

AGRIBUSINESS REPORT ARGENTINA

INVESTMENTS, M&A ACTIVITY

Q4 - 2017

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Agribusiness Report Argentina Q4-2017 aims to summarize the principal activity in INVESTMENTS and M&A in Argentina for the fourth quarter of the year. Circulation is managed in a quarterly basis to develop relevant updated information. The investments section includes operations in Ag Finance like corporate bonds or stock offerings. The M&A section also presents a summary of the major transactions in the global scale.

INVESTMENTS

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 - **Cabaña Las Lilas** invested USD 12 MM to produce premium pork meat. The investment made in San Antonio de Areco, Buenos Aires province, included 35 hectares of land and 17.000 m2 of sheds. The on-going operations hold a 1.000 mother swine farm and the firm intends to reach 2.500 in the next five year.
- **Rafaela Alimentos**, a meat processor from Santa Fe province, will invest USD 50 MM in the next 20 years to move their cut plants to a new industrial area in Rafaela. The firm, which markets its products under the **Lario** brand, currently employs 1.200 people and has ARS 3.000 MM in revenues. With this investment they plan to be more competitive and expand their sales in Greater Buenos Aires and Capital Federal.
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 - **Adecoagro** will invest USD 50 MM in a dairy farm with the latest technology. Their production will increase from 7.000 to 14.000 milking cows and will represent 2% of the national production. Adecoagro was born in 2002 with the purchase of 74.00 hectares and grew to become one of the main agricultural companies in the region. 90% of its capital is in the New York Stock Exchange and the rest in the hands of its management. Adecoagro employs 8.000 people.
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 - **Monsanto** will invest USD 7 MM in a new laboratory in Rojas, Buenos Aires. The project, which includes the construction of a 1.800 m2 plot, seeks to enhance the internal processes of field and plant production. In Argentina, the firm has over USD 900 MM in revenues, from which 70% corresponds to Seed & Technologies and the rest from Agrochemicals.
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 - **MaseVera Holdings**, of the Nicholson family from Trinidad and Tobago, announced along with its local partner Fernando Muñoz de Toro, a USD 5.000 MM investment in production of agricultural products for export. The investment, that will begin in the first quarter of 2018, includes the purchase of land suitable for livestock, wines and juices.
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 - **Cono Agropecuaria**, a family owned company located in Cordoba, invested USD 4 MM in a new plant to expand its processing capacity of legumes (chickpea, different types of beans and chia). The company exports 99% of its legumes production and is the second largest chickpea exporter of Argentina with an annual production capacity of 40.000 tons.
- The firm **Sitio 0**, invested ARS 80 MM in the Quequen port with the objective to develop their strategic position in the local commercial market by increasing their stock, loading and unloading capacity. These capital expenditures in new port capacities contribute to improve the national logistics network.



- **Ledesma** will become supplier of citrus products for **Coca-Cola Company**. The company has sealed an agreement to sell supplies that are used in the production of soft drinks. The deal lies within a series of investments that Coca-Cola committed in Argentina for the next years (USD 1.000 MM). Ledesma must invest USD 8 MM to fulfill this commitment. The money will be used to improve its Libertador General San Martín plant in Jujuy.

- **Grupo Peñaflor**, leader of the Argentine wine industry, announced investments for USD 23 MM in the country in the next 12 months. The capital expenditure will be destined to the installation of a new bottling line for Bodega El Esteco, vineyards in the provinces of Mendoza, San Juan and Salta, and an increase in the logistics and cold capacity in its warehouses.



- Through a JV, meat company **Friar** and Italian group **Ergon** will invest USD 12 MM to produce biogas in the Los Corrales de Nicanor feedlot located north of Santa Fe province. The goal is to generate 2 MW of energy from the organic waste of the livestock and recover the investment in a period of 4 years. The feedlot has an installed capacity to house about 30.000 animals and is the main exporter of the 481 quota to the European Union.

- **Compañía Azucarera Los Balcanes**, in partnership with the company **Genneia**, will launch a project in Tucuman to generate electricity from vinasse and bagasse. With this investment, 19 MW will be added to the national grid, which will be managed by the Electricity Wholesale Market Management Company (Cammesa). Genneia will invest USD 60 MM in this project that will be developed in La Florida Plant of the Cía. Azucarera Los Balcanes, which will provide the raw material for the generation of green energy.

- **Adecoagro** inaugurated a biodigester to produce renewable energy within a dairy milk facility. It generates 1,4 MW based on cow manure and the energy will be injected into the national grid. Located in Christophersen (Santa Fe), the biodigester required an investment of USD 6 MM and generates energy from the manure output of more than 7.000 cows from two dairy farms.

- **BAS Projects Corporation**, and **Global Dominion Access** signed an alliance with local **ADBlick Agro** to develop 10 biomass plants that will require an investment of USD 300 MM in 4 years and will represent a total 100MW of installed capacity. The first plants will be located in Rojas, Buenos Aires and Venado Tuerto, Santa Fe and will use organic waste from seed industry as input.

- **ArreBeef**, the second beef exporter in Argentina, will invest USD 4.3 MM to produce energy based on bovine manure. The company located in Ramallo, Buenos Aires is the second meat exporter in the country with 23.327 tons with revenues over USD 130 MM.



- **Pollos San Mateo**, announced an investment of USD 8 MM to produce biogas in their chicken farm. The firm, located in Rio Ceballos, Córdoba, plans to generate 2,4 MW transforming an environmental problem into an economic profit center. The firm will also source input from neighbor slaughterhouses.

M&A




Global



- **Koppert**, Dutch international leader in biological solutions for agriculture, acquired **BUG Agentes Biológicos**, a Brazilian biological control company. This transaction represents the third acquisition by Koppert since it landed in Brazil in 2011. The transaction amount was not disclosed.
- **Potash Corp** and **Agrium Inc** have received final regulatory clearance to merge, forming a new company to be known as **Nutrien**. The combined company has more than 1.500 farm retail centers and employs more than 20.000 people across operations in 14 countries. Original Agrium shareholders received 2,23 shares in Nutrien for every share they had in Agrium. PotashCorp shareholders, meanwhile, received 0,4 new shares for every old one.
- **BASF** has signed an agreement to acquire significant parts of **Bayer's** seed and non-selective herbicide businesses. Bayer intends to divest these assets in the context of its planned acquisition of Monsanto. The all-cash purchase price was € 5.900 MM, subject to certain adjustments at closing. The assets to be acquired include Bayer's global glufosinate-ammonium (Liberty), Basta and Finale brands, as well as its seed businesses: canola hybrids in North, oilseed rape mainly in European markets, cotton in the Americas and Europe as well as soybean in the Americas. The transaction also includes Bayer's trait research and breeding capabilities for these crops and the LibertyLink trait and trademark.
- **Syngenta**, Swiss company recently acquired by **ChemChina**, has taken control over **Nidera Seeds** in Latin America. **COFCO International**, a company that trades over 47 MM tons of grain annually, decided to sell its business unit in a reorganization program. With this acquisition Syngenta will add a company that markets 10 MM soybean bags and 1MM corn bags. Financial terms of the agreement were not disclosed.
- **Nufarm** acquired a portfolio of crop protection products from **Adama Ltd.** and **Syngenta Crop Protection AG** for USD 490 MM. The 'Century' product portfolio includes over 50 crop protections.
- **Nufarm** acquired **FMC's** SU-class herbicides and Florasulam for post-emergence use to control broadleaf weeds in cereals. In exchange, FMC will receive USD 90 MM, which includes the purchase of existing product inventory. The divestiture will satisfy FMC's commitments to the European Commission related to its recent acquisition of a significant portion of DuPont's Crop Protection business.
- Mexican industrial group **Mexichem** has agreed to buy an 80 percent stake in Israeli irrigation firm **Netafim** in a deal valuing the company at USD 1,9 BN. Mexichem, whose products range from petrochemicals to plastic pipes and which operates more than 120 production plants in over 30 countries, has a market value of USD 6 BN. Netafim, a pioneer drip irrigation company, has 17 manufacturing plants and 4.300 employees worldwide with sales over USD 855 MM.

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 - **Yara International** completed the acquisition of **Agronomic Technology Corp (ATC)**, which operates Adapt-N, a leading nitrogen recommendation platform in the US that improves farmer profitability and agricultural sustainability. Yara is a Norwegian chemical producer dealing in fertilizers, animal nutrition, and other industrial chemicals. The firm is listed on the Oslo stock exchange and with reported revenues over USD 11 BN.
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 - **Cargill** has acquired the assets of **Integral Animal Nutrition**, a beef cattle feed producer in Brazil that generates USD 24 MM in revenues. The same week Cargill announced a binding agreement to acquire Iowa-based technology company **Diamond V** to expand its global animal health and nutrition businesses.

Argentina

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 - **Cargill** has made an offer of USD 80 MM to acquire **Glucovil**, a company owned in its majority by the Blaquier family. The company manufactures glucose, fructose, starches and syrups, used as ingredients for the baking and preparation of sweets and jams, beverages and dairy products. Cargill already owns 30% of the company
- **Tomás Hnos.** announced that it will invest more than USD 3MM in the acquisition of a new plant in Trenque Lauquen. According to the company, with this investment it will increase its storage capacity to more than 250.000 tons. The firm employs 200 people and expects to trade a total of 1,5 MM tons of grain annually.
- **Arcor** executed in advance the purchase option of **Mastellone** (La Serenisima) and paid USD 5,2 MM for more than 12 million shares. The agreement signed in December 2015 allows Arcor to buy up to 49% of the total of Mastellone until 2020.
- The producer of fresh cheese **La Tarantela** acquired the plant that the **SanCor** cooperative owned in the town of Centeno, Santa Fe. The agreement, which was reached after almost eight months of negotiations, contemplates the transfer of assets such as machines and infrastructure, and the maintenance of labor. La Tarantela specializes in the production of ricotta and mozzarella.
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 - **Don Mario** acquired **Illinois**, local seed company controlled by the Leguizamón family. The firm based in Victoria, Entre Ríos markets a volume of about 100.000 bags per year. With this investment, GDM plans to increase its presence in the corn market, planning to reach 500.000 bags in a two to three year term. Financial terms were not disclosed.
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 - Swiss group **Origin Wine Global Distribution**, with wineries in South Africa, Switzerland and Mendoza and offices in several countries, acquired **Finca La Anita** from Mendoza. Origin Wine controls Mendoza Vineyards, in Godoy Cruz, where it produces nearly 3 MM liters of medium and high-end wine, which exports 98%. With the purchase of Finca La Anita, it plans to boost its local high-end portfolio and increase its sales exponentially.

Agribusiness Report Argentina Q4-2017 shows a continuous high level of investments and M&A activity in the local market. The country risk rate has fallen almost 23% during 2017 and has ended the year with 350 basic points, showing improved confidence in macroeconomic and political reforms. The last quarter showed most investments directed to the generation of renewable energy from the output of agricultural operations. This is an important step towards a more sustainable industry with “continuous loops” on its production systems. Lastly, this report indicates that most of the transactions in the Argentina agriculture sector for the quarter were held by local players. It is to see how foreign investors and multinational companies interact locally in the coming 2018.

CONTACT INFORMATION



Felipe Lanusse
felipe@agrifex.com



Luis Casanova
luis@agrifex.com