



Agriculture Industry Flash

Wednesday, October 10th, 2018

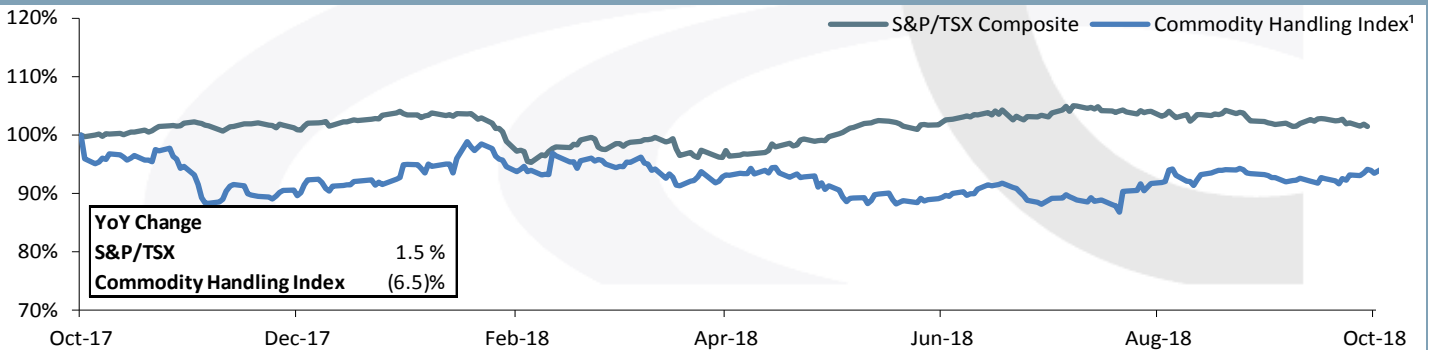


COMMODITY HANDLING

News Scan

- On October 9th, **Archer Daniels Midland (ADM)** announced the opening of its modernized flour mill in Enid, Oklahoma. The new mill will provide additional capacity to allow ADM to continue to grow its customer base in the region
- On October 8th, **Ceres Global Ag** entered into an agreement to settle a lawsuit filed against the company by **Scoular Co.** in relation to the termination of a planned partnership. As part of the settlement, Ceres will pay C\$11.25 million and Scoular will drop the lawsuit
- On October 5th, Russian farming conglomerate **Rusagro** announced that it has acquired the rights to purchase a controlling interest in **Solnechnye Producty**, a holding company that manages fats and oil extraction plants in Moscow. The financial details were not disclosed
- On October 4th, **GrainCorp Malt** announced that Chief Operations Officer, Darren Smith, will be appointed as President following Greg Friberg's decision to retire at the end of the year. Mr. Friberg will leave GrainCorp after 37 years in agribusiness and 21 years in the malting industry
- On October 2nd, **The Andersons** has acquired the assets of **Nu-World Foods** from **Tella Atlantic Holdings**. Nu-World, a supplier of gluten-free food products and ancient grain ingredients, is based in Naperville, Illinois. The acquisition is expected to align well with The Andersons' strategy of growing its specialty grains business. The financial terms of the transaction were not disclosed
- On October 2nd, **Rank Hovis Ltd.** announced that it will sell two of its flour mills to **Whitworth Bros Ltd.** The transaction follows a decision by Rank Hovis to close a third mill as its operations have become increasingly economically challenged in the highly competitive flour market. The mills are located in Selby and Manchester, England

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	28,586	35,839	8.9x	8.5x	14.7x	14.1x	3.4 %	(0.5)%
Bunge Limited	9,655	17,728	8.8x	8.8x	13.0x	12.4x	4.7 %	(14.9)%
Graincorp Limited	1,344	2,322	12.7x	13.7x	30.1x	37.9x	4.1 %	(7.8)%
The Andersons, Inc	1,036	1,666	8.6x	7.6x	17.7x	14.6x	1.1 %	(10.0)%
AGT Food and Ingredients	332	844	15.3x	10.6x	35.7x	16.0x	0.0 %	(25.9)%
Ceres Global Ag	95	115	na	na	na	na	(7.6)%	(34.1)%
Mean			10.9x	9.8x	22.2x	19.0x	0.9 %	(15.5)%

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

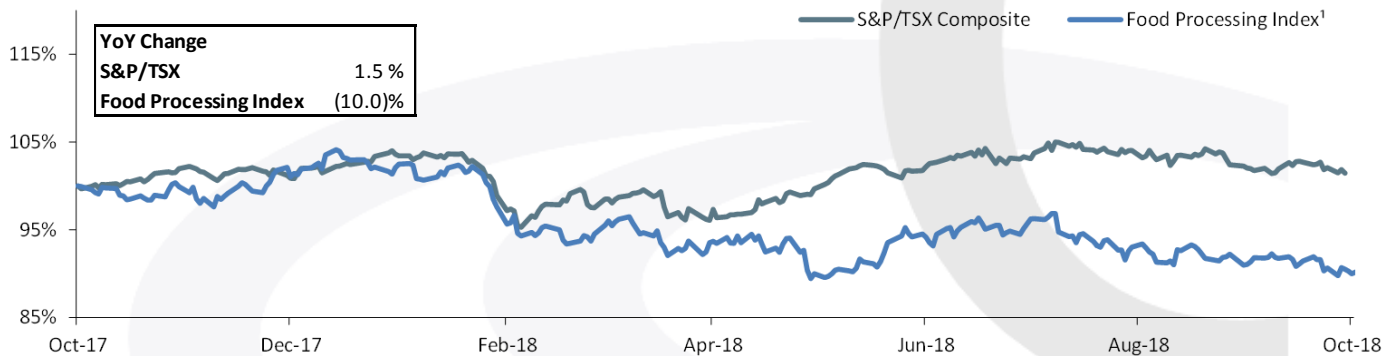


FOOD PROCESSING

News Scan

- On October 5th, **Kraft Heinz Co.** announced it has committed US\$100 million to start a new entity **Evolv Ventures**, which will invest in emerging food technology companies. Evolv will focus on start-ups working on supply chains, logistics, e-commerce, and direct-to-consumer projects
- On October 4th, The **Barry Callebaut Group** announced it has reached an agreement to acquire **Inforum**, a Russian-based maker of chocolate, for an undisclosed sum. Barry Callebaut expects the acquisition to help strengthen its presence and production capacity in the high-growth Russian market. Russia is the second largest chocolate confectionery market in terms of volume with per capita consumption of chocolate at 4.8kg/yr.
- On October 2nd, **Maple Leaf Foods** announced that it has signed a definitive agreement to acquire **VIAU Foods** for C\$215 million. With sales of over \$180 million over the last twelve months, VIAU was valued at 1.2x sales and the transaction is expected to be immediately accretive to Maple Leaf's earnings. VIAU is a Canadian market leader in premium Italian cooked, dry-cured and charcuterie meats
- On September 26th, **Ingredion Inc.** announced it will be proceeding with an investment of US\$60 million to grow its specialty food and ingredients business in the Asia-Pacific region. Beginning earlier this year, the company commenced an expansion of its modified and clean-label specialty starch capabilities

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	9,263	25,836	7.7x	7.3x	13.7x	12.2x	(4.2)%	(17.7)%
ConAgra Foods, Inc.	13,159	17,129	11.5x	11.5x	15.5x	14.7x	3.6%	(12.1)%
Ingredion Incorporated	7,390	8,801	8.3x	7.9x	13.9x	13.0x	1.2%	(27.4)%
Tate & Lyle plc	4,029	4,561	7.8x	7.8x	12.9x	13.0x	(4.0)%	(8.2)%
Premium Brands	2,385	2,988	13.7x	11.3x	22.5x	17.3x	(3.0)%	(25.6)%
Maple Leaf Foods Inc.	3,196	3,273	11.4x	9.6x	23.5x	18.7x	6.5%	(10.8)%
SunOpta Inc.	628	1,237	18.6x	13.0x	neg	nmf	(1.2)%	(24.3)%
Rogers Sugar	446	610	8.0x	7.6x	13.7x	11.6x	(1.1)%	(16.7)%
Mean			11.3x	9.8x	17.0x	14.8x	(0.2)%	(18.0)%

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.

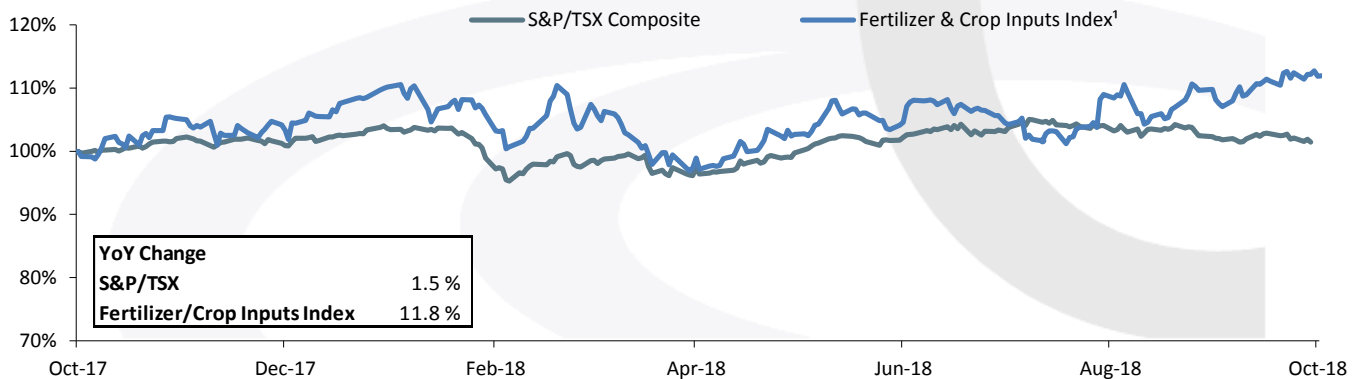


FERTILIZERS & CROP INPUTS

News Scan

- On October 9th, **EuroChem Group AG** announced the expansion of its North America distribution network via the assumption of dry and liquid fertilizer transport and storage assets from international merchandising and trading firm **Trammo Inc.** The move substantially expands EuroChem's fertilizer storage capacity in the US and will enable the Group to strengthen its presence into Western Canada as well as on the East Coast
- On October 5th, **Yara International** announced that it has reached an agreement to acquire the remaining 40% it doesn't own in **Galvani Industria**, a privately held Brazilian phosphate and industrial chemicals company, for US\$70 million to be paid over three years. Yara previously acquired a 60% stake in the company in 2014
- On October 5th, Russian-based **PhosAgro**, a leading producer of phosphate-based fertilizers, announced that it signed a supply agreement with **Indian Potash Limited**, India's largest importer of mineral fertilizers, with an estimated total value of US\$1 billion. As part of the deal, the companies plan on jointly implementing investment projects in the mineral fertilizer sector
- On October 2nd, **Nutrien Ltd.** announced that CFO Wayne Brownlee will retire, effective October 31st. The Company has been working through a succession plan and expects to announce a new CFO by the end of the month
- On October 2nd, **Salt Lake Potash**, an Australia-based premium fertilizer company, announced that it signed an MOU with **Sinofert Holdings**, a Chinese fertilizer distributor. The arrangement contemplates Salt Lake receiving sales and off-take rights for distribution into China. The agreement is expected to have an eight-year term, starting January 1st, 2020

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
Nutrien Ltd.	35,683	46,276	11.7x	10.1x	22.0x	17.4x	0.7%	(1.4)%
CF Industries Holdings, Inc.	12,845	19,714	12.9x	11.1x	38.3x	25.5x	1.6%	(2.1)%
Yara International ASA	13,103	16,499	9.9x	7.3x	3.3x	1.9x	(1.6)%	(3.6)%
The Mosaic Company	12,763	17,048	8.4x	7.5x	19.2x	14.9x	3.8%	(0.9)%
Nufarm Ltd.	1,402	2,378	7.5x	6.3x	18.2x	13.3x	(11.5)%	(38.2)%
Input Capital Corp.	64	61	7.8x	3.8x	7.9x	4.8x	0.0%	(41.5)%
Mean			9.7x	7.7x	18.2x	13.0x	(1.2)%	(14.6)%

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

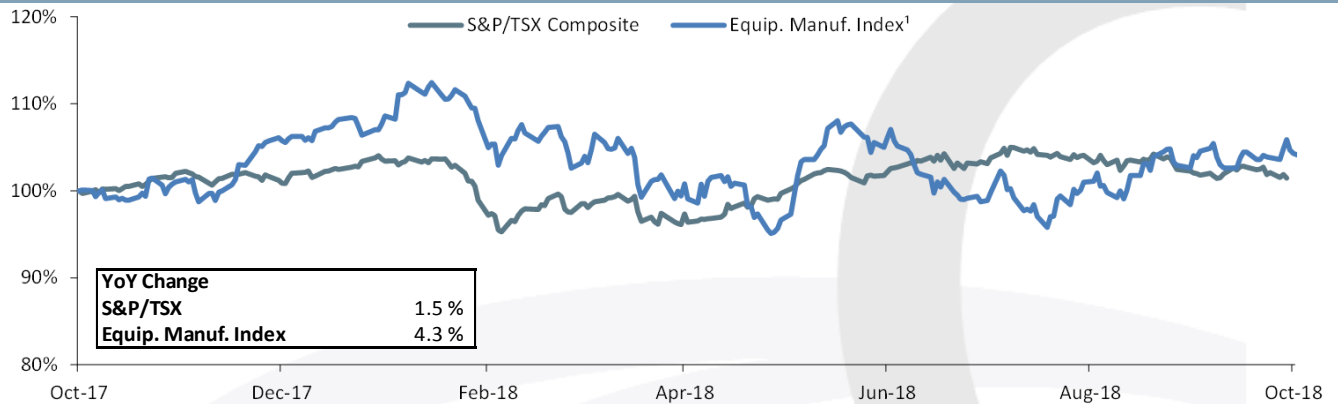


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On October 4th, **John Deere** dealerships **Prairieland Partners** and **Concordia Tractor** announced that the two companies are planning on merging, effective in January. The combined company, named Prairieland Partners LLC, will have 13 locations and employ over 375 people
- On October 2nd, **Deere & Company** announced that James M. Field will be appointed President, Worldwide Construction & Forestry Division. This follows the announced retirement of current President, Max A. Guinn. The change will be effective as of November 15th

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
Deere & Company	50,310	54,894	17.2x	16.2x	27.2x	25.5x	2.3 %	(12.2)%
AGCO Corp	4,787	6,595	7.9x	7.0x	16.0x	12.7x	(0.2)%	(20.1)%
Ag Growth International Inc.	781	1,243	10.7x	9.6x	17.8x	16.4x	(2.6)%	(5.3)%
Rocky Mountain Dealerships	156	464	14.2x	13.1x	8.2x	7.5x	(1.3)%	(29.4)%
Cervus Equipment Corporation	167	358	7.9x	7.5x	8.8x	7.9x	0.8 %	(13.2)%
Mean			11.6x	10.7x	15.6x	14.0x	(0.2)%	(16.1)%

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



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On October 1st, the United States, Canada, and Mexico reached a new agreement on trade, dubbed the USMCA. The new deal gives American farmers greater access to Canada's dairy industry, about 3.6% of the overall market. Furthermore, the deal allows for increased access by American farmers to Canada's poultry market, a level that appears to be more than double what the U.S. had initially negotiated in the TPP
- The U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) has awarded Land O'Lakes International development, a non-profit, funds to support new agricultural capacity building and food safety programs abroad. The five new programs focus on agricultural capacity building, food safety, and cooperative development in Georgia, Egypt, Bangladesh, Lebanon, Rwanda, and Malawi
- On October 9th, ICE Futures canola contracts were down 0.34% as a drop in soy seems to have spilled over to weigh down other commodity prices. Corn futures also weakened by 0.55% as strength in the U.S. dollar index encouraged some speculative selling
 - Minneapolis Spring Wheat futures closed 0.76% higher as solid export demand is generating significant upside
 - Canadian Spring Wheat prices were up C\$7 to C\$245 per tonne last week
- According to Saskatchewan's agriculture report, wet and cool weather in Western Canada has slowed harvest operations in the region. 73% of the yield has now been collected, slightly below the 5-year average of 78% for this time of year
 - Alberta Agriculture reports that cold and wet conditions, including heavy snow, has halted harvest operations across much of the province. As of October 2nd, only 40% of crops are off the field and wet conditions have caused quality downgrades with further declines expected
- Australia's Department of Agriculture reports that winter crop production is forecast to decrease by 12% in 2018-19 as seasonal conditions during spring do not look favourable with rainfall expected to be below average
- The Alberta Cattle Feeders Association has announced that Janice Tranberg will be replacing Bryan Walton as President and CEO after Walton retires in early 2019
- Indonesia's imports of wheat for flour are expected to reach 8.5 million tonnes this year, up from 8 million tonnes in 2017. The rise in demand comes despite a 9% drop in the Indonesian rupiah against the U.S. dollar, which has increased prices for importers. Indonesia is the world's second-largest importer of wheat behind Egypt, according to the USDA
- According to the USDA, corn production is forecast to increase in Brazil while wheat output is revised lower due to dry conditions and sporadic frost. Corn output saw a significant decline in 2017 due to a late harvest, with production expected to return to normal yields for 2018-19 in response to higher prices
- An extended period of dry weather and regional conflict has led wheat production in Syria to fall to 1.2 million tonnes, only two-thirds of 2017 output and lowest total production in 29 years. The United Nations Food and Agriculture Organization (FAO) estimates that only 38% of wheat crop in rain-fed areas has been harvested in 2018

Commodities Futures as of October 9th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.65	(0.34)%	3.18 %
Wheat (CBOT)	\$ per bu.	\$5.15	1.08 %	18.80 %
Oats (CBOT)	\$ per bu.	\$2.86	6.02 %	17.94 %
Rough Rice (CBOT)	\$ per cwt.	\$10.95	8.04 %	(7.01)%
Rapeseed (Canola) (ICE)	CAD per T	\$499.60	1.01 %	1.79 %
Ethanol (CBOT)	\$ per gal.	\$1.32	0.30 %	(3.44)%



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Fertilizers & Crop Inputs				
Nufarm Limited	nmf	Positive revenue growth in all regions, except Australia. Australian drought impact was largely offset by the European acquisition contribution. Underlying EBITDA down by 1% while the company reported a net loss of \$15.6 million compared to a \$114.5 million profit last year. The reported loss includes material items totaling \$114 million, mainly comprising the Australian impairment charge and European business acquisition costs.	\$7.58	28.9%
Commodity Handling				
Cargill	na	Adjusted operating earnings totaled \$883 million, nearly matching the \$888 million earned in the same period last year. Revenue rose 5% to \$28.7 billion and net profit is also up 5% to \$1.02 billion. The Origination & Processing segment's earnings were up appreciably from a prior period. Improved performance in Asia Pacific oilseed processing bolstered positive results	na	na

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