



Agriculture Industry Flash

Monday, October 23rd, 2017

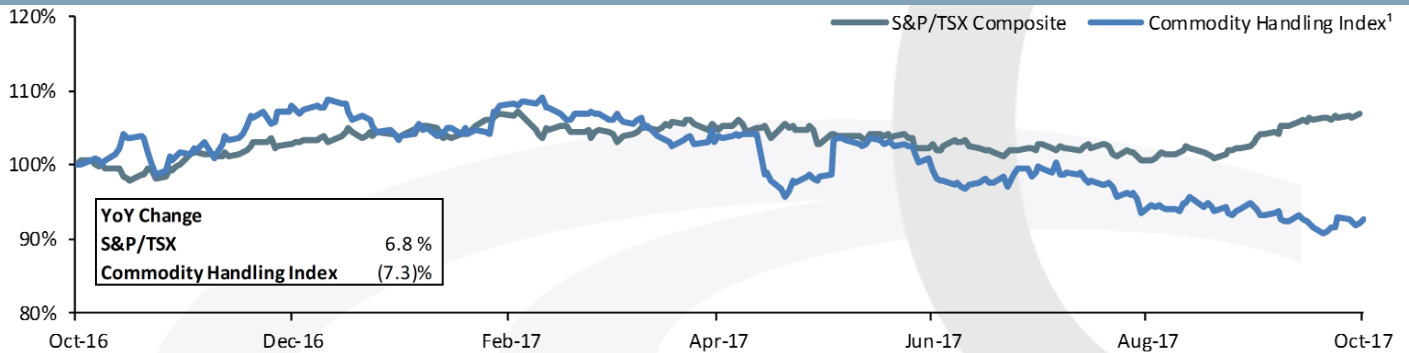


COMMODITY HANDLING

News Scan

- On Oct. 13th, **Bunge Limited** and **Glencore PLC** reached a standstill agreement that prevents the Swiss company from making a hostile bid for Bunge. The agreement is set to expire early next year. Bunge rebuffed a previous takeover attempt by Glencore in May 2017
- On Oct. 18th, Chinese commodity trader, **COFCO**, announced that it plans to delay the completion of a US\$20 million port in southern Brazil due to the reorganization of its **Nidera BV** and **Noble Agri Limited** agribusinesses. The hub, which is still under construction, is expected to move 850,000 tonnes of grain per year from trucks to barges bound for Rio Grande
- On Oct. 12th, **Archer Daniels Midland** opened its new feed premix plant in Zhangzhou China. The plant has an annual capacity of 30,000 metric tons of premixes and 80,000 metric tons of complete feed and concentrates. The plant is ADM's fourth in China, and improves the company's ability to serve the growing number of livestock customers in the region
 - On Oct. 11, **Archer Daniels Midland** and **Dow AgroSciences** announced a partnership that is set to provide Enlist E3 soybeans to farmers across North America. E3 soybeans are tolerant against multiple herbicides, helping farmers control the most economically damaging weeds that reduce yields. The partnership provides access to new technologies that are expected to boost productivity

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
ADM	24,465	31,156	9.9x	8.7x	16.7x	15.1x	(0.5)%	(9.2)%
Bunge Limited	10,006	15,558	10.9x	8.1x	17.9x	12.6x	0.6%	(15.0)%
Graincorp Limited	1,519	2,502	7.9x	8.8x	12.4x	15.2x	(2.4)%	(20.6)%
The Andersons, Inc	1,037	1,568	8.5x	7.0x	23.8x	15.2x	0.7%	(17.9)%
AGT Food and Ingredients	398	838	11.0x	8.2x	18.0x	9.9x	(1.7)%	(46.6)%
Ceres Global Ag	97	164	na	na	na	na	1.2%	(25.9)%
Mean			9.7x	8.2x	17.7x	13.6x	(0.4)%	(22.5)%

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

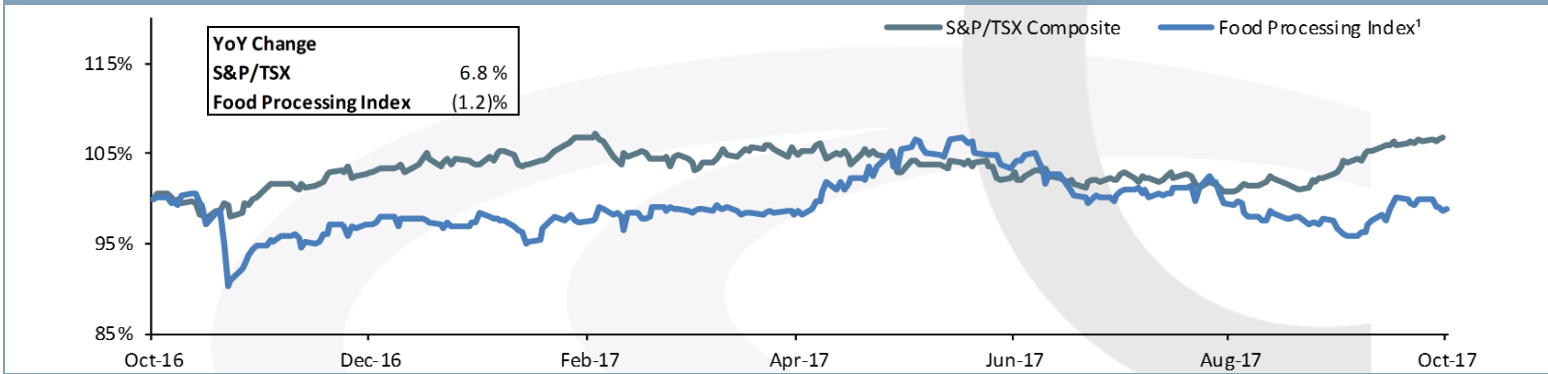


FOOD PROCESSING

News Scan

- On Oct. 17th, **Grupo Bimbo**, a Mexican bakery products processor, completed its acquisition of **East Bait Bakeries**, an Illinois-based producer and supplier of baked foods to quick service restaurants, for US\$650 million. The transaction allows Grupo Bimbo to enter eight new countries, expanding the company's global presence
- On Oct. 13th, **ThaiBev** announced that it acquired a combined 75% stake in two Myanmar distilleries, **Myanmar Supply Chain and Services Go** and **Myanmar Distillery Co**, for US\$742 million from Texas-based private equity group **TPG**. The deal provides ThaiBev with access to a larger distribution network in Myanmar as the company looks overseas for growth
- On Oct. 10th, **Cooke Inc.** announced that it acquired nutritional product company, **Omega Protein**, for US\$500 million. Omega operates seven manufacturing facilities that produce dietary supplements and animal feeds in the U.S., Canada, and Europe, along with 30 vessels in the Atlantic and Gulf of Mexico which harvest menhaden, a fish with high omega-3 content. The acquisition provides Cooke with an additional growth platform and further diversification in the supply side of the business
- On Oct. 16th, **Neovia S.A.S.** announced the acquisition of **Epicore BioNetworks Inc.**, an Alberta-based microbiology and animal nutrition provider for shrimp, dairy, and hog farmers, for C\$35 million. The acquisition expands Neovia's portfolio and strengthens the company's presence in South America and allows the company to bring Epicore's offering into broader international markets
- On Oct. 11th, **Kerry Group** announced that it acquired **Ganeden**, an Ohio-based technology company focused on probiotics, for an undisclosed amount. Ganeden holds more than 135 patents in the supplement, food, beverage, and nutrition markets. The acquisition enables Kerry to incorporate these technologies into wider applications across its global platform

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
George Weston Limited	11,161	25,803	7.0x	6.5x	15.9x	14.3x	(1.3)%	(12.5)%
ConAgra Foods, Inc.	14,095	17,258	10.5x	10.3x	19.1x	17.7x	(1.7)%	(30.6)%
Ingredion Incorporated	8,893	10,603	9.7x	9.2x	16.3x	15.0x	(0.2)%	(9.9)%
Tate & Lyle plc	3,864	4,492	8.0x	7.9x	13.3x	13.0x	(4.5)%	(25.6)%
Maple Leaf Foods Inc.	3,328	3,337	10.8x	10.0x	21.9x	19.5x	(1.9)%	(7.8)%
Premium Brands	2,465	2,657	16.3x	13.9x	30.8x	24.3x	1.1%	(0.3)%
SunOpta Inc.	813	1,381	17.9x	13.1x	n/m	43.7x	0.0%	(12.4)%
Rogers Sugar	526	678	9.4x	8.0x	12.8x	11.3x	0.2%	(9.7)%
Mean			11.5x	10.1x	19.6x	21.1x	(1.2)%	(14.2)%

1 "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, Premium, SunOpta, and Rogers Sugar.

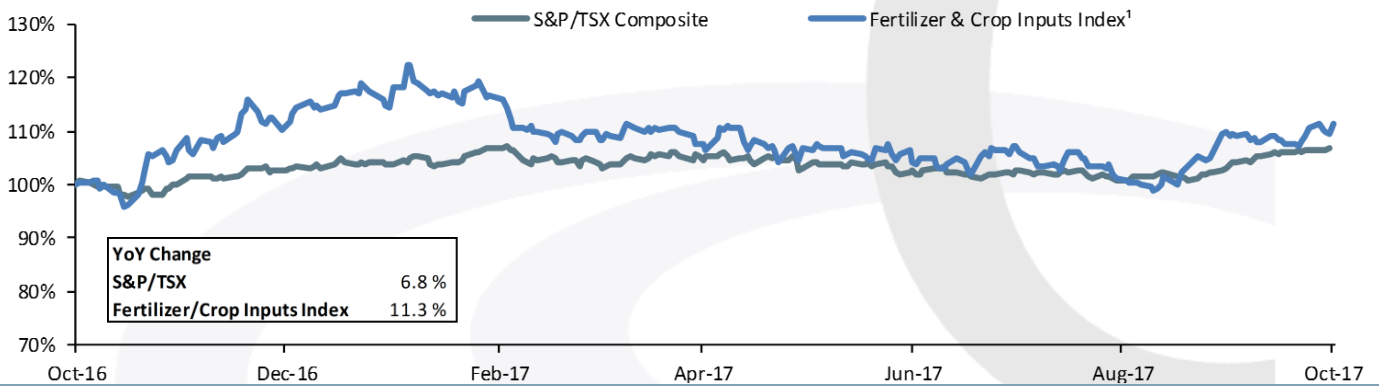


FERTILIZERS & CROP INPUTS

News Scan

- On Oct. 18th, **Potash Corp** and **Agrium Inc.** announced that India has approved their proposed merger of equals transaction. The companies have received unconditional clearance in Canada, Brazil, and Russia, while review processes continue in the U.S. and China. The transaction is expected to close by the end of 2017, creating the largest global provider of fertilizers and services
- On Oct. 13th, **BASF** agreed to acquire significant parts of **Bayer's** seed and herbicide businesses, for US\$7 billion. The acquisition complements BASF's crop protection business, strengthens the herbicide portfolio, and allows the company to enter the seed business in key agricultural markets. The transaction was completed at approximately 15.3x LTM EBITDA
- On Oct. 17th, **Tillerman Seeds**, a Michigan-based company created to acquire regional producers of crop inputs, announced that it acquired the assets of Michigan-based **DF Seeds**, for an undisclosed amount. The acquisition is Tillerman's first. The holding company plans to operate acquired businesses as standalone entities with shared back-office services and R&D
- On Oct. 12th, **COMPO EXPERT**, a German manufacturer of specialty fertilizers, announced that it entered into a strategic partnership with **Hubei Xinyangfeng Fertilizer**, a Chinese fertilizer manufacturer. Both parties will engage in the technology development, localized production, and joint marketing of environmentally friendly fertilizers in the growing Chinese cash and high value crop markets

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	2017E	2018E		
Agrium Inc.	14,884	20,269	11.1x	10.1x	22.0x	18.3x	0.8 % (7.6)%
Potash Corp.	12,851	16,385	13.6x	12.1x	32.2x	30.4x	0.7 % (8.7)%
CF Industries Holdings, Inc.	8,628	15,554	17.0x	12.5x	neg	nmf	0.5 % (1.1)%
Yara International ASA	12,784	15,124	9.0x	7.1x	23.4x	15.5x	0.7 % (1.0)%
The Mosaic Company	7,516	10,918	9.5x	7.4x	27.7x	19.7x	(1.7)% (37.7)%
Nufarm Ltd.	1,840	2,568	8.1x	7.5x	16.4x	13.8x	4.2 % (16.6)%
Input Capital Corp.	101	92	3.9x	3.0x	neg	nmf	(2.9)% (26.7)%
Mean			10.3x	8.5x	24.3x	19.5x	0.3 % (14.2)%

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

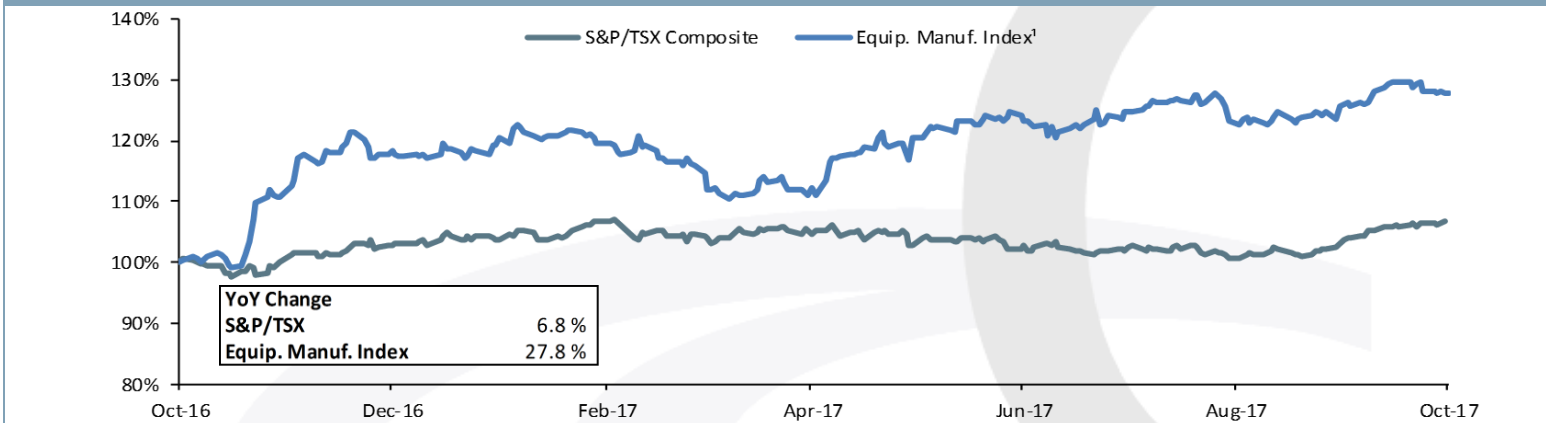


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Oct. 17th, **Canadian Pacific Railway** reported that it set an all-time grain record for grain loading in Canada and raised its outlook to 66 million metric tons for the crop year
- On Oct. 17th, **AgDNA**, a developer of precision agriculture solutions, announced partnerships with eight new multi-store dealerships across the midwest, midsouth, and east coast. The dealers who join the AgDNA network gain access to the company's farm management software platform which allows farmers to manage their operation more effectively than traditional software
- On Oct. 17th, **The Middleby Corporation** announced that it acquired **Globe Food Equipment Company**, a leading brand in slicers and mixers in the commercial foodservice industry, for an undisclosed amount. The acquisition complements Middleby's global product offering and helps the company expand its presence in the growing commercial sector

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	2017E	2018E	2017E	2018E		
Deere & Company	41,495	41,658	12.7x	11.9x	22.4x	21.0x	1.0 %	(2.5)%
AGCO Corp	5,633	7,428	10.6x	9.6x	23.2x	19.1x	(0.9)%	(6.3)%
Ag Growth International Inc.	717	925	8.8x	7.8x	18.6x	12.6x	(0.3)%	(14.8)%
Rocky Mountain Dealerships	175	198	6.5x	5.6x	10.9x	9.4x	3.6 %	(3.9)%
Cervus Equipment Corporation	182	328	8.1x	7.4x	12.2x	10.4x	(0.5)%	(12.2)%
Mean			9.4x	8.5x	17.5x	14.5x	0.6 %	(8.0)%

1 "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth International, Rocky Mountain Dealerships and Cervus.



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- The California wildfires are predicted to impact wine production in Northern California, threatening the region's US\$1 billion industry, as only 75% of the region's grapes have been picked. The fires in Napa and Sonoma counties have destroyed more than 1,500 homes and businesses including vineyards
- Canada and the South American trade bloc, Mercosur, will announce the opening of negotiations for a free-trade deal during the World Trade Organization's annual meeting in Argentina. Currently, trade between Canada, and the Mercosur members, Argentina, Brazil, Paraguay, and Uruguay is small, but there is potential to provide complementary exports in the agricultural sector
- Bakkovar, a UK-based ready meals firm, announced that it plans to list at least a quarter of its shares on the London Stock Exchange in a deal that could value the company at up to US\$2 billion. The funds will be used to reduce leverage and make more investments
- HelloFresh, a German meal kit delivery group, announced that it plans to float 20% of its shares, which can value the company at US\$1.8 billion. The company is expected to break even on an EBITDA basis in early 2019
- Scientists and researchers at Rutgers University have discovered an E-Coli bacterial gene that enhances the nutritional value of the commodity crop when inserted into the corn plant's genome. The discovery is expected to minimize costs in food and animal feed production by increasing the nutrient content in corn products. The new discovery will also help populations in South America and South Africa who depend on corn as a staple good by making vital nutrients accessible
- Production, consumption, and trade for all grain and feed products in Venezuela is expected to slow down due to continuous years of economic contraction, hyperinflation, and diminishing currency. The USDA estimates that output in the 2017-18 year will be insufficient to fulfill total demand for corn feed and food uses, increasing the country's reliance on imports
- The National Grain and Feed Association showed strong support for the proposed reorganization and realignment of the USDA. The restructuring directly affects the processing and export sectors of grain and feed. Changes include extracting the Federal Grain Inspection Service from the Grain Inspection, Packers, and Stockyards Administration, and realigning it within the USDA's Agricultural Marketing Service. These changes are expected to improve efficiency and reduce inspection costs across the industry
- Based on figures from the USDA, the U.S. exported 114 million tonnes of feed grains in all forms (GIAF) from September 2016 to August 2017, a 12% increase from the prior year. Growth was driven by continued purchases from long-standing trading partners including Mexico, Japan, South Korea, and Taiwan, along with increased exports to Saudi Arabia, Colombia, and Peru
- The Canadian Pulse industry is still waiting for an update from India regarding the expiration of pulse fumigation exemptions. Without the exemption, exporters have to pay a \$15 per tonne inspection fee. Canada has been exempt since 2004 and the Indian government has regularly renewed the exemptions which are typically renewed semi-annually. Canada received a three-month extension in July, which expired on September 30th. Large pulse exporters continue to export to India while paying the inspection fee
- The Canadian Government has announced that it will continue to support the supply management system for dairy despite U.S. demands to end the system in NAFTA talks. Most recent demands from the U.S. include increasing U.S. Dairy market access by 5% per year

Commodities Futures as of October 20th, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.45	(8.50)%	(3.06)%
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.26	(7.64)%	4.86 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.70	(4.17)%	14.67 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$12.39	0.12 %	28.94 %
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.70	0.00 %	(5.05)%
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$510.50	2.43 %	2.08 %
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.39	(9.94)%	(9.41)%



Recent Earnings News

Company	Last Quarter			
	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
Louis Dreyfus Company	n/a	Income before tax increased 36.4% YoY driven primarily by increased volumes and slight improvements in the market price environment. Profitability was strong across both the Value Chain and Merchandizing segments, with strong results reported in the rice and fertilizers & inputs segments. Net Income increased by 18.5% YoY from US\$135 million to US\$160 million	n/a	n/a
Fertilizers & Crop Inputs				
Yara International ASA	(13.6%)	Revenue was down 0.4% YoY despite setting production records as higher energy costs and a weaker US dollar offset the impact of higher deliveries. EBITDA was down 8% YoY due to weaker margins in the commodity fertilizer segments. Several one-off cash improvements were realized due to working capital releases. EPS was down 13.6% YoY	NOK 366.63	2.1%

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