



Agriculture Industry Flash

Monday, July 16th, 2018

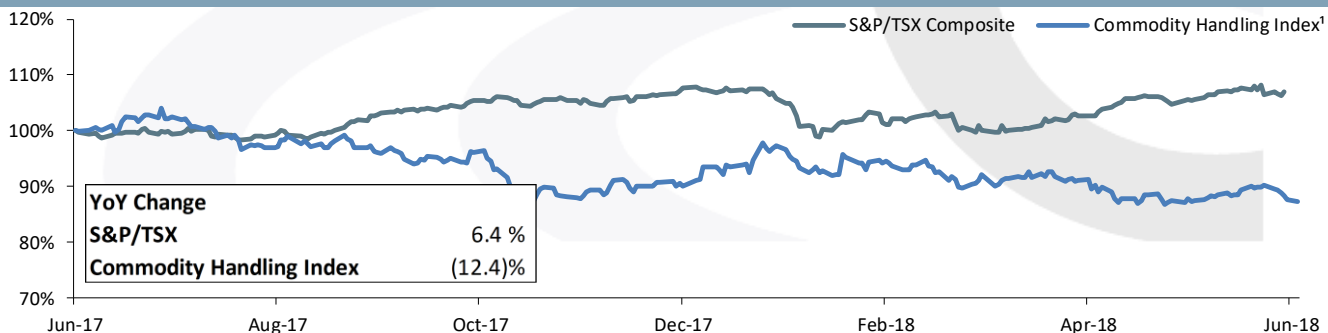


COMMODITY HANDLING

News Scan

- On July 16th, **Riverland Ag Corp.**, a subsidiary of **Ceres Glogal Ag Corp.**, announced that it had acquired a 100% of **Nature's Organic Grist LLC**, a supplier of organic and ancient grains, milled flours and feed products. Ceres stated that the addition of Nature's Organic Grist helps to broaden its portfolio of products and services, and reinforces its vision to be the most trusted and valued partner to quality-conscious customers
- On July 12th, **Nibulon**, a Ukrainian grain trading company, received an US\$80 million loan from **ING Bank** and the **European Bank for Reconstruction and Development**. The loan will be used to finance Nibulon's working capital needs associated with purchase of commodities in Ukraine and exports to the global market. The loan confirmation came shortly after Nibulon announced its plans to invest US\$2 billion in new grain silos and barges in Egypt
- On July 10th, **Pardue Grain** announced a US\$6.5 million project for its new pulse crop processing facility in Great Falls, Montana. The new 32,000 sq. ft. facility will sort, size, bag and clean food products. It is expected to open in August 2018
- On July 5th, **Cargill** announced its plan to invest between US\$9.5 to US\$10.5 million to upgrade its grain terminal in Russia. The upgrade is expected to increase the capacity of the existing terminal by 50%, to 1 million tonnes per year and to extend the quay wall to 314 linear meters from 142 linear meters
- On July 10th, **RiceBran Technologies**, a global leader in the production and marketing of value-added products derived from rice bran, announced that it entered into a 3-year stabilized rice bran supply agreement with **Golden Ridge Rice Mills**. The agreement states that Golden Ridge will supply RiceBran with at least 9.6 million pounds of stabilized rice bran a year, and it also includes an option for RiceBran to acquire the assets of Golden Ridge
- On July 6th, **Grain Trade Australia** and the **Australian Grain Exporters Association**, two advocacy organizations for the Australian grain industry, reached an agreement to merge, as part of an effort to improve efficiency and effectiveness of industry representation within the grain industry in Australia

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	26,785	35,437	9.4x	8.9x	15.7x	14.8x	(2.2)%	(2.2)%
Bunge Limited	9,701	16,497	8.3x	8.1x	12.7x	12.3x	(2.7)%	(16.7)%
Graincorp Limited	1,266	2,292	12.0x	10.2x	29.1x	17.0x	(7.2)%	(25.0)%
The Andersons, Inc	1,000	1,492	7.9x	6.8x	18.6x	14.3x	(0.3)%	(9.1)%
AGT Food and Ingredients	272	772	13.4x	9.5x	23.3x	11.3x	1.7 %	(47.1)%
Ceres Global Ag	81	115	na	na	na	na	(4.5)%	(30.8)%
Mean			10.2x	8.7x	19.9x	13.9x	(2.5)%	(21.8)%

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

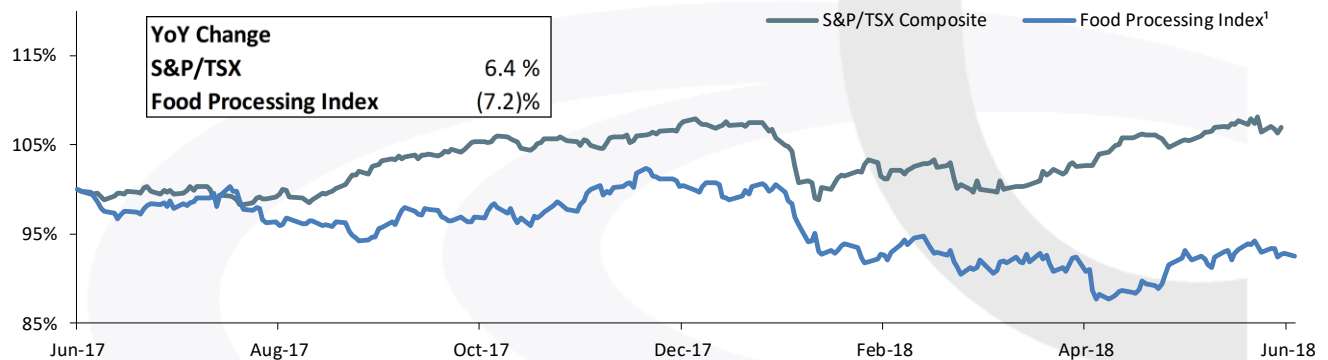


FOOD PROCESSING

News Scan

- On July 10th, **The J.M. Smucker Company** entered into an agreement with **Brynwood Partners** to sell its US baking business for US\$375 million. Brands to be included in the transaction are Pillsbury, Martha White, Hungry Jack, White Lily and Jim Dandy. Based in Greenwich, Connecticut, Brynwood Partners owns several food and beverage companies, including Harvest Hill Beverages and Joseph's Gourmet Pasta. Smucker's divestiture enforces its strategy to focus its portfolio in pet food, coffee and snacking. The divested baking business generated approximately US\$370 million during Smucker's April 2018 year end
- On July 12th, **Nestle** announced its plans to sell its New Zealand candy brands, including Mackintosh's toffees and Black Knight licorice to Australia's **Quadrant Private Equity**, for an undisclosed amount. In a recent statement, Nestle explained that the company is focusing on its major chocolate, baking and medicated lozenge brands in New Zealand. The company also recently divested its US confectionery business to **Ferrero** for US\$2.8 billion in January, and it is under pressure by shareholders to divest more, in order to improve sales and profits
- On July 10th, **Constellation Brands** announced that it purchased **Four Corners Brewing** for an undisclosed amount to strengthen its position in the high-end US craft beer market. Based in Texas, Four Corners offers complementary brands including, Local Buzz Honey-Rye Golden Ale and El Chingón IPA
- On July 4th, **Conagra Brands** announced that it had completed the previously announced divestiture of its Canadian Del Monte processed fruits and vegetables business to **Bonduelle Group** for C\$43 million. The acquisition will complement Bonduelle's canned and frozen vegetable business

Relative Performance Index



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	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
George Weston Limited	10,677	24,579	6.4x	6.3x	15.3x	14.0x	1.1 %	(10.5)%
ConAgra Foods, Inc.	14,190	18,022	11.8x	11.8x	16.0x	15.1x	(10.0)%	(10.7)%
Ingredion Incorporated	8,002	9,417	8.7x	8.2x	13.9x	12.9x	(0.4)%	(25.4)%
Tate & Lyle plc	4,103	4,640	7.9x	7.9x	14.1x	13.1x	4.3 %	(12.3)%
Premium Brands	2,846	3,503	16.4x	13.8x	27.5x	21.7x	(1.5)%	(7.7)%
Maple Leaf Foods Inc.	3,271	3,211	10.7x	9.7x	22.5x	19.4x	3.4 %	(10.4)%
SunOpta Inc.	746	1,317	17.3x	12.5x	neg	nmf	0.5 %	(17.5)%
Rogers Sugar	440	694	8.8x	8.6x	12.2x	11.1x	(2.6)%	(23.6)%
Mean			11.3x	10.0x	18.2x	16.0x	(0.4)%	(13.5)%

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.

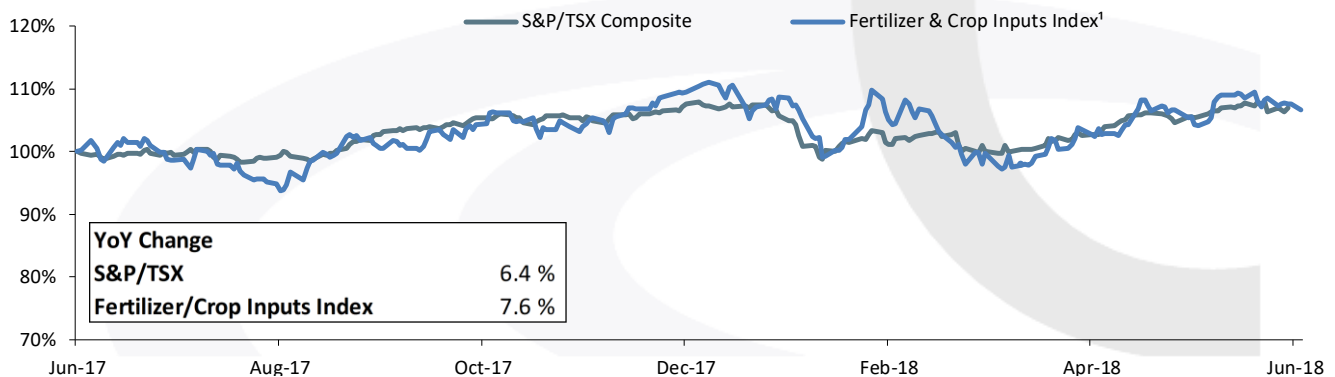


FERTILIZERS & CROP INPUTS

News Scan

- On July 16th, **Nutrien Ltd.** announced a definitive agreement to acquire **Agrible, Inc.**, a digital agriculture company with an advanced platform and product offering, for total consideration of C\$63 million. Nutrien stated that the acquisition of Agrible is consistent with its strategy of investing in the growth of Nutrien's retail business to further strengthen and differentiate its leading global position
- On July 9th, **Nutrien Ltd.** announced a definitive agreement to acquire **Waypoint Analytical**, the largest agriculture laboratory group in the US, for an undisclosed amount. Nutrien will initially acquire 80% of Waypoint and then the remaining stake in five years. The company was also an existing and significant customer of Waypoint. Overall, the acquisition will strengthen Nutrien Ag Solutions' new, integrated digital platform and accelerate its ability to provide integrated science-based insights, services and unique digital product offerings
- On July 9th, **Casale** announced that it acquired the license of the CO2 removal process developed and owned by **Karpov Institute of Physical Chemistry** for an undisclosed amount. This license will help Casale to establish itself as a global provider of the complete production chain of nitrogen fertilizers, from the feedstocks to the end products
- On July 3rd, **Eurogerm** announced opening of its 11th subsidiary, **Eurogerm Columbia**, to help to extend Eurogerm's technical and commercial reach in Latin America, a region where it already has subsidiaries in Mexico, Peru and Brazil. It will provide local technical assistance to enable Eurogerm to customize its products and services to a high degree

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	52Wk High
Nutrien Ltd.	25,531	33,504	11.9x	10.4x	22.7x	17.7x	0.4 %	(2.6)%
CF Industries Holdings, Inc.	10,062	17,054	12.4x	10.5x	42.4x	26.1x	(4.2)%	(3.7)%
Yara International ASA	10,885	14,044	7.8x	5.9x	2.1x	1.4x	(0.1)%	(15.8)%
The Mosaic Company	10,888	15,670	8.2x	7.5x	19.4x	16.3x	(3.8)%	(7.2)%
Nufarm Ltd.	2,015	2,608	7.2x	6.2x	14.9x	13.5x	(0.6)%	(12.6)%
Input Capital Corp.	67	45	6.2x	2.7x	n/m	10.8x	0.0 %	(44.2)%
Mean			9.0x	7.2x	20.3x	14.3x	(1.4)%	(14.4)%

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

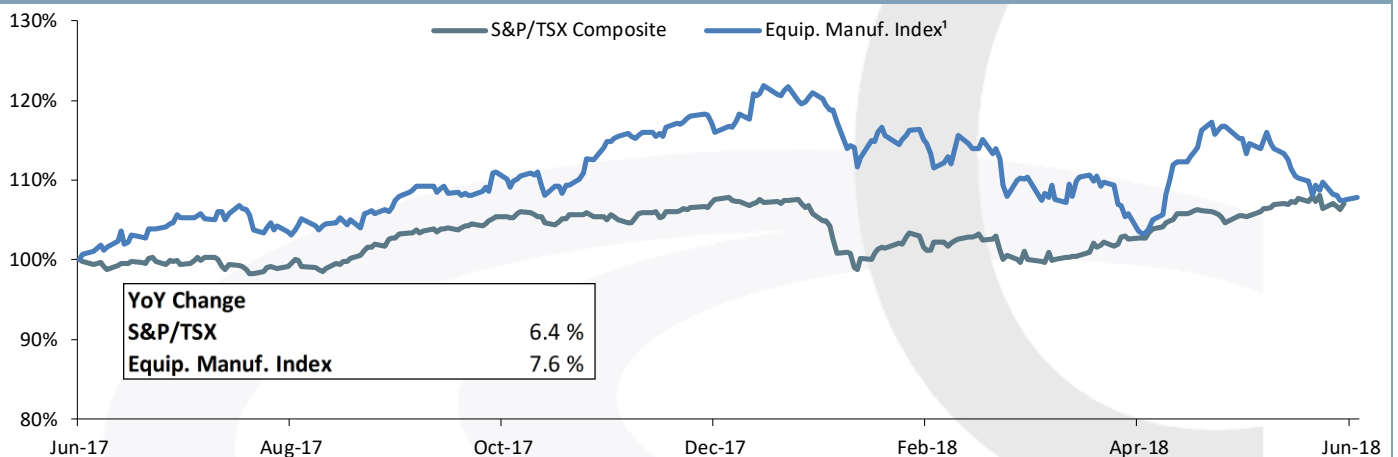


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On July 12th, **Canadian National Railway (CN)** announced its plans to invest -C\$315 million in its Ontario rail network in 2018. This is CN's seventh major capital investment this year from its C\$3.4 billion capital program. Across the nation, CN plans to continue to invest in trade-enabling infrastructure and equipment, as the company recently announced plans to acquire 1,000 Canadian built, new generation high-cube grain hopper cars over the next two years. The investments in transportation cars follows the government's approved bill, the Transportation Modernization Act, intended to help grains and other crops move more efficiently after slow transportation this winter
- On July 3rd, **Rocky Mountain Dealerships** announced that it had entered into a definitive agreement to acquire **John Bob Farm Equipment**, a Saskatchewan-based dealer of New Holland agriculture equipment, for C\$12.9 million in cash and up to C\$0.5 million in incentives. Rocky Mountain Dealership stated that this acquisition was done to take full advantage of John Bob's integration framework and capital to expand sales and profitability

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Δ Price	
	Cap	TEV	2018E	2019E	2018E	2019E	Week Δ Price	52Wk High
Deere & Company	45,659	49,764	15.5x	14.5x	24.5x	22.9x	(1.4)%	(19.5)%
AGCO Corp	4,776	6,335	7.4x	6.6x	15.7x	12.6x	(0.2)%	(20.2)%
Ag Growth International Inc.	721	1,169	10.6x	9.5x	18.5x	15.9x	(4.5)%	(8.7)%
Rocky Mountain Dealerships	174	459	13.7x	12.3x	9.0x	7.9x	0.3 %	(23.2)%
Cervus Equipment Corporation	176	373	8.9x	8.3x	10.1x	8.8x	(1.1)%	(10.2)%
Mean			11.2x	10.3x	15.6x	13.6x	(1.4)%	(16.4)%

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

- The recent 25% tariffs on US cheese by China and Mexico have resulted in the largest cheese surplus in over 100 years with prices falling to their lowest levels since 2009. The US dairy industry has been working towards reducing the oversupply of milk as dairy sales face challenges from the increasing demand for plant-based substitutes. Over the last five years, non-dairy milk sales in the US have increased 61%
- China also imposed a 25% retaliatory tariff on U.S. soybeans, which accounts for 60% of the US\$20 billion of agricultural products that the US exports to China. It is estimated that with the new tariff, U.S. soybean shipments to China will drop off by at least US\$4.5 billion
- Weather forecasters predict a drought in India, with rainfall predicted to decrease between 10-12 percent by the time the monsoon fades in September. This possible drought would put an end to the streak of record crops India has been harvesting that prompted the government to place huge tariffs and other restrictions on pulse imports
- The **International Grains Council** lowered its forecast for total grains production in 2018-19 to 2.077 billion tonnes, down from 2.089 billion tonnes in late May. A 12-million-tonne cut for world grains production is centered on Russia and the EU, where adverse weather conditions have harmed prospects for wheat, maize and barley
- After **Soy Canada** conducted a risk assessment, it concluded that the industry faces problems with low protein soybeans, since soybean levels vary with geography, particularly, low protein is primarily a challenge in Western Canada. As a result, buyers may reject certain soybeans from certain areas or only buy them at a discount. To address these concerns, Soy Canada stated that it will prioritize its resources on addressing the top two risks identified in their assessment; market access and protein content
- **Statistics Canada** recently reported that national job vacancy rate in the agriculture, forestry, fishing and hunting sector is increasing compared to the same period a year ago. Data showed a vacancy rate of 6.9% in the sector for the first quarter of 2018, compared to 5.3% in the same quarter of 2017
- **Costco** updated its international policy for its suppliers, encouraging them to phase out the use of neonicotinoids, a synthetic insecticide that some scientists link to bee death. A report by the federal **Pest Management Regulatory Agency**, stated that ~70% of the dead bees found in 2012 and 2013 tested positive for neonicotinoid residue
- In the July Crop Production report, the **US Department of Agriculture (USDA)** reported forecast 2018 outturn of US spring wheat other than durum at 613.970 million bushels, up 48% from 416.236 million bushels in 2017, also the third highest on record. Durum production was forecasted at 74.892 million bushels, up 36% from 2017. However, winter wheat outturn was forecasted at 1.192 billion bushels, down 5.131 million bushels (0.4%) from the June forecast
- According to the **Global Agriculture Information Network**, an 11-day strike by hundreds of thousands of Brazil's nearly two million truck drivers that started in May, continues to present transportation and logistical challenges for the country's agriculture sector. The strike was initially spurred by rapidly rising fuel prices combined with the effects of the Brazilian real weakening against the US dollar, which caused estimated losses of US\$1.75 billion to the nation's agriculture sector

Commodities Futures as of July 13th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.55	(2.61)%	0.42 %
Wheat (CBOT)	\$ per bu.	\$4.97	1.22 %	14.65 %
Oats (CBOT)	\$ per bu.	\$2.42	1.04 %	(0.31)%
Rough Rice (CBOT)	\$ per cwt.	\$11.99	3.10 %	1.78 %
Rapeseed (Canola) (ICE)	CAD per T	\$485.10	(4.30)%	(1.16)%
Ethanol (CBOT)	\$ per gal.	\$1.40	(0.99)%	2.64 %



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
Cargill	na	Cargill's fourth quarter operating earnings increased 76% year-over-year from US\$460 million to US\$809 million and revenues increased 7% to US\$30.4 billion. Cargill's annual operating earnings increased 6% to US\$3.2 billion, up from US\$3.0 billion last year. Annual revenues also increased 5% to US\$114.7 billion. Cargill stated that recent increases were primarily driven by operational efficiencies.	na	na

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