

AGRIBUSINESS REPORT

INVESTMENT PROJECTS, M&A ACTIVITY - ARGENTINA

Q2 - 2017

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In business brokerage activity, Agrifex represents [Verdant Partners](#) in South America with a special focus in Argentina, Chile and Uruguay.



Having a sectorized specialization, allows it to offer differential consulting services.

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Agribusiness Report Q2-2017 aims to summarize the principal activity in Ag M&A and investment projects in Argentina. Circulation is managed in a quarterly basis to develop updated information. The investment projects section also includes operations in Ag Finance like corporate bonds or stock offerings.

INVESTMENT PROJECTS

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 - **Biofarma**, dedicated to animal nutrition and health, invested USD 4 MM in a new factory in Rio Cuarto, Córdoba. As a result, the company will duplicate production levels and reinforce export markets like Paraguay, Bolivia and Uruguay. The investment went to the development of infrastructure and purchase of equipment to consolidate the market of feed for initiators, poultry and pigs in their early days.
 - **Basf** built a new Seed Solutions plant in Necochea, Buenos Aires. The facilities are designed for professional seed treatment of soybean, wheat and barley. Basf holds 17 plants throughout the country to treat seeds in a professional manner.
 - **Aceitera General Deheza (AGD)**, with an investment calculated in approximately USD 15 MM consolidates its position in the local almond market. The capital expenditures were designated in almost 70% to agricultural production and the remaining 30% to a processing plant with the latest technology in Lavalle, Mendoza. The company will do the cleaning, peeling, electronic selection, packaging and storage of almonds.
 - **Simplot** announced investments for USD 132 MM in Luján de Cuyo, Mendoza to produce frozen precooked *french* fries and pureed flakes. Simplot is McDonald's leading supplier of fast food potatoes worldwide and is redesigning its logistics to develop a more efficient production matrix. The investment includes the construction of a 400,000 m2 facility along with an increase in agricultural production to reach a total of 1,200 hectares and 4 refrigerating chambers.
 - **Nitron**, in association with local **PTP Group**, will invest USD 40 MM in distribution facilities in the *Free Zone* in Villa Constitución, Santa Fe. Nitron is the world's second largest fertilizer trader with annual revenues of USD 2.3 BN and over 5 MM metric tons of fertilizer traded each year.
 - **Facyt** will invest an estimated USD 2.5 MM in an R+D laboratory and an expansion of its existing facilities in Laguna Larga, Córdoba. Facyt formulates, manufactures and sells fertilizers, adjuvants, inoculants, fungicides, herbicides and insecticides.
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 - **Pauny** invests USD 4 MM to meet growth plans after 30% sales-by-unit increase in 2016. The capital employed is destined for the development of a new 200 HP tractor model and an additional molding line in the foundry sector of the factory that owns in Las Varillas, Córdoba.

- **Stara** announced the intention of building a sprayer factory in Argentina in the next years. The agricultural machinery company is searching in Rosario and Córdoba for settling the facilities. Stara is one of the most important companies in the Brazilian market and exports to over 30 countries with revenues estimated in USD 230 MM.

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- **Acqua Capital**, Brazilian PE Fund raised over USD 349 MM for its *Agribusiness Latin America II Fund* which aims to obtain an excess of 20% annual returns by focusing on middle market food and agribusinesses across Latin America.
- **Los Grobo** issued two corporate bonds for the aggregated equivalent of over USD 29 MM. *Clase VI* was issued for A\$R 140.7 MM (2 year duration, Badlar + 400 bps) and *Clase VII* was issued for USD 20.8 MM (2 year duration, 6.75%).
- **Renova** signed a financing package with IFC, Rabobank, and other financial institutions for USD 434 MM. The loan is to finance the expansion of the largest soybean mill in the world located in Rosario, Santa Fe. The new facilities will have a *crushing* capacity of 30 BN tons of soybean, a 50% increase from the existing capacity of 20 BN tons.
- **Molinos Agro**, from **Grupo Pérez Companc**, made its IPO in the Buenos Aires Stock Exchange and is now traded separately from **Molinos Rio**. The shareholders of Molinos Rio (food) exchanged each stock they held for 0.19 shares of Molinos Agro and 0.80 of Molinos Agro (grain processing), classes A and B, as appropriate. As a result, Molinos Rio became the first crushing company to be listed on the Argentine stock market.
- More companies in the local agricultural sector are turning to financial markets to obtain working capital or carry out their business plan. In this context, **Red Surcos** and **Liag Argentina** have received authorization from the National Value Commission to subscribe corporate bonds in the Buenos Aires Stock Exchange.

M&A



Global



- **FMC & Dupont** asset swap and USD 1.2 BN cash payment by FMC to Dupont for valuation difference. As a result, Dupont will acquire FMC Health & Nutrition and FMC will acquire the global portfolio of chewing pest insecticides from DuPont, its global cereal herbicides and a substantial part of DuPont's global crop protection R & D capabilities. Following the closing of the operation, FMC Agricultural Solutions will become the fifth largest crop protection chemical company in the world by sales, with annual revenues estimated at approximately USD 3.8 BN.

- **Chromatin** acquired **Nidera's** global sorghum portfolio which includes its commercial products, R+D pipeline, intellectual property and numerous market authorizations. Chromatin develops and sells hybrid sorghum, a crop that can be grown on 80 percent of the world's arable land.
- **Arysta LifeScience** acquired the business assets of **Verios**, a South African biosolutions provider. Verios specializes in the development and distribution of microbial and micronutrient biostimulants and innovative nutrition products for use in agriculture to support crop health and stimulate growth.
-  - **BASF** acquires US-based **ZedX** in an effort to drive agriculture digitalization. The amount of the transaction has not been made public yet. ZedX is a developer of information technology tools that provide forecasting and decision services to farmers. BASF says the acquisition will strengthen its digital farming footprint and help growers take advantage of big data.
- **Monsanto's** subsidiary **Climate Corporation** had agreed to sell **Precision Planting** to **Deere & Company** but the 19-month deal was canceled due to opposition from the U.S. Department of Justice. The DOJ claimed that Deere and Precision Planting would hold up to 86% of the market of all high-speed precision planting sales in the U.S. The transaction price was estimated at around \$190 million.
- **Climate Corporation** acquires **HydroBio**, strengthening the company's efforts to deliver industry-leading digital technologies to farmers around the world. HydroBio is a *Software-as-a-Service* company that uses satellite image driven analytics to conserve water and maximize crop yields.

Argentina

-  - **Minerva** acquired 5 meat processing plants from rival **JBS** who is divesting assets to pay the USD 3.1 BN penalty fee for corruption scandal in Brazil. The transaction, estimated in USD 300 MM also includes 3 facilities in Paraguay and 1 facility in Uruguay. A court in Brasilia provisionally suspended this sale of assets as it could jeopardize the clarification of the facts denounced in the statement of JBS executives, who splashed Brazilian President Michel Temer and numerous politicians in the corruption scandal. In line with the USD 1.8 BN global divestment plan, JBS put on sale 19.2% of the shares of the dairy company **Vigor Alimentos**; the participation in the British **Moy Park**, which is one of the most important meat processors in Europe, as well as those of the US subsidiary **Five Rivers Cattle Feeding**.
-  - **Bunge Argentina** acquired all the tangible and intangible assets of **Aceitera Martinez** in a non-disclosed transaction value. The company will now incorporate the refined oil facilities with a monthly bottling capacity of 12,000 units and will market the brands *Alsamar* and *Siglo de Oro*. "This acquisition allows us to intensify our value added to the agro-food chain," said Enrique Humanes, president of Bunge Argentina, in a statement.

Agribusiness Report Q2-2017 reflects a continued high level of activity in investment projects from Q1 but fewer M&A transactions in Argentina. As mentioned before, there is an increase in agricultural companies looking to finance working capital and investment plans through local financial markets. As the months develop in 2017, the political factor will play a protagonist role in investment decisions due to the national mid-term elections and the yet unclear economic recovery. The assumptions determined by each investor will define if capital expenditures are committed now or delayed for after the elections. Finally, we believe the high level of M&A activity seen in the global scale will surely impact the local transactions as a universal factor of change in agriculture.

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