



Agriculture Industry Flash

Monday, December 7th, 2015

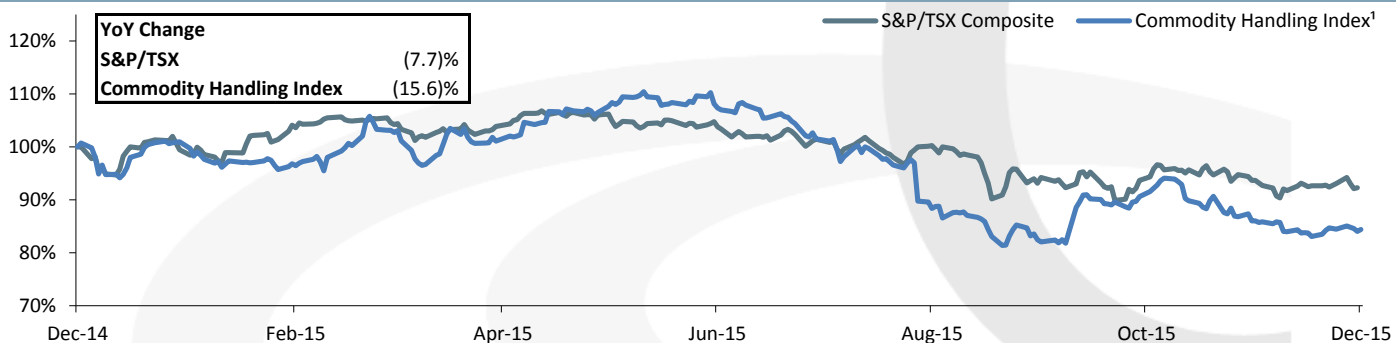


COMMODITY HANDLING

News Scan

- On Nov. 24th, Nidera UK reached an agreement with the Liverpool-based food and agriculture company Edward Billington & Son Ltd. to acquire the grain trading division of Criddle & Company, effective Dec. 1st, for an undisclosed sum. The deal is driven by Nidera's strategy of expanding and diversifying its existing business and widening geographic reach
- On Dec. 3rd, The Australian Competition and Consumer Commission (ACCC) announced its final decision to approve Viterra's proposal to introduce long-term agreements to allocate port capacity at its six South Australian bulk wheat ports. Key amendments of the November proposal included a mechanism for the ACCC to review the initial long-term capacity allocation process and a reduction of the initial term of the LTAs from five to three years
- On Nov. 27th, Olam International Limited announced that its Grains platform plans to expand into animal feed and related businesses in Nigeria. The expansion involves investments in setting up poultry and fish feed mills as well as hatcheries to produce day-old-chicks. These investments are consistent with Olam's strategy to selectively invest in prioritized platforms, which includes the Grains platform

Relative Performance Index



Key Indicators

| | Market | | TEV/EBITDA | | Price/Earnings | | Week Δ | Δ Price |
|------------------------------|--------|--------|-------------|-------------|----------------|--------------|---------------|----------------|
| | Cap | TEV | 2015E | 2016E | 2015E | 2016E | Price | 52Wk High |
| ADM | 21,465 | 27,320 | 7.0x | 6.4x | 13.0x | 11.5x | (1.3)% | (33.3)% |
| Bunge Limited | 9,347 | 13,091 | 6.7x | 6.0x | 12.4x | 10.0x | (3.0)% | (30.3)% |
| Graincorp Limited | 1,376 | 1,926 | 9.9x | 8.2x | 37.2x | 23.9x | 0.6 % | (21.0)% |
| The Andersons, Inc | 951 | 1,471 | 7.4x | 6.2x | 17.5x | 12.5x | 1.0 % | (40.0)% |
| AGT Food and Ingredients | 567 | 858 | 11.9x | 9.2x | 17.6x | 13.4x | (1.6)% | (4.8)% |
| Ceres Global Ag ² | 126 | 187 | na | na | na | na | 0.0 % | (9.6)% |
| Mean | | | 8.6x | 7.2x | 19.5x | 14.3x | (0.7)% | (23.2)% |

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

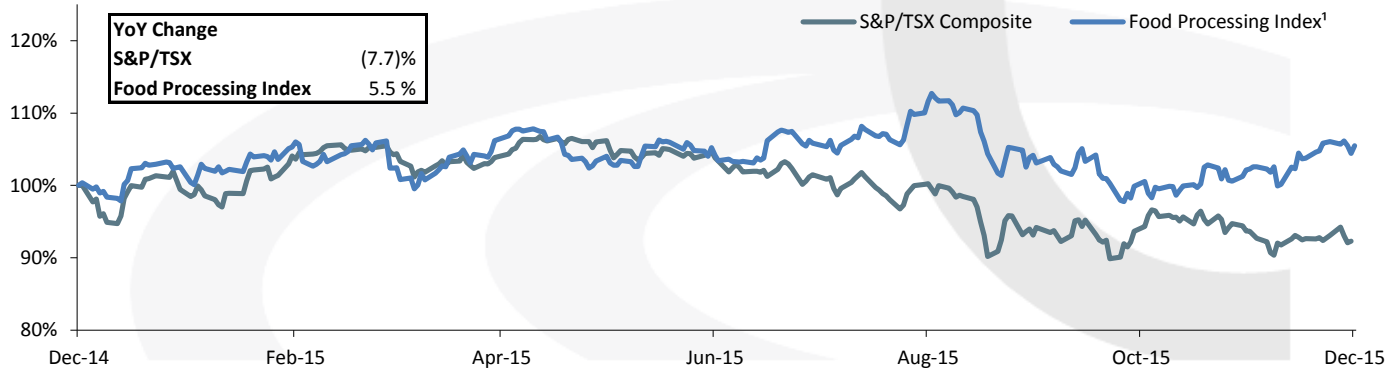


FOOD PROCESSING

News Scan

- On Dec. 1st, ConAgra announced that it will split into two separate companies, spinning off its Lamb Weston division of frozen food products. The Lamb Weston business generated approximately US\$2.9 billion in fiscal 2015, according to ConAgra. Conagra Brands will be comprised primarily of the operations currently reported as the company's consumer foods segment, which generated approximately US\$7.2 billion in fiscal 2015
- On Nov. 25th, George Weston reported Q3/2015 sales of US\$14.3 billion, 3.0% increase from the same period last year, adjusted earnings of US\$212 million, representing an increase of 4.4% from the same period last year
- On Nov. 24th, Pinnacle Foods announced it is in the process of acquiring Boulder Brands to help the company increase its health and wellness presence. The deal is valued at US\$975 million including US\$265 million in net debt and it expected to close in the first quarter of next year
- AFT Holdings' subsidiary Atlantic Natural Foods has signed a letter of intent to purchase Neat Foods, which manufactures a pecan-based meat substitute, for an undisclosed amount. The product is already being sold in more than 2,000 stores across the country, including Wegmans, Target, Whole Foods, and Kroger, as well as overseas
- Global seafood manufacturer Thai Union Group will no longer be pursuing a US\$1.5 billion purchase of Bumble Bee Seafoods due to Justice Department antitrust concerns. The deal would have put together the second- and third-biggest shelf-stable tuna makers in the U.S.

Relative Performance Index



Key Indicators

| | Market Cap | TEV | TEV/EBITDA | | Price/Earnings | | Week Δ Price | Δ Price 52Wk High |
|------------------------|------------|--------|--------------|-------------|----------------|--------------|---------------|-------------------|
| | | | 2015E | 2016E | 2015E | 2016E | | |
| ConAgra Foods, Inc. | 17,814 | 26,467 | 12.4x | 12.9x | 18.8x | 18.5x | (1.2)% | (9.5)% |
| George Weston Limited | 10,219 | 23,957 | 8.5x | 7.8x | 19.9x | 16.8x | (2.8)% | (7.1)% |
| Ingredion Incorporated | 6,996 | 8,707 | 9.7x | 9.2x | 16.7x | 15.4x | (1.6)% | (0.4)% |
| Tate & Lyle plc | 4,285 | 5,110 | 10.6x | 10.3x | 16.2x | 16.4x | 2.8 % | (10.9)% |
| Maple Leaf Foods Inc. | 2,272 | 2,050 | 12.7x | 8.6x | 40.3x | 20.0x | 1.0 % | (8.0)% |
| SunOpta Inc. | 599 | 896 | 13.7x | 9.6x | 31.9x | 22.1x | (1.8)% | (37.7)% |
| Mean | | | 11.3x | 9.7x | 24.0x | 18.2x | (0.3)% | (7.2)% |

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

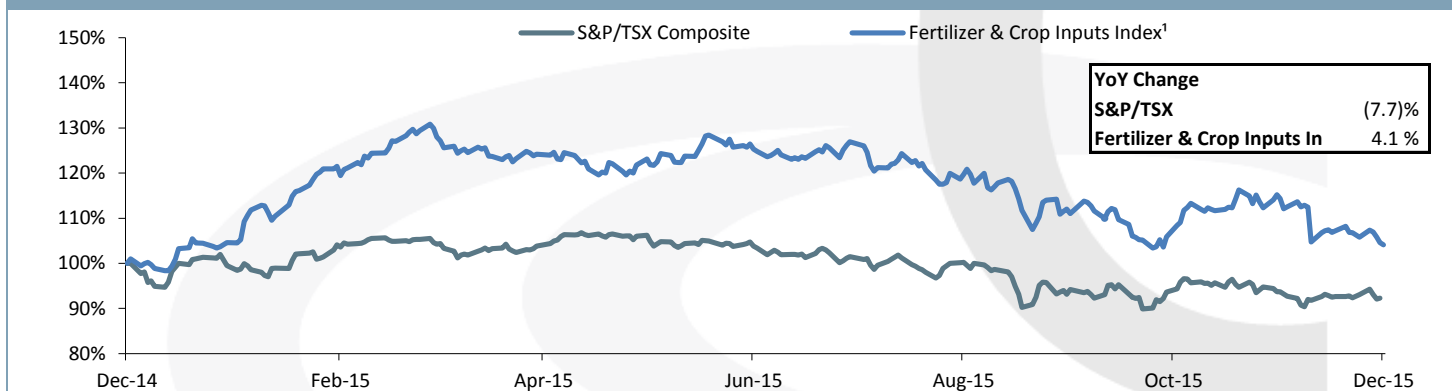


FERTILIZERS & CROP INPUTS

News Scan

- On Dec. 4th, Yara International announced it has signed an agreement to acquire Greenbelt Fertilizers, a distributor of fertilizers in Zambia, Malawi, and Mozambique. The transaction is valued at US\$51 million, including net working capital of US\$32 million, and is expected to close in Q1/2016 subject to competition authority approval and other customary closing conditions
 - Greenbelt started operations in Zambia in 2004, and has sales of 80 kilotons and an EBITDA of \$5 million in the fiscal year ending 31 March 2015. Greenbelt owns three blending plants and three warehouses
- On Nov. 30th, Yara International announced its partnership with Liberty Metals and Mining Holdings (“LMM”), a subsidiary of Boston-based Liberty Mutual Insurance, in the Yara Dallol Potash Project in Ethiopia. LMM acquired 25% of shares for US\$51.25 million, generating proceeds of US\$35.4 to Yara
 - Following this transaction, Yara will hold 51.8% of the shares, LMM will hold 25%, and XLR Capital Limited will hold 23.2%
- On Nov. 25th, Nufarm announced its decision to close its manufacturing operations in Calgary, Alberta as part of its plan to build a more responsive, flexible and cost effective structure for the North American region via its facilities in the Chicago area. The rationalisation of the company’s Calgary manufacturing activities is expected to result in permanent annualised EBIT improvement of US\$3.3 million.

Relative Performance Index



Key Indicators

| | Market | | TEV/EBITDA | | Price/Earnings | | Week Δ | Δ Price |
|------------------------------|--------|--------|------------|-------|----------------|-------|--------|---------|
| | Cap | TEV | 2015E | 2016E | 2015E | 2016E | | |
| Potash Corp. | 15,844 | 18,877 | 8.8x | 8.8x | 15.7x | 15.4x | (2.9)% | (46.2)% |
| Agrium Inc. | 18,280 | 24,033 | 11.0x | 10.5x | 18.5x | 17.2x | 3.1% | (9.7)% |
| Yara International ASA | 12,559 | 13,618 | 5.0x | 5.3x | 10.7x | 10.9x | 0.5% | (12.2)% |
| CF Industries Holdings, Inc. | 10,358 | 15,363 | 7.5x | 6.0x | 11.3x | 10.2x | (1.5)% | (36.8)% |
| The Mosaic Company | 10,886 | 13,458 | 6.0x | 5.7x | 10.8x | 10.4x | (0.5)% | (42.6)% |
| Nufarm Ltd. | 1,601 | 2,200 | 9.3x | 8.1x | 19.0x | 15.9x | (3.6)% | (7.6)% |
| Input Capital Corp. | 102 | 82 | 7.2x | 6.0x | nmf | 24.6x | (6.4)% | (49.0)% |
| Mean | | | 7.8x | 7.2x | 14.3x | 15.0x | (1.6)% | (29.2)% |

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

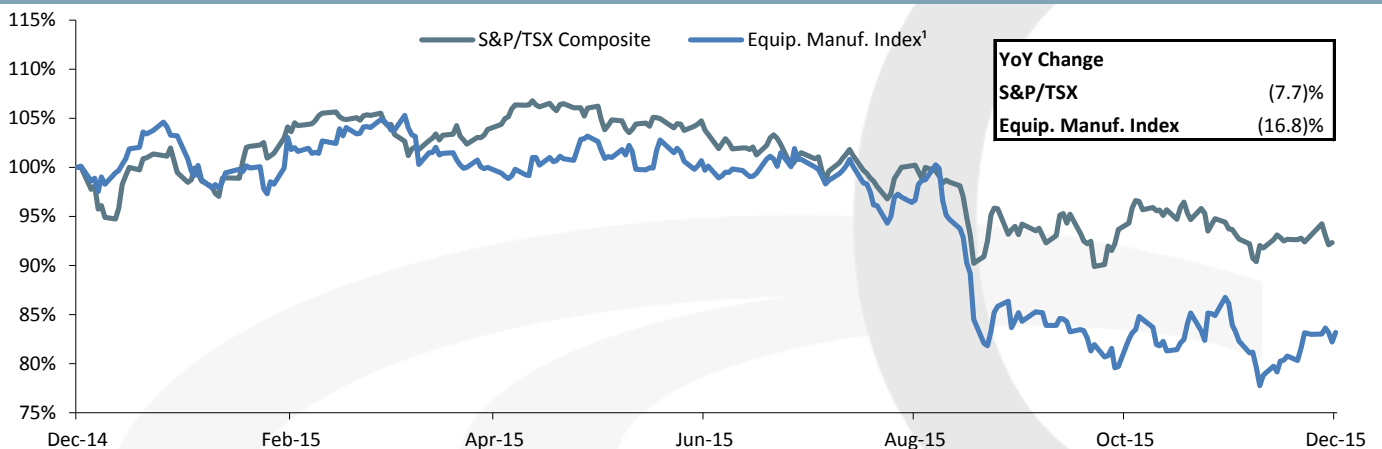


EQUIPMENT MANUFACTURERS

News Scan

- On Nov. 25th, Deere & Co. reported Q4/2015 total sales of US\$6,715 million, representing a 25% decrease from the same period last year, and earnings of US\$351 million, representing a 46% decrease from the same period last year. The sharp decline is attributed to the reduced global demand for agricultural and construction equipment, but was coupled with cost management measures
 - On Nov. 30th, the Deere & Co. announced it will lay off 220 employees at John Deere Seeding and Cylinder in Moline, effective February 15, 2016
- On Nov. 30th, Ag Growth International announced that it acquired its first commercial fertilizer and feed handling company with the US\$15 million acquisition of GJ Vis Enterprises Inc.

Relative Performance Index



Key Indicators

| | Market | | TEV/EBITDA | | Price/Earnings | | Week Δ | Δ Price |
|------------------------------|--------|--------|-------------|-------------|----------------|--------------|---------------|----------------|
| | Cap | TEV | 2015E | 2016E | 2015E | 2016E | Price | 52Wk |
| Deere & Company | 26,119 | 29,328 | 11.9x | 12.8x | 25.3x | 27.4x | 0.6 % | (19.0)% |
| AGCO Corp | 4,399 | 5,574 | 7.7x | 7.5x | 16.0x | 17.5x | 2.8 % | (11.2)% |
| Ag Growth International Inc. | 323 | 572 | 9.7x | 8.2x | 15.3x | 11.3x | (2.6)% | (50.3)% |
| Rocky Mountain Dealerships | 95 | 120 | 5.0x | 4.5x | 8.3x | 7.3x | (1.7)% | (37.5)% |
| Cervus Equipment Corporation | 164 | 290 | 8.3x | 6.9x | 17.8x | 11.1x | (2.0)% | (50.3)% |
| Mean | | | 8.5x | 8.0x | 16.5x | 14.9x | (0.6)% | (33.6)% |

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



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On Nov. 26th, The Australian Competition and Consumer Commission said that it has decided not to accept undertakings offered by Brookfield Infrastructure LP in relation to its proposed acquisition of Asciano Limited. Following the proposed US\$6.5 billion acquisition, Brookfield would own Asciano's rail network and train operations in 2 of Australia's 8 states
- CHS and Mid Kansas Coop, a full-service farm cooperative offering a complete line of products, programs and services throughout Kansas, are considering plans to build and operate a grain terminal in Milan, Kansas, U.S. If approved, site preparation would begin in early 2016, and upon completion, on-site storage will be approximately 7 million bushels
- Wholesome Sweeteners, a U.S.-based organic sweetener manufacturer, has announced its acquisition of TruSweets, an organic candy maker. The companies did not disclose financial details of the deal. The deal offers Wholesome Sweeteners a larger presence in the growing better-for-you candy and free-from foods markets. TruSweets is already sold in both natural food stores and mainstream grocery stores, and its recipes are free from GMOs, gluten, corn syrup, and artificial flavors
- The Senate Judiciary Committee's antitrust subcommittee will hold a hearing to discuss Anheuser-Busch InBev's takeover bid for SABMiller on Dec. 8th. AB InBev has already agreed to divest SABMiller's 58% stake in joint venture MillerCoors to partner Molson Coors in hopes of appeasing U.S. regulators
- The realized net income of Canadian farm producers rose 23.0% to \$7.7 billion in 2014, marking the fourth increase in five years. This follows a 0.7% decline in 2013. Gains in receipts outpaced higher operating expenses. Realized net income increased in every province except Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.
 - Farm cash receipts, which include market receipts from crop and livestock sales as well as program payments, rose 4.7% to \$57.8 billion in 2014. Total net income decreased \$7.6 billion to \$4.8 billion
- As Argentina has abandoned years-long trade restraints, it strongly expects to double wheat shipments and surpass Russia and Brazil as a corn exporter. Additionally, the country's new leader has promised to eliminate corn and wheat export taxes and ditch the quota system that controls international shipments of both crops
- World total grain production in 2015-16 is expected to fall short of the previous year's record, but only by a fraction. Bumper outturns of wheat, barley and sorghum were seen being outweighed by a drop for maize, although output of that crop could still be the third largest ever. A further rise in global consumption was anticipated, underpinned by solid demand for food and animal feed
 - Nonetheless, 2015-16 stocks were projected to expand by 1% year-on-year, to a 29-year high. While some of the rise was seen in the major exporters, an accumulation was also expected in China, where inventories are largely inaccessible to the global grains economy. A 2% decline in world trade was forecast, mainly because of smaller wheat and barley imports in Near East Asia and North Africa following good domestic harvests
- Chicago Board of Trade (CBOT) reported the most active corn contract for March delivery lost 3.5 cents, or 0.94 percent, to settle at US\$3.7025 per bushel. March wheat delivery shed 4.25 cents, or 0.9 percent, to close at US\$4.6725 per bushel. January soybeans added 3 cents, or 0.34 percent, to close at US\$8.9225 per bushel

Commodities Futures as of December 4th, 2015

| Commodities Futures | Ticker | Price Unit | Latest Price (US\$) | Month to Date | Year to Date |
|-------------------------|-----------|-------------|---------------------|---------------|--------------|
| Corn (CBOT) | CBOT: ^C | \$ per bu. | \$3.81 | 2.11 % | 3.97 % |
| Wheat (CBOT) | CBOT: ^W | \$ per bu. | \$4.84 | 2.76 % | (17.84)% |
| Oats (CBOT) | CBOT: ^O | \$ per bu. | \$2.41 | 1.96 % | (20.56)% |
| Rough Rice (CBOT) | CBOT: ^RR | \$ per cwt. | \$11.18 | (4.57)% | (4.85)% |
| Barley (USDA) | ICE: ^AB | \$ per bu. | \$4.95 | 0.00 % | (32.65)% |
| Rapeseed (Canola) (ICE) | ICE: ^RS | CAD per T | \$483.00 | 2.48 % | 9.82 % |
| Ethanol (CBOT) | CBOT: ^ET | \$ per gal. | \$1.51 | (0.20)% | (3.21)% |



In other news...

- On Dec. 2nd, The Grocery Manufacturers Association (GMA) formally announced its SmartLabel initiative intended to give consumers quick access to product information
 - Every product that is a part of the program will receive a landing page which includes ingredient and other details about the item, consistent across product types
 - Currently, there are more than 30 large manufacturers on board, including Hershey and ConAgra foods, and GMA estimates that close to 30,000 products will be using SmartLabel by the end of 2017
- Currently, there are an estimated 25,000 job vacancies - projected to grow to 50,000 if trends remain, indicating that Canada's agriculture industry has a massive labor shortage
 - The Canadian Association of Agri-Retailers (CAAR) plans to deal with the shortage by launching a pilot program in early 2016, designed to convince retired Canadian military personnel to consider a career in agriculture
 - Every year, approximately 5,000 Canadians retire from Canada's army, navy, and air force - with many having developed strong management, communication, training and mechanics, and other useful skills which can be applied to agriculture during their service in the military
 - CAAR has stated that the biggest challenges in recruiting ex-military personnel have been connecting these highly skilled individuals to the right roles in agriculture, and convincing them that agriculture is far more than tending to livestock and seeding crops
 - However, CAAR is optimistic that this pilot program will help overcome the misconceptions about agriculture by emphasizing that it is a business and a science that requires highly skilled and motivated individuals

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