.2 million barrels per day along with a 600,000 barrels per day reduction by non-OPEC members, resulting in an overall 2% reduction in global production. Canola and soy oil futures rose with crude oil while U.S. crop futures mostly fell on the strong U.S. dollar
- According to a Nov. 21st report, wheat production in Bulgaria reached a new record in the 2016-17 market year behind higher yields, favorable weather and a shift in the use of imported genetics. The FAS forecast wheat production for 2016-17 at 5.65 million tonnes, up nearly 13% from 5.011 million tonnes in 2015-16, and compared with 5.347 million tonnes in 2014-15. One of the most important trends in 2016-17 wheat production was the considerable shift in use of imported genetics, the FAS noted in the report
- Australian wheat suppliers are poised to regain market share in Asia as the world's No.4 exporter harvests in what is likely to be a record crop, threatening to rein in shipments to the region from rival Black Sea producers. Australia has in recent years surrendered some of its share of major wheat markets such as Indonesia, with sellers from Russia and Ukraine offering cheap cargoes. Exports to Asia are set to boost as it is forecast to churn out around 31-32 million tonnes of wheat in 2016-17, beating the previous record of 29.9 million tonnes set five years earlier

Commodities Futures as of December 2nd, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:ˆC	\$ per bu.	\$3.47	(0.54)%	(1.17)%
Wheat (CBOT)	CBOT:ˆW	\$ per bu.	\$4.04	(2.41)%	(11.79)%
Oats (CBOT)	CBOT:ˆO	\$ per bu.	\$2.14	(2.28)%	1.90 %
Rough Rice (CBOT)	CBOT:ˆRR	\$ per cwt.	\$9.63	(2.58)%	(18.22)%
Barley (USDA)	USDA:ˆ24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:ˆRS	CAD per T	\$529.30	3.10 %	9.84 %
Ethanol (CBOT)	CBOT:ˆET	\$ per gal.	\$1.57	0.96 %	13.89 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
Food Processing					
George Weston Ltd.	8-Oct-16	70.9%	George Weston's Q3 results reflect each operating segment's ability to execute on their strategic priorities. Loblaw continued to gain momentum, improving sales performance, while remaining focused on its financial plan. Results were in line with expectations due to volume growth and productivity improvements as it continued to invest in the business	C\$123.88	12.2%
Equipment Manufacturers					
Deere & Company	31-Oct-16	(79.4%)	The company in 2016 had one of its ten-best years in both sales and earnings, a noteworthy achievement in light of the difficult business climate. Deere's performance benefited from the adept execution of its operating plans and disciplined cost management as well as the impact of a broad product portfolio	US\$101.53	0.2%

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