



Agriculture Industry Flash

Tuesday, January 2nd, 2018

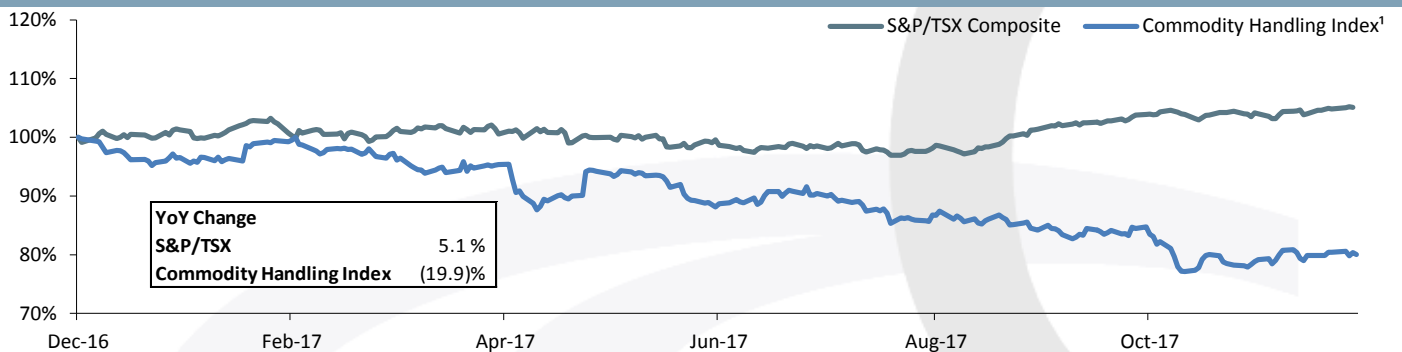


COMMODITY HANDLING

News Scan

- On Dec. 19th, **Olam International** formed a JV with **Mitr Phol Sugar** whereby Mitr Phol will invest US\$100 million to acquire a 50% stake in Olam's subsidiary, **Far East Agri**, which operates a sugar refinery in Indonesia. The remaining 50% will be retained by Olam. Under the agreement, Far East will be engaged in the development of a green-field sugar milling facility in East Java. Upon completion in 2020, the mill will have the capacity to source 1.2 million metric tonnes of cane from farmers
- On Dec. 28th, a group of 4 grain cooperatives in Eastern Washington have announced intentions to acquire **Almira Farmers Warehouse Co.** on Apr. 1st, 2018 for an undisclosed amount, to form **HighLine Grain Growers**, with a focus on streamlining logistics and trading activities
- On Dec. 27th, **Cargill** submitted environmental studies with the Department of Environment and Sustainability (SEMAS) of Para related to the construction of a new grain port terminal in Baía do Capim, Brazil. Cargill plans to invest ~US\$212 million in the port project, which would have the capacity to handle about six million tonnes of grains per year. Operations would start up at the port between 2022 and 2025, depending on demand and other strategic decisions

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	22,415	29,295	9.9x	8.3x	17.2x	14.8x	(0.3)%	(15.5)%
Bunge Limited	9,432	14,701	11.0x	8.2x	23.8x	14.1x	0.5%	(19.9)%
Graincorp Limited	1,461	2,023	6.9x	7.8x	11.9x	17.1x	0.7%	(22.0)%
The Andersons, Inc	876	1,304	7.6x	6.7x	29.6x	18.2x	(2.2)%	(29.9)%
AGT Food and Ingredients	480	946	17.8x	11.8x	47.1x	16.3x	(3.6)%	(46.3)%
Ceres Global Ag	105	173	na	na	na	na	1.3%	(19.6)%
Mean			10.6x	8.6x	25.9x	16.1x	(0.6)%	(25.5)%

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

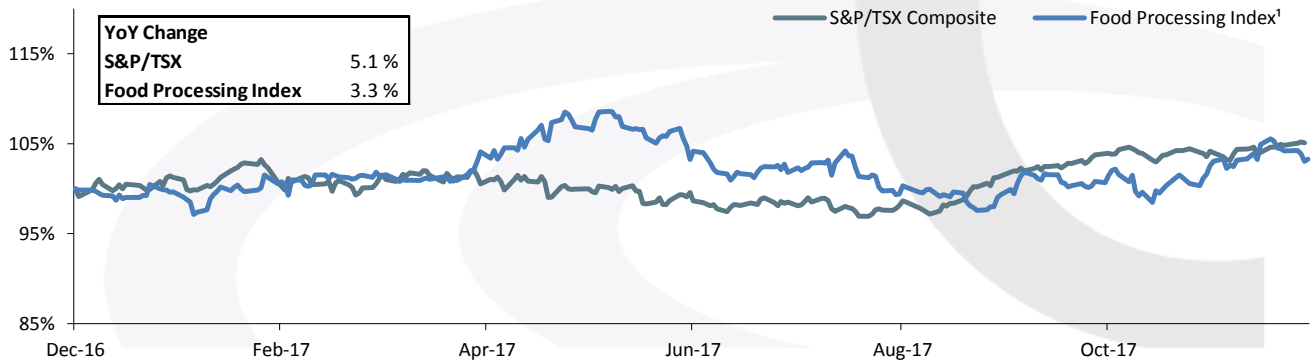


FOOD PROCESSING

News Scan

- On Dec. 19th, Belgian fresh and frozen foods company **Greenyard NV** announced it was in advanced negotiations to acquire **Dole Food Company**, in a deal that could value the largest producer of bananas and pineapples at more than US\$2.5 billion, including debt. Greenyard has a market cap of US\$1.03 billion, but has secured appropriate financing and is confident in its ability to complete the transaction. The deal would allow Greenyard to branch into the U.S. market and also supply the U.S. businesses of existing customers
- On Dec. 22nd, Canadian seafood producer **Cooke** completed the previously-announced acquisition of U.S.-based specialty protein products maker **Omega Protein** for US\$500M. The acquisition of Omega will help further diversify the supply side of Cooke's business by adding specialty plant & marine based oil & protein products. Omega operates seven manufacturing facilities in U.S., Canada, & Europe
- On Dec. 22nd, **Nestle** announced it has completed a strategic review and will plan to sell its U.S. confectionary unit by the end of the first quarter of 2018, with a robust sale process under way. The U.S. confectionary business, which had sales of about 900 million Swiss francs in 2016, includes brands such as Butterfinger, Baby Ruth, 100 Grand, Skinny Cow, Raisinets, Chunky, Oh Henry! and Sno-Caps
- On Dec. 21st, **Conagra Brands** announced it will acquire **Sandwich Bros. of Wisconsin**, a manufacturer of frozen breakfast and entrée flatbread sandwiches, for an undisclosed amount. The Sandwich Bros. of Wisconsin business has generated US\$60 million in sales during the 12 months ended November 2017, and will support Conagra's accelerated growth plan
- On Dec. 20th, Italy's **Campari** signed an agreement to buy cognac brand **Bisquit** from **Distell Group**, for US\$62 million. The move is aimed at further broadening Campari's premium spirit portfolio to drive a richer product mix and to increase growth potential in the U.S. and China, two markets where sales of premium cognac are on the rise

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
George Weston Limited	11,132	25,926	7.0x	6.5x	15.9x	15.1x	(0.1)%	(13.1)%
ConAgra Foods, Inc.	15,388	18,584	11.3x	11.2x	20.6x	19.0x	(1.1)%	(9.6)%
Ingredion Incorporated	10,047	11,682	10.6x	10.1x	18.1x	16.8x	(1.2)%	(2.0)%
Tate & Lyle plc	4,404	4,957	8.3x	8.2x	14.8x	14.2x	0.5%	(11.7)%
Maple Leaf Foods Inc.	3,637	3,674	11.9x	10.9x	24.0x	21.2x	(0.6)%	(3.4)%
Premium Brands	2,475	2,726	16.9x	13.5x	32.3x	24.0x	(1.1)%	(6.5)%
SunOpta Inc.	672	1,253	17.3x	12.8x	neg	nmf	(5.2)%	(28.5)%
Rogers Sugar	533	777	11.7x	8.9x	15.6x	11.7x	(0.5)%	(8.9)%
Mean			11.9x	10.5x	21.0x	18.4x	(1.2)%	(10.7)%

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.

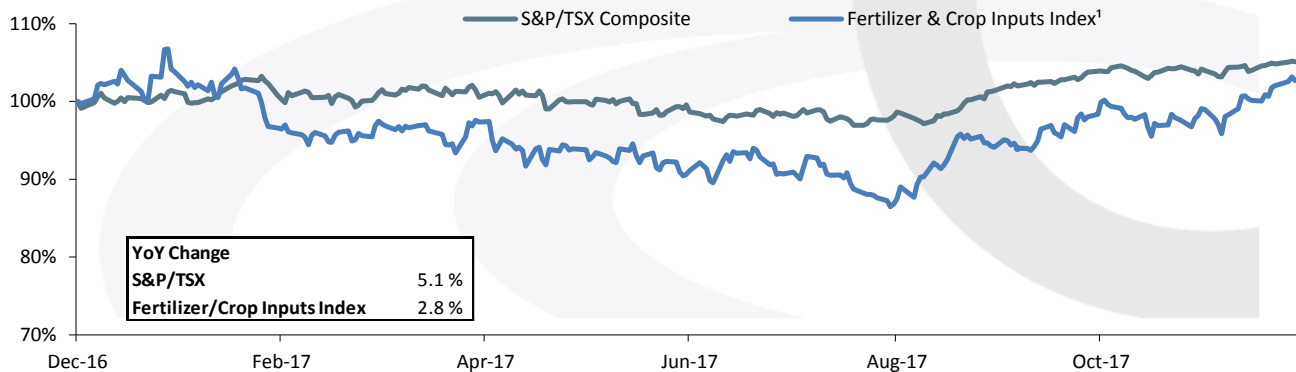


FERTILIZERS & CROP INPUTS

News Scan

- On Dec. 27th, **Potash Corp of Saskatchewan** and **Agrium** announced they have received final regulatory clearance to merge, forming a new company to be known as **Nutrien**. As part of the approval, PotashCorp and Agrium agreed in a settlement with the FTC to divest one facility to Itafos and another to Trammo Inc. The deal closed on Jan. 1, 2018, and Nutrien began trading on Jan. 2 on the Toronto Stock Exchange and New York Stock Exchange under the ticker symbol NTR
- On Dec. 28th, **Itafos** announced it will acquire the remaining 68.6% of **GB Minerals Ltd** that it does not already own, for either 0.035714 of an Itafos share for each GB Minerals share, or a combination of C\$0.05 in cash and 0.011905 of an Itafos share, valuing the company at approximately C\$100M. GB Minerals owns the Farim phosphate project in Guinea-Bissau, West Africa. The transaction is with a view to further develop the Farim project, and shareholders will benefit from the opportunity to participate in a combined company with enhanced technical expertise, project management capabilities, and financial resources. GB Minerals will also receive US\$7 million in interim financing for expenses and development of the property and to meet financial and operational obligations
- On Dec. 22nd, **Itafos** announced it has closed its private placement of 41.1 million shares of the company at C\$2.10 per share, for gross proceeds of ~C\$86 million. The principal use of proceeds of the offering will be to fund the continued implementation of Itafos' strategic and business development initiatives, as well as for working capital and general corporate purposes
- On Dec. 19, **Yunnan Yuntianhua Co.** - a major chemical producer based in Yunnan, China, halted production at a 500 000 tons per year (tpy) ammonia production plant and an 800 000 tpy urea production line at its Yunnan Shuifu subsidiary, due to shortages of natural gas as the country's winter heating crisis continues

Relative Performance Index



Key Indicators²

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2017E	2018E			2017E
CF Industries Holdings, Inc.	9,923	16,819	16.5x	13.0x	neg	nmf	3.1 %	(2.0)%
Yara International ASA	12,575	14,857	9.4x	7.2x	24.3x	16.1x	(0.6)%	(4.5)%
The Mosaic Company	9,008	12,343	10.0x	8.2x	25.9x	22.3x	1.7 %	(25.3)%
Nufarm Ltd.	2,236	2,963	9.9x	7.7x	17.6x	14.1x	(1.3)%	(17.5)%
Input Capital Corp.	101	93	4.4x	3.3x	36.9x	18.5x	0.0 %	(30.2)%
Mean			11.1x	9.0x	27.5x	20.3x	0.7 %	(12.1)%

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

2 Agrium / Potash excluded as merged company Nutrien begins trading on Jan. 2, 2018

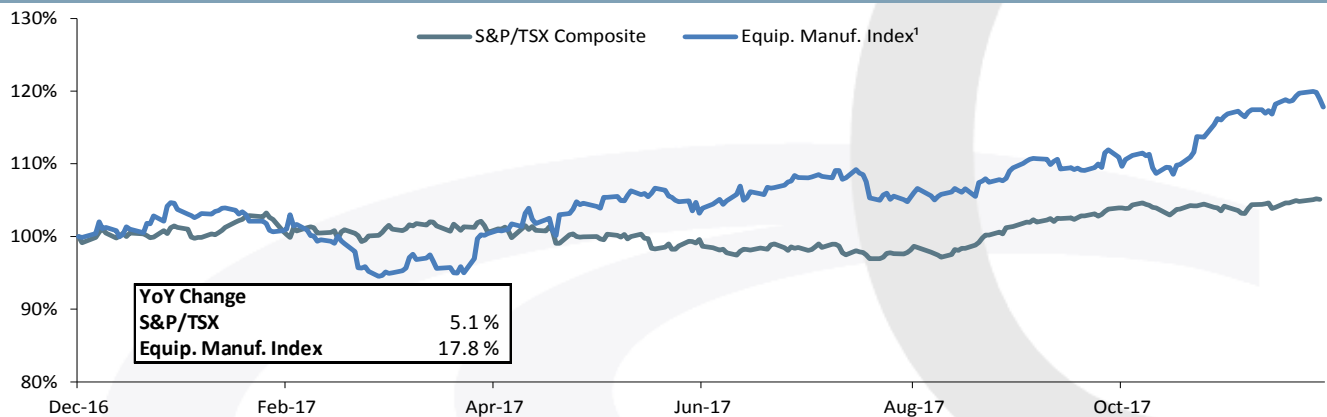


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On Dec 21st, **CN Rail** announced it is pushing ahead with a project to solidify and ship bitumen in soap-bar-shaped chunks in a bid to open overseas markets for the oil sands product. CN said the pellets of heavy oil, mixed and encased with polymer or plastic and shaped as a bar of soap, will be robust enough to be handled like coal - loaded into rail cars, piled onto conveyor belts and dumped into a ship's hold. CN says the product it calls CanaPux is aimed at oil patch producers and shippers that do not have access to pipelines, or want to reach buyers in Asia or other continents
- According to industry experts, U.S. tax reform could be positive for Ag Machinery stocks. A 21% U.S. tax rate could in itself boost after-tax profits by about 10% on average across the industry group. Additionally, elements of the bill such as accelerated depreciation and larger Section 179 deductions could have a positive impact on underlying equipment demand, especially in key markets such as agriculture and trucking

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
Deere & Company	50,489	49,155	15.3x	14.4x	27.2x	25.5x	0.4%	(1.6)%
AGCO Corp	5,682	7,681	10.8x	9.7x	23.4x	19.3x	(1.7)%	(6.0)%
Ag Growth International Inc.	687	1,101	11.0x	9.5x	23.2x	16.9x	(1.3)%	(11.5)%
Rocky Mountain Dealerships	213	445	13.8x	12.1x	12.2x	10.3x	(2.7)%	(4.5)%
Cervus Equipment Corporation	187	348	8.9x	8.0x	13.0x	10.1x	(3.3)%	(6.0)%
Mean			12.0x	10.7x	19.8x	16.4x	(1.7)%	(5.9)%

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

- Industry reports indicated barley production in Canada suffered a dramatic drop in 2017. Production in 2017 was less than eight million tonnes compared to the 2013 harvest of 10.2 million tonnes, as better yielding and higher paying crops like canola, wheat, oats and durum have displaced barley. Analysts believe demand persists and an increase in barley production to 13 million tonnes would be absorbed by the domestic feeding market, the malt sector, exports to China and potential customers in Saudi Arabia and Mexico
- On Dec. 28th, the U.S. Environmental Protection Agency (EPA) issued a proposed rule in the Federal Register on the life-cycle greenhouse gas (GHG) emissions associated with biofuels that are produced from grain sorghum oil extracted at dry-mill ethanol plants. The EPA is seeking comment for 30 days on its proposed assessment that using distillers sorghum oil as a feedstock results in no significant agricultural sector GHG emissions. Through EPA analysis, biodiesel produced from distillers sorghum meets the lifecycle GHG emissions reduction threshold of 50% required for advanced biofuels, and biomass-based diesel under the Renewable Fuel Standard program
- On Dec. 21st, the Canadian Food Inspection Agency said that a global shortage of vitamins A and E for livestock use is forcing feed manufacturers to revise formulations. The shortage was caused by an Oct. 31 fire at the BASF plant in Ludwigshafen, Germany. Supplies are expected to remain below optimum levels well into the first quarter of 2018
- On Dec. 21st, Economists from Agricultural Economic Insights reported that they believe U.S. farm land values are overpriced and a correction could be coming, as recent rises in land values have been supported by strong cash flow generation from farmers. Working capital in the U.S. agriculture sector has dropped to \$50 billion in 2017 from \$120 billion in 2012, and margin pressures from falling crop prices may reduce farmers spending on equipment and investments in properties
- On Dec. 28th, the Canada Border Services Agency launched an investigation into whether or not certain dry wheat pasta originating in or exported from Turkey is being sold at unfair prices in Canada. The agency also said it is investigating whether or not subsidies are being applied to certain dry wheat pasta originating in or exported from Turkey. The investigation follows complaints from the Canadian Pasta Manufacturers Association of Ottawa, which alleges that they lost production, lost sales, price depression, loss of employment and reduced profitability as a result of price undercutting from Turkey
- As of Dec. 28th, the U.S. Drought Monitor showed a minimum of abnormally dry conditions across nearly the entire hard red winter wheat region. Analysts note, however, that spring rainfall and weather conditions are more significant in determining winter wheat yields than are winter moisture conditions
- According to reports from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), prospects for total winter crop production in Australia have fallen slightly during spring, due to the varied condition of crops and mixed seasonal conditions. The total winter crop production in 2017-18 is forecast to decrease by 41% compared to the previous year, to 35.1 million tonnes. For the major winter crops, wheat production is forecast to decrease 42% to 20.3 million tonnes, barley by 40% to 8.0 million tonnes, and canola by 31% to 2.9 million tonnes

Commodities Futures as of December 29th, 2017

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.51	(2.23)%	(1.30)%
Wheat (CBOT)	\$ per bu.	\$4.27	(2.62)%	5.11 %
Oats (CBOT)	\$ per bu.	\$2.41	(8.45)%	2.44 %
Rough Rice (CBOT)	\$ per cwt.	\$11.91	(4.45)%	23.95 %
Barley (USDA)	\$ per bu.	\$4.85	0.00 %	0.00 %
Rapeseed (Canola) (ICE)	CAD per T	\$488.70	(3.44)%	(2.28)%
Ethanol (CBOT)	\$ per gal.	\$1.35	(0.73)%	(11.50)%



Recent Earnings News

Company	Last Quarter			
	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing				
General Mills, Inc.	3.4%	Sales rose 2.1% to \$4.2 billion, with organic operations up 1%, during its second quarter. The cereal and snack maker posted growth in all four operating segments, including its North American division	US\$57.80	(2.5%)

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