



Agriculture Industry Flash

Tuesday, September 1st, 2020

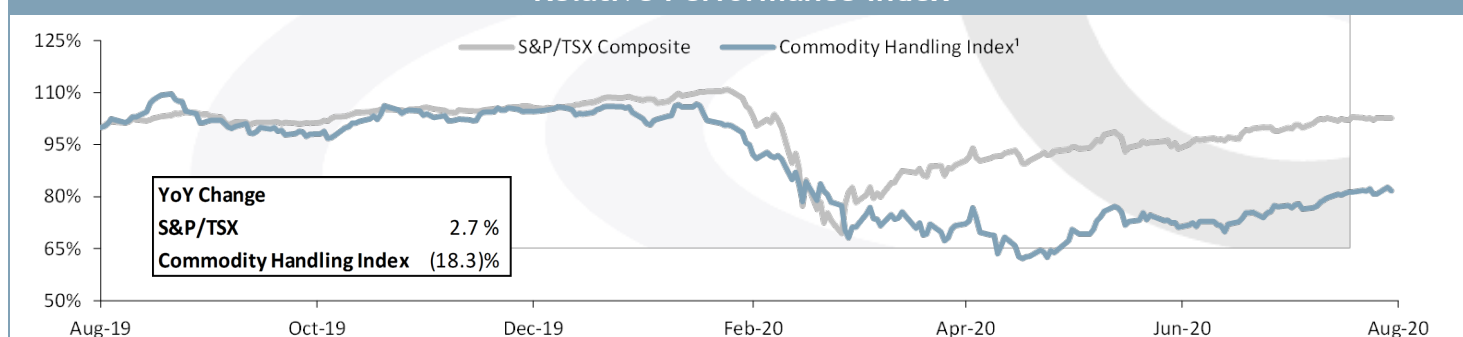


COMMODITY HANDLING

News Scan

- On August 28th, **Bunge Limited** announced a C\$30 million capital investment in **Merit Functional Foods**, a Canadian plant-based food company, giving Bunge a minority interest in Merit. The investment will help expedite Merit's construction of a plant-based protein production facility in Manitoba, where it will produce Merit's joint venture partner, Burcon NutraScience Corporation's pea and canola protein ingredients. The 94,000 sf. facility will be the world's first commercial-scale facility capable of producing food-grade canola protein and is estimated to cost C\$150 million
- On August 25th, Wisconsin-based **Landmark Services Cooperative** and **Countryside Cooperative (Countryside)** announced that Countryside members have voted to confirm the merger of the two companies, which will go into effect on March 1st, 2021. The new cooperative will service over 26,000 members, employ over 800 people, and generate annual sales of over US\$600 million
- On August 24th, **Archer Daniels Midland (ADM)** announced it has cut its stake in Singapore-based agribusiness **Wilmar International**, selling its shares and bonds worth US\$800 million. The US\$500 million worth of shares is being sold pursuant to a secondary block trade agreement with a syndicate of managers while the remaining US\$300 million of bonds will be offered outside of the U.S. ADM will retain at least a 20% stake and will use net proceeds to fund its capital expenditures, possible acquisitions, and a potential share buyback
- On August 21st, **Pardue Grain Inc.** announced it will sell its grain elevator and pulse processing facility in Cut Bank, Montana in September through an auction hosted by **Maas Companies**. The facility recently completed a US\$8.25 million expansion, which includes a food grade pulse processing facility with a warehouse, expanded grain handling bins and conveying equipment, and new main office buildings
- On August 17th, **Terra Ingredients**, an organic and non-GMO ingredients supplier based in Minnesota, announced a partnership with **IYA Foods (IYA)**, a food business known for its African-inspired flavours. Through this partnership, IYA launched a new rice flour alternative, fonio flour, made with 100% Terra-provided fonio from West Africa. Terra is the only company able to supply fonio at a significant volume and scale, and will rely on the IYA Foods brand to take the supergrain mainstream

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2020E	2021E	2020E	2021E	Price	52Wk High
ADM	24,615	33,059	8.7x	7.8x	14.5x	13.0x	(0.2)%	(6.1)%
Bunge Limited	6,555	14,004	9.7x	8.8x	13.9x	11.1x	1.2 %	(19.3)%
The Andersons, Inc	576	1,942	8.5x	6.4x	nmf	11.6x	(1.0)%	(38.1)%
Graincorp Limited	699	1,540	14.3x	10.9x	neg	16.3x	0.5 %	(53.1)%
Ceres Global Ag	73	140	na	na	na	na	(1.0)%	(35.6)%
Mean			10.3x	8.5x	14.2x	13.0x	(0.1)%	(30.5)%

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

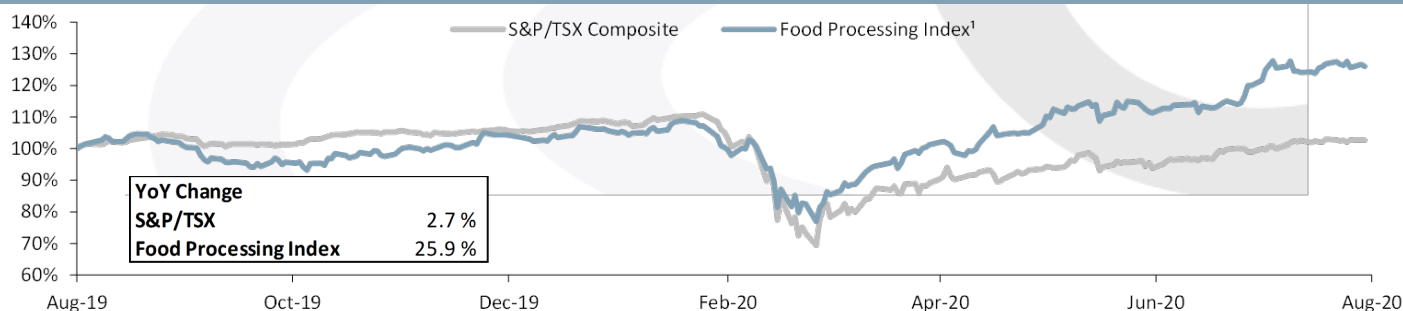


FOOD PROCESSING

News Scan

- On August 26th, **Sovos Brands**, a food company backed by global PE firm **Advent International**, announced it will acquire **Birch Benders LLC**, a producer of better-for-you pancake and waffle mixes, for an undisclosed amount. The acquisition will help Sovos to solidify its place in the breakfast and snacking category and is in line with the company's mission to acquire and build unique brands
- On August 25th, **Parker Products**, a specialty ingredients provider owned by global private equity firm, **The Riverside Company**, announced its acquisition of **Creative Food Ingredients**, a developer and manufacturer of baked ingredients, for an undisclosed amount. The two companies have complimentary product lines and serve many of the same customers, giving customers the opportunity to source a wider range of ingredients from a single supplier
- On August 25th, **Good Karma Foods**, a plant-based dairy manufacturer, announced it will buy back its majority ownership from **Dean Foods**, the largest dairy producer in the U.S., after it filed for Chapter 11 bankruptcy in November 2019. Dean's increased competition from private-labels and other dairy alternatives resulted in less consumer interest for its staple product, forcing the company to sell its assets
- On August 24th, New Zealand-based **A2 Milk** offered US\$176.4 million to buy a 75% stake in **Mataura Valley Milk**, a dairy nutrition company. The offer is a result of potential manufacturing participation at Mataura's facility, which is in line with A2's need to increase manufacturing capabilities to keep up with the growth of its infant nutrition business
- On August 21st, **Kellogg's** announced a US\$43 million investment in manufacturing capabilities at the **MorningStar Farms** production plant in Ohio. MorningStar is a manufacturer of plant-based food alternatives, an area in which Kellogg's has been focused on growing given the recent spike in demand for plant-based products
- On August 18th, South African packaged goods company, **Tiger Brands**, announced it will sell its processed meats business through two separate deals, for a combined price of US\$24.7 million. Pork producer, **Molare**, will acquire its abattoir business while **Silver Blade Abattoir** will acquire its meat processing factories. The deal results from company intentions to sell its value-added meat products businesses after facing an ongoing class action lawsuit over its part in a listeriosis outbreak

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
			2020E	2021E	2020E	2021E		
George Weston Limited	11,535	30,724	7.6x	7.0x	15.8x	13.2x	(0.7)%	(13.2)%
ConAgra Foods, Inc.	18,924	28,375	11.8x	12.2x	15.5x	15.9x	1.8 %	(0.1)%
Ingredion Incorporated	5,256	6,986	8.4x	7.7x	13.8x	12.2x	(2.9)%	(21.2)%
Tate & Lyle plc	4,179	4,767	7.5x	7.3x	13.3x	12.9x	(0.4)%	(15.5)%
Premium Brands	2,945	3,787	16.8x	13.5x	36.4x	24.3x	(0.8)%	(4.8)%
Maple Leaf Foods Inc.	2,796	3,508	11.3x	9.6x	29.6x	22.6x	1.7 %	(6.0)%
SunOpta Inc.	564	897	10.5x	9.3x	neg	nmf	(4.1)%	(12.1)%
Rogers Sugar	380	659	9.1x	8.5x	15.8x	11.6x	1.3 %	(13.6)%
Mean			10.4x	9.4x	20.0x	16.1x	(0.5)%	(10.8)%

1 "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate & Lyle, Premium Brands, Maple Leaf Foods, SunOpta, Rogers Sugar.

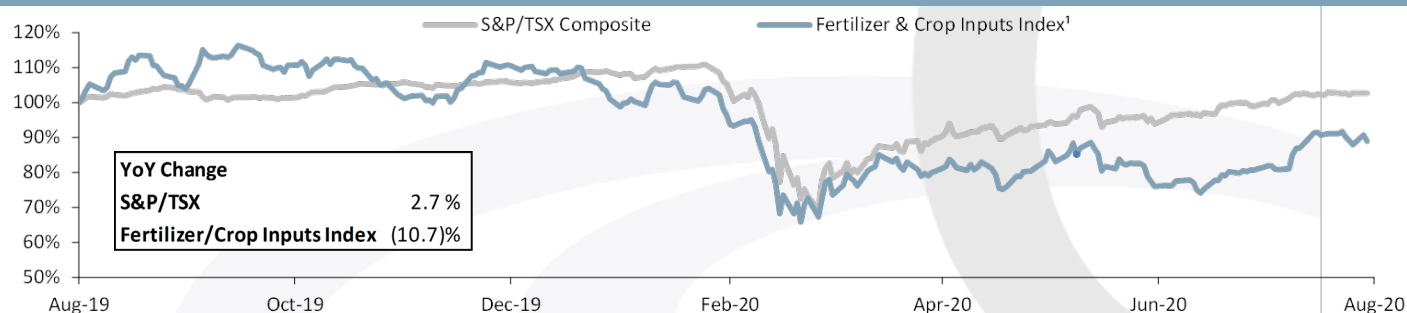


FERTILIZERS AND CROP INPUTS

News Scan

- On August 25th, **Yara International**, one of the world's largest fertilizer manufacturers based in Norway, completed the sale of its 25% stake in **Qatar Fertilizer Company** to **Qatar Petroleum**, for US\$1 billion. After a successful 50-year partnership, Yara will buy back up to 5% of its shares, comprised of 8.55 million shares on the open market and 4.85 million shares from the Norwegian government to maintain the state's stake at 36.5%
- On August 25th, **Verde Agritech Plc** received a full environmental license for mining up to 233,000 tpy of multi-nutrient potassium fertilizer. Verde has submitted applications to mine an additional 2,500,000 tpy, which is still pending approval. The license represents another step in Verde's expansion plans to support global food production
- On August 21st, **Itafos** reported a disruption in its sulfuric acid supply at its Itafos Conda phosphate mine due to a restart delay of the smelter at **Rio Tinto's** Kennecott copper mine. Roughly 60% of Itafos Conda's sulfuric acid needs are sourced from volumes received from Kennecott. Itafos announced it will update its full-year guidance to reflect the supply disruption's impact
- On August 20th, it was announced that the workers of Belarus' state-run mineral fertilizer industry have gone on strike in protest of **President Alexander Lukashenko's** disputed re-election on August 9th. As a result, share prices of leading rivals, **Mosaic Co.**, **ICL Group Ltd.**, and **K+S AG**, have shot up as the companies are expected to gain market share through Belarus' supply reductions

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

All Figures in USD millions unless indicated	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2020E	2021E	2020E	2021E	Price	52Wk High
Nutrien Ltd.	28,503	39,720	10.6x	9.6x	29.0x	23.1x	(2.6)%	(28.0)%
Yara International ASA	11,219	15,197	6.2x	5.8x	12.6x	10.9x	(3.2)%	(10.4)%
CF Industries Holdings, Inc.	7,150	13,567	9.2x	9.0x	21.7x	21.1x	(2.8)%	(36.1)%
The Mosaic Company	6,953	11,306	8.0x	6.3x	nmf	18.3x	2.7 %	(20.9)%
Nufarm Ltd.	1,136	2,621	7.8x	6.6x	28.4x	17.5x	(6.0)%	(41.6)%
Mean			8.3x	7.5x	22.9x	18.2x	(2.4)%	(27.4)%

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

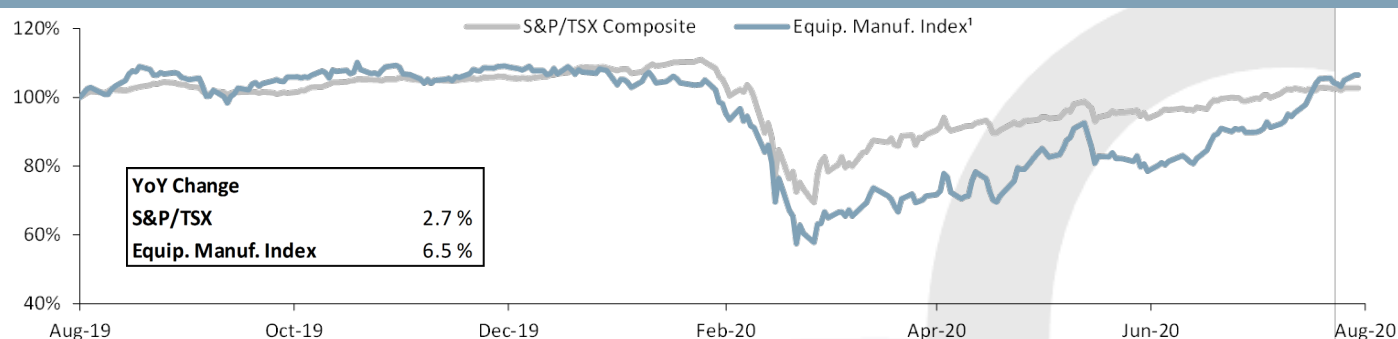


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On August 20th, **Fendt GmbH**, a German manufacturer of agricultural equipment, announced the launch of its 790-horsepower class 10 combine platform, which is now deemed as the largest combines produced in the world. The new models, known as the IDEAL 10 and IDEAL 10T combines, have 20% more harvest capacity compared to its predecessor, the IDEAL 9, with its 10-foot extended separation area
- On August 17th, **Great Plains Manufacturing** announced a US\$53 million expansion project and 750,000 sf. building purchase in Salina, Kansas as it scales up its operations to meet the growing demand for **Kubota** equipment. The company is hoping to begin operations at the new facility by the end of 2021, starting with Kubota compact track loaders

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
				2020E	2021E	2020E	2021E		
Deere & Company		64,324	69,314	14.1x	13.9x	21.6x	18.9x	6.5 %	(1.8)%
AGCO Corporation		5,330	6,907	8.9x	7.8x	18.9x	14.9x	(2.6)%	(12.6)%
Ag Growth International Inc.		514	1,177	11.4x	8.9x	20.0x	13.5x	(2.8)%	(24.9)%
Cervus Equipment Corporation		105	177	4.8x	4.2x	11.1x	9.8x	0.6 %	(9.0)%
Rocky Mountain Dealerships Inc.		83	136	8.2x	6.2x	32.2x	12.5x	13.6 %	(22.7)%
Mean				9.5x	8.2x	20.8x	13.9x	3.0 %	(14.2)%

1 "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth Intl., Rocky Mountain Dealerships and Cervus.

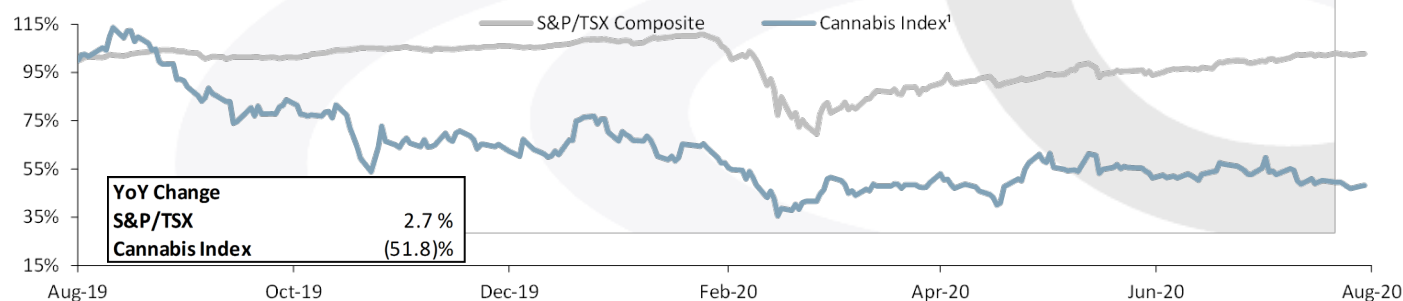


CANNABIS AND HEMP

News Scan

- On August 26th, **AYR Strategies**, a vertically integrated U.S. multi-state cannabis operator, announced it will acquire and develop six retail dispensaries in Pennsylvania for C\$57 million. AYR is seeking multiple acquisitions throughout this quarter to expand its footprint and establish itself as a top multi-state operator
- On August 25th, **Ascend Wellness Holdings**, a multi-state, vertically integrated cannabis operator, announced its acquisition of two dispensaries in Chicago, Illinois' largest cannabis market, for an undisclosed amount. The additional dispensaries will give Ascend six retail licenses in Illinois, as the company continues to seek new acquisitions and partnerships to reach the state limit of ten licenses
- On August 21st, Canadian cannabis retailer, **High Tide Inc.**, announced its acquisition of **Meta Growth Corp.** in a stock-based merger at a price of C\$0.133 per Meta share, implying a 14% premium to its 10-day VWAP. The combined company will become the largest Canadian cannabis retailer with 63 locations and C\$133 million in annualized revenue
- On August 20th, California-based **Kadenwood LLC** announced it will acquire **EcoGen Laboratories** for an undisclosed amount to create an integrated supplier worth US\$250 million. The deal allows Kadenwood to capitalize on the rising demand for CBD products and gain additional capacity for ingredient and extract manufacturing
- On August 19th, **Halo Labs Inc.**, announced it has completed the acquisition of all common shares of California-based **Ukiah Ventures Inc.** for C\$8.6 million. With this acquisition, Halo has increased its production capabilities through the additional processing and distribution facilities and has further plans to execute an indoor cultivation operation in a joint venture with **Terphogz LLC** to bring additional products to the California cannabis market
- On August 17th, **Liberty Health Sciences** announced a partnership with California-based **Seed Junky Genetics** to sell and distribute its cannabis strains. Seed Junky develops a wide variety of strains and is a leader in cannabis cultivation, and Liberty plans to roll out the products to its Florida locations by the end of 2020

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
			2020E	2021E	2020E	2021E	Price	52Wk High
Canopy Growth Corporation	6,241	5,331	14.7x	10.3x	neg	neg	(1.3)%	(42.3)%
Aurora Cannabis Inc.	1,093	1,889	7.6x	5.5x	neg	42.8x	(7.0)%	(87.9)%
Cronos Group Inc.	2,530	na	na	na	na	na	(2.2)%	(55.8)%
Tilray, Inc.	842	1,235	5.4x	3.5x	neg	nmf	(6.2)%	(80.3)%
Aphria Inc.	1,326	1,393	3.0x	2.4x	45.1x	18.7x	0.2 %	(35.5)%
OrganiGram Holdings Inc.	251	278	4.3x	2.7x	neg	18.0x	(10.1)%	(75.0)%
Mean			7.0x	4.9x	45.1x	26.5x	(4.4)%	(62.8)%

1 "Cannabis Index" is composed of equally weighted market prices for: Canopy Growth, Aurora Cannabis, Aphria, Cronos, Tilray and OrganiGram.



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On August 28th, it was announced that the COVID-19 pandemic has exerted further downward pressure on food prices, and subsequently producer revenues, as the number of people with inadequate food supply continues to rise. **The World Food Program** estimates that 270 million people could be acutely food-insecure by the end of 2020, representing an 82% increase from pre-pandemic levels
- On August 26th, corn futures rose 1.5% hitting their record-high in over six weeks, largely caused by expectations of increased demand from China for U.S. farm products as the countries begin to resolve issues surrounding the Phase I trade deal. Soybean also rose 1.1% after **Bloomberg** reported that China will buy a record amount of soybeans from the U.S in 2020
- On August 25th, U.S. crop conditions were reported to be lower than expected. Apart from cotton, which was up 1% to 46% good to excellent, corn fell 5% to 64% good to excellent and soybean fell 3% to 69% good to excellent. August has been a relatively dry month; however rainfall is expected in the next week and will hopefully help to improve ratings
- On August 25th, **365 Retail Markets** acquired **Stockwell**, a California-based smart store technology company, for an undisclosed amount. Stockwell's smart stores are similar to vending machines, but use AI, machine learning, and computer vision to customize food options based on consumer purchases and feedback. 365 Retail believes the future of retail to be unattended; adding Stockwell's technology will help the company advance toward its goal of providing low-cost, frictionless retail experiences

Commodities Futures as of August 28th, 2020

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.54	7.84 %	(9.51)%
Wheat (CBOT)	\$ per bu.	\$5.40	3.60 %	(3.66)%
Oats (CBOT)	\$ per bu.	\$2.64	(3.21)%	(11.41)%
Rough Rice (CBOT)	\$ per cwt.	\$12.32	6.26 %	(6.42)%
Rapeseed (Canola) (ICE)	CAD per T	\$493.60	3.61 %	2.83 %
Ethanol (CBOT)	\$ per gal.	\$1.29	15.77 %	(6.27)%



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Food Processing				
The Hain Celestial Group, Inc.	nmf	Hain reported Q4 FY2020 results, with revenues of US\$511.7 million, an increase of 1% YoY. Within North America, the Get Bigger brands (brands that the company is actively growing) grew 6.4%, in line with Hain's goals for the brands. Gross margin was 25.4%, a 658 basis point increase YoY. Adjusted EBITDA was US\$62.2 million compared to US\$49.4 million in Q4 FY2019. Hain continues to simplify its portfolio, having sold or discontinued four of its brands that consumed a disproportionate share of management's time and added supply chain complexity	US\$33.86	4.7%
Equipment Manufacturers & Services				
Deere & Company	(8.5%)	Deere & Co. reported Q3 FY2020 results, with net revenues of US\$8.9 billion, representing an 11% decline YoY. Equipment operations declined 12% YoY and agriculture & turf products declined 5% YoY due to lower shipment volumes and unfavourable effects of currency translation. Deere reported net income of US\$811 million for Q3 FY2020 compared to US\$899 million for Q3 FY2019. Overall, many COVID-19 related uncertainties remain, which could negatively impact the company's results and financial position in the future	US\$218.32	4.0%
Mahindra & Mahindra Limited	nmf	Mahindra reported FY2020 results, with total revenue of US\$6.8 billion, down 15.2% YoY. Total farm equipment revenue was US\$2.3 billion, down 8.7% YoY. Mahindra sold 301,915 tractors in FY2020, down 8.6% YoY. The decrease in sales was a result of COVID-19 related global economy and supply chain disruptions. Mahindra estimates that the loss due to COVID-19 for March 2020 was approximately 23,400 vehicles and 14,700 tractors, resulting in a 65.4% YoY decline in operating profit	INR656.79	4.0%
Cannabis & Hemp				
TerrAscend Corp.	61.7%	TerrAscend reported Q2 FY2020 results with net revenues of C\$47.2 million, representing a 169% YoY increase driven by the operational scale-up of its U.S. footprint, which the company has strategically expanded through investments in production capacity, wholesale volume, and retail presence. Gross profit before gain on fair value of biological assets was C\$26.5 million, up 9% YoY, resulting from the company's shift to higher margin opportunities in the U.S. and ongoing initiatives to improve the profitability of its Canadian operations. Adjusted EBITDA was at C\$11.4 million, compared to a loss of C\$8.6 million in Q2 FY2019	C\$7.34	24.8%
Cresco Labs Inc.	nmf	Cresco reported Q2 FY2020 results, with revenue of US\$94.3 million, a 42% increase over the previous quarter. Wholesale growth was largely driven by product popularity in California and first harvests from expanded capacity in Illinois and Pennsylvania. Retail growth was driven by 31% same-store growth and two new store openings in Illinois. Operational gross profit was 47%, largely due to costs associated with expanding the company's cultivation centres. Adjusted EBITDA was US\$16.5 million, representing a 419% increase QoQ, achieved through integrating Origin House during the quarter	US\$12.38	79.8%



COVID'S IMPACT ON CONSUMER FOOD TRENDS: PART 1 - WHERE ARE WE NOW?

In Part I of this new series, Origin Senior Advisor, Steve Bromley lays the groundwork for a discussion of future consumer food trends, examining how consumer preferences have evolved through the months of pandemic. He concludes by identifying five emerging trends that may shape future consumer food choices and buying patterns. Each of these will be explored in future issues. Read the full article [here](#).

Origin Senior Advisor, Steve Bromley, has over 30 years of food, beverage and general leadership experience in private and public companies at both management and board levels. Most recently he served as the CEO of SunOpta Inc. (NASDAQ:STKL;TSX:SOY), a leading integrated global natural, organic and specialty foods company, where he spent approximately 15 years in a variety of roles including CFO, COO and ultimately CEO for his last 8 years.

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