



## Agriculture Industry Flash

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Tuesday, January 8<sup>th</sup>, 2019

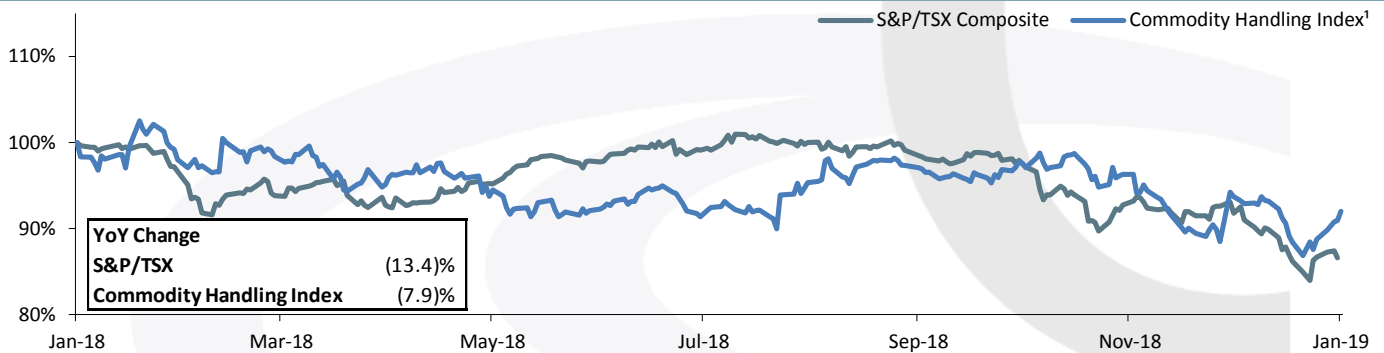


## COMMODITY HANDLING

### News Scan

- On January 7<sup>th</sup>, Chinese-owned **COFCO Corp.** announced that it will shut down a plant that refines soybean and sunflower oil in Argentina in wake of the country's economic crisis and the U.S.-China trade dispute. The Legitimo plant located in Buenos Aires has seen significant reduction in local demand, unfavourable market conditions and rising idle capacity
  - On December 27<sup>th</sup>, COFCO appointed Wei (David) Dong as Chief Executive Officer and board member of the company effectively immediately, while former CEO Johnny Chi will continue to act as chairman of the company. Dong spent more than 25 years in senior leadership positions at several COFCO companies focused on oilseeds in China
  - On December 20<sup>th</sup>, COFCO announced that it will join an initiative launched in October 2018 by other global grain merchants to boost efficiency through data standardization aiming to automate grain and oilseed post-trade processes
- On January 2<sup>nd</sup>, **The Andersons** announced that it has successfully completed its acquisition of **Lansing Trade Group**. The Company previously owned approximately 32.5% of Lansing and acquired the remaining equity for approximately US\$324 million. Consideration includes US\$201 million in cash and 4.1 million shares valued at US\$123 million
- On December 20<sup>th</sup>, **Cargill** announced that it has reached an agreement to sell its malt business to a subsidiary of **Axereal**, one of France's leading cereal cooperative groups. Financial terms of the transaction, which would include 15 facilities across 4 continents and more than 500 employees, were not disclosed. Axereal's **Boortmalt** subsidiary will absorb Cargill's malt operations into its own, significantly adding to its existing 10 malting plants in Europe

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
ADM	23,384	30,693	6.9x	7.0x	11.3x	10.9x	1.8 %	(19.9)%
Bunge Limited	7,744	15,516	7.9x	7.8x	10.7x	10.2x	2.7 %	(34.0)%
Graincorp Limited	1,459	2,128	12.0x	9.2x	50.0x	21.4x	(1.1)%	(7.4)%
The Andersons, Inc	1,193	2,156	10.1x	9.2x	14.1x	11.1x	7.8 %	(22.8)%
AGT Food and Ingredients	312	845	11.9x	10.2x	14.8x	15.1x	3.8 %	(23.9)%
Ceres Global Ag	127	148	na	na	na	na	1.3 %	(12.0)%
<b>Mean</b>			<b>9.8x</b>	<b>8.7x</b>	<b>20.2x</b>	<b>13.8x</b>	<b>2.7 %</b>	<b>(20.0)%</b>

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

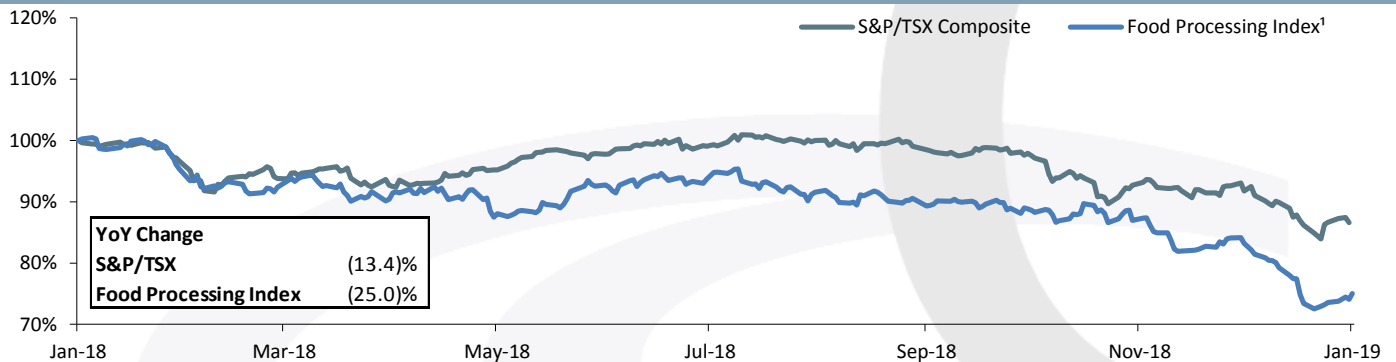


## FOOD PROCESSING

### News Scan

- On January 4<sup>th</sup>, **Kraft Heinz** announced that it has finalized its acquisition of **Primal Nutrition**, the maker of Primal Kitchen branded products for US\$200 million. Primal Kitchen offers a range of better-for-you condiments, sauces, dressings, and snacks. The business is expected to generate revenues of US\$50 million in 2019
- On December 21<sup>st</sup>, **Lamb Weston Holdings** announced that it has acquired **Marvel Packers Ltd**, a frozen potato processor based in Australia, for an undisclosed sum. The Marvel facility adds approximately 50 million pounds of production capacity to Lamb Weston's existing global manufacturing network
- On December 21<sup>st</sup>, **Campbell Soup Company** announced that Mark A. Clouse has been named CEO and Director, effective January 22<sup>nd</sup>. Mr. Clouse brings more than 20 years of experience in the food industry, previously serving as CEO of **Pinnacle Foods**, which was acquired by Conagra in October, 2018
- On December 18<sup>th</sup>, **Conagra Brands** announced that it has entered into a definitive agreement in which **Richardson International** will acquire the Wesson Oil brand. The agreement includes all assets exclusively related to the Wesson brand. Financial terms were not disclosed

### 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
			2019E	2020E	2019E	2020E		
George Weston Limited	10,349	26,652	7.8x	7.5x	13.1x	12.3x	0.6 %	(19.2)%
ConAgra Foods, Inc.	10,616	22,426	10.8x	10.0x	10.6x	9.1x	2.3 %	(44.6)%
Ingredion Incorporated	6,649	7,968	7.6x	7.4x	12.4x	11.8x	3.3 %	(35.7)%
Tate & Lyle plc	3,975	4,396	7.6x	7.4x	13.0x	12.7x	0.9 %	(6.9)%
Premium Brands	1,955	2,762	11.4x	10.4x	17.3x	15.2x	5.5 %	(36.7)%
Maple Leaf Foods Inc.	2,537	2,759	8.5x	7.8x	16.2x	13.7x	0.9 %	(24.2)%
SunOpta Inc.	361	959	12.7x	9.3x	neg	36.1x	5.9 %	(53.6)%
Rogers Sugar	429	667	8.4x	na	11.0x	na	1.5 %	(15.6)%
<b>Mean</b>			<b>9.5x</b>	<b>8.5x</b>	<b>13.8x</b>	<b>15.8x</b>	<b>2.8 %</b>	<b>(31.6)%</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.

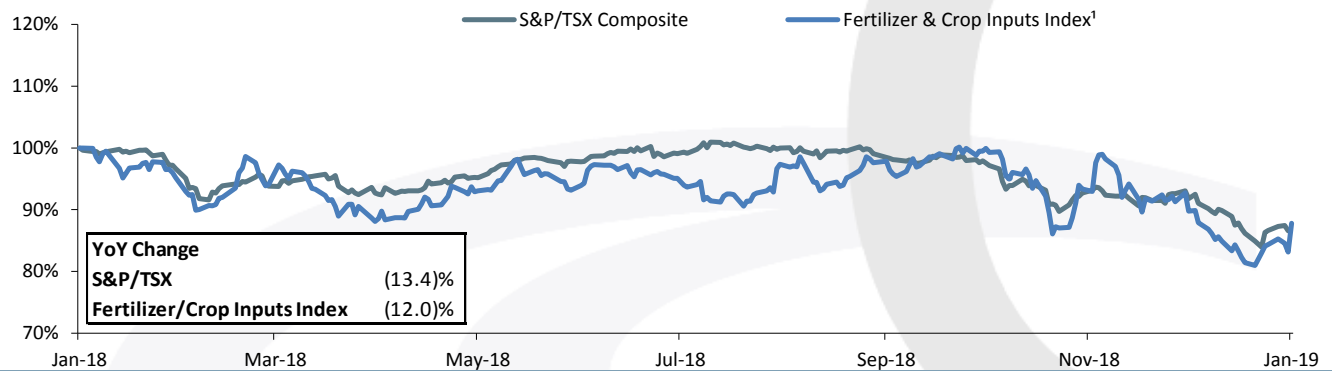


## FERTILIZERS & CROP INPUTS

### News Scan

- On December 21<sup>st</sup>, **Centrex Metals**, an Australia-based mineral exploration company, announced that it has agreed to sell its non-core Port Spencer iron ore land holdings for A\$1.4 million to **FREE Eyre**, a local rural investment business. The transaction completes Centrex's exit from its iron ore business and aids its transition to a pure-play fertilizer business. Proceeds will be used to support development of the company's flagship Ardmore phosphate rock project which is nearing production
- On January 2<sup>nd</sup>, **Sabin Metal Corporation**, a US-based metals refiner, announced its first successful installation of its new line of SCS Catalyst System for the production of nitric acid and related chemicals. The launch of the new system completes the company's portfolio of products and services for the nitric acids industry
- On January 3<sup>rd</sup>, **The Mosaic Company** announced that it has acquired the final permit for its Ona phosphate mine project located in Florida. The permit for the project secures 160 million tons of phosphate rock for future mining. The project helps secure the continued operation of the company's Florida manufacturing facilities and will increase the company's future volumes

### Relative Performance Index



### Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2019E	2020E	2019E	2020E	Price	52Wk High
Nutrien Ltd.	28,831	40,099	8.3x	7.9x	13.4x	12.0x	0.0 %	(17.1)%
CF Industries Holdings, Inc.	10,146	16,606	8.4x	7.9x	15.5x	13.1x	3.8 %	(22.2)%
Yara International ASA	11,241	14,894	6.6x	5.7x	1.6x	1.2x	6.7 %	(12.8)%
The Mosaic Company	11,714	15,576	6.5x	6.3x	12.5x	11.6x	5.4 %	(18.7)%
Nufarm Ltd.	1,578	2,559	6.8x	6.3x	12.8x	10.9x	0.7 %	(37.6)%
Input Capital Corp.	59	58	na	na	na	na	11.8 %	(41.7)%
<b>Mean</b>			<b>7.3x</b>	<b>6.8x</b>	<b>11.2x</b>	<b>9.8x</b>	<b>4.7 %</b>	<b>(25.0)%</b>

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

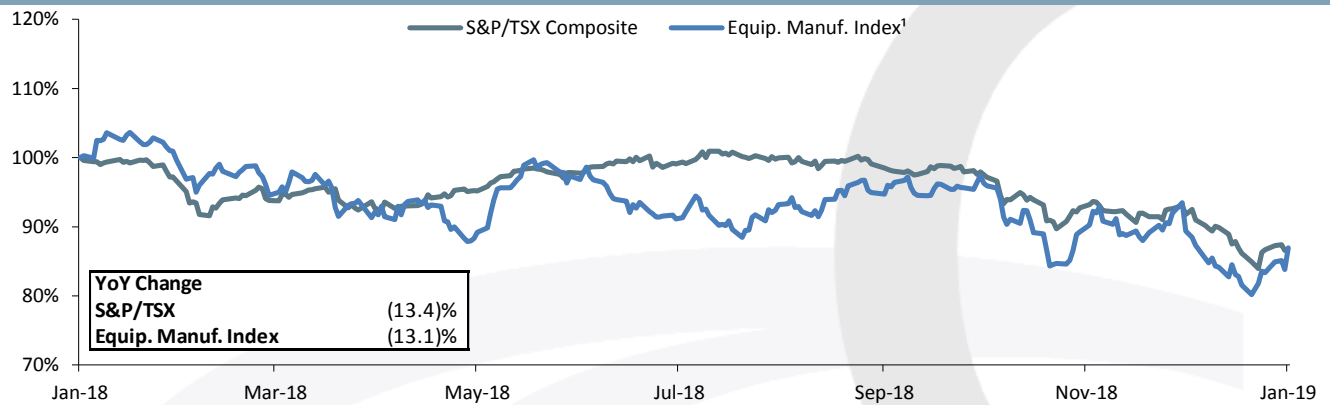


## EQUIPMENT MANUFACTURERS AND SERVICES

### News Scan

- On January 2<sup>nd</sup>, **Raven Industries**, a leader in precision agriculture, announced that it has completed its acquisition of **AgSync Inc.**, a developer of agricultural logistics software based in Indiana, for an undisclosed amount. The acquisition complements the Raven slingshot solution by bringing further experience and expertise in precision ag logistics, allowing Raven to offer the most complete logistics solution on the market
- On December 18<sup>th</sup>, **Deere & Company** launched the Startup Collaborator program in its Intelligent Solutions Group to enhance and deepen its interaction with startup companies whose technology could add value for John Deere customers. Currently, there are three startups in the program working with Deere including Beer Flag Robotics, Hello Tractor and Taranis

### 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	2019E	2020E			2019E
Deere & Company	48,321	52,270	10.1x	8.7x	19.8x	13.2x	4.4 %	(13.5)%
AGCO Corp	4,505	6,363	6.9x	6.5x	12.5x	10.9x	5.2 %	(23.4)%
Ag Growth International Inc.	644	1,018	8.2x	7.6x	13.4x	12.9x	2.3 %	(27.3)%
Rocky Mountain Dealerships	133	426	13.9x	13.1x	7.8x	7.3x	3.7 %	(36.1)%
Cervus Equipment Corporation	154	316	6.7x	6.5x	7.5x	7.3x	5.4 %	(15.2)%
<b>Mean</b>			<b>9.1x</b>	<b>8.5x</b>	<b>12.2x</b>	<b>10.3x</b>	<b>4.2 %</b>	<b>(23.1)%</b>

<sup>1</sup> "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

- Due to trade tensions between China and the United States, as well as the strengthening U.S. dollar, Turkey's flour export has seen major headwinds. The Turkish lira and Argentine peso has led the decline in emerging market currencies has made importing Russian wheat, used in production of export flour exceedingly expensive
- On January 3<sup>rd</sup>, the **CME Group**, a worldwide derivatives marketplace, reported that its annual average daily volume ("ADV") for agricultural commodities in 2018 has increased 9% compared to previous year, which accounts for a 1.48 million increase contracts. In December 2018 alone, the ADV for agricultural commodities averaged 1 million contracts, down 5% from 2017, but corn futures increased 12% over the same month
- On January 2<sup>nd</sup>, the **U.S. Soybean Export Council (USSEC)** reported that U.S. soybean and soybean meal exports to Europe and the Middle East/North Africa has increased 243% and 105% respectively since the beginning of its marketing year on September 1st, 2018. The spur of the growth is caused by the current trade tension between U.S. and China, after China slapped a 25% tariff on soybean imported from the U.S.
- According to the **Russian Institute of Agricultural Market Studies (IKAR)**, Russian feed production has been increasing significantly in the past 2 decades. According to the **Russian State Statistical Service Rosstat**, Russian companies manufactured approximately 27.6 million and 45.3 million tonnes of feed between 2017 and 2018, representing a 64% YoY growth. The Russian government plans to allocate US\$51 billion to support domestic agricultural industry from 2019 to 2025 in hopes to boost the country's volume of meat and dairy exports primarily to the Middle East and Asia
- On December 27<sup>th</sup>, the **Russian Federal State Statistics Service** reported wheat harvested decreased by 16% between 2017 and 2018 to 72 million tonnes. 2017 saw record wheat harvest of 85.8 million tonnes according to the Russian Agriculture Ministry. Rye, barley, oats, and corn production all decreased over the year, while rice production increased by 5.2% to over 1 million tonnes and soybean output increased by 8.4% to 3.9 million tonnes
- On December 26<sup>th</sup>, **Mercaris**, an organic and non-GMO trading platform and marketing information company, reported that prices of organic food-grade hard red spring wheat, conventional durum and soybeans declined in the two month period between October and November from the same period a year ago. Meanwhile, organic soybean prices continue to fall due to excess supply while experiencing strong demand. U.S. domestic organic soybean production up 15% between 2017 to 2018
- Favourable weather over the holidays allowed for good movement of feed grains in Western Canada, with prices rising above year ago price levels. Feed barley delivered to Lethbridge, Alberta is currently sitting around C\$258 per tonne, compared to C\$215 per tonne a year ago. Corn, mainly from the United States, is hanging out around C\$260 per tonne, while feed wheat is at C\$255 per tonne, compared to C\$215 per tonne last year

### Commodities Futures as of January 4<sup>th</sup>, 2019

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.83	1.93 %	1.93 %
Wheat (CBOT)	\$ per bu.	\$5.17	2.02 %	2.02 %
Oats (CBOT)	\$ per bu.	\$2.80	0.63 %	0.63 %
Rough Rice (CBOT)	\$ per cwt.	\$10.48	1.26 %	1.26 %
Rapeseed (Canola) (ICE)	CAD per T	\$485.40	(0.70)%	(0.70)%
Ethanol (CBOT)	\$ per gal.	\$1.30	1.72 %	1.72 %



## Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
<b>Food Processing</b>				
Conagra Brands, Inc.	(41.1%)	Q2 '19 Conagra generated US\$418 million adjusted operating profits, up 22.3% YoY. Adjusted operating margins exceeded expectations at 17.5%, up 1.8% YoY. Performance is attributed to strong momentum in the frozen single serve meals and further growth in its snacks and sweet treats offerings. Adjusted EPS is down 41.1% due costs related to restructuring and the integration of Pinnacle Foods	US\$32.89	50.5%
<b>Equipment Manufacturers</b>				
Buhler Industries Inc.	nmf	Revenues decreased 8% YoY due to weak commodity prices and trade tensions between Canada and the US. The net loss for the year stood at C\$49.5 million due to high reduction in gross margins and write downs of certain inventories. The company expects sales to be flat into 2019 but will continue its focus on margin improvements and cost reductions. The company has reduced overhead and staff to reduce losses	na	na

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