



## Agriculture Industry Flash

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Tuesday, June 5<sup>th</sup>, 2018

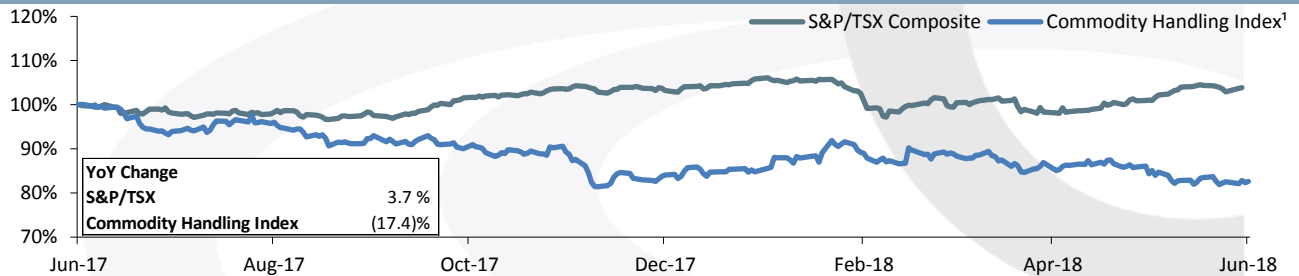


## COMMODITY HANDLING

### News Scan

- On June 1<sup>st</sup>, **Landus Cooperative**, a farmer-owned agricultural cooperative headquartered in Ames, Iowa, acquired grain elevators from **ADM** for an undisclosed amount. The grain elevators are located in Crawford County, Iowa and have 775,000 bu. of upright storage, more than 1.5 million bu. of bunker storage and 32,000 bu. per hour of receiving capacity
- On May 31<sup>st</sup>, **Bunge North America** announced that it had opened its new wheat mill in the southeast region of Mexico. The site was chosen as a strategic location for serving key customers in southeast Mexico and provides logistical advantages since wheat brought in through the nearby port can easily be delivered to the mill and the flour produced can be efficiently exported to other countries in Latin America. The mill is Bunge's eighth in Mexico
- On May 25<sup>th</sup>, **The Andersons Inc** and **ICM Inc.** had a ground-breaking ceremony for their joint venture US\$175 million ethanol plant in Colwich, Kansas. The biorefinery is being built adjacent to ICM's headquarters and have a capacity of 70 million gallons per year. The Andersons said that it will be the most efficient dry mill plant in the US
- On May 22<sup>nd</sup>, **Ceres Global Ag Corp.** announced that it has received **BNSF Railway Company** site certification status at the company's **Northgate Terminal**. The Northgate Terminal is one of only 12 sites in North America that was granted the BNSF certification. BNSF certified sites are a part of the Premier Parks, Sites and Transload Program which is a strategic approach to addressing the increasing demand for customer site locations
- On May 22<sup>nd</sup>, **Limagrain**, an international agricultural co-operative group, specializing in field seeds, vegetable seeds and cereal grains, announced that it had agreed to buy Dutch business, **Unicorn Grain Specialties**, from **Nordian Capital** for an undisclosed amount. Limagrain plans to strengthen its presence in the cereal and pulse ingredient markets in Northern Europe with the acquisition

### 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
				2018E	2019E	2018E	2019E		
ADM	24,503	31,587	8.4x	8.0x	14.3x	13.6x	(1.6)%	(5.3)%	
Bunge Limited	9,848	14,054	7.0x	6.8x	12.8x	12.5x	(0.1)%	(16.0)%	
Graincorp Limited	1,384	1,927	9.7x	8.0x	31.2x	18.2x	3.5%	(24.9)%	
The Andersons, Inc	948	1,438	7.5x	6.5x	17.6x	13.5x	2.1%	(11.8)%	
AGT Food and Ingredients	297	779	13.4x	9.6x	25.0x	12.1x	0.0%	(45.3)%	
Ceres Global Ag	112	146	na	na	na	na	(2.2)%	(28.1)%	
<b>Mean</b>			<b>9.2x</b>	<b>7.8x</b>	<b>20.2x</b>	<b>14.0x</b>	<b>0.3%</b>	<b>(21.9)%</b>	

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

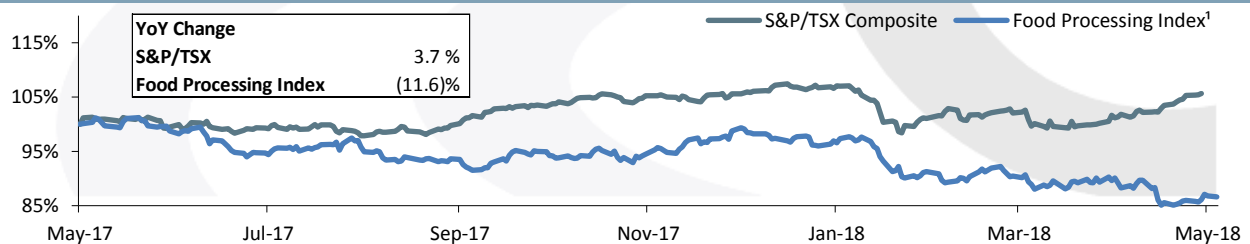


## FOOD PROCESSING

### News Scan

- On June 5<sup>th</sup>, **Corbion N.V.** completed the acquisition of **Bunge Ltd.**'s 49.9% stake in the **SB Renewable Oils**, a joint venture that operates a facility in Brazil, specializing in the production of algae ingredients, such as omega-3 rich oil, for aquaculture and animal feed. Corbion now fully owns the plant in Orindiúva, which enhances Corbion's recently acquired Algae Ingredients business. The company will purchase Bunge's US\$15 million of external debt in the project and repay working capital loan of US\$8 million. Also, an earn-out provision of up to US\$20 million, based on sales of AlgaPrime DHA starting in 2021, has been agreed to
- On June 1<sup>st</sup>, **Tyson Foods** entered into an agreement to sell its Sara Lee Frozen Bakery and Van's businesses to **Kohlberg & Company**, a private equity firm, for an undisclosed amount. The sale includes the Chef Pierre, Bistro Collection and Van's brands, a license to use the Sara Lee brand, two prepared foods facilities and a sales office in Canada
- On May 31<sup>st</sup>, **Premium Brands** announced its completed acquisition of substantially all of the assets and the meat snack business of **Oberto Brands** for gross proceeds of approximately C\$172.7 million. Premium Brands plans to expand its portfolio of speciality meats products with this acquisition
  - On May 30<sup>th</sup>, Premium Brands announced approval by the Competition Bureau and the successful completion of its acquisition of **Concord Premium Meats**, an Ontario-based manufacturer of branded and customized protein solutions for retailers and foodservice customers across Canada. Premium Brands plans to expand its product portfolio by leveraging Concord's proprietary brands, including MarcAngelo, Skoulakis, Central Park Deli and Connie's Kitchen
- On May 24<sup>th</sup>, **Tate & Lyle PLC** entered into an agreement to acquire a 15% equity stake in **Sweet Green Fields**, one of the largest privately-held, fully integrated global stevia ingredient companies, for an undisclosed amount. This builds on the agreement entered into by **Tate & Lyle** and **Sweet Green Fields** in April 2017, in which **Tate & Lyle** became the exclusive global distributor of Sweet Green Fields' portfolio of stevia-based ingredients
- On May 22<sup>nd</sup>, **Rogers Sugar Inc.** announced that it received approval to proceed with a normal course issuer bid to purchase up to 1,500,000 common shares at market price at the time of acquisition, which represents about 1.6% of the public float as at May 10<sup>th</sup>

### 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
			2018E	2019E	2018E	2019E		
George Weston Limited	10,418	23,939	6.4x	6.3x	14.7x	13.4x	0.2 %	(15.6)%
ConAgra Foods, Inc.	14,537	18,306	11.9x	11.6x	16.4x	15.4x	(2.2)%	(7.3)%
Ingredion Incorporated	8,023	9,438	8.6x	8.1x	14.0x	13.0x	1.1 %	(22.7)%
Tate & Lyle plc	4,191	4,734	8.1x	8.0x	14.3x	13.4x	(0.5)%	(21.6)%
Premium Brands	2,832	3,441	15.8x	13.3x	28.3x	22.3x	0.3 %	(4.0)%
Maple Leaf Foods Inc.	2,938	2,859	9.5x	8.6x	19.9x	17.1x	1.0 %	(21.4)%
SunOpta Inc.	707	1,272	16.5x	11.9x	neg	48.0x	8.7 %	(26.8)%
Rogers Sugar	440	699	8.8x	8.5x	12.0x	10.9x	(1.3)%	(23.1)%
<b>Mean</b>			<b>11.0x</b>	<b>9.7x</b>	<b>17.9x</b>	<b>20.4x</b>	<b>1.2 %</b>	<b>(17.1)%</b>

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

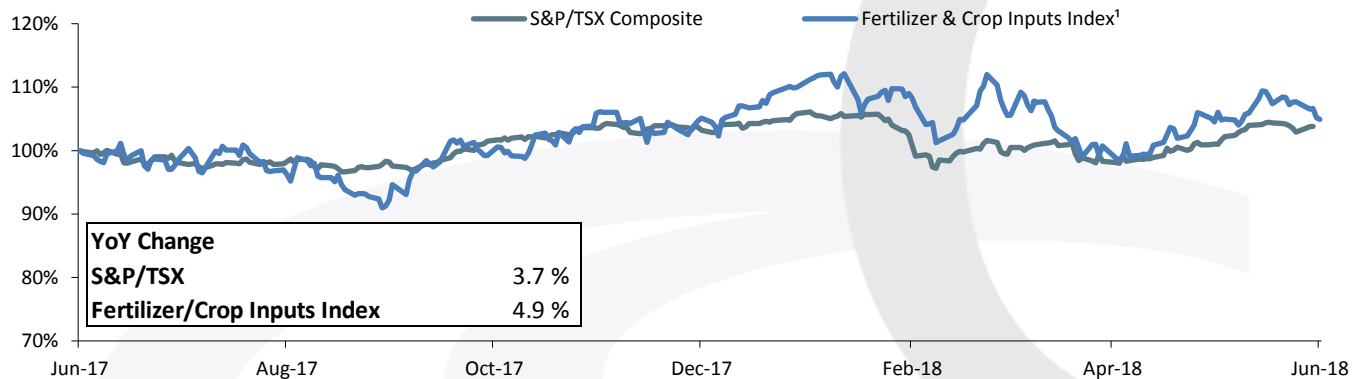


## FERTILIZERS & CROP INPUTS

### News Scan

- On May 29<sup>th</sup>, **Bayer** received approval from the **U.S Justice Department's Antitrust Division** for the planned US\$62.5 billion takeover of **Monsanto** after it agreed to sell US\$9 billion in assets. The company previously stated that assets are to be sold to German chemical company, **BASF SE**, upon further review. Assets to be sold include Bayer's canola, soybean and vegetable seed businesses, as well as its Liberty herbicide business. In particular, the **Canadian Competition Bureau** forced the company to sell its Canadian canola seed facilities in Alberta, Saskatchewan, and British Columbia to BASF. Upon successful completion of the acquisition, Bayer will become by far the largest seeds and pesticides maker in the world. The deal is expected to close on June 7<sup>th</sup>
- On May 29<sup>th</sup>, **EuroChem Group AG** announced the opening of a new blending plant in Brazil as part of the continued expansion of its subsidiary, **Fertilizantes Tocantins** (FTO). EuroChem acquired a controlling interest in FTO in 2016 in order to strengthen its presence in the fast-growing Latin American fertilizer market. The plant cost US\$17 million and is expected to produce 300 000 tons of fertilizer by the end of 2018, about 15% of FTO's total sales by volume

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price	52Wk High
Nutrien Ltd.	24,871	32,133	11.4x	9.9x	22.1x	17.2x	(0.2)%	(6.1)%
CF Industries Holdings, Inc.	9,444	16,433	12.1x	10.1x	40.5x	24.7x	(2.3)%	(10.1)%
Yara International ASA	11,503	14,662	8.0x	6.2x	2.2x	1.5x	(0.2)%	(13.4)%
The Mosaic Company	10,661	13,826	7.1x	6.6x	19.2x	16.1x	(0.7)%	(5.3)%
Nufarm Ltd.	2,352	2,958	8.0x	6.9x	17.0x	15.4x	1.4 %	(7.3)%
Input Capital Corp.	70	48	6.4x	2.9x	na	na	(16.4)%	(50.0)%
<b>Mean</b>			<b>8.8x</b>	<b>7.1x</b>	<b>20.2x</b>	<b>15.0x</b>	<b>(2.6)%</b>	<b>(13.2)%</b>

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

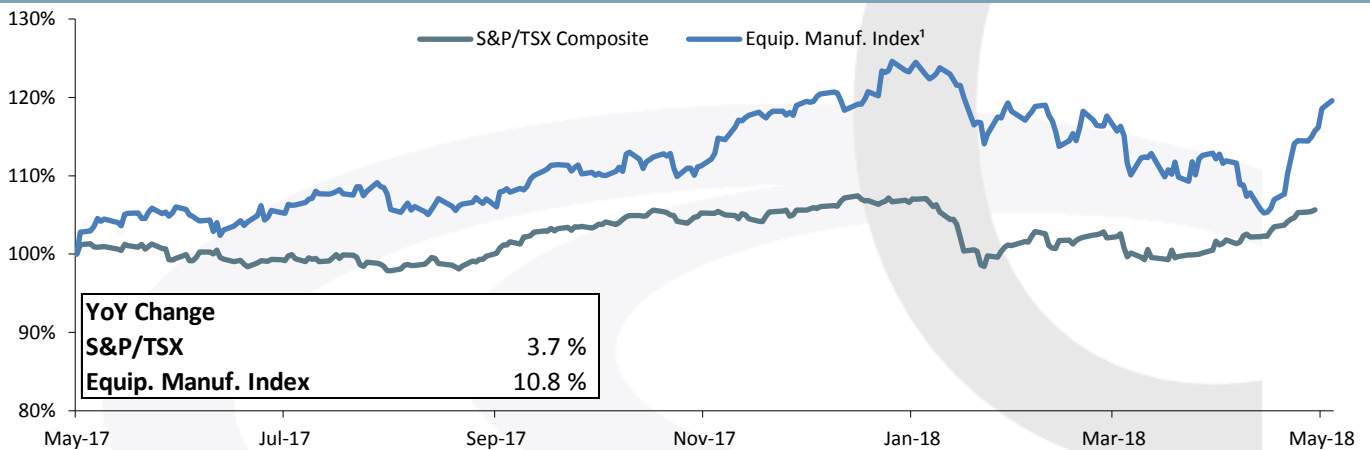


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On May 31<sup>st</sup>, **AGROdeviate**, an ag equipment company, announced the acquisition of **W&A Manufacturing Co.** for an undisclosed amount. The transaction includes the entire line of W&A pull implement products and its Pine Bluff manufacturing facility
- On May 30<sup>th</sup>, **AGCO Corporation** announced a development partnership with agricultural technology company, **AgIntegrated**, to deliver ag information management system services to AGCO customers. The partnership will enable its customers to easily connect with their agronomy service providers, create seamless data connectivity, and help digitize the farm
- On May 30<sup>th</sup>, **Canadian Pacific Railway** reached a four-year tentative agreement with Teamsters Canada Rail Conference to end a strike hours after it began, as well as a five-year deal for Kootenay Valley Railway. Details of the agreement are being withheld pending ratification by Teamsters members
- On May 24<sup>th</sup>, **Canadian National Railway Company** announced its plans to spend an estimated C\$100 million on 1,000 new grain hopper cars to update its 30-year-old aging fleet of equipment. CN will purchase the grain hopper cars over two years from National Steel Car Ltd., a manufacturer with production facilities based in Hamilton, Ontario

### Relative Performance Index



### Key Indicators

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ConAgra Foods, Inc.	14,537	18,306	11.9x	11.6x	16.4x	15.4x	(2.2)%	(8.3)%
Ingredion Incorporated	8,023	9,438	8.6x	8.1x	14.0x	13.0x	1.1 %	(22.7)%
Tate & Lyle plc	4,196	4,740	8.1x	8.0x	14.2x	14.1x	(0.5)%	(24.9)%
Premium Brands	2,832	3,441	15.8x	13.3x	28.3x	22.3x	0.3 %	(4.0)%
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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

- U.S. agricultural companies say new tariffs on steel and aluminum from Mexico, Canada and the E.U. will hurt relationships with those key trading partners and likely result in counter measures against agriculture products. U.S. President Donald Trump announced in March tariffs on steel and aluminum from selected countries, but gave temporary exemptions to Mexico, Canada and the E.U. as negotiations over limits were ongoing. The exemptions expired on June 1<sup>st</sup>
  - In response to Trump's recent tariffs on steel and aluminum imports, Prime Minister Trudeau threatened to impose C\$16.6 billion in retaliatory tariffs on the United States, effective July 1 – unless Washington reverses its recently imposed tariffs
- On June 1<sup>st</sup>, President Trump publicly accused Canada's government of treating U.S. agricultural interests very poorly, along with mentions of Canada being highly restrictive on trade. Concerns were raised among many U.S. farmers as the U.S. has a US\$1.9 billion trade surplus with Canada in agriculture and agri-food, which includes a US\$333 million surplus in dairy
- On June 1<sup>st</sup>, Argentina imported 120,000 tons of U.S. soybeans for delivery for the 2018-2019 marketing season. Experts estimate that Argentina could import 500,000 to 1 million tons of U.S. soybeans this year, circumventing normal imports from Paraguay
- On May 31<sup>st</sup>, the federal government of Canada announced that it had brokered a deal to restore rail service at the Port of Churchill in northern Manitoba. Canada's natural resources minister announced that it had reached an agreement in principle with a new ownership group to restore the Hudson Bay Railways and transfer ownership of the Port of Churchill to them. The new ownership group includes Toronto-based Fairfax Financial Holdings, Regina-based pulse processor AGT Food and Ingredients (AGT), and Mississippi Rail Limited Partnership
- Several U.S. agricultural groups urged lawmakers to provide the full funding of US\$282 million to the Commodity Futures Trading Commission (CFTC), an independent agency of the U.S. government that regulates futures and options markets, by sending letters to the leaders of the US Senate Appropriations Committee's Financial Services Subcommittee asking for the funding
- It was reported that safrinha corn in Southern Brazil is being impacted by dry weather as it has been dry for up to four weeks. The corn in eastern and southern Mato Grosso is not as good due to poor soil conditions, and Mato Grosso accounts for approximately 42% of Brazil's safrinha corn production
- On May 30<sup>th</sup>, **United Grain Co.** and trade house **RIF** have signed an agreement to build a specialized sea grain terminal in the port of Novorossiysk. The terminal would have capacity of up to 12.5 million tons per year, and a grain storage facility with capacity of up to 300,000 tons of one-time storage would also be built on site
- As of May 27<sup>th</sup>, crop development across most of the Canadian Prairies was below normal, according to updated analysis from **Statistics Canada's** Crop Condition Assessment Program. Particularly, crop development for most of Manitoba, as well as southeastern and central regions of Saskatchewan were rated much lower than normal. In regards to vegetative growth, the rest of Western Canada, aside from the Peace River district of northern Alberta, was also rated as below normal. Then as of May 24<sup>th</sup>, rainfall across a large portion of the Prairies was less than 40 per cent of average during the growing season. However, recent widespread moisture should lead to some condition improvements
- Prime Minister Jacinda Ardern stated that New Zealand, the world's largest dairy exporter, will spend over C\$791 million in a bid to eradicate the mycoplasma bovis cattle disease. The initial outbreak led to concerns that the disease could affect market access for New Zealand's dairy products, and subsequently impacting the New Zealand dollar. About 126,000 cows are expected to be culled, mainly over the next two years, as government and industry work to depopulate all infected farms

### Commodities Futures as of June 1<sup>st</sup>, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.92	0.00 %	5.74 %
Wheat (CBOT)	\$ per bu.	\$5.23	0.00 %	21.97 %
Oats (CBOT)	\$ per bu.	\$2.46	0.00 %	(3.53)%
Rough Rice (CBOT)	\$ per cwt.	\$11.45	0.00 %	3.57 %
Rapeseed (Canola) (ICE)	CAD per T	\$530.30	0.00 %	7.22 %
Ethanol (CBOT)	\$ per gal.	\$1.48	0.00 %	(4.95)%



## Recent Earnings News

Ticker	Company	Period Ended	EPS YoY Change	Last Quarter		
				Comments	Analyst Consensus	Premium to Current
	<b>Food Processing</b>					
NYSE:HRL	Hormel Foods Corporation	29-Apr-18	12.8%	Revenue increased by 6.5% during the second quarter to US\$2.3 billion from US\$2.2 billion from the same period a year prior. The refrigerated food sales, its largest division, rose 13.6% to US\$1.2 billion during the period, mainly attributable to benefits from the Columbus and Fontanini acquisition along with strong retail sales of its Hormel Natural Choice meats.	US\$36.08	0.8%

### 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