



## Agriculture Industry Flash

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Monday, January 16<sup>th</sup>, 2017

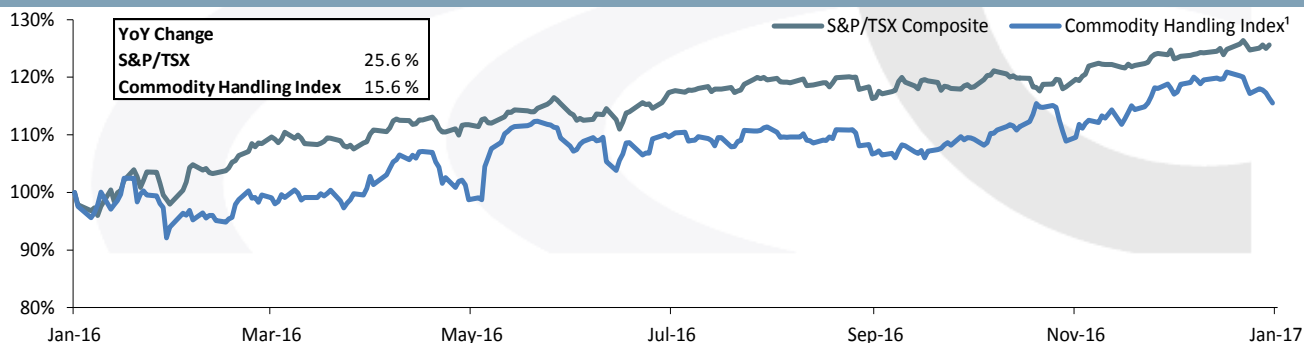


## COMMODITY HANDLING

### News Scan

- On Jan. 11<sup>th</sup>, **ADM** acquired **Crosswind Industries**, a U.S.-based producer of dry-expanded, dual-texture treat products for pets, for an undisclosed sum. With five production facilities and a wide range of successful products, Crosswind represents an opportunity to expand ADM's capabilities across its wider portfolio of ingredients, colors and flavours for pets
- On Jan. 5<sup>th</sup>, **ED&F Man** announced it will acquire U.K.-based **Maviga Plc**, an international player in the origination, processing and supply of dried edible pulses and other specialty crops, for an undisclosed sum. Maviga had over US\$300 million in sales in 2015. Maviga has trading offices and processing facilities in 12 countries, and originates, processes and ships approximately a quarter of a million tons of bagged or bulk containerized products
- On Jan. 15<sup>th</sup>, **The Andersons** announced it will exit the retail business and close its remaining four retail stores in the second quarter of 2017 in order to concentrate on its core grain, rail car, ethanol and plant nutrients units
- On Jan. 3<sup>rd</sup>, **Columbia Grain Inc.** announced it has made a strategic investment in **Montana Specialty Mills**. Montana Specialty Mills originates canola, mustard seeds and other agricultural products from farmers in Montana. The origination and storage capabilities of Columbia Grain will allow Montana Specialty Mills to secure a stable supply of canola and other crops, while enabling Columbia Grain to use its grain elevators more efficiently
- On Jan. 13<sup>th</sup>, **Wayne Farms LLC** announced the opening of its South Alabama Feed Mill. The US\$55 million facility has the capacity to produce more than 25,000 tons of feed per week, making it one of the nation's largest poultry feed farms. With the feed mill, Wayne Farms said it expects to purchase about 27.8 million bushels of corn annually, with more than 3 million bushels coming from local producers
- On Jan. 5<sup>th</sup>, **Cofco Corp's** CEO, Matt Jansen, resigned from his position with the company citing personal reason. The firm named current Cofco Vice President Jingtao Chi as his replacement. Matt Jansen will serve as an interim adviser

### 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	25,064	31,252	9.6x	8.0x	19.6x	14.9x	(2.6)%	(9.0)%
Bunge Limited	9,599	15,042	8.9x	7.1x	15.3x	11.0x	(1.9)%	(7.0)%
Graincorp Limited	1,619	2,273	10.1x	7.7x	30.8x	22.0x	(2.8)%	(3.4)%
The Andersons, Inc	1,076	1,465	11.9x	6.7x	nmf	16.6x	(1.7)%	(14.3)%
AGT Food and Ingredients	669	1,055	11.3x	9.7x	17.2x	13.1x	2.9 %	(12.9)%
Ceres Global Ag	150	227	na	na	na	na	(1.3)%	(9.2)%
<b>Mean</b>			<b>10.3x</b>	<b>7.8x</b>	<b>20.7x</b>	<b>15.5x</b>	<b>(1.2)%</b>	<b>(9.3)%</b>

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

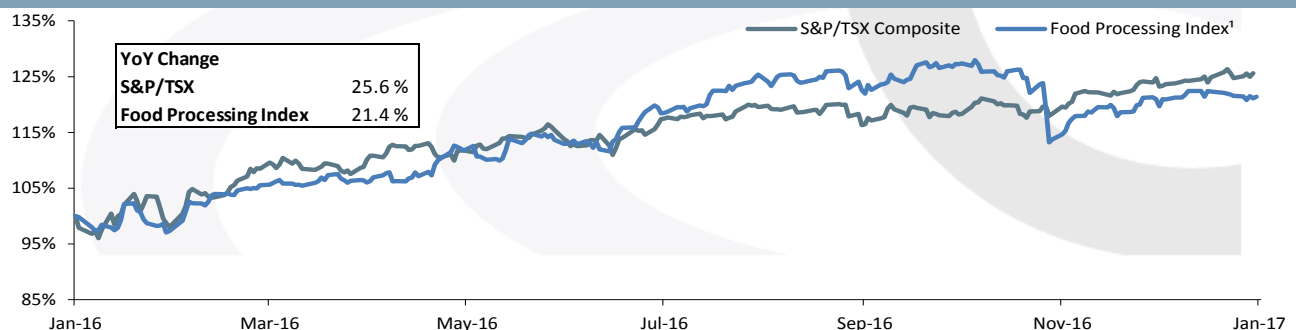


## FOOD PROCESSING

### News Scan

- On Jan. 6<sup>th</sup>, reports indicated **Onex** is nearing a deal to acquire **Ferrera Candy Co**, one of the largest U.S. makers of non-confectionary chocolate, for US\$1.3 billion. Despite consumer preferences shifting towards healthier alternatives, the sector is attractive to private equity firms because it is less affected by economic downturns and appeals to consumers of all ages
- On Jan. 4<sup>th</sup>, **China Mengniu Dairy** announced it will acquire **China Modern Dairy Holdings**, the country's largest dairy farming firm, for US\$826 million. The deal will enhance the business collaboration and will ensure the continuity of high quality and safe raw milk supply to Mengniu Group
- On Jan. 3<sup>rd</sup>, **Palsgaard** acquired a majority stake in **Candon Aditivos para Alimentos**, a supplier of a range of ingredients and premixes as well as a series of bakery emulsifiers to the Brazilian food industry since 2008, for an undisclosed sum. Combining Palsgaard's know-how with Candon's product range will allow for an expanded sales network in North and South America
- On Jan. 3<sup>rd</sup>, **J&J Snack Food Corp** announced it will acquire **Hill & Valley Inc.**, for an undisclosed sum. Hill & Valley is a premium bakery with annual sales of US\$45 million. The acquisition expands J&J's in-store bakery offerings and capabilities and customer base, and provides a newly constructed facility with capacity for growth and a nimble production process
- On Jan. 13<sup>th</sup>, **B&G Foods'** CEO, Bob Cantwell, announced the company is looking to make another acquisition in the same realm as the US\$765 million Green Giant business that it acquired just over a year ago. The company will look for US\$500-plus million acquisitions that are highly innovative and service the evolving consumer trends
- On Jan. 11<sup>th</sup>, **Kellogg Co** led a US\$4.25 million Series A funding of **Kuli Kuli**, a maker of nutrition bars, powders and beverages featuring African "superfood" moringa. Kuli Kuli sources moringa from women's cooperatives across West Africa, South America and the Caribbean and has planted over 200,000 moringa trees and supported 800 women farmers

### 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		
George Weston Limited	10,956	19,997	6.5x	6.3x	16.9x	15.5x	0.2 %	(6.2)%
ConAgra Foods, Inc.	16,760	18,896	9.8x	12.6x	na	21.3x	(0.6)%	(21.2)%
Ingredion Incorporated	9,155	10,541	10.2x	9.6x	17.9x	16.7x	0.4 %	(9.7)%
Tate & Lyle plc	3,927	4,542	9.8x	9.2x	18.6x	14.8x	(0.5)%	(18.3)%
Maple Leaf Foods Inc.	2,836	2,580	9.7x	9.1x	22.3x	20.3x	0.4 %	(12.2)%
SunOpta Inc.	713	1,265	13.3x	10.6x	34.4x	18.9x	(2.0)%	(5.1)%
Rogers Sugar	474	601	9.9x	9.9x	14.8x	14.1x	0.4 %	(1.7)%
<b>Mean</b>			<b>9.9x</b>	<b>9.6x</b>	<b>20.8x</b>	<b>17.4x</b>	<b>(0.2)%</b>	<b>(10.6)%</b>

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.

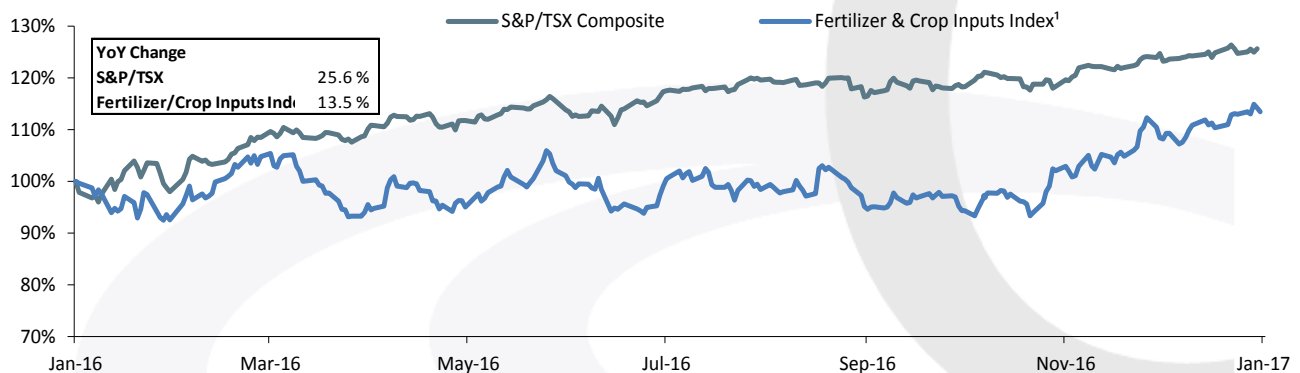


## FERTILIZERS & CROP INPUTS

### News Scan

- On Jan. 4<sup>th</sup>, the European Commission announced it has pushed the **ChemChina/Syngenta** merger decision date to April 12<sup>th</sup>. During the European Commission's initial investigation it identified preliminary concerns in a number of these crop protection markets and suggests that, amongst other concerns, the companies have relatively high combined market shares in many markets
- On Jan. 10<sup>th</sup>, **Agrium** announced it has successfully completed construction of the urea plant at its nitrogen facility in Borger, Texas, within the previously disclosed revised time line and cost parameters (\$720 million). Commissioning of the new 610,000 tonne urea facility, of which 100,000 tonnes of urea tonne equivalent will be Diesel Exhaust Fluid ("DEF"), which is used to reduce nitrogen oxide emissions in diesel vehicles and will help further diversify Agrium's end-markets
- On Jan. 12<sup>th</sup>, **Monsanto** and **NRGene** announced that the companies have reached a non-exclusive, multi-year global licensing agreement for NRGene's genome-analysis technology to enhance Monsanto's ability to predict, compare and select the best genetic makeup from its vast data sets of genetic, genomic and trait information. Monsanto may expand its relationship with NRGene into a longer-term commitment following an in-depth evaluation of the technology

### 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.	14,540	20,647	12.1x	10.4x	21.8x	19.2x	2.0 %	(4.3)%
Potash Corp.	12,067	15,563	14.1x	12.5x	36.9x	30.4x	1.7 %	(5.0)%
CF Industries Holdings, Inc.	7,921	15,046	15.4x	12.0x	45.3x	nmf	1.5 %	(9.9)%
The Mosaic Company	10,945	14,246	12.5x	10.8x	46.3x	36.9x	1.5 %	(1.7)%
Yara International ASA	11,196	12,673	6.5x	6.5x	16.9x	15.6x	(1.0)%	(3.6)%
Nufarm Ltd.	1,801	2,471	8.5x	7.8x	16.6x	15.1x	(2.5)%	(6.6)%
Input Capital Corp.	116	107	16.1x	5.7x	nmf	26.6x	0.5 %	(17.5)%
<b>Mean</b>			<b>12.2x</b>	<b>9.4x</b>	<b>30.6x</b>	<b>24.0x</b>	<b>0.5 %</b>	<b>(6.9)%</b>

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



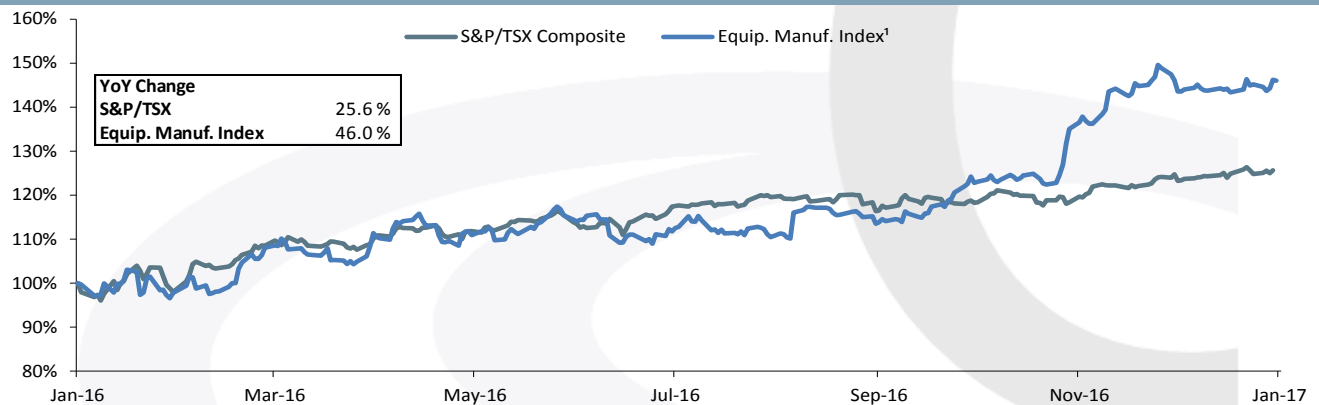


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Jan. 5th, **Central Ohio Farmers Co-op Inc. (COFC)**, based in Marion, Ohio, agreed to purchase an ownership interest in **Ag Info Tech**. The partnership will officially start March 1<sup>st</sup>. The partnership will combine Ag Info Tech's high quality precision ag products and services with COFC's amenities including agronomists, variable-rate technology and grid soil sampling to allow growers to further utilize technological advances to benefit their operations
- On Jan. 12th, Michigan-based **FarmLogs** raised \$22 million in a Series C round of funding for technology that helps farmers monitor and measure their crops, predict profits, and manage risks from weather and pests. The company has invested heavily in satellite imagery and data to compete with Monsanto-owned Climate Corp, amongst others
- On Jan. 1<sup>st</sup>, **CNH Industrial** launched Internet of Food & Farm 2020 (IoF2020), a European consortium whose goal is to foster the large-scale adoption of Internet of Things (IoT) technologies in the European farming and food value chain. IoF2020 brings together 71 partners from 16 countries and is coordinated by the Wageningen University & Research Centre in the Netherlands. The project will focus on 19 use cases throughout Europe and will seek to provide solutions for five agri-food areas: arable farming, dairy, meat, vegetables and fruits by taking into account their specific requirements and challenges

### 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	33,522	35,774	13.5x	14.9x	23.7x	27.1x	(0.7)%	(0.9)%
AGCO Corp	4,887	6,835	11.5x	10.9x	26.0x	24.7x	0.6 %	(1.0)%
Ag Growth International Inc.	629	889	11.9x	10.2x	22.9x	17.0x	7.0 %	(2.9)%
Rocky Mountain Dealerships	154	404	15.2x	13.6x	11.4x	10.0x	6.1 %	(0.3)%
Cervus Equipment Corporation	177	348	8.4x	8.4x	14.9x	12.5x	(7.9)%	(13.6)%
<b>Mean</b>			<b>12.1x</b>	<b>11.6x</b>	<b>19.8x</b>	<b>18.3x</b>	<b>1.0 %</b>	<b>(3.7)%</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

- On Jan. 11th, China's Ministry of Commerce announced that it would increase duties on U.S. distillers dried grains (DDGS) to a range of 42.2% to 53.7%, up from its earlier 33.8% decision made in Sep. 23. The U.S. is the largest producer of DDGS and has a surplus to export, while China is the biggest importer. DDGS is a byproduct of ethanol production used for animal feed
- According to the Russian Federal Center of Quality & Safety Assurance for Grain & Grain Products, Russia harvested 73.3 million tonnes of wheat, a record amount, up 18.6% from 2015, and 34.6 million tonnes of cereal crops were exported, including 25.3 million tonnes of wheat. Russia's corn harvest was up 5% to 13.8 million tonnes compared to 13.2 million tonnes a year earlier. Soybean also hit a new record of 3.1 million tonnes harvested, up 14.5% from 2.7 million tonnes in 2015
- The average price of all wheat paid to farmers in November was \$3.88 a bushel, up 20¢ from October but down 98¢ from November 2015, the U.S. Department of Agriculture said in its latest Agricultural Prices report. Corn prices averaged \$3.23 a bushel in November, down 6¢ from October and down 36¢ from November 2015, while soybean prices averaged \$9.46 a bushel, up 16¢ from October and up 78¢ from a year earlier
- According to Companhia Nacional de Abastecimento (Conab), Brazil's government agency, forecasts for favourable weather are expected to boost total grain production in Brazil to 215.3 million tonnes in 2016-17, up 15% from 186.7 million tonnes in 2015-16. The increase is due to better average agricultural yields, which are recovering from the negative climate conditions last year. Total area is expected to increase by 1.3% in 2016-17, rising to 59.1 million hectares
- Brazil, which is the world's largest soybean exporter, also anticipates a strong soybean crop, according to Conab. The country is expected to produce a record 103.8 million tonnes in 2016-17 behind the favourable weather
- Tim Heney, chief executive officer with the Thunder Bay Port Authority, said shipping volumes in 2016 were above average, with total cargoes of roughly 8.8 million tonnes - grain and oilseed shipments from Western Canada accounted for the vast majority of the port's business
- The Canadian Grain Commission has built up a surplus of nearly C\$100 million since 2013-14 through excess user fees collected from Canadian grain farmers. That surplus has prompted the Western Canadian Wheat Growers Association to call for surplus fees to be immediately returned to farmers. The excess funds are partly the result of Canadian grain export volumes significantly exceeding industry expectations over the past four years
- On Jan. 4th, Patricia Miller, former president of the Canola Council of Canada, was appointed the chief commissioner of the Canadian Grain Commission (CGC). The appointment is for a six-year term effective Feb. 13
- The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates Australian farmers harvested 450,000 tonnes of lentils, up 63% over the five-year average. This has caused some pulse crop analysts to forecast the price of red lentils falling for the second half of 2016-17 despite continued demand from Asia and the Middle East
- On Jan. 11<sup>th</sup>, the USDA announced it will launch a program to certify farmland that growers are in the process of switching to organic, to allow them to sell organic products for higher prices than conventionally-grown foods. The program will facilitate the investment in transitional agriculture through a consistent set of rules, and support the growth of organic agriculture

### Commodities Futures as of January 13<sup>th</sup>, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.58	0.77 %	0.77 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.26	4.89 %	4.89 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.35	0.05 %	0.05 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$9.98	3.90 %	3.90 %
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$502.30	0.44 %	0.44 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.48	(3.59)%	(3.59)%



## Recent Earnings News

	Last Quarter				
Company	Period Ended	EPS YoY Change	Comments	Analyst Consensus (US\$)	Premium to Current
Commodity Handling					
Cargill	30-Nov-16	n/a	Adjusted operating earnings at Cargill rose 80% in the second quarter of fiscal 2017 to \$1.03 billion, which compared with \$574 million in the previous year's second quarter. Cargill increased volume across its U.S. and Canadian grain origination, oilseed crush and export facilities. Terminals on the U.S. Gulf and in Vancouver, B.C., ran at capacity. In the Food Ingredients & Applications segment, sweeteners and edible oils made gains in most regions and cocoa and chocolate had moderately better results due to improved press margins	n/a	n/a
CHS Inc.	30-Nov-16	n/a	First quarter earnings of \$209.2 million were a decline of 22% from the same period in fiscal 2016, primarily attributed to lower earnings in the company's Energy and Foods segments along with Corporate and Other, partially offset by increases in Ag and the new Nitrogen Production segment. The business overall has been affected by the down cycle in the ag and energy industries, but continues to focus on driving efficiencies and maintaining a strong balance sheet	n/a	n/a

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