



Agriculture Industry Flash

Monday, March 29th, 2021

POLITICAL INSIGHTS SERIES

How Government Regulation, Policy and Canada/US Relations impact the Canadian Food & Ag Sector



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Cumberland Strategies is a national public affairs and government relations firm head quartered in Toronto. Mackenzie Taylor is a Toronto-based Consultant with a focus on agriculture and the agri-food sector. Bliss Baker is the Chairman and founder of Cumberland Strategies and has represented a range of large Canadian and multi-national companies in the ag-sector.

Canada/U.S Relations and the Agriculture Sector

Months into the Biden administration, our eyes are on the White House to determine how new policies will impact the Canadian Agriculture Sector. In this introductory article, we provide an overview of the US/Canada agricultural position: where we are now, and what we know to date. We will follow this up in subsequent issues with a deeper dive into the implications of evolving US policy for Canadian Agribusiness.

Our largest trading partner

Canada and the US enjoy the largest agricultural bilateral trading relationship in the world. Canada is the top destination for American agricultural exports, accounting for approximately 15 percent of total agricultural exports. Conversely, the US is the foremost buyer of Canadian agri-food products, accounting for 58 per cent of total exports. In short, while the relationship is important to both countries, Canada is highly reliant on the American market, and new developments in the US Department of Agriculture can have significant implications for Canada.

Canada/U.S Relations and the Agriculture Sector

A new (or not so new) US Ag Secretary

In December, Tom Vilsack was confirmed as Agriculture Secretary, sending the former Iowa governor back to the Cabinet position he served for the entirety of the Obama administration, where he focused on conservation, stimulating new business in rural communities, and increasing access to healthier food for low-income families.

Vilsack, who in the interim period has served as president and CEO of the US Dairy Export Council, said his dairy experience has given him a greater appreciation for the importance of US agricultural exports. **We will be closely watching what Vilsack has to say about supply management – particularly regarding dairy – given his historic push for Canada to open its dairy market.**

What about trade agreements?

The direction that the Biden administration takes in pursuing new preferential trade agreements will also have an important impact on Canadian agri-food trade. The competitiveness of Canadian agri-food exporters is limited by market access restrictions, including tariffs and quotas, trade distorting domestic support, export subsidies, tariff escalation and non-tariff barriers.

We believe that under Biden/Vilsack, the US will pursue a more predictable trade policy course. While this does not necessarily mean new trade agreements or more liberalized trade, a return to more predictable, rules-based trading relationships will foster a more investment-friendly climate. Prime Minister Justin Trudeau and President Biden are much closer in terms of policy objectives and leadership style than Trudeau was with Trump, and they share views on eliminating trade barriers instead of imposing them.

Still ahead...

As of March 2021, much is still unknown. The US and Canada are still trying to wrestle the COVID-19 pandemic to the ground while dealing with its economic fallout. At the same time, the Biden administration is returning attention to climate change, which will have impacts in Canada, including for agriculture. Messaging from the Biden administration, Vilsack and US dairy groups suggests a less confrontational approach to agri-food trade issues, including supply management. Politics is fluid, however, and we will be watching.

Stay tuned for Cumberland Strategies' next Ag Flash piece, focused on what Vilsack's position on supply management means for Canada.

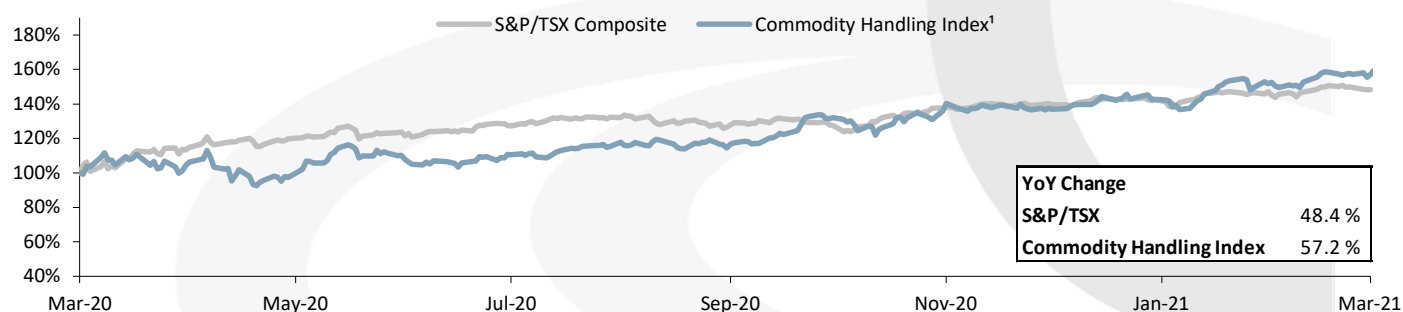


COMMODITY HANDLING

News Scan

- On March 25th, agribusiness **US Sugar** acquired the business and assets of **Imperial Sugar Company** from global merchant and processor of agricultural goods, **Louis Dreyfus Company**. US Sugar expects this acquisition will create production, logistics and supply chain efficiencies
- On March 23rd, **Richardson International**, Canada's largest agribusiness, announced an investment in its Yorkton, Saskatchewan canola crush plant that will double its processing capability to 2.2 metric tonnes of seed. Expansion also includes the addition of a 2,896m loop track with three high-speed receiving lanes
- On March 22nd, **Canadian Pacific Railway Ltd.** announced plans to acquire **Kansas City Southern (KSU)** in a stock and cash transaction that values KSU at approximately US\$25 billion. KSU shareholders will receive \$275 per share in cash/stock, implying a 23% premium to the prior day close. KSU will hold a 25% interest in the combined entity, to be renamed as **Canadian Pacific Kansas City**
- On March 11th, **Cargill** invested US\$475 million in its US soy processing capabilities. Cargill's investment aims to provide customers faster access to soy-based ingredients, and will work towards modernizing its plants to increase efficiency and expand operations, specifically improving speed of product loading, capacity size and logistics
- On February 25th, **Barentz International**, a leading global life science ingredients distributor, acquired a majority stake in specialized distributor of animal nutrition and feed industry ingredients, **the Noack Group**. Together, the companies will further expand their global reach

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
			2021E	2022E	2021E	2022E	Price	52Wk High
ADM	32,338	42,269	9.8x	9.5x	15.0x	14.6x	0.5 %	(2.0)%
Bunge Limited	11,174	19,663	10.1x	10.0x	12.5x	12.4x	1.0 %	(3.7)%
The Andersons, Inc	957	2,300	8.2x	7.6x	22.0x	16.9x	1.2 %	(6.2)%
Graincorp Limited	897	1,258	5.9x	6.5x	14.3x	18.4x	14.0 %	(2.9)%
United Malt Group Limited	963	1,165	10.9x	8.9x	27.9x	18.1x	2.7 %	(19.5)%
Ceres Global Ag	111	185	na	na	na	na	0.2 %	(0.9)%
Mean			9.0x	8.5x	18.4x	16.1x	3.3 %	(5.9)%

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

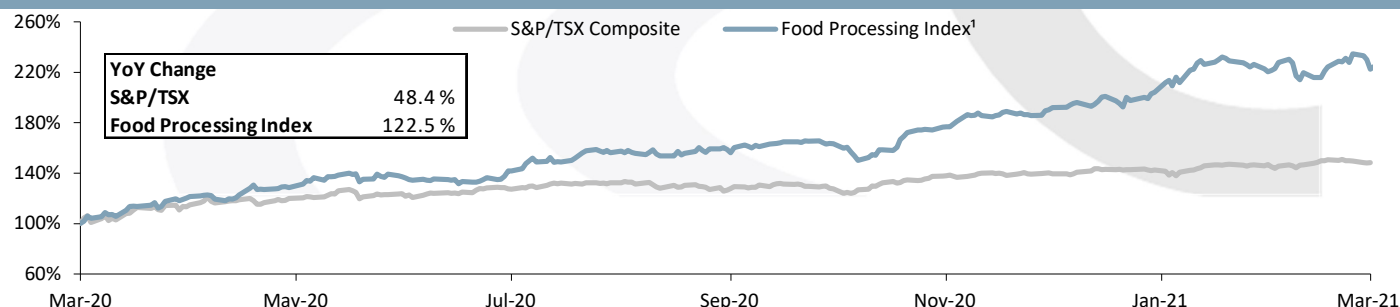


FOOD PROCESSING

News Scan

- On March 23rd, **George Weston** revealed plans to sell its bakery business **Weston Foods** as it looks to focus its attention on **Loblaw** and **Choice Properties**. The Weston Foods division had 2020 sales of C\$2.1 billion and EBITDA of C\$200 million. Its products are distributed throughout the US and Canada, and include well-known brands such as Wonder, Ace Baker and Country Harvest
- On March 22nd, Canadian private holding companies **Champlain Financial Corporation** and **GefCo** acquired natural spring water company **Naya Waters**. This acquisition will return Naya Waters to a 100% Quebec owned and operated company. Terms of the transaction were not disclosed
- On March 19th, **Lactalis**, the world's largest pure-play dairy company, entered negotiations to acquire **Bel Group's** European cheese brand **Leerdammer** plus assets in Netherlands, Ukraine, Italy, and Germany in exchange for a 23.2% stake in Bel Group. Lactalis plans to grow Leerdammer by using its global reach to enter new regions
- On March 17th, B2B frozen baked goods manufacturer **Aryzta North America (Aryzta)** was acquired by private equity firm **Lindsay Goldberg** for US\$850 million. This acquisition will allow Aryzta's parent company, **Aryzta AG** to focus on its core operations in Europe and Asia Pacific, while proceeds will provide liquidity to the business and strengthen its balance sheet
- On March 9th, ancient grain popped chips and puffs maker **Ka-Pop! Snacks** and **Bubba's Fine Foods**, a maker of paleo and keto friendly snacks, merged to form **Awakened Foods**. Awakened Foods will serve as the holding company for the two brands and the combined company will be headquartered in Loveland, Colorado
- On March 8th, **Nestlé USA (Nestlé)** acquired functional water brand **Essentia Water (Essentia)** following Nestlé's decision to sell its North American water unit to focus on mineral waters and functional water products. Essentia reported 2020 sales of approximately US\$190 million and will allow Nestlé to increase its presence in a high growth water segment

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
			2021E	2022E	2021E	2022E		
Saputo Inc.	11,761	14,651	11.5x	10.8x	19.2x	17.3x	(2.0)%	(3.3)%
Ingredion Incorporated	6,227	8,047	8.7x	8.2x	14.0x	13.0x	1.6%	(0.9)%
Tate & Lyle plc	4,902	5,384	7.6x	7.4x	12.6x	13.2x	1.7%	(1.7)%
Premium Brands	4,115	5,047	14.6x	12.8x	27.0x	22.3x	1.8%	(1.0)%
Maple Leaf Foods Inc.	2,749	3,418	9.6x	8.1x	22.8x	16.7x	0.7%	(8.8)%
SunOpta Inc.	1,535	2,247	34.3x	30.1x	nmf	nmf	2.0%	(13.8)%
Rogers Sugar	474	763	9.1x	8.9x	12.8x	12.7x	1.8%	(1.2)%
High Liner Foods Incorporated	446	741	8.1x	7.4x	11.9x	10.5x	(3.4)%	(5.4)%
Mean			12.9x	11.7x	17.2x	15.1x	0.5%	(4.5)%

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.

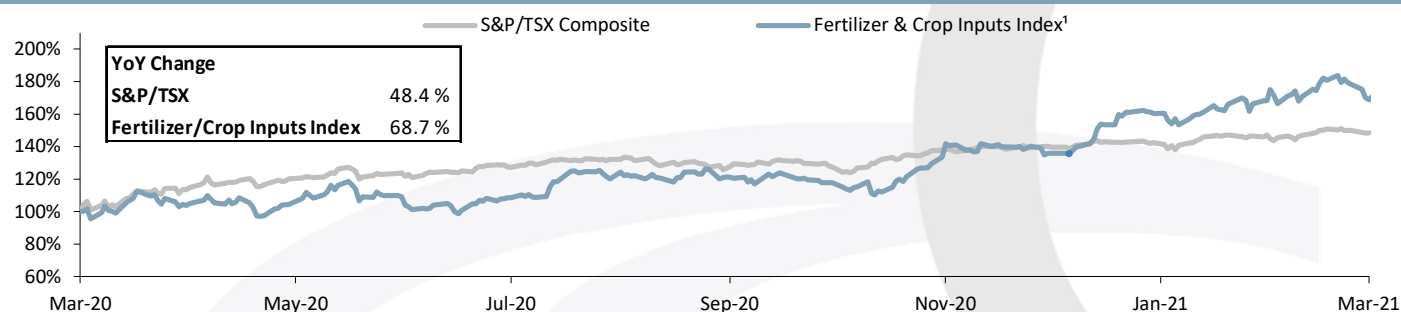


FERTILIZERS AND CROP INPUTS

News Scan

- On March 23rd, **Manulife Investment Management's Hancock Natural Resource Group (HNRG)**, an institutional manager of agricultural real estate with over US\$3.7 billion of farmland assets under management, acquired 12,874 hectares of eucalyptus plantations in Brazil from **AMATA**. This acquisition fits with Manulife's priority to strategically invest in its private markets' assets such as timber, agriculture, infrastructure, real estate, private equity and credit, and will allow for further regional portfolio diversification
- On March 19th, **Cargill** announced it will acquire Saskatchewan based crop inputs retailer **Precision Ag** after operating as a 50/50 joint venture for 22 years. As a leader in global agriculture, Cargill is strategically positioned to advance Precision Ag's business model in dynamic market conditions and will provide customers and employees with world-class professional services and resources
- On March 9th, Danish startup **BioPhero** raised US\$17 million in Series A funding led by **DCVC's** life sciences-focused fund **DCVC Bio**. BioPhero is fermenting insect pheromones for crop protection purposes as a means of reducing potentially harmful chemical inputs in agriculture. The funding will be used to ramp up manufacturing of its first pheromone product and R&D

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2021E	2022E	2021E	2022E	Price	52Wk High
Nutrien Ltd.	40,125	49,691	11.0x	10.8x	26.2x	24.5x	(2.3)%	(5.3)%
CF Industries Holdings, Inc.	9,908	16,332	9.8x	10.2x	21.4x	22.0x	(4.4)%	(9.8)%
The Mosaic Company	11,809	15,950	6.5x	7.1x	13.5x	14.2x	(7.0)%	(11.5)%
Yara International ASA	13,445	16,454	6.8x	6.4x	13.9x	13.3x	1.6 %	(1.4)%
Nufarm Ltd.	1,492	2,147	7.7x	6.9x	39.9x	23.2x	7.7 %	(10.7)%
Mean			8.4x	8.3x	23.0x	19.4x	(0.9)%	(7.8)%

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

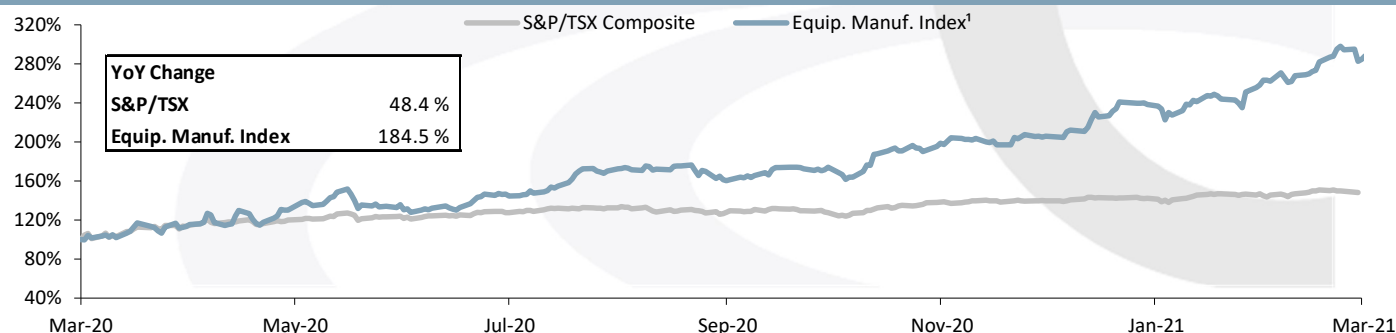


EQUIPMENT AND TECHNOLOGY

News Scan

- On March 26th, **AeroFarms**, a leader in vertical farming, announced it will go public through a merger with **Spring Valley Acquisition Corp.** This transaction is valued at US\$1.2 billion and is expected to provide the company with US\$357 million in proceeds. Post deal closing, the company will be named AeroFarms and will trade on the Nasdaq under the ticker symbol ARFM
- On March 22nd, **Ritchie Bros.** held its largest Texas auction in history. With all bidding online, demand skyrocketed adding 76% more bidders YoY. The online auction achieved over US\$95 million in gross transaction value, a 17% increase from its previous Texas auction in June 2020. The auction also had 5,800+ lots, and set site records of 16,000+ bidders and 760+ consignors
- On March 22nd, **GrowGeneration Corp (GrowGeneration)**, the largest US chain of specialty hydroponic and organic garden centers, acquired **Agtron.io**, a leading wholesale agriculture platform. Agtron.io is powered by GrowGeneration to be a one stop destination for GrowGeneration's commercial client base, providing enhanced services, competitive pricing, and drop shipping from the nearest GrowGeneration distribution centre
- On March 3rd, Winnipeg based agriculture tech company **Farmers Edge** raised just over C\$125 million in its IPO under the ticker symbol FDGE on the Toronto Stock exchange. Farmers Edge said it will be using most of the proceeds for business expansion, focusing on internal growth based on existing partnerships
- On March 3rd, **CNH Industrial** completed a minority investment in US agricultural technology startup **Monarch Tractor**. In 2020, Monarch Tractor introduced the world's first fully electric, self-driving, smart tractor integrated on one platform. CNH plans to adapt Monarch Tractor's technology across its entire off-road business

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2021E	2022E	2021E	2022E	Price	52Wk High
Deere & Company	116,690	158,106	20.4x	18.2x	23.0x	20.1x	(2.1)%	(5.1)%
AGCO Corporation	10,732	12,261	10.9x	10.0x	19.6x	17.6x	(3.3)%	(4.0)%
Ag Growth International Inc.	639	1,320	9.8x	8.8x	16.6x	12.8x	(5.4)%	(11.6)%
Cervus Equipment Corporation	198	349	6.4x	6.0x	10.5x	9.4x	(1.0)%	(2.9)%
Mean			11.9x	10.7x	17.4x	15.0x	(3.0)%	(5.9)%

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

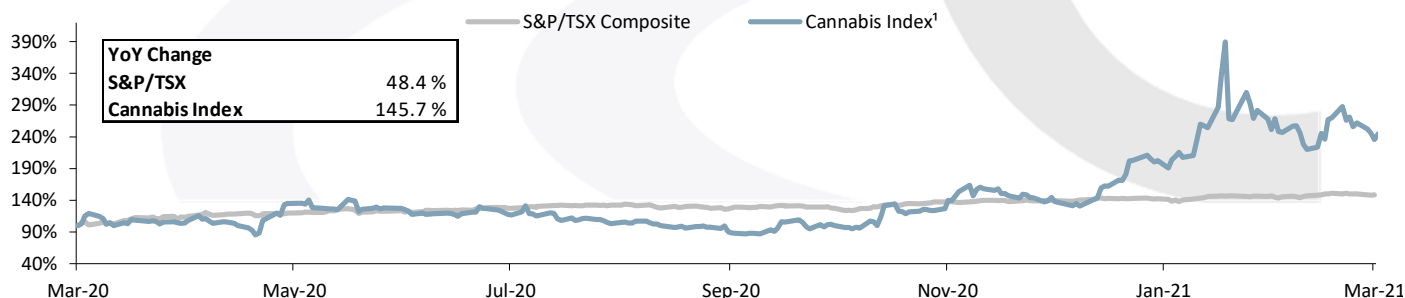


CANNABIS AND HEMP

News Scan

- On March 18th, **Cresco Labs** announced it will acquire the outstanding equity interest in **Cultivate Licensing LLC** and **BL Real Estate LLC** for upfront consideration of US\$90 million plus an earnout of up to US\$68 million. This acquisition will place Cresco Labs in a top three market share position in Massachusetts, the third billion dollar cannabis market where it holds this status
- On March 16th, leading cannabis tech platform, **Dutchie** raised US\$200 million in its Series C funding and acquired two cannabis industry focused enterprise resource planning and point-of-sale software solution, **Greenbits** and **Logix**. This acquisition will assist Dutchie in deepening relationships with brands, merchants, and consumers, and extending its platform
- On March 11th, **British American Tobacco (BAT)**, a global tobacco giant, made a C\$221 million strategic investment in leading licensed cannabis producer **Organigram Holdings Inc. (Organigram Holdings)** to acquire a 20% stake in the Canadian medical cannabis provider. Additionally, **Organigram Inc.**, a subsidiary of Organigram Holdings, has entered into a Product Development Collaboration Agreement with BAT to focus initially on CBD product development
- On March 9th, leading US provider of consumer cannabis products **Curaleaf Holdings, Inc** acquired Europe's largest vertically integrated independent cannabis company **EMMAC Life Sciences Limited** for consideration of US\$286 million, representing a TEV/2021E revenue multiple of approximately 6.0x. This acquisition will create an opportunity for the combined entity to become an international cannabis consumer packaged goods company
- On March 3rd, **Schwazze** acquired the assets of the five remaining **Star Buds Dispensaries (Star Buds)** in Colorado to add to the eight Star Buds dispensaries the company currently owns for total consideration of approximately US\$72.3 million in a combination of sellers' notes, cash and preferred stock

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/Revenue		TEV/EBITDA		Week Δ	Δ Price
			2021E	2022E	2021E	2022E	Price	52Wk High
Canopy Growth Corporation	12,275	11,326	19.0x	14.1x	neg	nmf	(3.3)%	(43.6)%
Aphria Inc.	5,587	5,726	9.2x	8.0x	nmf	nmf	(9.1)%	(46.7)%
Tilray, Inc.	3,792	4,588	15.8x	12.2x	nmf	nmf	(12.8)%	(67.0)%
Cronos Group Inc.	4,201	3,183	28.9x	17.2x	neg	nmf	(4.7)%	(41.9)%
Aurora Cannabis Inc.	1,807	2,111	8.3x	6.3x	neg	neg	(8.1)%	(57.1)%
OrganiGram Holdings Inc.	1,028	1,061	12.9x	9.5x	neg	nmf	(7.9)%	(44.9)%
Mean			15.7x	11.2x	na	na	(7.7)%	(50.2)%

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 March 23rd, the **United States Department of Agriculture (USDA)** released data showing that importers bought over 3.8 million tonnes of US corn for delivery to China as high domestic prices have made imported corn attractive to Chinese processors and livestock feeders
 - On March 23rd, the USDA also released estimates for Mexican grain production for the 2021-22 marketing year including forecasted increases to 28 million tonnes of corn and 3.25 million tonnes of corn
 - On March 22nd, a USDA report found that increasing feed demand has boosted China's soybean import outlook to 100 million tonnes for the 2021-22 marketing year, with soybean crush volume expected to hit 99 million tonnes, up 1.5 million tonnes YoY
 - On March 22nd, the USDA's **Foreign Agricultural Service (FAS)** department found that Canadian production of oilseed is expected to increase 6% in the 2021-22 marketing year largely due to an increase in area and yield recovery of canola. Furthermore, total oilseed production is expected to reach 26.6 million tonnes
- On March 23rd, **Statistics Canada** data and beef fat exert opinions unveiled the need for a domestic renewable diesel sector. Animal fat from slaughter plants in Alberta is currently railed to Vancouver and shipped to Singapore, where it is converted into renewable diesel, then shipped back to Canada. According to Statistics Canada, the value of the beef fat exported to Singapore is over C\$3 million annually, suggesting that Canada is missing out on a value-added opportunity to domestically convert fats to extract fuels
- On March 22nd, information released from the second week of March found that Ontario corn, soybean and wheat prices were trading near or at 52-week highs as domestic and export demand continues to exceed last year's levels
- On March 22nd, 27 leading food and agriculture associations formally communicated growing concerns over the deterioration of the US and Mexico trade relationship, urging the US and Mexico agriculture secretaries to address challenges including trade restrictions and a ban on genetically modified corn
- On March 15th, **Hellenic Shipping News** reported lowered harvest estimates for Argentinean grains, down by 4 million tonnes to 45 million as the country's farm region experiences dry weather. Analysts warn that the soymeal exporter may experience further harvest forecast reductions in the near future
- On March 15th, the **Bureau of Labor Statistics** published research finding that the consumer price index for baked foods and cereal products increased 0.4% in February, and the index for all food at home increased 0.2%

Commodities Futures as of March 29th, 2021

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$5.53	2.65 %	14.21 %
Wheat (CBOT)	\$ per bu.	\$6.13	(5.69)%	(4.48)%
Oats (CBOT)	\$ per bu.	\$3.75	3.38 %	5.34 %
Rough Rice (CBOT)	\$ per cwt.	\$13.09	-	2.83 %
Rapeseed (Canola) (ICE)	CAD per T	\$603.80	(18.34)%	(5.02)%
Ethanol (CBOT)	\$ per gal.	\$1.89	9.02 %	26.94 %



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