



Agriculture Industry Flash

Monday, March 12th, 2018

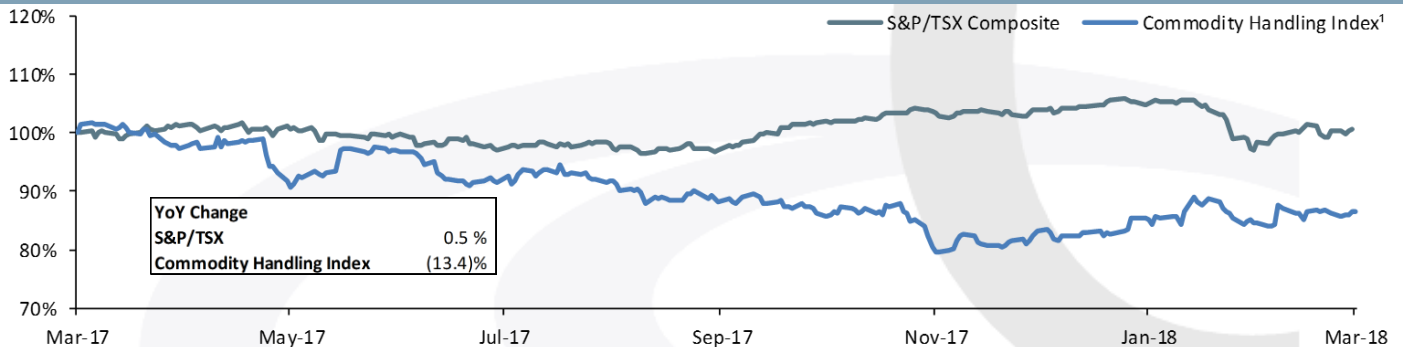


COMMODITY HANDLING

News Scan

- On Mar. 1st, **Archer Daniels Midland Co.** announced it acquired a 50% stake of two corn wet mills owned by **Aston Foods and Food Ingredients**, a Russian producer and exporter of agricultural goods and vegetable oils, for an undisclosed amount. The mills in Ibred and Novlyanka are located near major customers in the Russian food and beverage industry. The purchase is expected to help ADM expand its sweetener and starches operations as a global oversupply of food commodities puts pressure on industry earnings
- On Mar. 5th, reports indicated **Continental Grain Co.** plans to push **Bunge Ltd.** to consider a potential sale, after **Archer Daniels Midland Co.** approached Bunge regarding a potential takeover. Continental Grain, which continues to invest in the agricultural sector, has reportedly increased its stake in Bunge to more than 1 percent
- On Mar. 6th, **COFCO International Ltd.** announced a new structure of its grains and oilseeds business, which will begin to operate under two separate divisions. The company also unveiled the creation of a new Global Asset Management organization, which will be based in Sao Paulo, Brazil
- On Mar. 7th, **The Andersons, Inc.** and **ICM, Inc.** announced they have partnered to form **Element LLC**, a joint venture that will build and operate an ethanol production facility featuring ICM's equipment and process technologies. Element is expected to build a 70-million-gallon-per-year bio-refinery located in Kansas, adjacent to ICM's headquarters. The Andersons stated the new bio-refinery will be designed to be the most efficient dry mill ethanol plant in the US

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
ADM	24,198	31,274	9.6x	9.6x	15.3x	14.2x	1.4 %	(8.7)%
Bunge Limited	10,547	14,781	8.8x	7.8x	18.6x	14.9x	(3.9)%	(10.5)%
Graincorp Limited	1,474	2,038	9.4x	7.6x	28.4x	17.9x	4.7 %	(21.4)%
The Andersons, Inc	1,031	1,524	7.8x	6.9x	18.5x	14.6x	2.1 %	(10.3)%
AGT Food and Ingredients	307	760	11.2x	8.6x	17.7x	9.9x	(0.4)%	(52.3)%
Ceres Global Ag	107	141	na	na	na	na	1.9 %	(16.7)%
Mean			9.4x	8.1x	19.7x	14.3x	1.0 %	(20.0)%

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

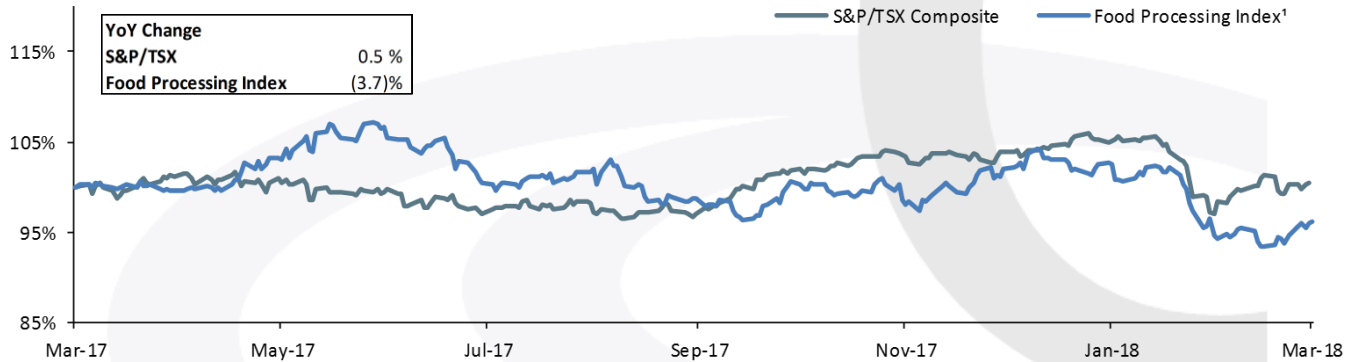


FOOD PROCESSING

News Scan

- On Mar. 6th, **J.M. Smucker Co** announced it will no longer pursue the previously planned acquisition of **Wesson Oil** from **Conagra Brands Inc.** The decision to abandon the acquisition came after the U.S. Federal Trade Commission moved to block the deal, arguing it would likely lessen competition and violate anti-trust law. Conagra said in a statement that it will continue to evaluate the role of Wesson Oil within its brand portfolio
 - On Mar. 7th, reports indicated **J.M. Smucker Co** is considering a sale of its baking brands, including Pillsbury, Robin Hood and Martha White. The brands may sell for as much as US\$700 million, although a final decision to pursue a sale has not been made by Smuckers
- On Mar. 8th, **General Mills, Inc.** announced it signed a strategic sourcing agreement with **Gunsmoke Farms LLC**, paving the way for the companies to convert 34,000 acres of conventional farmland to certified organic acreage by 2020. As part of the agreement, Gunsmoke Farms' will grow certified organic wheat and other organic rotational crops on its farm near Pierre, South Dakota. General Mills will use wheat grown on the farm to make **Annie's** pasta products
- On Mar. 9th, **Ardent Mills** announced the launch of **The Annex**, a new business unit dedicated to exploring and providing food companies and food service operators with speciality ingredients and products. The Annex offers a broad portfolio of heirloom wheats and ancient grains which will be available to customers in a variety of forms

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
George Weston Limited	10,539	24,199	6.6x	6.4x	14.7x	13.3x	1.5 %	(15.9)%
ConAgra Foods, Inc.	15,249	18,854	12.4x	12.1x	17.8x	17.0x	0.7 %	(8.7)%
Ingredion Incorporated	9,625	11,097	9.7x	9.3x	16.1x	15.0x	1.6 %	(8.9)%
Tate & Lyle plc	3,622	4,175	6.9x	6.8x	11.7x	11.5x	1.6 %	(29.3)%
Maple Leaf Foods Inc.	3,199	3,130	9.7x	9.0x	19.5x	17.3x	(1.2)%	(13.1)%
Premium Brands	2,513	2,760	14.1x	12.6x	24.0x	20.0x	(1.0)%	(5.6)%
SunOpta Inc.	642	1,203	13.5x	11.3x	nmf	44.5x	4.4 %	(29.6)%
Rogers Sugar	515	776	9.1x	8.9x	11.3x	11.0x	1.6 %	(10.1)%
Mean			10.4x	9.6x	17.3x	19.8x	1.1 %	(15.9)%

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.

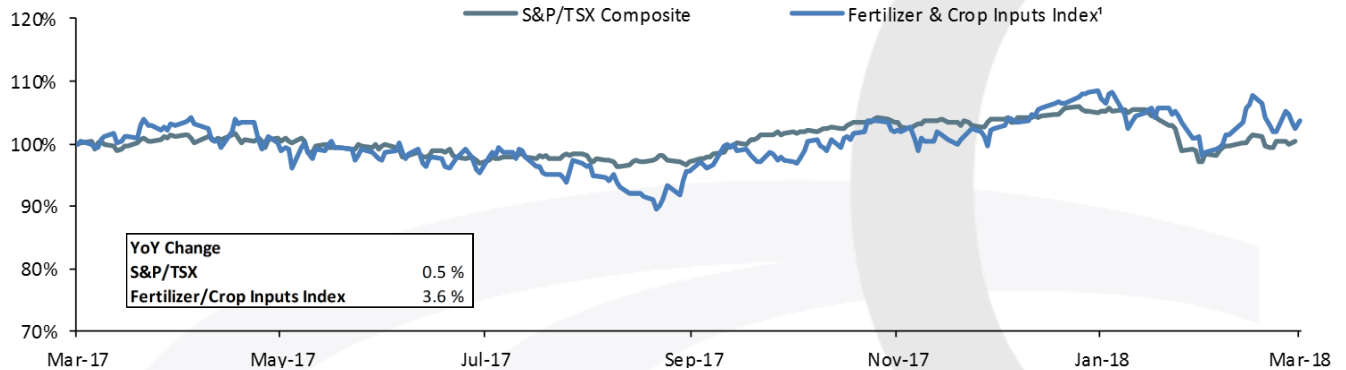


FERTILIZERS & CROP INPUTS

News Scan

- On Mar. 7th, **Bayer** announced it entered exclusive talks with **BASF** regarding the sale of its **Nunhems** vegetable seeds unit in order to address antitrust regulators' concerns over its planned merger with Monsanto. Any deal relating to Nunhems is subject to a successful closing of Bayer's proposed US\$62.5 billion acquisition of Monsanto, which the company hopes to wrap up in the second quarter of 2018
- On Mar. 8th, **Monsanto Co.** announced it received approval from Brazil for its genetically modified soy seed Inacta2 Xtend, a key regulatory milestone in its second most important market. The new seed variety is engineered to resist weed killers dicamba and glyphosate, and can also protect the crop against certain species of Spodoptera caterpillars
- On Mar. 12th, **CF Industries** announced it will invest £40 million in its Teesside, UK manufacturing complex. The bulk of the money will be spent on two key projects to improve the infrastructure and production capabilities of the site, with development of other facilities and equipment also planned

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
Nutrien Ltd.	26,168	33,510	11.6x	10.2x	17.8x	13.9x	4.8 %	(4.7)%
CF Industries Holdings, Inc.	9,682	16,672	11.5x	10.0x	41.1x	23.9x	(0.9)%	(6.1)%
Yara International ASA	12,012	14,800	6.8x	5.7x	15.4x	11.3x	4.5 %	(14.0)%
The Mosaic Company	10,883	14,050	7.9x	7.1x	21.9x	17.3x	5.6 %	(11.4)%
Nufarm Ltd.	2,112	2,841	7.5x	6.7x	13.3x	12.8x	3.9 %	(18.2)%
Input Capital Corp.	91	70	na	na	na	na	(2.0)%	(35.1)%
Mean			9.1x	7.9x	21.9x	15.8x	2.3 %	(12.8)%

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

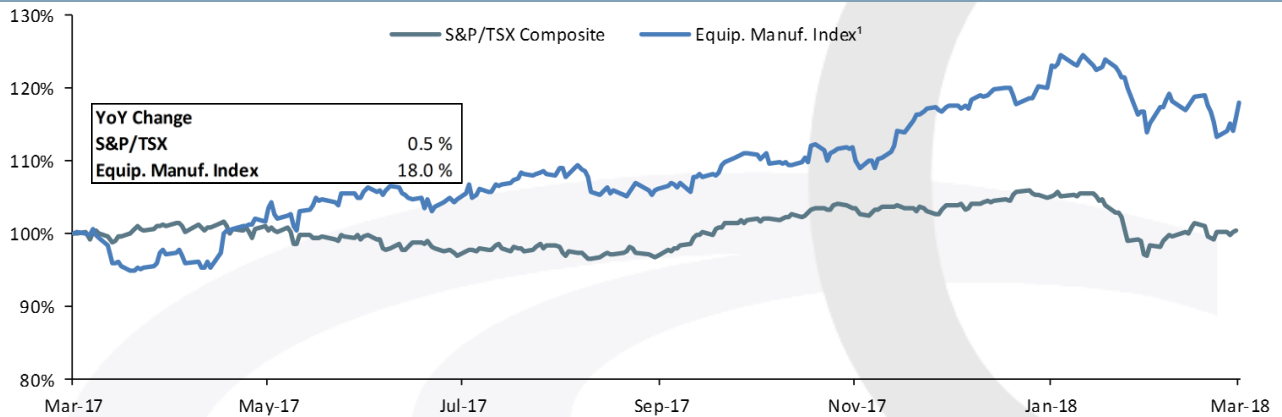


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Mar. 2nd, **Deere & Co.** announced it will acquire **King Agro**, a manufacturer of carbon fiber technology products, including sprayer booms, with headquarters in Valencia, Spain, and a production facility in Campana, Argentina, for an undisclosed amount. The transaction is expected to provide Deere with benefits from sharing best practices in product development and manufacturing, while also scaling King Agro's operations
- On Mar. 5th, **CN Rail** announced that CEO Luc Jobin will be leaving the company, effective immediately. Veteran marketing chief Jean-Jaques Ruest will act as interim CEO until a permanent CEO can be named
 - On Mar. 7th, **CN Rail** Interim CEO Jean-Jacques Ruest announced the company will work to immediately improve the movement of Western Canadian grain, and that CN is dedicating additional people and equipment to clear backlogs across the CN grain network

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
Deere & Company	54,285	59,343	18.7x	17.5x	29.2x	27.3x	9.5 %	(4.2)%
AGCO Corp	5,415	7,003	8.5x	7.8x	18.4x	15.0x	5.7 %	(10.4)%
Ag Growth International Inc.	713	1,119	10.1x	9.1x	18.7x	15.3x	0.1 %	(10.9)%
Rocky Mountain Dealerships	191	417	11.7x	10.3x	9.2x	7.9x	2.4 %	(14.0)%
Cervus Equipment Corporation	175	332	7.9x	7.5x	9.7x	8.8x	(0.8)%	(9.9)%
Mean			11.4x	10.4x	17.0x	14.9x	3.4 %	(9.9)%

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

- On Mar. 7th, reports indicated the US Wheat Associates, the National Association of Wheat Growers and 33 state wheat organizations expressed hope in a letter to US Trade Representative Robert Lighthizer that the Trump administration will prioritize accession to the Trans-Pacific Partnership, as the organizations fear the loss of the valuable Japanese market for US wheat farmers
- On Mar. 7th, reports indicated ICE Futures Canada Canola contracts appeared to have run into some resistance, after trending higher throughout the month of February. After May Canola contracts hit a three-month high of C\$531 per tonne on Mar. 5th following posted gains for 11 straight sessions, the contract settled at C\$522.20 on Mar. 7th. Analysts believe the C\$530 to C\$531 per tonne level provided stiff resistance and brought in some selling pressure
- On Mar. 8th, reports indicated Australia's 2018/19 wheat crop production is expected to rise 11.8% from the previous season, as La Nina weather conditions boost yields across the country. Australian canola production during the 2018/19 season is expected to total 4 million tonnes, up from 3.7 million tonnes produced last year
- On Mar. 9th, reports by COCERAL indicated the E.U.'s total grain crop production is expected to reach 302.5 million tonnes in 2018, a slight increase from the production of 299.9 million tonnes last year. COCERAL noted that weather over the coming months will be crucial for crop development and final yields and deviations from these first forecasts could occur
- On Mar. 6th, reports indicated grain and oilseed crops in Argentina are enduring the driest year since 2009. Precipitation in the first 3 weeks of February was well below average, with very few areas in the region reporting more than half of the normal rainfall. Parts of the region that did receive greater rainfall rarely had enough to counter evaporation
- On Mar. 9th, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership was signed by countries including Japan, Canada, Mexico, Singapore, Brunei, New Zealand, Chile, Australia, Peru, Vietnam and Malaysia. The pact will lower both non-tariff and tariff barriers to trade and establish an investor-state dispute settlement mechanism
- On Mar. 11th, reports indicated soaring land values in Ontario are leading to steep hikes in farmers' property assessments, with some pressing local municipalities for tax relief. In Ontario, farmland assessments increased by an average of 65% in 2016 from 2012 according to the Ontario Federation of Agriculture. Some municipalities have agreed to lower the farm-tax ratio, including Lennox, Addington, Durham and Hamilton

Commodities Futures as of March 9th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.91	7.95 %	10.54 %
Wheat (CBOT)	\$ per bu.	\$4.89	8.48 %	12.86 %
Oats (CBOT)	\$ per bu.	\$2.63	(1.78)%	8.25 %
Rough Rice (CBOT)	\$ per cwt.	\$12.33	(0.60)%	4.71 %
Rapeseed (Canola) (ICE)	CAD per T	\$514.90	4.17 %	4.91 %
Ethanol (CBOT)	\$ per gal.	\$1.51	5.30 %	10.62 %



Recent Earnings News

Company	Last Quarter		
	EPS YoY Change	Comments	Analyst Consensus Premium to Current
Food Processing			
George Weston Limited	nmf	Net earnings for the quarter fell by C\$54 million to C\$28 million. Improvements in underlying operating performance of C\$24 million (\$0.19 per common share) were more than offset by the unfavourable Y/Y net impact of adjusting items totaling \$78 million, stemming from restructuring and other charges. Adjusted net earnings in the quarter were C\$228 million compared to C\$204 in the same quarter last year	US \$120.75 14.3%
Maple Leaf Foods Inc.	nmf	Revenue for the year grew 5.7% to C\$3.52 billion, while net earnings fell 9.7% to C\$164.1 million. Higher sales across the portfolio benefited from improved volumes and pricing, as well as the addition of Lightlife. Earnings performance in the value-added fresh portfolio was partially offset by margin compression in prepared meats related to the volatility in raw material costs for the majority of the year	US \$38.71 20.2%
SunOpta Inc.	nmf	Revenues for the year fell 5% to US\$1,279.6 million, while adjusted revenue fell 3.3%. The company operated at a loss from continuing operations of US\$135.3 million or \$1.66 per common share, which included the non-cash goodwill impairment charge of \$115.0 million related to the healthy fruit platform, compared to a loss from continuing operations of \$50.6 million or \$0.61 per common share during the same period in 2016	C \$10.67 44.1%

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