



## Agriculture Industry Flash

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Monday, February 13<sup>th</sup>, 2017

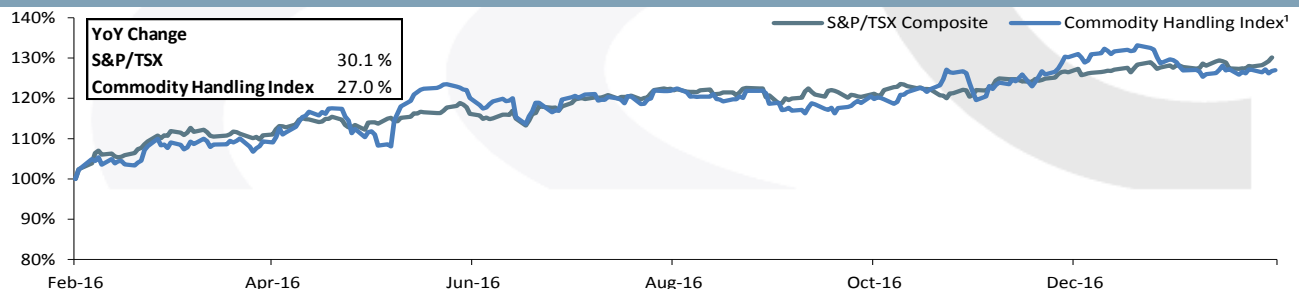


## COMMODITY HANDLING

### News Scan

- On Feb. 7<sup>th</sup>, **Bunge Limited** received approval from the European Commission to acquire two **Cargill** oilseed processing facilities located in Amsterdam, Netherlands for an undisclosed amount. The industrial operations and business activities of the plant will be integrated with Bunge's Europe, Middle East and Africa regional operations and global soy crush platform
- On Jan. 31<sup>st</sup>, **Validus Holdings, Ltd.** reached an agreement with **Archer Daniels Midland Co.** to acquire their Crop Risk Services (CRS) business for US\$127.5 million. The transaction includes a marketing services agreement under which the companies will work together to offer a full range of insurance and farmer marketing products and services to CRS customers
- On Jan. 31<sup>st</sup>, **Pacific Equity Partners (PEP)**, an Australian-based private equity firm, reached an agreement to acquire **GrainCorp Ltd.'s** 60% stake in **Allied Mills Australia Pty Ltd.** for A\$190 million. As part of the deal, PEP also purchased Cargill's stake in Allied Mills to acquire full control. The acquisition provides PEP the opportunity to combine complementary portfolio businesses operating in adjacent categories
- On Feb. 1<sup>st</sup>, **Nibulon Ltd.'s** announced its Kamianka-Dniprovs'ka transshipment terminal in the Ukraine was the first to receive one million tonnes of grain in the Zaporizhzhia region. The facility has received almost 572,000 tons of wheat, 182,000 tons of barley, 114,000 tons of corn, 104,000 tons of rapeseed, along with other products. The facility has also shipped almost 900,000 tonnes of grain since beginning operations 6 years ago. Nibulon also has further plans to expand in the region. In December 2016, the European Investment Bank allocated a loan of €71 million to finance the investment project. As part of the given project, Nibulon will construct up to 10 high-tech elevator complexes for 2 to 3 years
- On Feb. 9<sup>th</sup>, **The Associated British Port's Port of King's Lynn** completed its first import of soybean meal from **Glencore Agriculture UK**. The shipment brought in 3,300 tonnes of South American-crushed animal feed to the UK
- On Feb. 2<sup>nd</sup>, it was reported that **The Canadian Lamb Producers Co-operative**, a farmer co-operative that offers Canadian lamb producers premium prices for finished animals, had filed for bankruptcy protection. The company was unable to generate sufficient volumes to cover its fixed costs on an ongoing basis

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
ADM	25,904	32,096	8.8x	8.3x	15.3x	14.3x	(0.4)%	(8.5)%
Bunge Limited	9,560	15,003	6.7x	7.1x	11.0x	10.4x	(1.6)%	(7.4)%
Graincorp Limited	1,661	2,333	7.5x	7.4x	14.5x	14.1x	0.9%	(3.8)%
The Andersons, Inc	1,060	1,449	6.7x	5.9x	16.8x	13.3x	2.0%	(15.5)%
AGT Food and Ingredients	648	1,036	9.5x	8.7x	12.6x	11.9x	(2.3)%	(16.0)%
Ceres Global Ag	122	196	na	na	na	na	0.7%	(0.2)%
<b>Mean</b>			<b>7.8x</b>	<b>7.5x</b>	<b>14.0x</b>	<b>12.8x</b>	<b>(0.1)%</b>	<b>(8.5)%</b>

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

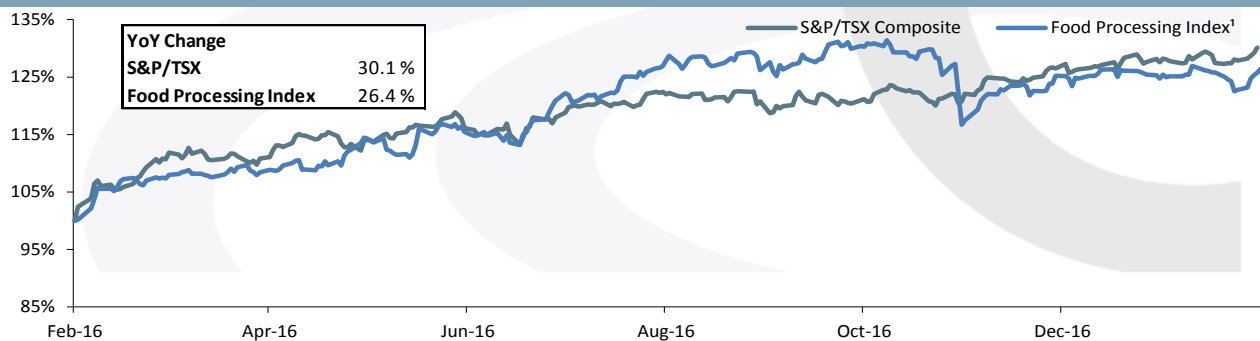


## FOOD PROCESSING

### News Scan

- On Feb. 10<sup>th</sup>, **Reckitt Benckiser** agreed to buy U.S. baby formula maker **Mead Johnson Nutrition** for US\$16.6 billion, or US\$90/share, giving the British consumer goods company a new product line and expanding its presence in developing markets
- On Feb. 8<sup>th</sup>, **Kellogg Co.** announced that it will exit its direct-store delivery network, transitioning that portion of its U.S. Snacks business to the warehouse model already used by Pringles and the rest of its North American business. Analysts estimate net annual savings of approximately US\$52 million to US\$60 million by 2018
- On Feb. 1<sup>st</sup>, **Restaurant Brands International** announced a joint venture with a group of investors in Mexico that will bring the **Tim Hortons** brand to Latin America for the first time. The new company will be the primary franchisee in the country
- On Jan. 31<sup>st</sup>, **J.M. Smucker** announced plans to build a plant in Longmont, Colorado for an estimated US\$340 million. The plant will add capacity to its Uncrustables sandwich line, which is currently achieving US\$200 million in annual sales
- On Feb. 9<sup>th</sup>, **Cal-Maine Foods, Inc.** reached a definitive agreement to acquire the assets of **Happy Hen Egg Farms, Inc** for an undisclosed amount. The transaction includes commercial egg production and processing facilities with capacity for approximately 350,000 laying hens and distribution facilities located near Harwood and Wharton, Texas
- On Feb. 6<sup>th</sup>, **SunOpta Inc.** appointed a new President & CEO, David J. Colo. He was previously at Diamond Foods where he held the executive vice-president and chief operating officer positions since 2013. Interim CEO Katrina Houde will continue a relationship with the company as a member of the board of directors
- On Feb. 2<sup>nd</sup>, **Maple Leaf Foods** reached a closure agreement with the workers at the 350-employee Thamesford turkey processing plant. The company is shutting down operations there and moving to a Sofina Foods plant in Mitchell

### 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
			2017E	2018E	2017E	2018E		
George Weston Limited	10,759	25,207	6.4x	6.3x	15.4x	13.4x	0.2%	(8.4)%
ConAgra Foods, Inc.	17,339	19,487	12.9x	12.5x	22.0x	20.0x	1.2%	(18.5)%
Ingredion Incorporated	8,745	10,429	9.4x	9.1x	15.9x	14.9x	3.1%	(13.7)%
Tate & Lyle plc	4,146	4,781	9.3x	9.0x	15.2x	14.4x	6.0%	(15.7)%
Maple Leaf Foods Inc.	3,092	2,847	10.0x	10.9x	22.1x	20.2x	1.4%	(3.5)%
SunOpta Inc.	733	1,286	10.8x	9.4x	19.4x	14.1x	10.9%	(2.6)%
Rogers Sugar	456	603	9.9x	9.8x	13.9x	13.7x	(2.1)%	(5.9)%
<b>Mean</b>			<b>9.8x</b>	<b>9.6x</b>	<b>17.7x</b>	<b>15.8x</b>	<b>3.0%</b>	<b>(9.8)%</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.

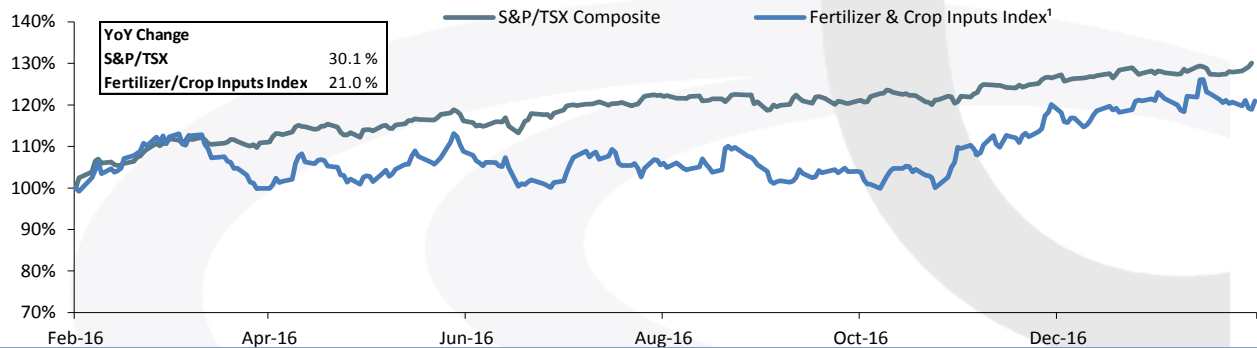


## FERTILIZERS & CROP INPUTS

### News Scan

- On Jan. 31<sup>st</sup>, **Richardson Pioneer Limited** agreed to acquire **Crop First Agro**, an independent retail crop inputs centre in Grenfell, SK. for an undisclosed amount, in an effort to expand its retail crop inputs network across Western Canada. The company is currently building three new crop inputs centres in other locations in Saskatchewan
- On Feb. 13<sup>th</sup>, **Cargill Limited** announced that it will close its crop input facility in Langbank, Saskatchewan. The U.S.-based Cargill, which is Canada's third-largest grain handler, said the aging facility no longer meets its modern requirements
- On Feb. 8<sup>th</sup>, **DuPont** and **Dow Chemical Co.** announced their mutual willingness to sell businesses to gain approval from the European Union's antitrust watchdog for their tie-up. The companies expect the merger to close in the first half of this year
- On Feb. 8<sup>th</sup>, **Arysta LifeScience** announced that it has entered into a global collaboration with **DuPont Crop Protection** for the development of new insecticides based on the market-leading product, DuPont Rynaxypyr. Arysta is focused on helping customers cultivate business growth through the development, marketing and distribution of innovative, high-quality chemical solutions for today's dynamic agrosience and health & nutrition science marketplace
- On Feb. 6<sup>th</sup>, **Nufarm** announced that the company was seeking acquisitions and was prepared to capitalize on asset sales resulting from the three global mega-mergers under way between ChemChina and Syngenta, Dow and Dupont, and Bayer and Monsanto. One potential purchase that has been identified is **Basta**, a global herbicide business

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
Agrium Inc.	14,597	20,705	10.9x	10.1x	19.8x	17.0x	2.6 %	(6.0)%
Potash Corp.	12,261	15,779	13.4x	11.9x	34.4x	26.5x	3.2 %	(6.2)%
CF Industries Holdings, Inc.	8,355	15,481	12.0x	10.8x	nmf	28.5x	0.4 %	(5.0)%
The Mosaic Company	11,509	14,735	10.9x	9.2x	33.3x	27.0x	3.2 %	(3.3)%
Yara International ASA	10,567	12,373	6.2x	5.5x	14.6x	11.6x	(7.8)%	(10.5)%
Nufarm Ltd.	1,829	2,518	7.7x	7.3x	15.1x	13.7x	1.4 %	(7.8)%
Input Capital Corp.	110	93	4.5x	na	27.2x	na	(2.1)%	(22.5)%
<b>Mean</b>			<b>9.4x</b>	<b>9.1x</b>	<b>24.1x</b>	<b>20.7x</b>	<b>0.1 %</b>	<b>(8.8)%</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

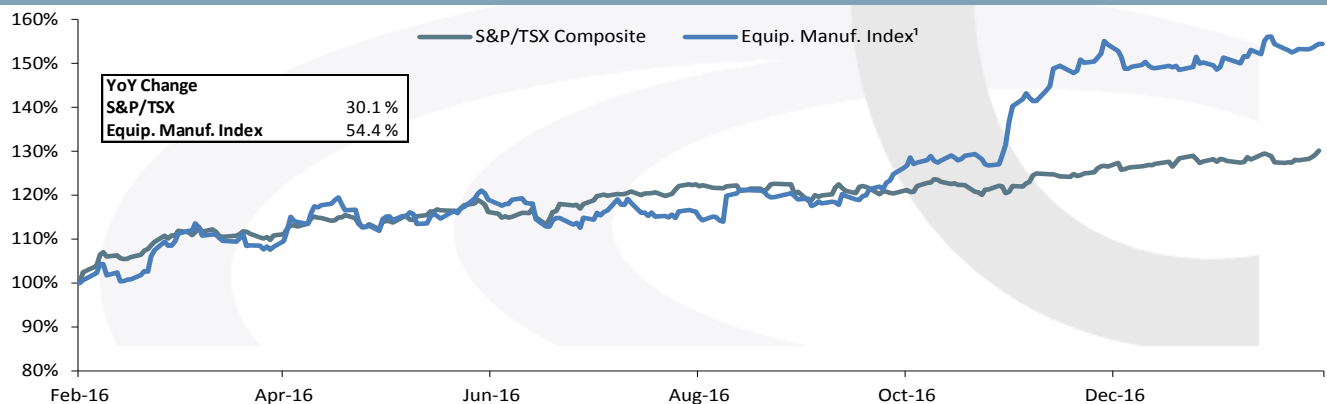


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Feb. 9<sup>th</sup>, **AGCO Corp.** announced its intention to launch a tender offer for the outstanding shares of **Kepler Weber S.A.** AGCO has reached a binding agreement with the two largest shareholders to acquire their blocks of shares totaling approximately 35% of the outstanding shares at an offer price of BRL 22.00 (US \$7.03) implying a US\$185 million valuation. This price per share represents a 25.7% premium to the closing price. AGCO is a worldwide manufacturer and distributor of agricultural equipment and Kepler Weber is the leading Brazilian manufacturer of grain storage and handling equipment
- On Feb. 9<sup>th</sup>, **CN Rail** announced plans to spend \$2.5 billion on infrastructure expansion projects in 2017. The planned work includes the replacement of 2.2 million rail ties and installation of more than 600 miles of new rail, plus work on bridges, branch line upgrades and other general track maintenance
- On Feb. 9<sup>th</sup>, **Titan Machinery** announced a dealership restructuring plan that will involve closing 14 agriculture stores. The company expects to achieve \$25 million in annual cost savings from the restructuring plan
- On Feb. 7<sup>th</sup>, **Lakeland Equipment** and **Z&M Ag and Turf**, Western New York's two John Deere dealers, today announced a new partnership with **Argonne Capital Group**. The two dealer groups will merge their assets into a new company called LandPro Equipment, LLC that is backed by Argonne and existing shareholders of Lakeland and Z&M
- According to investment platform AgFunder, investments in agriculture technology startups fell 30% in 2016 as investor interest in companies offering drones and satellite-guided farm machines cooled following the biggest capital inflow ever a year earlier

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
Deere & Company	35,117	37,452	14.2x	15.8x	24.7x	28.3x	2.1%	(0.1)%
AGCO Corp	5,196	6,741	10.5x	9.5x	25.9x	20.6x	2.5%	(0.1)%
Ag Growth International Inc.	665	925	10.5x	9.7x	16.5x	14.4x	1.2%	(5.1)%
Rocky Mountain Dealerships	158	409	13.6x	12.4x	10.1x	8.9x	(3.4)%	(5.3)%
Cervus Equipment Corporation	181	353	8.4x	7.6x	12.6x	10.0x	(3.1)%	(10.7)%
<b>Mean</b>			<b>11.5x</b>	<b>11.0x</b>	<b>17.9x</b>	<b>16.4x</b>	<b>(0.2)%</b>	<b>(4.3)%</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 Feb. 9<sup>th</sup> World Agricultural Supply and Demand Estimates report, the U.S. Department of Agriculture projected carryover of corn on Sept. 1, 2017, at 2.320 billion bushels, down 35 million bushels from its January forecast, but up 583 billion bushels, or 34%, from 1.737 billion bushels last year
- On Feb. 8<sup>th</sup>, legislators in both houses of Congress proposed the Craft Beverage Modernization and Tax Reform Act. If enacted, the bill would provide tax relief to all brewers and beer importers. The tax relief includes reducing the federal excise tax to \$3.50 per barrel on the first 60,000 barrels for domestic brewers producing fewer than 2 million barrels annually, reducing the federal excise tax to \$16 per barrel on the first 6 million barrels for all other brewers and all beer importers, and keeping the excise tax at the current \$18 per barrel rate for barrelage over 6 million
- According to Stericycle Expertsolutions' Recall Index, food and beverage recalls initiated by the Food and Drug Administration during the fourth quarter of 2016 rose 12% to 246, the highest mark since the first quarter of 2010
- On Feb. 6<sup>th</sup>, the National Grain and Feed Association (N.G.F.A.) and 86 other organizations and companies from the food and agriculture sector sent a letter to President Donald J. Trump expressing eagerness to work with the administration to expand access to markets in the Asia-Pacific region. The letter stated that reducing and eliminating tariffs and other restrictive agricultural policies in this region will help American agricultural workers, creating an opportunity to supply Asian markets with high-quality food and agricultural goods
- In its second report, Prime Minister Justin Trudeau's economic advisory panel outlined how agriculture's growth potential could be unleashed. The advisory council has repeatedly touted agriculture and, in particular agrifood, as economic engines routinely undervalued by Ottawa
- In a report published Jan. 26<sup>th</sup>, the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) stated that overall production of most grain in Canada is up in 2016-17 despite delays in harvest for some parts of the prairies due to rain, frost and snow, which negatively impacted quality. Total production of Canadian wheat, barley, corn and oats is expected to reach 56.8 million tonnes in 2016-17, up 7.6% from 52.8 million tonnes in 2015-16
- On Feb. 9<sup>th</sup>, India's plant quarantine directorate announced it will not extend an exemption to its methyl bromide fumigation policy. This policy shift calls for all shipments of agricultural commodities to be fumigated at export, putting the Canadian pulse export market at risk as it is too cold to properly fumigate pulses in Canada
- Jason Scott, chairman of the U.S. Wheat Associates, and Levi Wood, president of the Western Canadian Wheat Growers Association, have called on the Canadian government to take the steps needed to allow "a free flow of grain in both directions across the border to improve the efficiency of the grain handling systems in both countries and eliminate artificial price distortions that frustrate farmers"

### Commodities Futures as of February 10<sup>th</sup>, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:~C	\$ per bu.	\$3.74	1.66 %	5.31 %
Wheat (CBOT)	CBOT:~W	\$ per bu.	\$4.49	3.61 %	10.52 %
Oats (CBOT)	CBOT:~O	\$ per bu.	\$2.54	1.55 %	8.08 %
Rough Rice (CBOT)	CBOT:~RR	\$ per cwt.	\$9.57	0.37 %	(0.42)%
Barley (USDA)	USDA:~24	\$ per bu.	\$4.95	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	ICE:~RS	CAD per T	\$536.00	4.67 %	7.18 %
Ethanol (CBOT)	CBOT:~ET	\$ per gal.	\$1.60	5.96 %	4.64 %



## Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		Premium to Current
			Comments	Analyst Consensus	
<b>Commodity Handling</b>					
Archer-Daniels-Midland Company	31-Dec-16	nmf	The company's fourth-quarter adjusted earnings of 75 cents per share jumped 15.4% year over year. Total revenue of \$16.5 billion inched up 0.3% year over year thanks to improved sales at most segments, led by 3.5% growth in the Corn Processing segment	US\$44.08	1.2%
<b>Food Processing</b>					
Rogers Sugar Inc.	31-Dec-16	(36.4%)	Volume for the first quarter of fiscal 2017 was 168,376 metric tonnes compared to 156,926 metric tonnes in the comparable quarter of last year, an increase of approximately 11,400 metric tonnes. Adjusted gross margin amounted to \$29.1 million for the quarter, an increase of approximately \$3.3 million versus the first quarter last year due mostly to an increase in sales volume	C\$6.63	1.8%
Ingredion Incorporated	31-Dec-16	(11.5%)	The company reported \$1.67 earnings per share for the quarter, topping the \$1.42 EPS in the same quarter last year. Revenue was down .4% on a year over year basis. North America, Asia Pacific and EMEA had record high operating income, while South America was down due to macroeconomic and foreign exchange headwinds in the region. Ingredion updated its FY17 guidance to \$7.40-7.80 EPS	US\$131.38	10.6%
<b>Fertilizers &amp; Crop Inputs</b>					
Input Capital Corp.	31-Dec-16	(143.9%)	During the quarter, Input deployed \$12.6 million into seventeen streaming contracts, a 90% increase over the same period last year. Input generated adjusted sales from streaming contracts of \$11.724 million on the adjusted streaming volume of 24,958 MT an average price of \$470 per MT, slightly below the average Prairie cash canola price of \$472 during the quarter. Input's average price is expected to rise in Q2 as canola sales are realized at contracted higher prices. Adjusted streaming sales decreased by 25% compared to the comparable quarter one year ago	C\$2.70	45.9%
The Mosaic Company	31-Dec-16	nmf	Reported fourth quarter 2016 net earnings of \$12 million, down from \$155 million in the fourth quarter of 2015. Earnings per diluted share were \$0.03, which included a negative \$0.23 impact from notable items. Mosaic's net sales in the fourth quarter of 2016 were \$1.9 billion, down from \$2.2 billion last year, driven by lower phosphate and potash prices, partially offset by lower phosphate raw materials costs and effective cost management	C \$28.49	(10.5%)
Yara International ASA	31-Dec-16	(177.1%)	Delivered weaker fourth-quarter results compared with the same time last year. EBITDA excluding special items was 29% lower, as higher deliveries and lower energy costs were more than offset by lower fertilizer prices. Operational performance improved significantly, with fertilizer sales and production up 15% and 11% respectively	NOK\$317.65	(1.0%)
<b>Equipment Manufacturers</b>					
AGCO Corporation	31-Dec-16	5.5%	The company reported a year over year gain of 5% in its fourth-quarter 2016 adjusted earnings to 84 cents per share as well as \$2.09 billion in quarterly revenue, a 6.9% increase. Gross margin was 20.1%, which reflects a contraction of 20 basis points. AGCO Corp. has forecasted FY2017 revenue of \$7.4 billion	US\$58.39	(9.2%)

### 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

**Jim Osler**

Principal

T: 416-800-0784

**Rob Penteliuk**

Principal

T: 416-800-1780

**Sean McIntyre**

Principal

T: 416-800-1753

andrew.muirhead@originmerchant.com

jim.osler@originmerchant.com

rob.penteliuk@originmerchant.com

sean.mcintyre@originmerchant.com