



## Agriculture Industry Flash

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Tuesday, January 31<sup>st</sup>, 2017

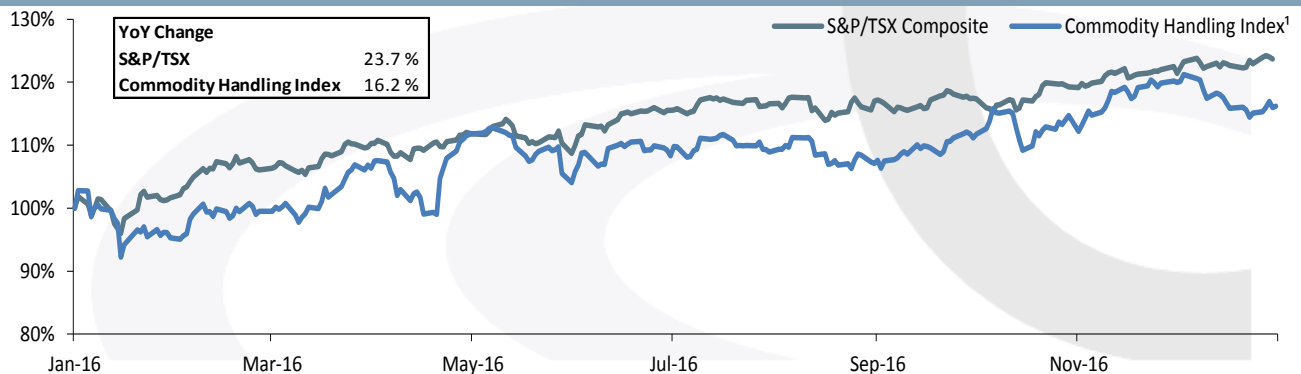


## COMMODITY HANDLING

### News Scan

- On Jan. 25<sup>th</sup>, **Whole Harvest**, a subsidiary of **Bunge North America**, announced it will expand its non-bioengineered/non-G.M.O. oil capabilities by adding facilities in Modesto, Calif., and Oakville, Ont. The two facilities will allow Whole Harvest to offer more soybean and canola oils verified by the Non-GMO Project to food service operators in the U.S. and Canada
- On Jan. 18<sup>th</sup>, the European Bank for Reconstruction and Development (EBRD) completed its first transaction in the agribusiness sector in Greece by providing €10 million in long-term financing to **Loulis Mills**, a Greek flour milling company. The funding will finance additional working capital and refinance part of Loulis Mills' existing and maturing debt obligations. The transaction is part of €800 million of transactions closed by ERBD to date. The EBRD will continue to remain active in Greece and boost its efforts to support the Greek corporate sector
- On Jan. 16<sup>th</sup>, **Amaggi** and **Louis Dreyfus Co.** signed an agreement with **Zen-Noh Grain Brazil** under which the latter will become an equal partner in the companies' existing Brazilian joint venture, resulting in each of the companies holding an equal 33% stake in the venture. Zen-Noh Grain Brazil is a subsidiary of Japanese agricultural cooperative, **Zen-Noh**. With this partnership, the joint venture will benefit from the cooperative's experience in the region, and will strengthen operations in Tegram, a port that represents one of the main alternatives to the export routes of the country's south and southeast regions
- On Jan. 17<sup>th</sup>, **Viterra** broke its all-time receival record for its South Australian sites in a season with more than 8.55 million tonnes of grain delivered, an increase of 0.01 million over the previous record set in 2001-02, due to a strong 2016-17 harvest to date

### 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	25,617	31,820	9.8x	8.2x	20.1x	15.3x	(0.5)%	(7.0)%
Bunge Limited	9,575	15,018	8.8x	6.7x	15.3x	11.0x	1.0%	(7.2)%
Graincorp Limited	1,655	2,315	10.1x	7.7x	30.8x	22.3x	3.2%	(2.3)%
The Andersons, Inc	1,055	1,444	11.7x	6.7x	nmf	16.7x	1.9%	(15.9)%
AGT Food and Ingredients	671	1,059	11.3x	9.7x	17.0x	13.1x	(0.6)%	(12.8)%
Ceres Global Ag	151	228	na	na	na	na	0.6%	(4.6)%
<b>Mean</b>			<b>10.3x</b>	<b>7.8x</b>	<b>20.8x</b>	<b>15.7x</b>	<b>0.9%</b>	<b>(8.3)%</b>

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

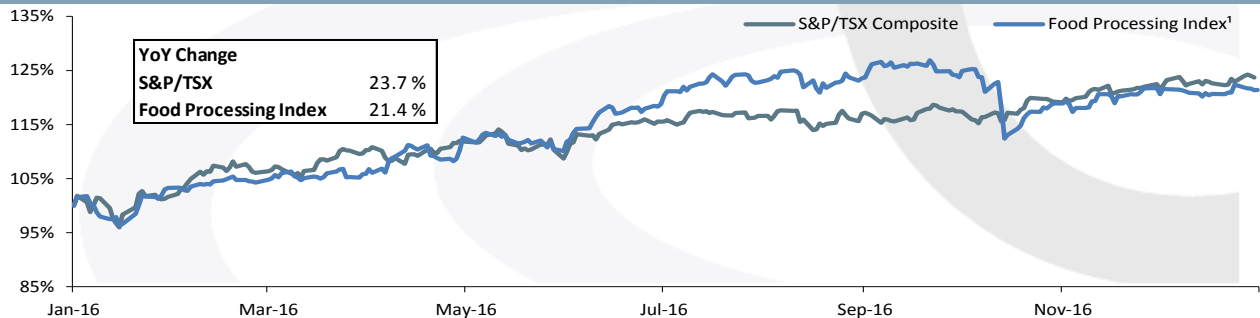


## FOOD PROCESSING

### News Scan

- On Jan. 20<sup>th</sup>, **Heineken** said it was in talks to buy the Brazilian operations of Japan-based **Kirin Holdings**, created in 2011 after Kirin paid US\$1.97 billion for Brazil's Schincariol brand. Reports indicated Heineken would pay ~US\$872 million for the business
- On Jan. 25<sup>th</sup>, **Bob Evans** sold its restaurant chain for US\$565 million to private equity firm, **Golden Gate Capital**. The remaining company, BEF Foods, will focus solely on the packaged foods business. The company separately announced it will acquire **Pineland Farms Potato Co.** for US\$115 million
- On Jan. 24<sup>th</sup>, **Leclerc Groupe Inc.**, a Quebec-based manufacturer of cookies, snack bars and crackers, acquired an 110,000-square-foot facility in Kingsport, Tenn., for an undisclosed amount. The plant features a new production line for making gluten-free bars. Leclerc plans to invest ~\$50 million in the facility over the next five years, which will lead to the creation of ~100 jobs
- On Jan. 26<sup>th</sup>, **New Mill Capital** and **Tiger Group** announced they are seeking offers for the 450,000 square-foot Pillsbury dough production plant in New Albany, which was closed by **General Mills** in August. The plant also includes a warehouse space, which sits on 34.5 acres
- On Jan. 18<sup>th</sup>, **San Francisco Equity Partners** acquired a majority stake in **Red Monkey Foods**, a Springfield, Mo.-based maker of organic spices, seasonings and other natural dry food products, for an undisclosed sum. The company manages private label programs for many of the nation's largest retailers and also sells spices and seasonings under the Good Flavors brand
- On Jan. 25<sup>th</sup>, **Kraft Heinz** and **Oprah Winfrey** announced they would form a joint venture, **Mealttime Stories LLC**, to sell ready-to-eat refrigerated products across multiple categories. 10% of profits will be donated to charities focusing on ending hunger

### 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	10,947	20,053	6.6x	6.5x	17.0x	15.5x	(1.8)%	(6.6)%
ConAgra Foods, Inc.	16,969	19,109	9.9x	12.7x	17.3x	21.6x	(0.4)%	(20.2)%
Ingredion Incorporated	9,273	10,663	10.3x	9.6x	18.1x	16.9x	1.8%	(8.5)%
Tate & Lyle plc	3,876	4,504	9.5x	8.8x	na	14.5x	(2.3)%	(21.4)%
Maple Leaf Foods Inc.	2,945	2,694	10.0x	9.5x	23.3x	21.1x	1.9%	(7.8)%
SunOpta Inc.	718	1,270	13.4x	10.6x	34.3x	19.0x	(3.1)%	(4.3)%
Rogers Sugar	474	601	10.0x	9.9x	14.8x	14.1x	(1.9)%	(2.0)%
<b>Mean</b>			<b>9.9x</b>	<b>9.7x</b>	<b>20.8x</b>	<b>17.5x</b>	<b>(0.8)%</b>	<b>(10.1)%</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.

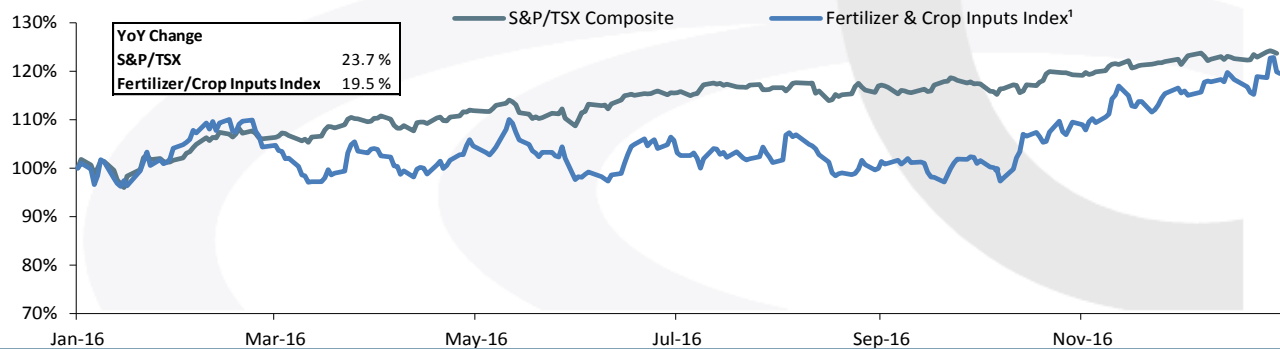


## FERTILIZERS & CROP INPUTS

### News Scan

- On Jan. 17<sup>th</sup>, **Bayer** and **Monsanto** announced post-merger they would dedicate -US\$16 billion on research and development over the next six years with at least half of this investment made in the U.S. The statement came after U.S. president Donald Trump's spokesman said Bayer had pledged to boost its investments in the U.S. as part of its deal to buy Monsanto. Trump's spokesman also said Bayer had promised to maintain its more than 9,000 U.S. jobs and add 3,000 new U.S. high-tech positions
- On Jan. 24<sup>th</sup>, **DuPont** indicated that its merger with **Dow Chemical** will take longer to close than previously anticipated as the companies await regulatory approvals. This is the second time that the two companies, which are in talks with the European Union antitrust regulators, have had to push back the expected completion. The regulators were mainly concerned about the companies' crop protection businesses. As a result, DuPont "has been focused on a remedy package"
- On Jan. 20<sup>th</sup>, **ChemChina** formally sought the U.S. anti-trust regulator's approval for its planned merger with **Syngenta**. The companies recently submitted the transaction to the Federal Trade Commission (FTC), after constructive engagement with the authorities. Sources close to the deal expected an approval soon, given the small revenue that ChemChina generates from the U.S. via its generic versions of pesticides without patent protection, and its minor overlap with Syngenta products
- On Jan. 27<sup>th</sup>, Saskatchewan-based **Genesis Grain and Fertilizer** announced it will invest C\$24 million to build its first fertilizer storage, blending and distribution centre in Belle Paine, Sask. It would be the first in what the company hopes will become seven distribution supercentres with three in Saskatchewan, three in Alberta and one in Manitoba. The facility will handle over 150,000 tonnes of product annually, and will boast fertilizer storage capacity of 52,000 tonnes

### 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
Agrium Inc.	14,426	20,530	12.1x	10.3x	21.6x	19.1x	(2.3)%	(6.9)%
CF Industries Holdings, Inc.	8,511	15,637	15.8x	12.0x	45.8x	nmf	6.8%	(3.2)%
Potash Corp.	12,009	15,516	13.9x	13.1x	36.3x	33.5x	(2.6)%	(7.7)%
The Mosaic Company	11,004	14,306	12.6x	10.7x	46.4x	35.8x	0.4%	(7.6)%
Yara International ASA	11,521	13,032	6.6x	6.5x	17.1x	15.7x	0.8%	(3.1)%
Nufarm Ltd.	1,824	2,500	8.5x	7.8x	16.7x	15.1x	1.0%	(6.3)%
Input Capital Corp.	117	108	16.1x	5.6x	nmf	24.1x	(0.5)%	(17.1)%
<b>Mean</b>			<b>12.2x</b>	<b>9.4x</b>	<b>30.7x</b>	<b>23.9x</b>	<b>0.5%</b>	<b>(7.4)%</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

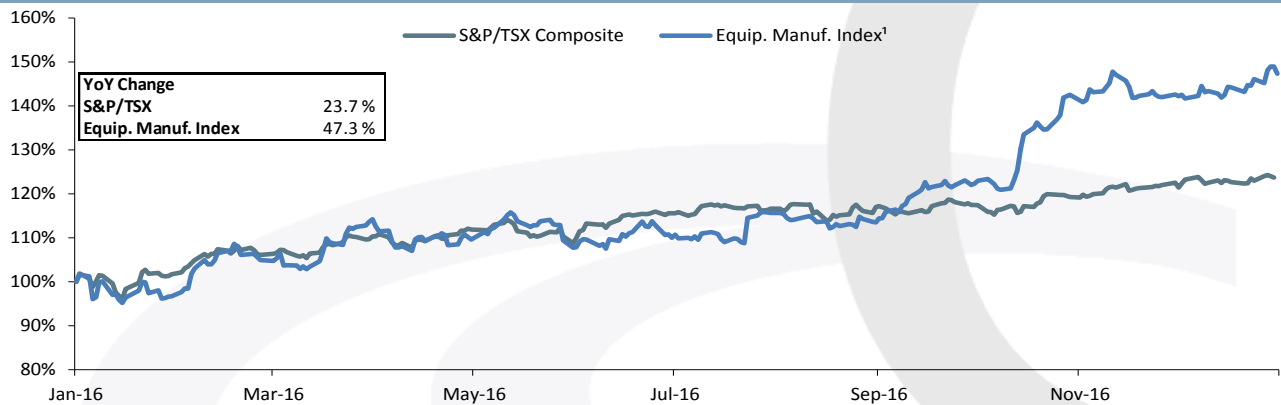


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Jan. 19<sup>th</sup>, **Canadian Pacific Railway** CEO, Hunter Harrison, struck a deal with the company to step down as CEO five months ahead of schedule. The executive is giving up benefits and stock options worth up to \$118 million, including forfeiting his CP Rail pension, in return for cancelling his non-compete agreement and allowing him to “pursue opportunities involving other Class 1 railroads.” Harrison also agreed he won’t seek to work for rival **Canadian National Railway** or for two large U.S. railways – **BNSF** or **Union Pacific** – for about three years
- On Jan. 25<sup>th</sup>, reports indicated Harrison partnering with activist investor Paul Hilal to explore opportunities with **CSX**, including looking to possibly secure a senior management role at the company
- On Jan. 26<sup>th</sup>, **Ag Growth International** announced it will issue on a bought-deal basis 1.1 million common shares at a price of C\$55.10 per share to raise gross proceeds of C\$60 million. The net proceeds of the offering will be used to repay outstanding indebtedness, to pursue potential acquisition opportunities and for working capital and general corporate purposes

### 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
Deere & Company	34,400	36,693	13.9x	15.4x	24.2x	27.7x	1.2 %	(0.4)%
AGCO Corp	5,094	7,054	11.9x	11.3x	27.2x	25.7x	1.9 %	(1.4)%
Ag Growth International Inc.	621	881	11.7x	10.0x	22.5x	16.5x	0.6 %	(4.4)%
Rocky Mountain Dealerships	164	415	15.5x	13.8x	12.0x	10.5x	3.0 %	(1.2)%
Cervus Equipment Corporation	182	354	8.5x	8.5x	15.1x	12.7x	(0.3)%	(8.0)%
<b>Mean</b>			<b>12.3x</b>	<b>11.8x</b>	<b>20.2x</b>	<b>18.6x</b>	<b>1.3 %</b>	<b>(3.1)%</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

- U.S. agriculture groups expressed significant concern about President Donald Trump’s decision on Jan. 23 to withdraw the U.S. from the Trans-Pacific Partnership (TPP). The TPP is a trade agreement negotiated over seven years by the Obama administration with the governments of 11 other Pacific nations which, with the U.S., account for about 40% of the global economy
  - The American Soybean Association (ASA) said more than half of soy produced in the U.S. is exported and the TPP held great promise for those potential exports and is disappointed with the withdrawal decision
  - The U.S. Wheat Associates (USW) and National Association of Wheat Growers (NAWG) issued a joint statement in which they noted that “until an alternative trade policy is established, export opportunities in the promising Pacific Rim markets that could help U.S. wheat farmers at a time when they need it most is very much at risk.”
- At the mid-point in the 2016-17 crop season, the International Grains Council (IGC) 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. The increase was primarily driven by the thriving export business of flour millers in Turkey as they look to ship flour to Middle Eastern nations torn by internal conflict
- The IGC also projected world wheat production to decline about 2% from the record outturn estimated for the current year. The IGC preliminarily projected the 2017-18 world wheat crop at 735 million tonnes, down 17 million tonnes from 752 million tonnes as its estimate for 2016-17. The IGC noted should its projection be realized, world wheat production would decline for the first time in five years. The projection was based on yields broadly in line with the long-term trend and the IGC’s lower projection for world harvested area for wheat, driven by a steep drop in U.S. winter wheat area
- According to the Alltech Global Feed Survey, global feed tonnage in 2016 exceeded 1 billion tonnes for the first time. It is a 3.7% increase over 2015 and represents 19% growth since Alltech’s inaugural survey in 2012, despite a 7% decrease in the number of feed mills, demonstrating the growing efficiency and consolidation of the feed industry
- On Jan. 24<sup>th</sup>, reports indicated Russia is planning to build a grain elevator in Syzran that would provide for grain transit along the Volga River to Iran. While further details were not disclosed, the new facility is expected to ease the logistic connection between Iran and Russia
- On Jan. 26<sup>th</sup>, Pulse Canada announced a major new initiative aimed at increasing demand for pulse crop through a campaign known as ‘25 by 2025’, which aims to create new demand for 25% of the industry’s productive capacity by 2025 by targeting categories such as snack foods, tortillas and breakfast cereals. The number of new North American food products containing pulses and pulse ingredients increased by 30 percent last year

### Commodities Futures as of January 27<sup>th</sup>, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.62	1.93 %	1.93 %
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.20	3.45 %	3.45 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.53	7.60 %	7.60 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$9.81	2.13 %	2.13 %
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$517.90	3.56 %	3.56 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.50	(1.70)%	(1.70)%



## Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus (US\$)	Premium to Current
<b>Fertilizers &amp; Crop Inputs</b>					
Potash Corporation of Saskatchewan Inc.	31-Dec-16	(70.8%)	<p>Q4 earnings of \$0.07 per share (\$59 million), bringing earnings for the year to \$0.40 per share (\$336 million). Results were down from the \$0.24 per share (\$201 million) and \$1.52 per share (\$1.3 billion) earned in the respective periods of 2015. The decline was driven by lower margins due to weaker prices across all nutrients.</p> <p>However, potash demand was strong in the fourth quarter as shipments to China and India increased following deferred contracts earlier in the year. Potash sales volumes of 2.2 million tonnes for the fourth quarter were 27% higher than in the same period last year, but average realized potash prices remained significantly lower than the period last year.</p>	US \$18.73	(0.1%)

### 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