



Agriculture Industry Flash

Tuesday, November 7th, 2017

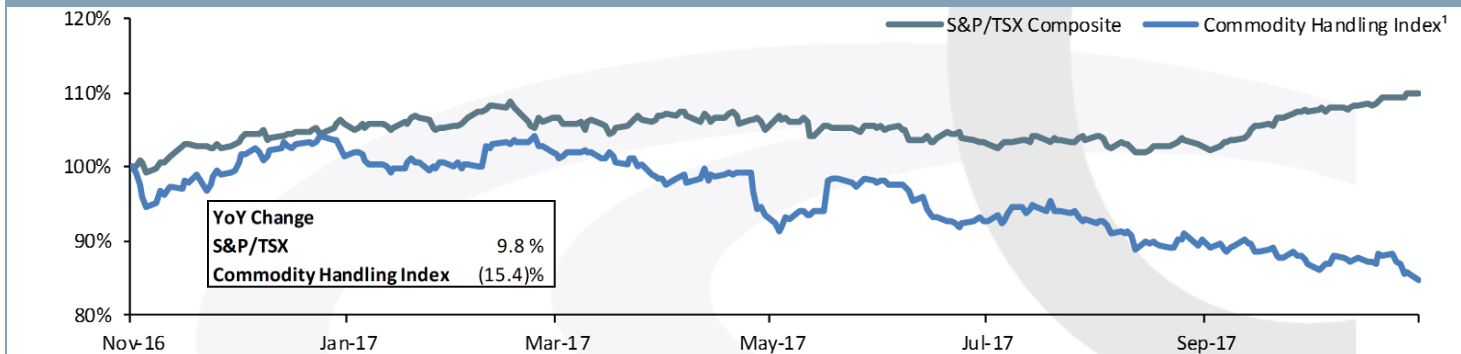


COMMODITY HANDLING

News Scan

- On Oct. 25th, **Cargill** announced the acquisition of **Diamond V**, a leading provider of natural solutions and technologies that improve animal health, performance and food safety, for an undisclosed amount. The acquisition will give Cargill a market-leading position in the US\$20 billion global animal feed additives market
 - On Oct. 27th, **Cargill** announced the acquisition of **Integral Nutricao Animal**, a Brazilian maker of animal feed, for an undisclosed amount. The acquisition doubles Cargill's share of the mineral salt cattle feed market to 2%
 - On Nov. 7th, **Cargill** announced plans to expand its presence in India over the next five years with a US\$240 million investment in its core businesses including edible oil, cocoa, starches and sweeteners, as well as animal nutrition
- On Oct. 31st, **Rogers Foods Ltd** officially opened its C\$35 million expansion of its flour mill in Chilliwack, British Columbia. The upgraded mill has a capacity of 110,000 bushels of wheat and 22,000 hundredweights of bulk flour. The additional capacity will allow the company to continue serving customers in lower British Columbia and the U.S. west coast
- On Oct. 30th, **Star Bulk Carriers Corp** announced the launch of a new venture in Dry Bulk Commodity Logistics called **Star Logistics Management**. The new business will be based in Switzerland and will focus on servicing the end user by connecting origination and destination of dry bulk commodities. The move is expected to expand the commercial capability of Star Bulk and provides cargo flow
- On Nov. 1st, the **CBH Group** reported varied results in the 2017 season across western Australia. Late rains and cool conditions have delayed harvests across the state. To date, the majority of grain received is Canola, with good quality

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	22,091	28,958	9.4x	8.1x	15.1x	13.7x	(3.3)%	(18.0)%
Bunge Limited	9,510	14,779	10.8x	7.9x	17.0x	12.0x	(2.8)%	(19.2)%
Graincorp Limited	1,520	2,484	8.1x	9.0x	12.6x	15.5x	0.1%	(18.6)%
The Andersons, Inc	1,032	1,563	8.5x	6.9x	23.7x	15.1x	(1.7)%	(18.3)%
AGT Food and Ingredients	380	814	10.9x	8.0x	17.4x	9.5x	(10.9)%	(48.5)%
Ceres Global Ag	91	159	na	na	na	na	0.7%	(29.4)%
Mean			9.5x	8.0x	17.1x	13.2x	(3.0)%	(25.3)%

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

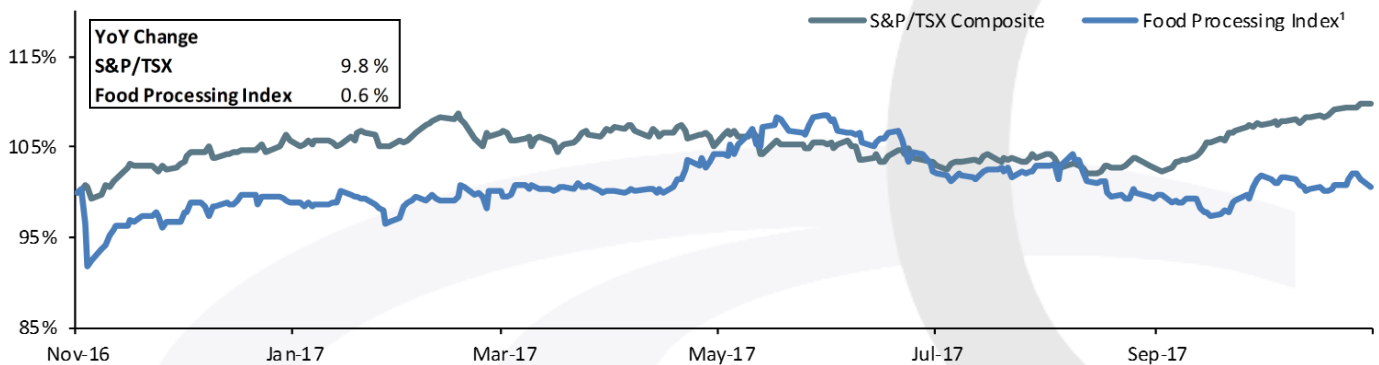
FOOD PROCESSING



News Scan

- On Oct. 30th, Mexican food company, **Grupo Lala** completed the purchase of 99.9% and 50% shares in the Brazilian dairy companies **Vigor Alimentos** and **Itambe Alimentos** for a total value of US\$1.5 billion. The acquisition expands the company's portfolio of healthy and nutritious products along with added innovation and R&D talent
- On Oct. 26th, **Saputo Inc.** announced the acquisition of the Australian dairy business of **Murray Goulburn**, for US\$1 billion. The acquisition strengthens its activities and presence in the Australian dairy market. Saputo intends to make additional investments in the business to enhance performance in domestic and international markets and expand the company's access to China
- On Oct. 31st, **Hormel Foods** announced the acquisition of premium meat and salami company, **Columbus Manufacturing**, for US\$850 million. The acquisition enhances scale in the deli market by broadening the portfolio of products and consumers
- On Nov. 2nd, **Unilever** announced the acquisition of the Tazo tea brand from **Starbucks** for US\$384 million. Tazo has a strong position in the fast-growing specialty black, green and herbal tea markets. The transaction was completed at approximately 10x forward EBIT
- On Oct. 31st, Israeli flavours and specialty ingredients maker, **Frutarom** acquired specialty nutrition company, **Enzymotec**, for US\$210 million. The transaction strengthens Frutarom's growing activity in the natural specialty fine ingredients segment
- On Oct. 27th, **Hearthside Food Solutions** announced the acquisition of **Standard Functional Foods Group**, a unit of Tennessee-based **Standard Candy Co.**, for an undisclosed amount. The acquisition expands the company's R&D 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
			2017E	2018E	2017E	2018E		
George Weston Limited	10,945	25,410	7.0x	6.5x	15.8x	14.2x	0.7%	(13.2)%
ConAgra Foods, Inc.	13,850	17,007	10.3x	10.1x	18.8x	17.3x	(2.4)%	(31.8)%
Ingredion Incorporated	9,298	10,904	10.0x	9.4x	17.1x	15.7x	3.4%	(5.8)%
Tate & Lyle plc	4,260	4,796	8.3x	8.1x	14.8x	14.4x	8.4%	(17.5)%
Maple Leaf Foods Inc.	3,346	3,370	11.1x	10.3x	22.2x	19.8x	(0.8)%	(6.2)%
Premium Brands	2,425	2,615	16.2x	13.7x	30.7x	24.2x	(0.8)%	(0.8)%
SunOpta Inc.	753	1,317	17.2x	12.6x	nmf	40.4x	(8.3)%	(18.7)%
Rogers Sugar	510	661	9.2x	7.9x	12.6x	11.1x	(3.1)%	(11.4)%
Mean			11.4x	10.1x	19.9x	20.9x	0.0%	(13.4)%

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.

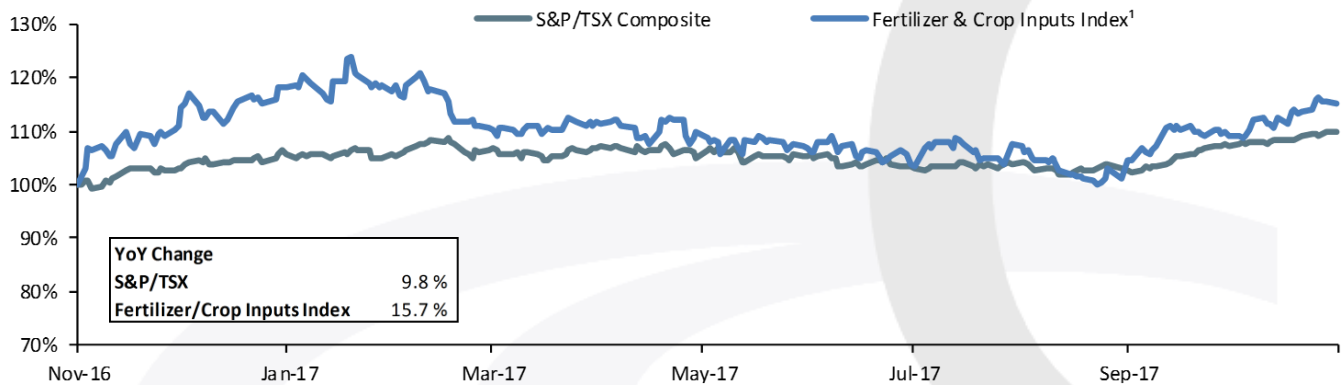
FERTILIZERS & CROP INPUTS



News Scan

- On Oct. 23rd, **Nufarm Limited** announced that it acquired a suite of crop protection products known as the Century Portfolio from **ChemChina** subsidiary, **Adama Agricultural Solutions**, and **Syngenta AG**, for US\$540 million. The acquisition includes 50 crop protection formulations sold in 29 European markets. The acquired assets complement Nufarm's European portfolio
- On Oct. 31st, **United Farmers of Alberta Co-operative**, announced the acquisition of **CHS Inc.**'s interest in the Bridgeland Limited Partnership along with assets used in the retail operations of CHS, for an undisclosed amount. The acquisition allows UFA to operate all of the Bridgeland assets and reinforces the company's commitment to its core business and customers in one of its key geographies
- On Oct. 30th, **Richardson International Ltd.**, announced that it purchased all of **CHS Inc.**'s retail crop input locations in Western Canada, for an undisclosed amount. Richardson acquired nine locations in Alberta and one in Saskatchewan. The acquisition expands Richardson's network across Western Canada
- On Oct. 24th, the first ship carrying potash fertilizers from **K+S Potash Canada**'s Bethune mine left its storage facility in Vancouver. The first ship is loaded with 30,000 tonnes of cargo and will supply customers in Asia. The facility will allow KSPC to supply new markets in Asia and South America

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
Agrium Inc.	14,862	20,247	11.1x	10.0x	22.0x	18.3x	(2.3)%	(6.7)%
Potash Corp.	12,656	16,143	14.0x	12.1x	32.0x	30.3x	(2.4)%	(8.0)%
CF Industries Holdings, Inc.	9,146	16,039	15.9x	12.6x	neg	nmf	3.2%	(0.3)%
Yara International ASA	13,120	15,409	9.5x	7.4x	24.5x	16.3x	1.1%	(0.7)%
The Mosaic Company	7,895	11,300	9.2x	7.5x	29.1x	20.6x	0.7%	(34.5)%
Nufarm Ltd.	1,756	2,469	7.7x	6.7x	16.0x	13.4x	(2.6)%	(15.6)%
Input Capital Corp.	100	90	3.9x	3.0x	neg	nmf	(1.2)%	(27.1)%
Mean			10.2x	8.5x	24.7x	19.8x	(0.5)%	(13.3)%

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

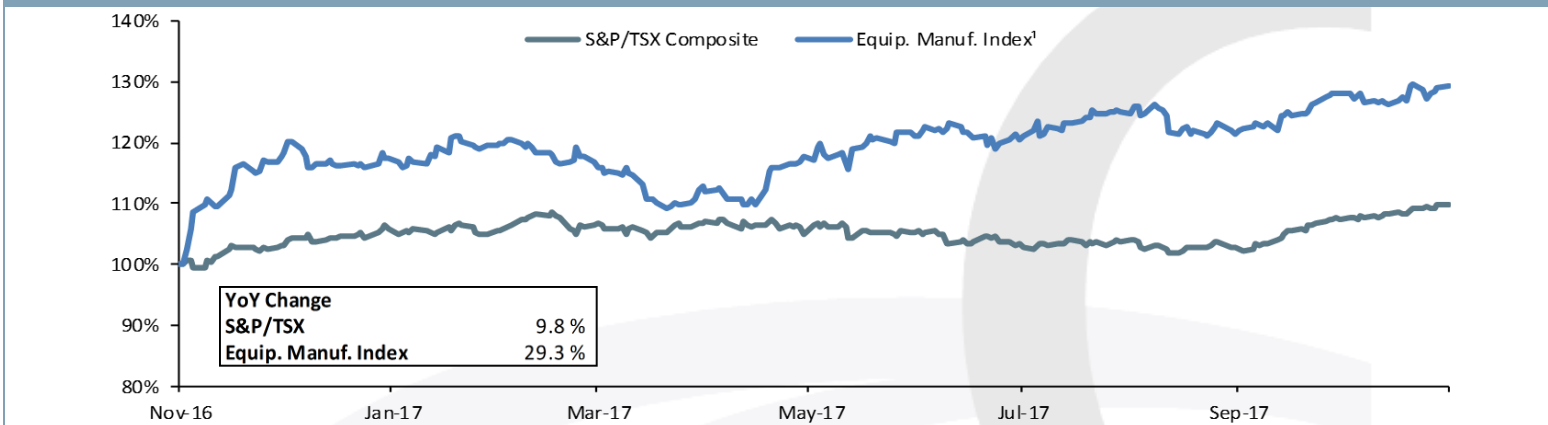
EQUIPMENT MANUFACTURERS AND SERVICES



News Scan

- On Oct. 25th, **AgriVision Equipment**, a full-service John Deere equipment dealer, announced the company's intention to acquire **Icon Ag & Turf**, a John Deere retailer, for an undisclosed amount. The acquisition adds 5 locations to AgriVision's portfolio and expands its presence in three states
- On Oct. 31st, **Koenig Equipment Inc.**, an Ohio-based John Deere retailer, announced the completion of its acquisition of **Smith Implements Inc.**, an Indiana-based John Deere retailer, for an undisclosed amount. The acquisition provides six additional locations allowing the company to improve service times and efficiency
- On Nov. 2nd, unionized train crews of the **Canadian Pacific Railway** rejected a one-year contract extension. The current contract that covers the crews is set to expire on December 31st, 2017

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High		
	Cap	TEV	2017E	2018E				
Deere & Company	43,475	43,713	13.4x	12.6x	23.5x	22.0x	1.8 %	(0.4)%
AGCO Corp	5,544	7,536	10.6x	9.6x	22.9x	18.6x	1.6 %	(7.8)%
Ag Growth International Inc.	645	849	8.3x	7.3x	20.1x	15.2x	1.0 %	(15.4)%
Rocky Mountain Dealerships	174	197	6.6x	5.7x	11.3x	9.4x	(2.6)%	(3.5)%
Cervus Equipment Corporation	189	334	8.2x	7.6x	12.7x	10.8x	2.1 %	(6.4)%
Mean			9.4x	8.6x	18.1x	15.2x	0.8 %	(6.7)%

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

- The Near East Asia region is playing an increased part in the upward climb of world flour trade which is expected to reach 17 million tonnes in the 2017-18 crop year. Trade in the region doubled over the last five years despite ongoing conflicts disrupting milling activities
- Mexico, the largest importer of U.S. Wheat in the last two years is turning to other countries for its wheat supply, partly in reaction to uncertainty over NAFTA. The country is currently importing and assessing cargo from Argentina. U.S. farmers providing hard red winter wheat state that exports to Mexico are essential for their businesses. These exports amounted to US\$633 million in the last year
- The Soy Nutrition Institute and the American Soybean Association provided evidence of soy protein's heart-health benefits after the USDA proposed to revoke a health claim related to soy protein and the reduced risk of heart disease. Soybean use has steadily increased since 1999 when the USDA authorized a health claim for soy protein
- On Oct. 31st, the U.S. Grains Council announced that it is adding a new strategic director in Asia as part of a global resource expansion to capture near-term demand for feed grain sales and build long-term demand for ethanol among global customers. These staff additions complement other staff expansions over the last year and are part of a strategic plan to find, develop, and capture new demand
- On Oct. 25th, 87 food and agricultural organizations addressed the U.S. Secretary of Commerce to dispute recent claims that the agricultural products market is not oversupplied. Additionally, the group claims that a U.S. withdrawal would cause immediate and substantial harm to the U.S. food and agriculture industries and the American economy as a whole
- On Oct. 26th, the International Grains Council raised its forecast for total grains production in 2017-18 to 2.075 billion tonnes, up from 2.069 billion tonnes. Increased maize volumes are mainly responsible, contributing 5 million tonnes of the 6 million tonne increase
- World food security is expected to improve through to 2027, driven by forecasts of low food prices and rising incomes in 76 low and middle-income countries. The food insecure population is expected to fall to 8.9% in 2027 from 17.7% in 2017
- On Oct. 25th, a coalition of 66 ag-based organizations joined together to focus on expanding the USDA's research, education and extension budget to help further the U.S. agriculture industry. The group is seeking to double the current US\$6 billion budget over the next five years. The group argues that agriculture is now a science-based business and the nation is not investing enough in public research to remain competitive with China, which has doubled its commitments
- A federal bill aimed at improving Canada's transportation system and bettering rail service for shippers has passed the third reading in the House of Commons and is headed to the Senate for further approval. If passed, the bill will provide greater certainty for western Canadian grain shippers that depend on Canadian railway companies to transport grain to export terminals or North American destinations
- A recent study has showed that Ontario hog farmers have reduced their use of antimicrobials by 17% over the last two years. The study involved 700,000 pigs from over 30 farms. The reductions come amid increased pressure for farmers to reduce or control the use of antimicrobials to control bacteria and the decreasing popularity of antimicrobials as growth enhancers
- The Manitoba Premier announced a response to the Federal Government's required carbon tax legislation by requiring a C\$25 per tonne carbon tax. The proposed carbon tax by Manitoba is half of C\$50 per tonne that the federal government has been demanding. Farm Fuel such as diesel and gasoline are exempt from the carbon tax legislation

Commodities Futures as of November 6th, 2017

Commodities Futures	Ticker	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	CBOT:^C	\$ per bu.	\$3.48	(0.07)%	(2.08)%
Wheat (CBOT)	CBOT:^W	\$ per bu.	\$4.31	3.05 %	6.03 %
Oats (CBOT)	CBOT:^O	\$ per bu.	\$2.69	(0.92)%	14.35 %
Rough Rice (CBOT)	CBOT:^RR	\$ per cwt.	\$11.52	0.13 %	19.94 %
Barley (USDA)	USDA:^24	\$ per bu.	\$4.70	0.00 %	(5.05)%
Rapeseed (Canola) (ICE)	ICE:^RS	CAD per T	\$518.90	(0.42)%	3.76 %
Ethanol (CBOT)	CBOT:^ET	\$ per gal.	\$1.48	2.00 %	(3.27)%



Recent Earnings News

Company	Last Quarter		Analyst Consensus	Premium to Current
	EPS YoY Change	Comments		
Commodity Handling				
Archer-Daniels-Midland Company	(41.5%)	Adjusted Operating profit was down 17% from the previous year due to a challenging environment in the Ag Services and Oilseeds businesses. ADM expects to transition to a period of lower capital spending in Q4	US\$41.00	4.4%
Bunge Limited	(25.3%)	Agribusiness performance improved, Edible Oils volumes increased in most regions, while Sugar was impacted by lower Brazilian prices. EPS was down 25% YoY	US\$79.40	17.4%
Food Processing				
Ingredion Incorporated	17.1%	YTD sales were flat as acquisition and specialty volumes were offset by lower prices. Operating income was driven by operating efficiency, leading to margin expansion	US\$133.25	2.8%
Maple Leaf Foods Inc.	26.1%	Third quarter sales increased 6.6% YoY, due to higher volumes. Operating earnings were robust due a balanced portfolio and strong performance from the fresh foods segment	C\$38.00	14.5%
Tate & Lyle plc	91.6%	Sales increased 6% YoY due to volume growth. Profit improved across the Food Systems and Bulk Ingredients segments. Adjusted FCF came in above management expectations	£7.30	4.1%
Fertilizers & Crop Inputs				
CF Industries Holdings, Inc.	nmf	Net sales increased to \$870 million up from \$680 million in the last year. Higher sales volumes were offset by lower average prices. Costs per ton decreased by 5% YoY. Impacts to EPS were driven by one-off events including losses on natural gas derivatives	US\$35.24	(10.1%)
Potash Corporation of Saskatchewan Inc.	(37.8%)	Gross Margin was up 21% YoY, with strong performance in the potash segment. The performance was offset by weaker nitrogen and phosphate results. Cost of Goods in the Potash segment decreased on a per tonne basis, while Nitrogen and Phosphate were flat	US\$23.26	(5.1%)
Equipment & Services				
AGCO Corporation	53.3%	Net Sales Increased 8.7% YoY, with strong performance across all geographies. EPS increased by 53% YoY, from \$0.50 to \$0.76	US\$72.00	3.3%

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