



Agriculture Industry Flash

Tuesday, January 3rd, 2017

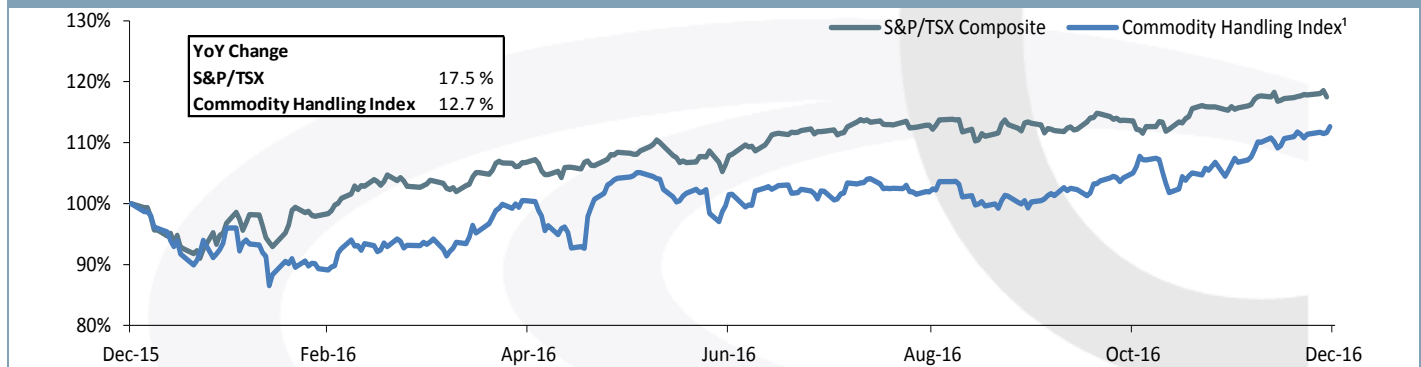


COMMODITY HANDLING

News Scan

- On Dec. 30th, the **CBH Group** announced that it received a record-breaking haul of 16 million tonnes of wheat from Western Australian growers in 2016-17, surpassing the 15.86-million-tonne harvest from the 2013-14 season. The harvest resulted from exceptional rainfall and growing conditions, despite significant frost damage in many regions in Aug. & Sept.
- On Dec. 21st, **G3 Terminal Vancouver** announced it has plans to build a deep water grain export terminal in North Vancouver, British Columbia, the first new grain terminal constructed at the Port of Vancouver since the 1960s. The new Vancouver terminal will feature a rail loop track capable of holding three 134-car trains, 180,000 tonnes of storage capacity and will handle cereal grains, oilseeds, pulses and special crops. Construction is scheduled for March 2017
- On Dec. 16th, **Pendleton Grain Growers (PGG)** sold its fuel business to **Mid Columbia Producers (MCP)**, for an undisclosed sum. The fuel business expands MCP's fuel offerings in Western U.S. Earlier this year, PGG sold its grain assets to **United Grain Corp.**, and its propane division to **Morrow County Grain Growers**
- On Dec. 19th, **Nibulon**, one of Ukraine's largest grain production and trading companies, announced it will receive a €71 million loan to help improve its infrastructure as part of a €600 million loan package announced by the European Investment Bank (EIB). The financing will foster a multi-scheme investment at Nibulon focused on creating a more sustainable, modern and expanded system for grain storage and transportation, with an additional €150 million pledged by EIB for the electrification and modernization of 253 km of railway lines in the southern region of Ukraine

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	26,267	32,488	10.0x	8.4x	20.5x	15.6x	1.0 %	(4.7)%
Bunge Limited	10,075	15,522	9.1x	7.3x	16.1x	11.5x	1.1 %	(2.4)%
Graincorp Limited	1,581	2,214	10.3x	8.0x	32.1x	22.2x	2.2 %	(0.6)%
The Andersons, Inc	1,249	1,642	13.6x	7.7x	nmf	19.3x	2.5 %	(0.4)%
AGT Food and Ingredients	653	1,031	11.3x	9.7x	17.2x	13.0x	2.1 %	(13.1)%
Ceres Global Ag	146	223	na	na	na	na	0.8 %	(16.0)%
Mean			10.8x	8.2x	21.5x	16.3x	1.6 %	(6.2)%

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

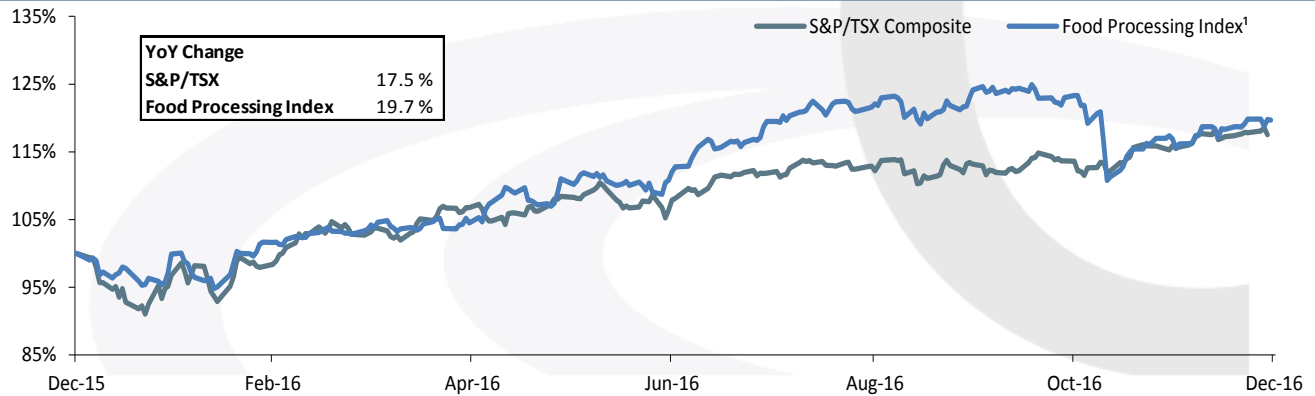


FOOD PROCESSING

News Scan

- On Dec. 20th, **Ingredion** announced it will purchase **TIC Gums**, a leading provider of texture systems to the food and beverage industry, in a transaction valued at US\$400 million. TIC Gums has grown significantly over the past several years through its deep R&D expertise and a differentiated and focused approach to the customer experience. Ingredion will benefit from TIC Gums' unique clean label capabilities, while leveraging its global footprint to achieve geographic scale
- On Dec. 20th, **AB Mauri North America** acquired the business and assets of **Specialty Blending Co.**, a bread and sweet goods mix manufacturer and a subsidiary of Flowers Foods, for an undisclosed amount. Specialty Blending has a 44,000-square-foot mix and milling operation in Cedar Rapids, Iowa. The acquisition provides a unique opportunity to combine the global technology strength of AB Mauri together with a high-quality and well-positioned ingredients blending operation
- On Dec. 20th, **Natural American Foods** announced it acquired **Sweet Harvest Foods Co.**, a Minneapolis-based producer and distributor of honey, peanut butter and syrup products, for an undisclosed sum. The transaction is highly strategic, combining two leading honey companies with a combined 200 years of operations
- On Dec. 30th, **Post Holdings** announced it has begun construction on a US\$50 million, 901,000-square-foot facility in Salt Lake City. The new cereal distribution plant will be located near the newly announced Northwest Quadrant Development site

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
George Weston Limited	10,817	19,573	6.6x	6.5x	17.1x	15.6x	0.4%	(5.4)%
ConAgra Foods, Inc.	17,314	19,460	10.0x	12.8x	17.5x	21.9x	0.7%	(19.1)%
Ingredion Incorporated	9,047	10,429	10.1x	9.5x	17.7x	16.5x	(1.3)%	(10.7)%
Tate & Lyle plc	4,054	4,680	10.0x	9.4x	18.9x	15.1x	1.1%	(16.8)%
Maple Leaf Foods Inc.	2,815	2,566	9.8x	9.3x	22.6x	20.6x	0.8%	(11.0)%
SunOpta Inc.	684	1,235	13.0x	10.3x	33.0x	18.2x	(0.6)%	(5.2)%
Rogers Sugar	476	607	10.0x	10.0x	14.9x	14.2x	1.8%	(0.4)%
Mean			9.9x	9.7x	20.2x	17.4x	0.4%	(9.8)%

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.

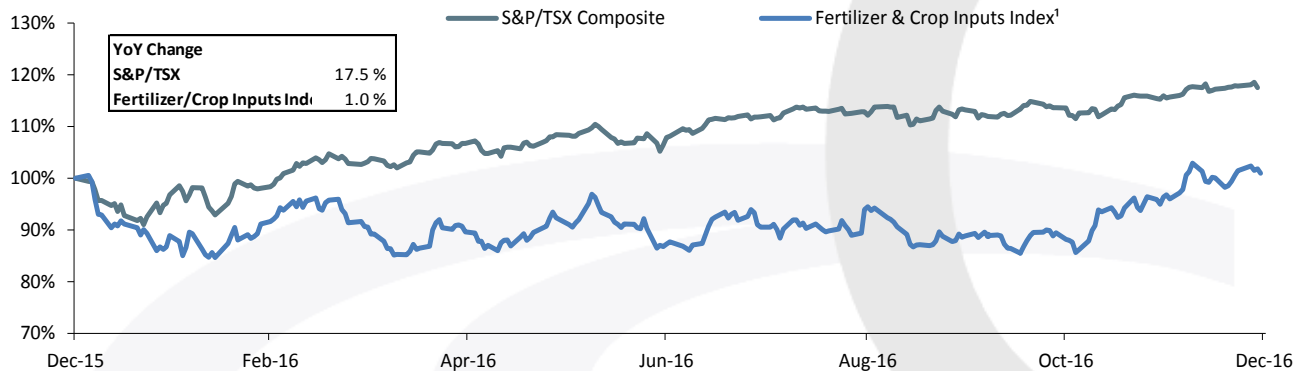


FERTILIZERS & CROP INPUTS

News Scan

- On Dec. 20th, **ChemChina** reported that it has extended its US\$43 billion offer for **Syngenta** to March 2, 2017, from its initial expected close date of 2016 year-end. The company said extensions to the offer were expected to occur until all conditions are satisfied, including regulatory approvals. The purchase is currently undergoing regulatory review in various countries
- On Dec. 29th, **CF Industries** announced the completion of its capacity expansion projects, with the successful start of new ammonia and urea plants at its nitrogen complex in Port Neal, Iowa. CF Industries' ammonia plant began operations late last month and has been producing roughly at its nameplate capacity of 2,425 tons per day. The capacity expansion projects are expected to aid in the company's growth and increase its cash generation capability
- On Dec. 19th, an underground fire at **PotashCorp's** Allan mine struck in a front-end loader in the mine. All 114 workers underground at the time made it out safely, and there were no major disruptions in operations

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
Agrium Inc.	13,883	19,973	11.7x	10.6x	20.9x	18.5x	(0.7)%	(6.6)%
Potash Corp.	11,305	14,728	13.5x	12.0x	36.0x	29.3x	(0.8)%	(7.1)%
CF Industries Holdings, Inc.	7,338	14,461	14.9x	11.6x	42.2x	43.9x	4.5%	(22.6)%
The Mosaic Company	10,272	13,571	11.9x	10.3x	42.6x	34.8x	(0.1)%	(7.0)%
Yara International ASA	10,797	12,259	6.3x	6.5x	16.3x	15.8x	0.2%	(11.0)%
Nufarm Ltd.	1,767	2,415	8.6x	7.9x	16.9x	15.3x	0.3%	(5.3)%
Input Capital Corp.	113	104	15.4x	5.3x	nmf	25.8x	0.5%	(17.9)%
Mean			11.8x	9.2x	29.1x	26.2x	0.6%	(11.1)%

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

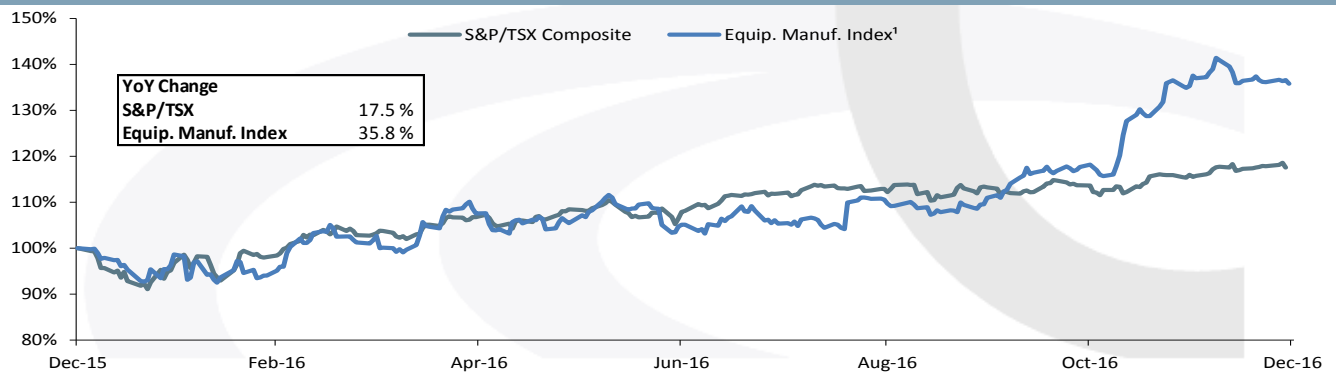


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Dec. 21st, **Cervus Equipment Corp.** announced it has completed the long term sale and leaseback of approximately C\$55.7 million of real estate owned by the company. Pursuant to the transaction, Cervus sold the land and buildings where it operates 11 dealerships and leased back those properties with initial lease terms ranging from 15 to 20 years. After retiring mortgages associated with the properties and rent deposits under the leases, Cervus expects net free cash flow of -C\$27 million
- Cervus also announced that it has sold its 21.45% interest in **Maple Farms Partnership (Maple)** to the majority partner (Maple) for proceeds of -C\$9.1 million. Maple Farm Equipment operates seven John Deere Agricultural equipment dealerships in southeastern Saskatchewan and western Manitoba
- On Dec. 19th, **AgJunction Inc.**, a provider of hardware and software solutions for precision agriculture, announced it has purchased the business assets, intellectual property and manufacturing rights of the GAC2 controller product from long term supply partner, **Forkworks**, for an undisclosed sum. The GAC2 controller allows AgJunction to interface its section and rate control into a wide variety of implements throughout the precision agriculture marketplace
- According to the December 2016 Dealer Sentiments & Business Conditions survey, North American farm equipment dealers are forecasting 2016 sales to be down 11% year-over-year, and an additional drop of 4% in sales projected for 2017. Last year at this time, dealers were expecting an average decrease of 9% for 2016

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2016E	2017E	2016E	2017E	Price	52Wk High
Deere & Company	32,651	34,851	13.1x	14.5x	23.1x	26.4x	(0.0)%	(1.7)%
AGCO Corp	4,644	6,579	11.0x	10.5x	24.7x	23.3x	0.5%	(5.5)%
Ag Growth International Inc.	577	830	11.3x	9.8x	21.5x	16.1x	(0.6)%	(9.0)%
Rocky Mountain Dealerships	140	384	14.6x	13.0x	10.3x	9.0x	0.5%	(2.0)%
Cervus Equipment Corporation	188	355	8.7x	8.6x	16.0x	13.1x	(0.9)%	(4.1)%
Mean			11.7x	11.3x	19.1x	17.6x	(0.1)%	(4.4)%

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 latest Outlook for U.S. Agricultural Trade report, the USDA forecasted agricultural exports for 2017 at \$134 billion, up \$1 billion from the August forecast, largely due to expected increases in dairy and livestock by-product exports. While beef and pork forecasts remain unchanged, dairy is forecast \$500 million higher at \$5.3 billion. Grain and feed exports are forecast up \$300 million to \$29.6 billion, driven primarily by stronger wheat volumes and unit values as well as by corn volumes. Soybean export volumes continue to set records, raising the oilseed and product forecast by \$500 million to \$31 billion
- The government of China recently released further details on its “13th Five-Year Plan for Economic and Social Development of The People’s Republic of China (2016-2020).” A key area of concern is strengthening capabilities to ensure the safety of agricultural products. To that end, the government identified several steps it will take, including achieving basic self-sufficiency in cereal grains and absolute food security. Other areas of concern include making agricultural structural adjustments and improvements, mainly through improving logistics/supply chain coordination, and improving the overall quality and safety of its agricultural products
- In the 2016-17 crop year to date, the USDA has made a record \$110.9 million in loan deficiency payments (LDPs) to wheat growers, eclipsing the previous record outlay of \$106.7 million on LDPs for wheat for all of 2009-10. LDPs are tied to the USDA’s marketing assistance loan program under which growers may take out nine-month nonrecourse loans from the government at the loan rate prescribed in their counties, in order to satisfy cash flow needs while the producer holds wheat off the market in hope of higher prices later in the crop year
- According to a Dec. 21st Agriculture and Agri-Food Canada report, production for grains and oilseeds is estimated at 82.89 million tonnes, an increase of ~735,000 tonnes compared to the November estimate of 82.15 million tonnes. Canada’s total grain and oilseeds ending stocks for 2016-17 is estimated at 13.5 million tonnes, an increase of ~400,000 tonnes compared to the November estimate. The increase is driven by record average yields across Canada, however, the extended harvest in Western Canada has had a negative impact on crop quality in affected regions, and crops left out over the winter may see additional negative impacts
- The Port of Churchill, Canada’s only Arctic seaport, located in Manitoba along with the Hudson Bay rail line may soon change hands as the Mississippi Rail Consortium has agreed to a non-binding deal to purchase the port and rail line from OmniTRAX, the current owner. Financial terms were not released, nor how many, or which, First Nations are part of the consortium, but the consortium does remain open to other members
- Prices for western Canadian durum since harvest have been poorer than many farmers had expected after Statistics Canada’s newest estimate of ample 2016 durum production relieved worries from foreign buyers in North Africa and Europe of bad Canadian growing and harvesting conditions for this crop year

Commodities Futures as of December 30th, 2016

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.52	2.85 %	0.21 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.08	3.23 %	(10.94)%
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.28	6.10 %	8.56 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$9.61	(1.13)%	(18.35)%
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$504.00	(4.49)%	4.59 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.56	(1.21)%	12.52 %



Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
Food Processing					
Conagra Brands, Inc.	27-Nov-16	(31.7%)	Net sales decreased 11.5%, largely driven by the Company's continued efforts in building a higher quality revenue base. The Company estimates that the impacts of divestitures and foreign exchange lowered sales by 5.5%. However, gross margins expanded by 270 bps as a result of the Company's increased focus and discipline on driving value on volume and improving efficiency	US\$40.25	1.8%

Origin Merchant Partners

220 Bay Street, Suite 1500

P.O. Box 23

Toronto, Ontario

M5J 2W4

OMP Agri-food Team:

Andrew Muirhead

Principal

T: 416-800-0697

andrew.muirhead@originmerchant.com

Jim Osler

Principal

T: 416-800-0784

jim.osler@originmerchant.com

Rob Penteliuk

Principal

T: 416-800-1780

rob.penteliuk@originmerchant.com

Sean McIntyre

Principal

T: 416-800-1753

sean.mcintyre@originmerchant.com