

AGRIBUSINESS REPORT

INVESTMENT PROJECTS, M&A ACTIVITY

Q1 - 2017

Disclaimer:

The following material is for informational purposes only and should not be regarded as a recommendation or an offer to buy or sell any product or service to which this information may relate. Agrifex has not audited the information presented and does not guarantee its accuracy. Past results are not assured in the future and all risks are freely assumed by investors.

INVESTMENT PROJECTS

Argentina

- *BLD group*, now concentrated on grain brokerage and professional agricultural services, will invest USD 40 million in a model pig farm and thus diversify its business model. *BLD* has no experience in the swine industry and, in addition to breeding; the investment includes a feed plant and renewable energy generation through biodigesters. Argentine annual swine consumption is 12.5 kg/capita and production rose 6% in 2016 YoY.
- *Renova* (JV between *Vicentin* and *Oleaginosa Moreno Hnos (Glencore)*) announced an investment plan of USD 410 million to increase processing capacity and logistics. The expansion of its soybean mill represents a USD 250 million investment and will increase the current capacity of 20,000 daily tons to 30,000 daily tons. The other USD 160 million will be destined to the new grain terminal, storage, barges and port.
- Citrus company *San Miguel* subscribed 67,3 million new shares for USD 44,7 million (9.46% of its total capital) with the objective of financing an increase in their volumes of fruit production; develop industrial projects and the acquisition of companies or operations in their business sector. This operation shows the potential of the local capital market as a financing tool for the local economy.
- *Prodeman* will operate a peanut-based power plant, in which it invested an estimated USD 25 million. It not only self-supplies, but also provides power to the national interconnected system. The company uses 10% of the energy for its operation; 25% for the process of peanut industrialization and the remaining 65% is incorporated into the national grid (equivalent to supply for 8000 homes a year).
- *Aceitera General Deheza (AGD)* will invest USD 100 million to build a new port terminal in the town of Timbúes, north of Rosario, on the Paraná River. The port complex will have a capacity to mobilize 6 million tons of grain per year.
- *John Deere* expands a tractor production plant in Argentina in Baigorria, Santa Fe. The capital expenditure was not publicly disclosed by the company but the specialized portal *Maquinac* circulated an estimation of USD 45 million.
- *Grupo Agros* announced investments for A\$R 60 million (equiv. USD 4 million) in a distribution center, logistics and new product registration. The company president manifested that 2016 was a year of great growth with sales over USD 75 million.
- The sugar company *Ledesma* will invest A\$R 350 million (equiv. USD 22,5 million) in 2017 to expand its alcohol distillery and to achieve a better use of the juice obtained in sugarcane milling.

- *La Compañía Eléctrica La Florida*, of the sugar company *Los Balcanes*, signed a renewable energy supply contract with *Cammesa* for the national market whereby it will install 45 MW of generation from the sugar cane bagasse in a total investment of USD 80 million.
- *CNH Industrial* invested USD 30 million in consolidating all its brands in new headquarters in line with the group's international strategy seeking for synergy build up.

M&A

Global

The global agribusiness presents a strong consolidation of companies, a particularly marked phenomenon among companies that supply Ag inputs.

Main transactions of 2016:

- Merger between *Dow AgroSciences* and *Dupont Crop Protection* (combined market cap. USD 130 billion). *Dupont* agreed on an asset swap with *FMC* by divesting business in line with European antitrust issues. In this operation, *Dupont* exchanged proprietary herbicides and insecticides for nutrition and health business from *FMC* and received an extra USD 1,6 billion to compensate asset value difference. European antitrust regulators have approved the merger between *Dow* and *Dupont* which is now waiting for regulatory endorsement in the United States and China.
- Merger between *Potash Corp. of Saskatchewan Inc.* and *Agrium Inc.* (combined annual sales of USD 36 billion). The new company becomes the largest agricultural nutrient supplier in the world.
- *ChemChina* agreed to acquire *Syngenta* for USD 43 billion, becoming the largest offshore acquisition from a Chinese company.
- *Bayer CropScience* agreed to acquire *Monsanto* for USD 66 billion (combined annual sales of USD 26 billion).

Main transactions of Q1 2017:

- *New Holland Agriculture* has announced an expansion of its implement product lines by way of its acquisition of the Grass and Soil business of *Kongsilde Industries*, part of the Danish Group *Dansk Landbrugs Grovvarereselskab*. Specifically, this business develops, manufactures and sells tillage, hay and forage implements under various brand names.
- *China National Cotton Reserves Corp.* will merge with *China Grain Reserves Corp.*, known as *Sinograin*. The new company will have combined assets of USD 213 billion and become the country's biggest agriculture product group.

- Tractor maker *Agco* (*Massey Ferguson* and *Fendt*) is attempting to takeover *Kepler Weber*, a Brazilian manufacturer of grain storage and handling equipment, doubling down on what it sees as the world's most buoyant equipment market. The operation stands on a binding agreement with the two largest shareholders of *Kepler Weber*, to purchase 35% of the outstanding shares.
- Brazil-based *JBS*, the world's biggest meat packer, agreed to pay USD230 million for *Plumrose USA*, the Illinois-based ham and bacon producer with estimated revenues of USD 500 million a year.
- *AMERRA Capital Management*, a New York-based agribusiness asset manager, acquired 90% of *Biomega*, Norwegian leading producer of human grade, high quality peptones, proteins, and oils derived from fresh fish by-products sourced from the salmon farming industry.

Argentina

Main transactions of 2016:

- *Bioceres*, in line with its international expansion strategy and public offering plans in Wall Street, acquired 50.01% of *Rizobacter* for an estimated sum of USD 100 million. Both companies are benchmarks in agricultural biotechnology and this operation reflects the importance of R&D in the value of companies.
- *Proteinsa* (a consortium made up of *Ovoprot*, *Tanacorsa* and *Lacau Group*) acquired *Cresta Roja* for USD 121 million. The operation was financed by Brazilian bank BTG Pactual.
- *Victoria Capital Partners*, a private equity fund that acquired seed company *Satus Ager* in 2014, acquired 75% of *Los Grobo* for USD 100 million.
- *BRF* acquired 100% of *Campo Austral* from private equity fund *Pampa Capital* for an estimated USD 85 million and also acquired 100% of *Alimentos Calchaquí* (famous brand *Bocatti*). These operations allow *BRF* to enter the swine industry, a sector with great growth potential in Argentina and expand the strong local brand portfolio.
- *Marfrig Global Foods* sold local slaughterhouse assets to Chinese group *Foresun* for an estimated USD 75 million payable in installments.

Main transactions of Q1 2017:

- *Bioceres*, in an alliance with *Lartirigoyen* and *Sucesión de Antonio Moreno* (linked to *Glencore*), acquired agrochemical *Chemotecnica*, whose main activity is the synthesis of active ingredients for animal health (antiparasites), crop protection (insecticides, herbicides and fungicides) and environmental health. It is believed that this new shareholder configuration will give *Chemotecnica* an innovative and strengthened industrial and commercial position in the crop protection and environmental health market at the regional level. Not publicly announced, the operation is considered to be around USD 10 million.
- *Sancor*, under financial distress and falling production levels, is looking to sell more than 50% of its shares to a strategic investor. The operation will need the organization to restructure by passing its assets from the current cooperative to an already created LLC. Possible interested bidders include *Lactalis* (France), *Fonterra* (New Zealand), *Conaprole* (Uruguay), and *Lala* (Mexico). *Sancor* holds strategic alliances with *Arla Foods* (preparation of proteins extracted

from cheese whey), *Mead Johnson* (infant formulas), and *ARSA* (processing and marketing of fresh produce).

- The supermarket chain *Emilio Luque* acquired from *Atanor* (linked to north American *Albaugh*) the *Ingenio Concepción*, the biggest sugarmill in the Tucumán province and the second largest of the country. The decision to sell *Concepción* is part of the strategy of *Atanor* to focus on the production of agrochemicals (invest USD 70 million in the next 5 year). Local leader *Ledesma* was also interested in the opportunity but chose not to outbid *Emilio Luque* in the operation.

As reflected in the “Investment Projects” and “M&A” sections, the local agribusiness industry has started the year with an interesting level of transactional activity and capital expenditures in growth plans. Despite the high level of inflation and the opportunity to perform financial *carry over* through the Central Bank’s LEBAC instrument, investment plans are founded on long-term strategies. Moreover, the local markets should start playing a more important role as a financing option for Ag companies through share subscriptions and corporate bonds. There is also a clear trend in Ag companies using by-products to generate gas or electricity in the search of continuous-loop production systems. All in all, 2017 Q1 agribusiness activity has shown progress in a YoY basis and it seems it will continue improving in the next quarter.

CONTACT INFORMATION

[Agrifex](#) is a consulting firm specialized in Agribusiness investments and works in association with [Verdant Partners](#) in mergers & acquisitions.

Felipe Lanusse

felipe@agrifex.com

Tel: (+54 9) 11 41618566

Luis Casanova

luis@agrifex.com

Tel: (+54 9) 11 54553886