



Agriculture Industry Flash

Monday, May 7th, 2018

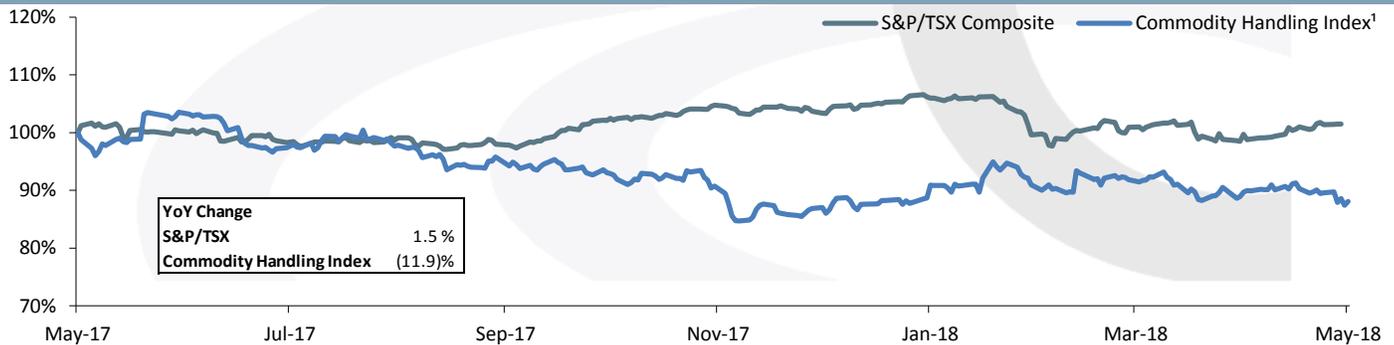


COMMODITY HANDLING

News Scan

- On May 1st, **Ceres Global Ag** and **Consolidated Grain and Barge Co.** announced that they have agreed to jointly own and operate a new company called **Savage Riverport, LLC**, which was previously owned and operated by **Riverland Ag**, a subsidiary of Ceres. The Savage Terminal facility has a capacity of 9.2 million bushels of grain storage
- On April 24th, **P.E.I Grain Elevator Corporation** announced its plans to expand its Kensington facility. Currently, the facility holds 14,000 tonnes of grains and soybeans, and following the expansion, the facility is expected to store an additional 10,000 tonnes. Increased storage capacity will provide sufficient products to enable the company to transition from trucking to shipping goods
- On April 26th, **AgroGeneration** announced it plans to invest €10 million to expand its grain storage in the Ukraine by about 50%. The expansion will increase storage to better ride out market volatility and improve profitability
- On April 25th, **La Coop fédérée** bought **Standard Nutrition Canada**, for an undisclosed amount. As part of the acquisition, La Coop will integrate both companies' activities in the western provinces. Establishments included in the sale were various feed processing and grain-handling facilities, retail stores, and warehouses located in Manitoba, Alberta, and Saskatchewan. The U.S.-based assets for Standard Nutrition were not included in the sale
- On April 24th, **Superior AG** acquired a former **Cargill** grain elevator that was shut down in December 2017. The facility is located in Princeton, Indiana and has a grain storage capacity of 2.2 million bushels, which will increase Superior AG's total grain storage capacity to 6.6 million bushels. The financial details of the deal were not disclosed
- On April 20th, **Alberta Sugar Beet Growers** announced that it had signed a two-year contract extension with its processor **Lantic Sugar Inc.** The extension allows for a minimum of 21,000 acres of sugar beets to be planted throughout 2019 and 2020. Lantic is the only sugar beet processor in Taber, Alberta and its sugar factory produces more than 100,000 tonnes of sugar a year

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
ADM	24,512	31,596	8.4x	8.0x	15.1x	14.0x	(3.3)%	(5.2)%
Bunge Limited	9,932	14,139	7.0x	6.9x	16.1x	13.6x	(2.4)%	(15.8)%
Graincorp Limited	1,438	1,978	9.6x	7.8x	28.9x	18.2x	(7.8)%	(22.3)%
The Andersons, Inc	935	1,425	7.2x	6.4x	17.0x	13.4x	1.4%	(13.4)%
AGT Food and Ingredients	319	806	13.8x	9.8x	32.3x	11.4x	3.4%	(47.8)%
Ceres Global Ag	93	127	na	na	na	na	0.7%	(23.3)%
Mean			9.2x	7.8x	21.9x	14.1x	(1.3)%	(21.3)%

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

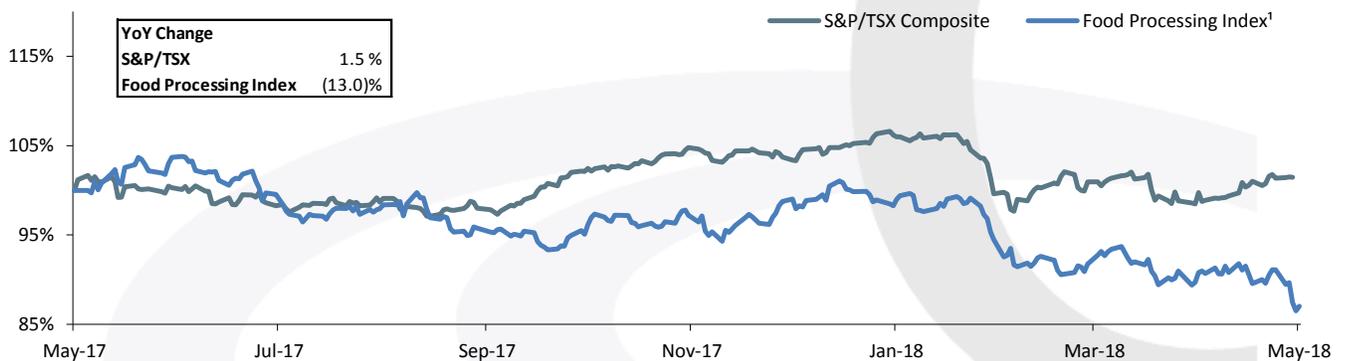


FOOD PROCESSING

News Scan

- On May 7th, **International Flavors & Fragrances Inc.** agreed to buy Israeli flavours and ingredients market, **Frutarom Industries Ltd.** for US\$7.1 billion in cash and stocks, in which Frutarom's shareholders will receive US\$71.19 in cash and 0.249 per share of IFF common stock for US\$106.25 per share. The companies stated that they are expected to realize US\$145 million of cost synergies in three years
- On May 2nd, **Premium Brands Holdings** announced the closing of the issue and sale of 1,472,000 subscription receipts at a price of C\$117.35 per receipt, for gross proceeds of -C\$172.7 million, to be used to finance the previously announced acquisition of the meat snack business of **Oberto**
- On April 27th, **Grupo Bimbo** announced an agreement to acquire **Mankattan Group**, a key player in the baking industry in China, for an undisclosed sum. The acquisition aims to optimize Bimbo's supply chain in Northern China, while expanding its global footprint in high-growth segments and markets
- On April 30th, reports indicate that **Hormel Foods Corporation** is interested in buying **Jiahao Foods**, a Chinese maker of wasabi, soy sauce, and other Asian condiments for a deal that could reach US\$600 million. The Zhongsham-based firm also attracted interest from two Chinese private equity firms, **Hony Capital** and **Citic Capital**

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	10,372	23,978	6.4x	6.3x	14.5x	13.6x	(1.5)%	(17.0)%
ConAgra Foods, Inc.	14,529	18,298	12.0x	11.6x	16.4x	15.4x	(0.4)%	(10.0)%
Ingredion Incorporated	8,183	9,604	8.7x	8.2x	13.7x	12.7x	(9.2)%	(22.6)%
Tate & Lyle plc	3,695	4,237	7.2x	7.1x	12.3x	12.2x	1.3%	(25.9)%
Premium Brands	2,910	3,532	16.3x	13.8x	27.8x	23.0x	(0.0)%	(2.0)%
Maple Leaf Foods Inc.	2,881	2,798	9.2x	8.4x	17.8x	15.8x	(6.9)%	(20.8)%
SunOpta Inc.	594	1,154	13.0x	10.9x	nmf	41.2x	(1.4)%	(34.5)%
Rogers Sugar	446	706	8.8x	8.6x	9.9x	9.7x	(10.7)%	(21.9)%
Mean			10.4x	9.5x	17.1x	19.1x	(2.6)%	(19.0)%

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.

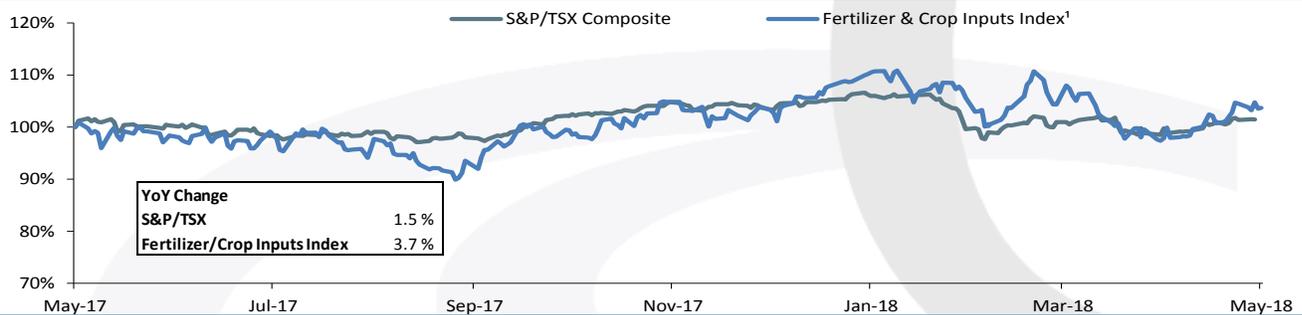


FERTILIZERS & CROP INPUTS

News Scan

- On April 30th, the **European Commission** cleared the acquisition of **Bayer's Crop Science Business** to **BASF** for US\$7.2 billion. The transaction was part of the conditional clearance, which was granted on March 21st 2018, for Bayer's acquisition of **Monsanto**. The divestment package included Bayer's entire vegetable seeds business, entire acre seeds and traits business, as well as a number of Bayer's non-selective herbicide assets and nematicidal seed treatment assets and products
 - On May 2nd, the **Russian Federal Antimonopoly Service** approved the US\$62 billion merger of **Monsanto** by **Bayer**. The trade has already received approvals from the China and European Commissions, as well as reports indicating that the US regulatory commissions will approve the deal by the end of May. This leaves the Competition Committee of India as the only major regulatory approval needed for the deal to close
- On April 25th, **Panhandle Milling L.L.C** acquired **Viobin L.L.C** for an undisclosed amount. Viobin is a producer of defatted wheat germs and specialty oils. Viobin was established in 1936 and makes wheat germ oil that is used in nutrition bars, hair products and cosmetics
- On April 27th, **Nutrien** announced that it had to temporarily lay off up to 1,300 workers at two potash mines in Saskatchewan due to rail transportation backlogs, the possibility of the CP railway strike and growing inventory

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.	23,186	30,474	10.8x	9.4x	16.3x	12.6x	0.7 %	(14.6)%
CF Industries Holdings, Inc.	8,987	15,974	11.6x	9.7x	39.2x	23.4x	(2.6)%	(14.4)%
Yara International ASA	11,491	14,650	8.0x	6.2x	2.0x	1.5x	1.2 %	(14.4)%
The Mosaic Company	10,572	13,737	7.5x	6.8x	19.3x	15.9x	1.0 %	(6.1)%
Nufarm Ltd.	2,244	2,847	7.6x	6.6x	15.6x	14.4x	(3.5)%	(15.0)%
Input Capital Corp.	88	67	na	na	na	na	(2.9)%	(40.0)%
Mean			9.1x	7.7x	18.5x	13.6x	(0.9)%	(14.9)%

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

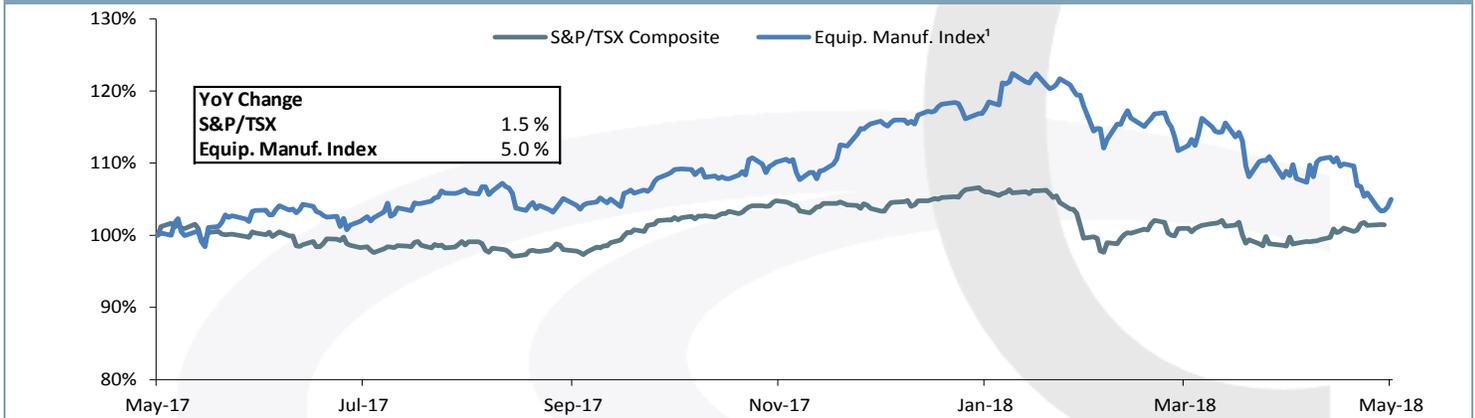


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On May 2nd, **Canadian National Railway** announced that it has met all grain orders in Western Canada for the third consecutive week, and it is now seeking additional export orders from grain companies. Additionally, as part of CN's \$3.4 billion capital program in 2018, the railroad is investing in new-enabling infrastructure and equipment
- On May 2nd, **Canadian Pacific Railway** announced its electronic vote for workers will be held through May 14th-23rd. The vote will determine whether workers accept the CP's final contract offer. It has been reported that **International Brotherhood of Electrical Workers** and the **Teamsters Canada Rail Conference** are encouraging their members (~6,600 workers combined) to reject the final contract offer
- On April 25th, **Deere & Company** announced plans to construct a new 33,000 sq. ft. facility at the Iowa State University Research Park as a design and test lab for agricultural spraying and applications technologies. This expansion follows the company's recently broadened leadership in crop care technologies and acquisitions in several companies that offer innovative spraying technologies for global agriculture customers. The facility is expected to be completed by summer 2019

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	44,456	49,139	15.1x	14.2x	23.9x	22.3x	(0.2)%	(21.7)%
AGCO Corp	4,787	6,345	7.5x	6.7x	16.2x	13.2x	(5.1)%	(20.8)%
Ag Growth International Inc.	675	1,099	9.9x	9.0x	17.2x	14.4x	0.2 %	(13.3)%
Rocky Mountain Dealerships	188	439	12.2x	11.1x	9.2x	8.2x	(2.1)%	(15.1)%
Cervus Equipment Corporation	170	306	6.8x	6.2x	10.1x	8.8x	1.5 %	(11.9)%
Mean			10.3x	9.5x	15.3x	13.4x	(1.1)%	(16.6)%

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 May 4th, the **United States Department of Agriculture (USDA)** reported that it forecast a record wheat harvest for Argentina, a historic high of 20 million tons of wheat as well as a record setting 14.2 million tons of exported wheat
- On May 2nd, it was reported that **Germany** plans to toughen the conditions for insecticide use and has planned to increase the amount of farmland that must comply with the stricter rules. They also plan to extend the conditions for fertilizer use by creating subsidies that are dependent on using insect-friendly chemicals. Germany is also following suit with the rest of the **European Union** and banning neonicotinoids, which are types of insecticides that have been shown to cause harm to honey bees
- On May 1st, **Export Development Canada** announced that they had given a C\$1 million direct loan to **Vive Crop Protection**. Vive is a Canadian agricultural company that minimizes environmental impact, while maximizing yield and improving crop quality by using clean technology. Vive was able to win a large contract from a U.S. distributor and is using the loan to be able to complete the order
- On May 1st, **Fertilizer Canada** and the **Government of Saskatchewan** signed a three-year contract extension to support **4R Nutrient Stewardship**. 4R is a program that can reduce the greenhouse emissions from fertilizers by between 15 to 25%. The 4R stands for Right source at Right rate, Right time and Right place
- On April 27th, **Statistics Canada** reported that pea acreage intentions in Saskatchewan had actually increased from 2.165 million acres in 2017 to 2.171 million acres in 2018 despite industry participants expecting total acreage to decrease due to India causing price cuts for peas over the last year. Statistic Canada also reported that the intended area estimated for chickpeas had increased from 160,000 acres in Saskatchewan in 2017 to 279,200 acres this year. This significant increase was attributed to growing demand for hummus in North America. Statistics Canada also reported that intended lentil acreage was down in Saskatchewan from 3.920 million acres in 2017 to 3.591 million acres this year. This reduction was less significant than what was expected by industry participants
- On April 26th, it was announced that construction on the world's first floating dairy farm had begun. The farm is being built in Rotterdam, Netherland and will have 40 dairy cows when it is completed. The proposed plan will have the cows milked by a robotic milking machine and will allow the cows to have access to grass that is grown on the farm under LED lighting. The dairy from the farm is planned to be sold to local catering outlets, hotels and shops

Commodities Futures as of May 4th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$4.06	0.12 %	15.00 %
Wheat (CBOT)	\$ per bu.	\$5.26	(0.57)%	21.40 %
Oats (CBOT)	\$ per bu.	\$2.35	(1.16)%	(3.09)%
Rough Rice (CBOT)	\$ per cwt.	\$12.93	0.35 %	9.81 %
Rapeseed (Canola) (ICE)	CAD per T	\$527.10	(0.57)%	7.40 %
Ethanol (CBOT)	\$ per gal.	\$1.50	3.31 %	9.74 %



Recent Earnings News

Company	EPS YoY Change	Last Quarter		
		Comments	Analyst Consensus	Premium to Current
Grain Handling Comps				
Archer-Daniels-Midland Company	18.6%	First quarter EPS was \$0.68, up from \$0.60 last year. Adjusted and reported segment operating profit increased 5.7% and 4.1% to US\$717 million and US\$704 million, respectively. The upside was driven by solid sales across all segments (except the Origination segment), and the company's continued strategic initiatives and cost-saving efforts.	US\$46.62	6.3%
Bunge Limited	nmf	Total segment EBIT decreased 54% to US\$61 million. Reported and adjusted net loss per share were \$0.20 and \$0.06, respectively. Despite facing quarterly losses relative to profits a year ago, a drought in Argentina, the world's top exporter of soy products, provided largely improved profit margins in the soybean crushing business.	US\$85.20	20.9%
Food Processing				
Ingredion Incorporated	13.1%	Reported and adjusted EPS were \$1.90 and \$1.94, up from first quarter 2017. Adjusted operating income was US\$200 million, a 5% decrease from last year. The increase was primarily due to lower restructuring and acquisition costs, as well as income growth in South America and EMEA. This was partially offset by higher freight and production costs in North America and higher tapioca costs in Asia-Pacific.	C\$128.25	13.2%
Maple Leaf Foods Inc.	0%	Sales increased 0.8% to C\$817.5 million, but net earnings fell by 7.3%. Net earnings decline was primarily driven by weak market conditions in pork markets, which were materially below prior year. The decline was partially offset by strong margins and increased supply chain efficiency.	C\$35.86	22.1%
Rogers Sugar Inc.	32.0%	Reported revenue and EBIT increased by 15.8% and 68% to C\$189.5 million and C\$10.7 million, respectively, from the same quarter last year. Basic reported EPS also rose to C\$0.07 from C\$0.05. However, revenue forecasts were missed for both its sugar (by 5.1%) and maple segments (by 12.5%). Management consequently lowered forward guidance for EBITDA from maple products due to recent customer losses, delayed synergies and a mixed harvest season.	C\$6.25	15.3%
Fertilizers & Crop Inputs				
CF Industries Holdings, Inc.	nmf	Reported revenue decreased to \$957 million from US\$1,037 million in the same period in 2017. EPS increased from US\$0.10 in Q1 of 2017 to US\$0.27. The decline in sales was mainly attributable to lower sales volumes across most segments, which were partially offset by higher average selling prices in most segments.	US\$40.98	6.4%
Equipment & Services				
AGCO Corporation	nmf	Net sales and adjusted operating income increased 23.3% and 120% from last year to US\$2 billion and US\$56.4 million, respectively. This increase was driven by capitalizing strengthening industry demand in North America and healthy industry conditions in Western Europe. However, weak results in South America were due to lower production levels, and transition costs associated with localizing newer product technology into its Brazilian factories.	US\$71.25	18.4%

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