



Agriculture Industry Flash

Wednesday, June 20th, 2018

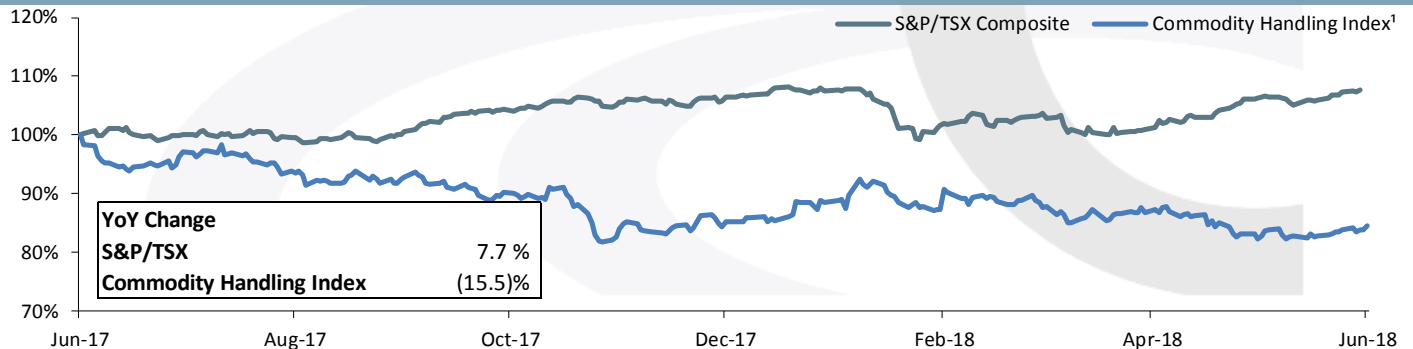


COMMODITY HANDLING

News Scan

- On June 15th, **Bunge Limited** announced that it put plans for its initial public offering of its Brazilian sugar milling business on hold, due to unfavourable market conditions. The price of sugar recently hit a three-year-low, weighed down by a bumper Indian harvest
- On June 15th, **G3 Global Holdings** and its subsidiary, **G3 Terminal Vancouver**, announced that each have entered into a 5-year delayed draw credit facility for an aggregate principal amount of C\$900 million. The Facilities may be increased by an additional C\$200 million in aggregate. The proceeds will be used to support and fund the on-going growth of G3's network in Western Canada, including the development of new primary elevators by **G3 Canada** and the construction and operation of G3 Terminal Vancouver's state-of-the-art grain export terminal in North Vancouver, B.C.
- On June 13th, **The Scoular Co.** announced that it had acquired **Farmers Grain Company** of Julesburg, Colorado for an undisclosed amount. The Julesburg facility has a capacity of 1.7 million bushels and will be used to store corn, wheat, millet, soybeans and milo for Scoular
- On June 11th, **Farmland Co-op.**, a small stock cooperative located in Oakes, North Dakota, announced that its members would vote on a potential merger with **Agtegra Cooperative** based in South Dakota, after the board of directors unanimously approved the merger the previous week. Farmland currently offers grain and agronomy services, and it operates an energy business providing its estimated 140 members and customers with propane and refined fuels. Following the merger, Farmland will enable Agtegra to expand its energy business with additional expertise and enhanced fuel offerings to its North Dakota customers. The Farmland leadership team stated that it plans to meet with its members in July for the vote. Agtegra does not need approval from its members for the merger

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	25,739	34,367	9.2x	8.8x	15.1x	14.3x	1.1 %	(0.5)%
Bunge Limited	9,875	16,672	8.4x	8.2x	12.9x	12.5x	0.6 %	(15.8)%
Graincorp Limited	1,347	2,379	12.3x	10.4x	30.8x	18.0x	0.2 %	(19.8)%
The Andersons, Inc	994	1,486	7.8x	6.8x	18.5x	14.2x	4.6 %	(7.4)%
AGT Food and Ingredients	275	774	13.5x	9.7x	23.7x	11.4x	(4.5)%	(48.3)%
Ceres Global Ag	85	119	na	na	na	na	(1.0)%	(27.4)%
Mean			10.2x	8.8x	20.2x	14.1x	0.2 %	(19.9)%

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

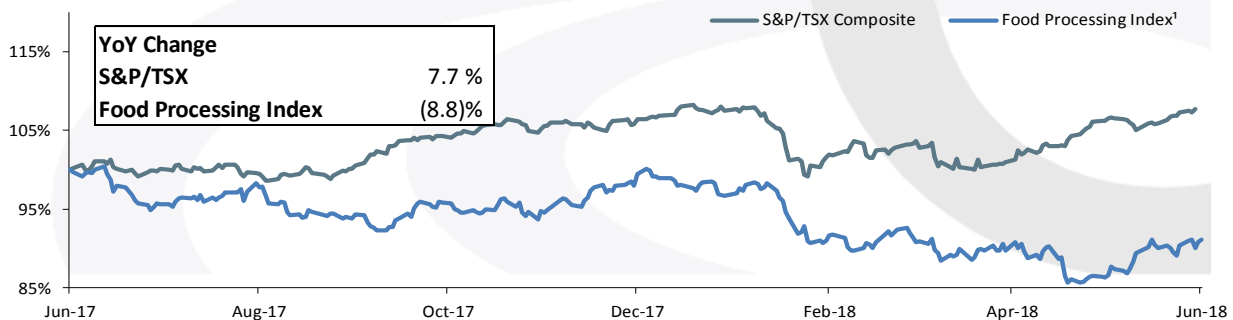


FOOD PROCESSING

News Scan

- On June 19th, **Walmart** revealed its first U.S. food production facility, a milk processing plant in Fort Wayne, Indiana. The company will produce half-gallon and gallon jugs of whole, 2%, 1% and skim plain and 1% chocolate milk under its own Great Value brand. The company will acquire the milk from 25 farms in Indiana and Michigan, and the finished products will be shipped to approximately 500 Walmart stores
- On June 17th, reports indicated that **Coca Cola** could be considering a £3 billion bid for **GlaxoSmithKline's** soft-drink brand, Horlicks, after undergoing a strategic review and subsequently placed for sale. Other potential buyers could include **Kraft Heinz** and **Nestle**
- On June 14th, **Saputo** announced that it is planning to build a C\$240 million Vancouver-area processing plant at Port Coquitlam, B.C. The new facility is part of Saputo's plans to further optimize its manufacturing footprint. The new facility is expected to be built in the next three years and be commissioned by fiscal 2021. Saputo also announced that it plans to sell its current Vancouver-area dairy plant at Burnaby to an unnamed buyer for C\$218 million
- On June 13th, **Maple Leaf Foods** announced plans to expand the production line at its Port Perry, Ontario facility, where it produces branded and private label meat pies and meat-filled pastries. The company plans to invest C\$10 million into the expansion, which is expected to be completed by the end of July this year
- On June 5th, **Tyson Foods** announced that it had acquired **Tecumseh Poultry**, owner of the air-chilled Smart Chicken brand based in Waverly, Nebraska, for an undisclosed amount. The acquisition enables Tyson to buy an organic poultry producer to further penetrate the organic fresh chicken market, which grew 8.6% year over year in 2017, growing more than four times faster than the yearly growth rate of conventional poultry

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	10,221	24,060	6.4x	6.3x	14.7x	13.4x	1.8 %	(12.1)%
ConAgra Foods, Inc.	15,151	18,934	12.4x	12.0x	17.1x	16.1x	2.2 %	(1.8)%
Ingredion Incorporated	8,296	9,721	8.8x	8.3x	14.4x	13.4x	2.6 %	(21.5)%
Tate & Lyle plc	3,993	4,531	7.7x	7.6x	13.6x	12.7x	(3.7)%	(12.8)%
Premium Brands	2,822	3,475	16.3x	13.7x	27.3x	21.6x	(1.4)%	(7.7)%
Maple Leaf Foods Inc.	3,002	2,930	9.9x	9.0x	20.7x	17.8x	1.4 %	(15.6)%
SunOpta Inc.	720	1,289	16.7x	12.0x	neg	48.9x	4.3 %	(18.8)%
Rogers Sugar	427	681	8.7x	8.5x	11.8x	10.8x	(2.0)%	(23.2)%
Mean			11.2x	9.8x	18.0x	20.6x	1.0 %	(12.9)%

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.

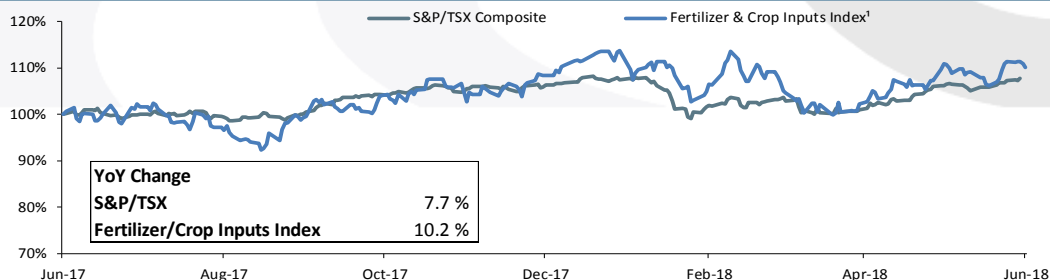


FERTILIZERS & CROP INPUTS

News Scan

- On June 6th, **Platform Speciality Products**, a global producer of speciality chemical products based in West Palm Beach, Florida, was reportedly in advanced talks to sell its agrochemicals business to London-based **Wilmcote Holdings** for about US\$3 billion. If the deal proceeds, it would offer Platform a way to achieve its goal of splitting its agricultural solutions and performance solutions divisions into separate companies for a more defined focus
- On June 6th, **Nutrien Ltd.** announced the closing of the placement of 100% of its Series B common shares in **Sociedad Química y Minera de Chile S.A.** for gross proceeds of about US\$1.0 billion. Nutrien plans to use the proceeds as part of its US\$1.5 billion share buyback, for part of its US\$8 billion in debt reduction, or for other purposes
- On June 18th, **Dakota Gasification Co.** announced that it has signed a definitive agreement with **OCI N.V.** to sell nitrogen fertilizers and diesel exhaust fluid in North America through a newly formed joint venture, **N-7 LLC**. The venture will market and distribute over 4.5 million metric tons of fertilizer product from a Dakota Gas facility located in Beulah, North Dakota, and two OCI facilities located in Iowa and Texas
- On June 12th, **EuroChem Group** announced a take-or-pay agreement for the purchase of up to 100% of expected future Sulphate of Potash output from the Colluli Potash Project in Eritrea, East Africa. The contract is for a 10-year term with an option to extend for an additional three years. The deal enables EuroChem to extend its global reach as it is the company's first agreement in Africa, and it will also have access to an economically attractive SOP greenfield project
- On June 11th, **Crystal Financial** announced the closing of a US\$70.0 million senior credit facility for **Southern States Cooperative (SCS)**. SCS stated that proceeds from the term loan will be used to refinance existing second lien notes, extend maturities and provide additional flexibility for various growth initiatives
- On June 11th, **Itafos** announced that it has closed a US\$165 million secured term loan facility. With the funds, the company plans to fund working capital and other cash requirements of Itafos Conda and Itafos Arraias, continue implementation of its business development initiatives and support other general corporate purposes. Itafos is a global, vertically integrated phosphate fertilizers and specialty products company with facilities located in the U.S. and Brazil, and a broad portfolio of global mine projects in the U.S., Brazil, Guinea Bissau, and Peru

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	52Wk High
			2018E	2019E	2018E	2019E		
Nutrien Ltd.	25,708	32,849	11.8x	10.2x	22.9x	17.8x	3.7 %	(0.2)%
CF Industries Holdings, Inc.	10,403	17,400	12.8x	10.8x	43.8x	27.0x	3.2 %	(1.1)%
Yara International ASA	11,636	14,795	8.0x	6.2x	2.2x	1.5x	(3.3)%	(12.9)%
The Mosaic Company	11,169	15,954	8.4x	7.8x	19.9x	16.7x	(1.6)%	(3.2)%
Nufarm Ltd.	2,173	2,770	7.6x	6.5x	15.9x	14.5x	(3.5)%	(12.9)%
Input Capital Corp.	73	52	7.3x	3.2x	n/m	11.8x	(4.2)%	(44.2)%
Mean			9.3x	7.5x	21.0x	14.9x	(0.9)%	(12.4)%

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

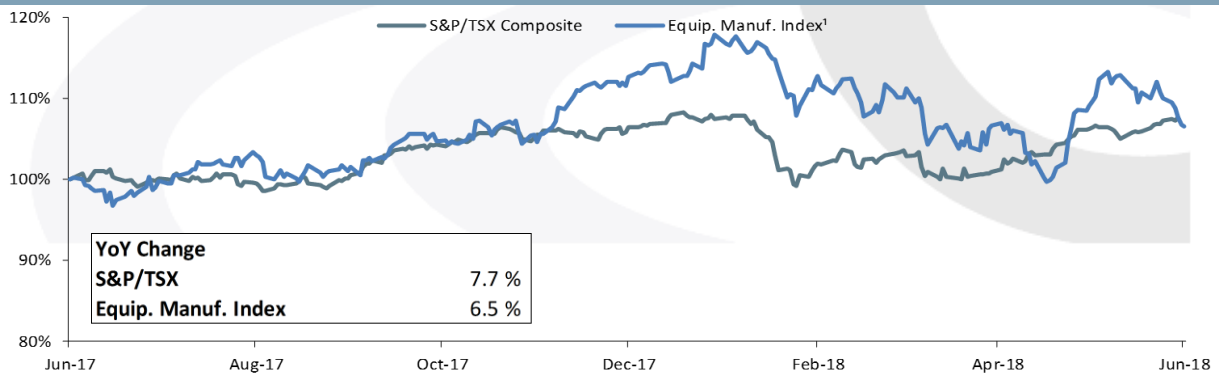


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On June 15th, **Annovi Reverberi Group**, an Italian manufacturer of diaphragm pumps for agriculture applications, announced the acquisition of a 95% stake in **Ace Pump Corp.**, a U.S. manufacturer of pump solutions for agricultural and off-highway applications, for an undisclosed amount. The combined partnership will enhance both firms' international presence
- On June 15th, **Canadian National Railway (CN)** announced its plan to invest C\$210 million across Quebec in 2018 to strengthen the company's rail network throughout the province, improving safety and supporting efficient service. This investment is part of CN's record C\$3.4 billion capital program for 2018, which includes track expansion projects to boost capacity, and replacement and maintenance of key track infrastructure
 - CN previously announced that it plans to invest C\$320 million across Alberta and C\$340 million across British Columbia in 2018 to expand and strengthen the company's rail network in the Western Canada
- On June 14th, **Stine Seed Farm** invested US\$5 million in **Smart Ag Inc.**, an Iowa technology firm focused on automation in agriculture with the development of a full stack software platform and aftermarket kit for driverless tractors. The investment comes five months after Smart Ag released AutoCart, a software application that fully automates a grain cart tractor for use during harvest
- On June 8th, **Canadian Pacific Railway (CP)** announced that it plans to invest more than C\$500 million in new high-capacity grain hopper cars. CP stated it will order about 5,900 high-capacity grain hopper cars over the next four years and remove all low-capacity hoppers from its fleet. The new cars are shorter and can handle more than 15% greater volume and 10% greater load weight than the cars being retired, enabling the railroad to add about 16% more capacity to its current 112-car, 7,000-foot-long model for its dedicated grain trains

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Δ Price		
		Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price
Deere & Company	48,237	52,440	16.4x	15.4x	25.8x	24.2x	(5.3)%	(15.1)%
AGCO Corp	4,959	6,525	7.7x	6.8x	16.3x	13.1x	(2.1)%	(17.9)%
Ag Growth International Inc.	719	1,166	10.6x	9.5x	18.5x	15.9x	(0.4)%	(5.0)%
Rocky Mountain Dealerships	168	453	13.6x	12.2x	8.8x	7.7x	(3.2)%	(22.0)%
Cervus Equipment Corporation	165	361	8.7x	8.0x	9.5x	8.3x	(4.1)%	(12.3)%
Mean			11.4x	10.4x	15.8x	13.8x	(3.0)%	(14.5)%

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 June 14th, the **Canadian Food Inspection Agency (CFIA)** released a statement indicating it has discovered minor traces of genetically modified wheat in southern Alberta. Upon further investigation, the tested wheat sample was a match for a **Monsanto GM** wheat line that was used decades ago in multiple confined research field trials. **Health Canada ultimately concluded that the finding does not pose a food safety risk**
 - On June 15th, the Alberta Wheat Commission also announced that Japan, which buys about 1.5 million tonnes of Canadian wheat annually, has temporarily halted wheat shipments following the discovery of unauthorized genetically modified wheat. Japanese officials are waiting to discuss the issue with the **CFIA**
 - On June 18th, South Korea announced that it has suspended imports of wheat and flour from Canada after the **CFIA** revealed the discovery of genetically modified wheat in southern Alberta
- On June 14th, U.S. President Trump announced the latest tariffs on Chinese goods containing “industrially significant technologies”, and China responded that it would impose trade barriers of the same magnitude. Months prior, the Chinese government publicly announced that it would impose retaliatory tariffs on 659 U.S. goods, amounting to approximately US\$ 50 billion in imports. The list included a 25% tariff on soybeans, which largely impacts growers since US\$14 billion of the commodity were exported to China last year
- On June 14th, the **Food and Drug Administration (FDA)** gave approval to eight carbohydrates, including inulin, high-amylose starch, polydextrose and others, to be classified as fiber. The recent approvals give food manufacturers additional clarity on updating their labels ahead of the compliance date for the FDA’s new Nutrition Facts Label, which is January 1, 2020 for larger manufacturers
- According to the Food Agricultural Organization, adverse local weather conditions have increased the number of countries that need food assistance. In particular, Cabo Verde and Senegal have been added to the list for countries requiring assistance, which brings the total to 39 countries. Poor rains have hit cereal production prospects in South America and Southern Africa. Unfavorable weather conditions also are placing a heavy burden on pastoralists in West Africa
- E.U. agri-food trade value reached €255 billion in 2017, making the E.U. the largest global exporter and importer of agri-food products. E.U agri-food exports increased 5.1% last year to €138 billion and imports totaled €117 million. The entire output of the E.U.’s agricultural sector was estimated at €427 billion in 2017
- Following a dry crop season in Western Canada, recent rain across Saskatchewan helped alleviate drought concerns, according to the Saskatchewan Ministry of Agriculture. Northwestern Saskatchewan received the most rain with the St. Walburg area recording 154 mm. The recent rainfalls have improved top soil moisture conditions throughout the province

Commodities Futures as of June 15th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.83	(2.23)%	8.35 %
Wheat (CBOT)	\$ per bu.	\$5.14	(1.86)%	18.45 %
Oats (CBOT)	\$ per bu.	\$2.34	(5.08)%	(3.71)%
Rough Rice (CBOT)	\$ per cwt.	\$12.36	7.99 %	4.97 %
Rapeseed (Canola) (ICE)	CAD per T	\$509.50	(3.92)%	3.81 %
Ethanol (CBOT)	\$ per gal.	\$1.42	(4.13)%	3.81 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Fertilizers & Crop Inputs				
Acron	168.3%	Acron reported a 3% increase in revenue from US\$409 in Q1 2017 to US\$423 million in Q1 2018. EBITDA also increased 11% from US\$126 million in Q1 2017 to US\$140 million in Q1 2018. This increase in revenue and EBITDA was due to the 7% year over year output increase and the 1% year over year sale increase of its fertilizer products.	US\$52.19	(98.8%)

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