



## Agriculture Industry Flash

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Tuesday, September 26<sup>th</sup>, 2017

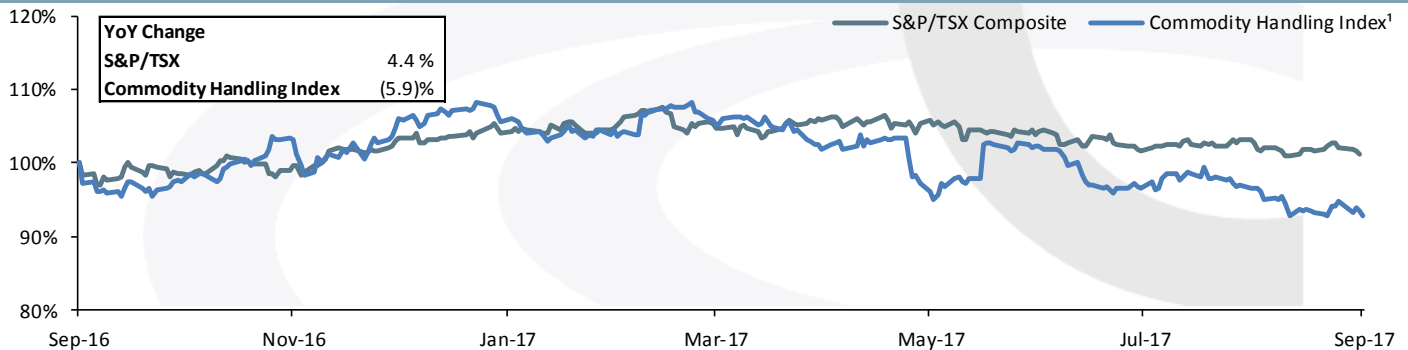


## COMMODITY HANDLING

### News Scan

- On Sep 18<sup>th</sup>, **Bunge Ltd.** issued five-year US\$400 million notes at 3% and US\$600 million 10-year notes at 3.75% to replace an existing credit line financing its US\$946 million acquisition in **IOI Loders Croklaan**, a Malaysian palm oil company. The company is taking advantage of low interest rates to finance the acquisition and extends its maturity profile
- On Sep. 22<sup>nd</sup>, **Farmland Partners**, entered into an agreement to acquire 5,100 acres of crop farmland in California from **Olam International Ltd.**, for US\$110 million. Under the agreement, Olam will continue to operate and maintain the properties with a 25-year triple-net lease agreement on a revenue share basis. The acquisition helps balance Farmland's U.S. nut orchard portfolio
- On Sep. 20<sup>th</sup>, **Pipeline Foods LLC** announced that it acquired two grain elevator facilities in Saskatchewan with respective capacities of 3,500 and 4,000 tonnes, for an undisclosed amount. The facilities are forecast to move 25,000 tonnes in 2018 after capital investments are made later this year. The facilities will serve as primary collection points for Canadian organic grain originations
- On Sep. 18<sup>st</sup>, **Seaboard Corp.** entered into an agreement with **Groupe Mimran**, a Swiss AgriFood group, to acquire its flour milling assets in Senegal, Ivory Coast, and Monaco for an undisclosed amount. The transaction is expected to increase Seaboard's milling capacity by 15%, to 24,000 tonnes per day, and increase its grain trading volume by 9% to 10.5 million tonnes per year
- On Sep. 15<sup>th</sup>, **Cargill** announced that it acquired a feed mill in Thailand owned by **Sri Thai Foods & Beverages Co.** and **Thai-Denmark Swine Breeding Co.**, for an undisclosed amount. The mill is expected to resume operation in May 2018, with an expected output of 72,000 tonnes per year. The acquisition is the latest in Cargill's expansion of its animal nutrition business
- On Sep. 13<sup>th</sup>, **The Redwood Group** and **Stricks**, announced the formation of a new company, **Stricks Ag**. The new company will operate processing facilities in Montana and central Canada. The partnership is expected to improve quality, grow processing operations, and expand the customer base of both parent companies

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
ADM	24,403	31,092	9.4x	8.7x	16.7x	15.1x	(1.2)%	(9.4)%
Bunge Limited	10,021	15,574	10.1x	7.9x	17.9x	12.6x	(1.7)%	(14.9)%
Graincorp Limited	1,480	2,483	7.7x	8.3x	11.8x	14.5x	0.7 %	(23.0)%
The Andersons, Inc	955	1,485	7.8x	6.6x	21.9x	14.0x	1.5 %	(24.4)%
AGT Food and Ingredients	486	937	11.5x	8.7x	21.4x	11.7x	(7.0)%	(37.7)%
Ceres Global Ag	106	173	na	na	na	na	(1.3)%	(20.4)%
<b>Mean</b>			<b>9.3x</b>	<b>8.0x</b>	<b>17.9x</b>	<b>13.6x</b>	<b>(1.5)%</b>	<b>(21.6)%</b>

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

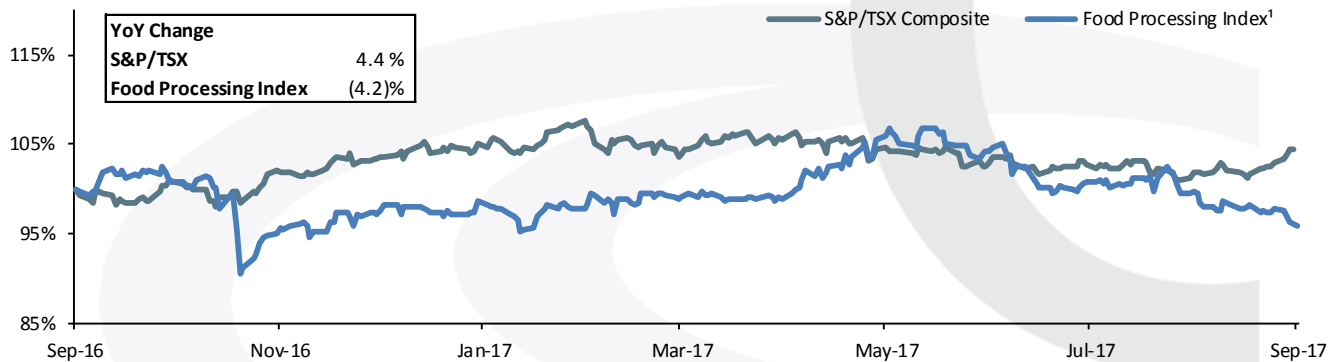


## FOOD PROCESSING

### News Scan

- On Sep. 19<sup>th</sup>, **Post Holdings Inc.**, said it will acquire **Bob Evans Farms Inc.**, a producer and distributor of refrigerated sausage & bacon, as well as pasta and vegetable dishes for US\$1.5 billion. The acquisition expands Post's presence in the higher growth packaged foods category. Bob Evans also has a growing food service business, generating 35% of its volume, strengthening Post's footprint in the food services segment
- On Sep. 11<sup>th</sup>, **Andrew Peller Ltd.** announced the acquisition of three B.C. wineries for a combined price of C\$95 million. The deal strengthens the company's presence in B.C. and complements its Western Canada VQA portfolio. The deals are financed by Peller's existing credit facilities and C\$17 million class A common shares
- On Sep. 13<sup>th</sup>, **Associated British Foods** announced that it has agreed to acquire **Acetum**, an Italian producer of Balsamic Vinegar of Modena, for an undisclosed amount. The acquisition broadens ABF's international presence in specialty foods
- On Sep. 22<sup>nd</sup>, **BakeMark** announced the purchase of **Best Brands** from **CSM Bakery Solutions**, an Illinois-based producer of bakery ingredients for an undisclosed amount. The acquisition provides an industry leading brand alongside market expansion for BakeMark
- On Sep. 19<sup>th</sup>, **Premium Brands Holdings Corporation**, announced the acquisition of **LeadBetter Foods Inc.**, an Ontario-based producer of specialty bacon, burgers, and portion-cut steaks, for an undisclosed amount. The transaction complements Premium's current Ontario burger business and provides a platform to further build its specialty protein business
- On Sep. 22<sup>nd</sup>, **Conagra Brands**, entered an agreement to buy **Angie's Artisan Treats LLC**, maker of BOOMCHICKAPOP ready-to-eat popcorn from **TPG Growth**, for an undisclosed amount. The acquisition modernizes Conagra's portfolio and provides an industry leading position in the fast-growing better-for-you snacking segment

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
George Weston Limited	11,054	26,018	7.0x	6.5x	15.4x	13.9x	(0.5)%	(15.4)%
ConAgra Foods, Inc.	13,779	16,600	11.2x	11.1x	18.7x	17.3x	(3.0)%	(32.2)%
Ingredion Incorporated	8,596	10,294	9.4x	9.0x	15.8x	14.5x	(4.6)%	(12.9)%
Tate & Lyle plc	3,957	4,600	7.7x	7.8x	13.3x	13.0x	(2.9)%	(25.6)%
Maple Leaf Foods Inc.	3,559	3,576	11.3x	10.4x	22.8x	20.3x	0.4 %	(3.7)%
Premium Brands	2,394	2,580	15.5x	13.2x	29.2x	23.0x	(0.2)%	(3.3)%
SunOpta Inc.	722	1,285	16.7x	12.2x	nmf	39.1x	(0.5)%	(23.8)%
Rogers Sugar	541	698	9.3x	8.0x	12.9x	11.4x	(1.3)%	(9.2)%
<b>Mean</b>			<b>11.2x</b>	<b>10.0x</b>	<b>19.2x</b>	<b>20.1x</b>	<b>(1.6)%</b>	<b>(16.7)%</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, SunOpta, and Rogers Sugar.

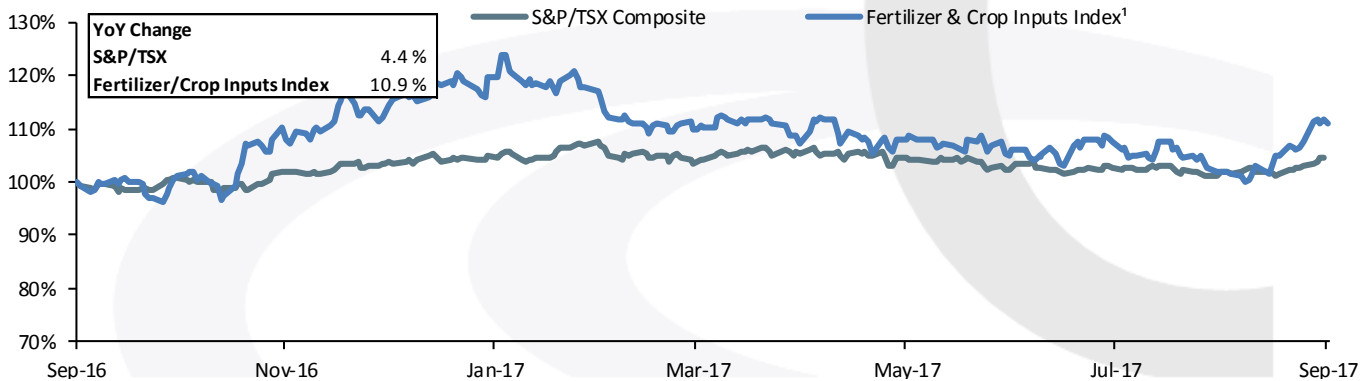


## FERTILIZERS & CROP INPUTS

### News Scan

- On Sep. 21<sup>st</sup>, the Canadian Competition Bureau granted unconditional regulatory approval for the proposed merger of **Potash Corp.** and **Agrium Inc.** The Bureau concluded that the transaction is not likely to lead to a lessening or prevention of competition in the range of fertilizers. The review and approval process continues in the United States, China, and India
- On Sep. 19<sup>th</sup>, **Bayer** announced that its proposed US\$66 billion merger with **Monsanto** will likely be completed early next year. The European Commission has begun an in-depth investigation of the takeover, citing concerns about competition in pesticide and seeds market. Bayer requested an extension on the investigation to Jan. 22<sup>nd</sup> from the previous deadline of Jan. 8<sup>th</sup>
- On Sep. 14<sup>th</sup>, **Bayer** and **Ginkgo Bioworks** invested US\$100 million to form a new AgTech company. The company will develop biological solutions to reduce the use of nitrogen-based fertilizers or to make current use more efficient, reducing environmental concerns related to water contamination. The Series A funding is provided by the two parent companies and hedge fund, **Viking Global Investors LP**
- On Sep. 14<sup>th</sup>, **BASF** announced a US\$10 million investment to expand its facility in Saskatchewan. The facility produces seed and soil-borne inoculants. The expansion is aimed at meeting the increasing global demand for these products. The investment is part of BASF's US\$828 million North American investment program, focused on maintaining its position in the seed treatment and inoculant market
- On Sep. 15<sup>th</sup>, a group of 14 retailers across three provinces announced the formation of **AgLinkCanada**. The group makes it easier and more cost effective for manufacturers and distributors of crop inputs to introduce new technologies and reach more customers

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
Agrium Inc.	14,953	20,340	11.1x	10.1x	22.1x	18.4x	4.0 %	(9.4)%
Potash Corp.	13,198	16,819	13.6x	12.1x	32.2x	30.5x	4.3 %	(10.6)%
CF Industries Holdings, Inc.	8,217	15,142	16.9x	12.2x	neg	nmf	7.1 %	(5.2)%
Yara International ASA	12,633	15,085	8.6x	6.9x	22.5x	15.0x	3.9 %	(0.6)%
The Mosaic Company	7,323	10,724	9.3x	7.4x	27.0x	19.2x	1.0 %	(39.3)%
Nufarm Ltd.	1,928	2,827	8.6x	8.0x	16.9x	14.2x	1.1 %	(13.5)%
Input Capital Corp.	104	94	3.9x	3.0x	neg	nmf	(2.9)%	(26.7)%
<b>Mean</b>			<b>10.3x</b>	<b>8.5x</b>	<b>24.2x</b>	<b>19.4x</b>	<b>2.6 %</b>	<b>(15.0)%</b>

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

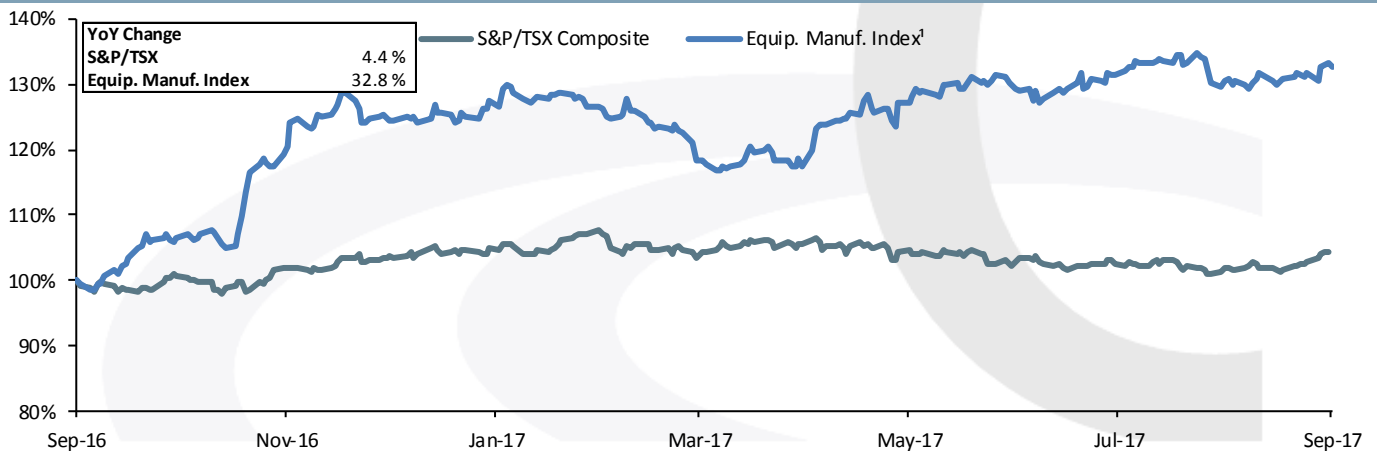


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On Sep. 21<sup>st</sup>, **Mahindra & Mahindra**, an India-based car manufacturer announced the acquisition of **Erkunt Traktor Sanayii**, Turkey's fourth-largest tractor manufacturer, for an enterprise value of US\$117 million. The acquisition provides further access to the Turkish market which is 70% dominated by local players
- On Sep. 13<sup>th</sup>, **Bühler**, the Swiss food production equipment manufacturer, acquired **Haas Group**, an Austrian confectionery equipment manufacturer, for an undisclosed amount. Bühler expects the acquisition to enhance its food products portfolio and enables Haas to access the global resources of Bühler
- On Sep. 22<sup>nd</sup>, **AGCO** announced that it is investing US\$2 million in its Edgewood Maryland assembly and distribution facility. The upgrades to the facility are expected to ensure that AGCO can meet the growing needs of compact utility equipment customers. Production volume is expected to increase by 50% and order shipment time will be reduced to 48 hours or less
- On Sep. 19<sup>th</sup>, **Canadian National Railway** and **Ray-Mont Logistics** announced the arrival of the first unit train bringing agricultural products to Ray-Mont's new facility. The new centre, located on Canada's west coast, helps crops transported from Western and Central Canada and the American Midwest reach international markets, ensuring Canadian grain remains competitive in the international market

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2017E	2018E	2017E	2018E	Price	52Wk High
Deere & Company	39,760	40,076	12.2x	11.4x	21.5x	20.1x	4.0 %	(6.6)%
AGCO Corp	5,776	7,578	10.8x	9.7x	23.7x	19.5x	3.2 %	(1.8)%
Ag Growth International Inc.	735	948	8.8x	7.8x	18.6x	12.6x	(5.2)%	(13.1)%
Rocky Mountain Dealerships	170	193	6.2x	5.4x	10.3x	8.9x	0.0 %	(9.1)%
Cervus Equipment Corporation	174	323	7.8x	7.2x	11.3x	9.7x	0.7 %	(18.4)%
<b>Mean</b>			<b>9.1x</b>	<b>8.3x</b>	<b>17.1x</b>	<b>14.2x</b>	<b>0.5 %</b>	<b>(9.8)%</b>

<sup>1</sup> "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

- The U.S. dairy lobby says it has the support of the U.S. government relating to the elimination of Canada's dairy supply management system in the most recent round of NAFTA negotiations. The system adds a 270% duty on dairy imports. The National Milk Producers Federation wants to remove all tariffs, leading to the free flow of dairy products among NAFTA members. The Dairy Farmers of Canada said that the elimination of the tariffs hurts the Canadian industry as its U.S. counterparts receive billions of dollars in subsidies
- Russia's 81 million tonne wheat harvest crop is set to depress markets through the winter and into 2018-19. Russian exports are expected to increase by 5 million tonnes to 32 million tonnes. The large crop offsets the market effects of smaller U.S. and Australian crops as well as quality problems in Poland and Germany
- A World Trade Organization ("WTO") dispute panel was set up on Sep. 22<sup>nd</sup> to rule on a U.S. complaint over Chinese import quotas on goods including wheat, rice, and corn. China pledged to remove import restrictions and operate its tariff-rate quotas in a transparent, predictable and fair manner when it joined the trade watchdog in 2001. According to the U.S. delegation, global prices for the three commodities were lower than China's domestic prices, yet China did not maximize its use of Tariff Rate Quotas which offer lower duties on a certain volume of imported grains each year, limiting market access for shipments from the U.S.
- According to a new report by Farm Credit Canada, the value of farmland and buildings is projected to continue growing but at a slower pace, with average annual increases of 4% in 2017 and 1% in 2018. The declining rate of growth is the result of projected softer growth in farm cash receipts and higher borrowing costs. The FCC forecast represents a major change in farmland prices as from 2011-16, values across Canada increased on average by more than 10% per year
- A report published by the Canadian Grain Commission stated that 1.17 million acres of canola spent winter in the field. Based on samples submitted to the CGC, 34% of the grain harvested this spring was graded No.1, compared to last year's harvest of 90%.
- For the week ended Sep. 21<sup>st</sup>, crops in Northwest Manitoba were in good to excellent condition. Conditions in the rest of Manitoba were sunny and dry with pastures continuing to deteriorate. Continued lack of moisture across Saskatchewan resulted in the majority of crop damage. Overall soil conditions in Alberta were strong. Some crops in Northeast Alberta are still green with immature crops that may become vulnerable to frost
- The National Corn Growers Association supported the introduction of the Cultivating Revitalization by Expanding American Trade and Exports ("CREAATE") act. CREAATE is a bipartisan bill that seeks to increase investment in two federal programs, the Market Access Program ("MAP") and the Foreign Market Development ("FMD") program, that build global demand for U.S. agricultural products. MAP and FMD are public-private partnerships that are responsible for 15% of U.S. agricultural export revenue. The CREAATE act would gradually increase MAP funding from US\$200 million to US\$400 million and FMD funding from US\$34.5 million to US\$69 million over the next five years
- During a U.S. Department of Agriculture trade mission to Sao Paulo and Recife, Brazil, leaders from 24 U.S. agribusinesses and trade organizations explored opportunities to expand their agricultural exports and further enhance their business relationships in Brazil. Brazil is a large untapped market for U.S. exporters. The country's growing population and rising per capita income makes it an attractive market for American exporters. In 2016, Brazil purchased nearly US\$1.4 billion in agricultural and related products from the U.S.

### Commodities Futures as of September 22<sup>nd</sup>, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT: ^C	\$ per bu.	\$3.54	(6.11)%	(0.53)%
Wheat (CBOT)	CBOT: ^W	\$ per bu.	\$4.50	(2.55)%	10.65 %
Oats (CBOT)	CBOT: ^O	\$ per bu.	\$2.48	(11.90)%	5.42 %
Rough Rice (CBOT)	CBOT: ^RR	\$ per cwt.	\$12.37	(0.04)%	28.74 %
Barley (USDA)	USDA: ^24	\$ per bu.	\$4.70	0.00 %	(5.05)%
Rapeseed (Canola) (ICE)	ICE: ^RS	CAD per T	\$494.80	(0.72)%	(1.06)%
Ethanol (CBOT)	CBOT: ^ET	\$ per gal.	\$1.49	(3.31)%	(2.75)%



## Recent Earnings News

Company	Period Ended	EPS YoY Change	Last Quarter		
			Comments	Analyst Consensus	Premium to Current
<b>Commodity Handling</b>					
Ceres Global Ag Corp.	30-Jun-17	nmf	Ceres Global Ag posted losses as sales decreased by 3% in Q4'17. Gross profit decreased 95% YoY due to a reduction in net trading margin. Net loss was US\$4 million compared to US\$1.5 million in the prior year. The loss was driven by operating and depreciation expenses due to the addition of Northgate assets, and increased SG&A expenses from the addition of staff to the grain merchandising group and related support teams. Volume increased by 6%, handling 29.7 million bushels of grain in Q4'17, compared to the 28.1 million bushels handled in Q4'16.	N/A	N/A

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