Agriculture

INDUSTRY REPORT
Fall | 2023

CREATING
M&A STRATEGIES
FOR BUSINESS OWNERS
SINCE 1956

CORPORATE FINANCE ASSOCIATES
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Market Observations
Market Summary

Agriculture Market
According to a report published by the FAO and the OECD, a 1.1% annual growth is anticipated in the production of global agricultural output from 2023 to 2032, influenced by population shifts, geopolitical tensions, climate changes, and health challenges in agriculture. Global direct agricultural emissions are set to increase by 7.5% over the coming decade compared to the projected increase in agricultural production of 13%, with livestock accounting for 86% of these increased emissions. Despite these challenges, food consumption is forecasted to grow by 1.3% annually, indicating a larger portion of agricultural output will be used for food. Assuming advancements in plant breeding and a shift to more intensive farming methods, it is expected that 79% of the global crop production growth will come from increased yields, 15% from expanding cropland, and 6% from higher cropping intensity during the forecast period. North American exports of soybeans and maize are expected to decrease to 34% and 29% respectively by 2032 due to increased competition from Latin America and the Caribbean. Additionally, for fiscal year 2023, the World Bank has approved $5.9 billion in new commitments for agriculture and related sectors, with $3 billion specifically allocated for projects supporting climate action in agriculture and food. The net farm income is estimated to be $141.3 billion in 2023, a decrease of $41.7 billion (22.8%) relative to 2022 in nominal dollars, according to USDA. This is attributed to rising production expenses, market volatility, inflationary pressure, and disrupted supply chains. The FAO Food Price Index averaged 121.5 points in September 2023, with declines in vegetable oils, dairy, and meat prices offsetting increases in sugar and cereal prices. Precision farming practices are expected to gain traction due to the increasing adoption of the Internet of Things (IoT), farmers’ use of advanced analytics, and reduced labor costs.

Public Company Valuations
The CFA Select Agriculture index decreased by 1.4% in the third quarter of 2023, and the 12-month return on the Index was 9.2%. Among all our indices, the Ag Chemical Manufacturers and Distributors Index and the Grain/Oilseeds/Feed/Seed/Storage Index witnessed a decrease of 6.5% and 3.8% respectively. Ag Equipment Manufacturers and Distributors Index outperformed all the other indices with a 2.4% increase in the third quarter of 2023. Ag Equipment Manufacturers and Distributors Index had the highest median revenue and EBITDA multiple of 2.2x and 10.3x respectively. Ag Chemical Manufacturers and Distributors Index, Grain/Oilseeds/Feed/Seed/Storage Index, and Livestock Producers Index had median revenue multiples of 1.1x, 0.8x, and 0.5x and median EBITDA multiples of 7.0x, 9.9x and 10.1x respectively.

Mergers and Acquisitions
The M&A activities in the agricultural sector decreased in the third quarter of 2023. Despite the declining volume of transactions, the valuation of M&A deals in the sector was estimated to be $6.92 billion as of Q3 2023, due to active consolidation activities, especially from strategic buyers. Lower food prices have eased pressure on margins, enabling more assertive growth plans. Private equity buyers remained active through selective acquisitions. These trends suggest growing momentum despite market uncertainties. While factors like the Ukraine war may bring ongoing disruption, continued disinflation is anticipated to boost deal markets, ensuring a steady flow of transactions in the global agriculture market.
Industry Trends

Advancements in Precision Farming
The precision farming market is expected to grow from $9.7 billion in 2023 to $21.9 billion in 2031 at a CAGR of 10.7% according to a report published by Markets and Markets. The growth of such farming techniques is anticipated owing to the swift uptake of cutting-edge technologies that aim at lowering labor costs, the growing embrace of IoT devices in farming domains, monetary savings, as well as mounting endorsements by governments on a global scale. The increasing global population's demand for food coupled with a shortage of skilled labor in the agriculture sector are also considered to be driving factors for the market. One of the recent advancements in precision farming is the integration of biofertilizers and precision agriculture since they are said to contribute to sustainable agriculture and improved soil health, mainly by reducing nutrient runoff, minimizing environmental pollution, and promoting healthier soils. Technologies such as GIS and GPS are further enabling farmers to determine the topography and therefore help them analyze their farmlands, promoting sustainable agricultural practices.

Real-Time Kinematic (RTK) Technology in Agriculture
Precision agriculture systems primarily rely on real-time kinematic (RTK) positioning signals, which enhance accuracy to sub-inch or sub-centimeter levels by correcting positional errors using measurements from the signal's carrier wave and base station information. In case of RTK issues, a wide-area augmentation system (WAAS) signal with 6-8-inch accuracy serves as a backup. These systems facilitate various field operations like tillage, planting, harvesting, and spraying, enabling data collection on parameters like soil temperature, moisture, seeding depth, and yield. This accumulated data offers insights into production performance over time. Additionally, the technology can gather topography data for designing efficient tile drainage systems, aiding in better water management. Owing to the increasing demand for Precision Agriculture, growth in the construction industry, and increasing need for safety and efficiency, the RTK market is estimated to reach $4.8 billion by 2032 as per a report published by Market Research Report.

Increasing Global Food Supplies
The global total grains (wheat and coarse grains) production forecast for 2023-24 remains at 2,294 million metric tons. This is due to increased production of maize and barley, as well as Argentina's recovery from the significant drought, near-record production in Canada, and large anticipated harvests in China, the EU, and India. Global grain supplies are expected to grow by about 60 million tons in 2023-24, easing the price pressure from the breakdown of the Black Sea Grain Initiative. The Global edible oil supplies are expected to grow by 7.2 million in 2023-24, 1.7 million tons above the long-term average growth due to the higher soybean production in the United States, higher sunflower seed production in the European Union, and elevated rapeseed production in the European Union and Canada. The global food market conditions have also improved as of August 2023, according to the MF, with reference to the global food crisis. The report highlights a 21% decrease in global food prices, easing pressures on international food markets. Attributing factors for such a decline include robust harvests, reduced shipping costs, and lower energy and fertilizer prices. However, these price levels are still considered to be high compared to the pre-covid period.
Significant News

Sentera launches new precision weed technology
Future Farming, September 19, 2023

“Sentera, a provider of ag analytics, announced the launch of its Aerial WeedScout technology, a precision weed control solution that reduces post-emergent herbicide application by up to 70% with no adverse impact on outcomes.”

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USDA Announces $72.9 Million in Grant Funding Awarded to Support U.S. Specialty Crop Producers; Marks $1 Billion in Investments through this Program
U.S. Department of Agriculture, August 23, 2023

“The U.S. Department of Agriculture’s (USDA) Agricultural Marketing Service (AMS) today announced $72.9 million awarded to 55 states and territories through the Specialty Crop Block Grant Program (SCBGP). The grant program provides funding to enhance the competitiveness of specialty crops and support specialty crop growers through marketing, education, and research.”

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Nigeria Mobilizes $500 Million to Boost Agriculture Industry
Bloomberg, July 25, 2023

“Nigeria's government has raised more than $500 million to transform food production in Africa's most populous nation. The funds come from sources including multilateral development banks and international financial institutions, Vice President Kashim Shettima said in a statement on Tuesday. The money will be used for innovation finance for food system transformation, development of Nigeria's agro value chain, and special agro-industrial processing zones programs.”

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M&A Metrics

Agriculture Industry

The number of transactions in the Agriculture industry decreased from 24 in Q2 2023 to 19 in Q3 2023. However, the number of sub-$50 million transactions decreased from 23 in Q2 2023 to 17 in Q3 2023. The number of transactions above $100 million recorded nil transactions in Q3 2023 similar to Q2 2023. The total number of M&A transactions decreased 17.4% year on year from 23 in Q3 2022 to 19 in Q3 2023.

M&A Deal Summary Table | Count by Deal Size over Time

| Transaction Value  | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023 |
|--------------------|---------|---------|---------|---------|---------|
| Not Disclosed      | 21      | 29      | 29      | 15      | 15      |
| Under $10 MM       | 1       | 1       | 3       | 5       | 1       |
| $10 - $25 MM       | 1       | 0       | 2       | 1       | 0       |
| $25 - $50 MM       | 0       | 1       | 0       | 2       | 1       |
| $50 - $100 MM      | 0       | 2       | 0       | 1       | 2       |
| $100 - $500 MM     | 0       | 3       | 1       | 0       | 0       |
| $500 MM+           | 0       | 0       | 0       | 0       | 0       |
| Total Transactions | 23      | 36      | 35      | 24      | 19      |

Source: FactSet
### Industry Financial Data and Ratios

#### NAICs 1111 - Oilseed and Grain Farming

| Financial Metric    | Last 12 Mo | 2022 | 2021 |
|---------------------|------------|------|------|
| Current Ratio       | 2.7        | 2.93 | 3.36 |
| Gross Profit Margin | 86.83%     | 86.76% | 88.10% |
| Net Profit Margin   | 7.97%      | 7.31% | 9.88% |
| Accounts Receivable Days | 15.75     | 23.64 | 13.97 |
| Accounts Payable Days | 30.62     | 30.27 | 8.85 |
| Debt-to-Equity Ratio | 2.07      | 1.78 | 3.44 |
| Return on Equity    | 26.39%     | 25.01% | 23.35% |
| Sales per Employee  | --         | --   | --   |
| Profit per Employee | --         | --   | --   |
| Sales Growth        | 18.00%     | 17.85% | 14.49% |
| Profit Growth       | 22.31%     | 25.62% | 0.82% |

#### NAICs 3253 - Pesticide, Fertilizer & Other Agricultural Chemical Manufacturing

| Financial Metric    | Last 12 Mo | 2022 | 2021 |
|---------------------|------------|------|------|
| Current Ratio       | 3.68       | 2.68 | 3.23 |
| Gross Profit Margin | 42.73%     | 39.60% | 44.34% |
| Net Profit Margin   | 5.91%      | 8.38% | 10.26% |
| Accounts Receivable Days | 45.59     | 50.26 | 52.63 |
| Accounts Payable Days | 49.73  | 64.33 | 58.47 |
| Debt-to-Equity Ratio | 1.27      | 1.53 | 1.62 |
| Return on Equity    | 24.43%     | 31.75% | 43.13% |
| Sales per Employee  | --         | --   | --   |
| Profit per Employee | --         | --   | --   |
| Sales Growth        | 14.66%     | 16.96% | 23.18% |
| Profit Growth       | 39.35%     | 19.81% | 40.54% |

#### NAICs 333111 - Farm Machinery and Equipment Manufacturing

| Financial Metric    | Last 12 Mo | 2022 | 2021 |
|---------------------|------------|------|------|
| Current Ratio       | 3          | 2.9  | 3.33 |
| Gross Profit Margin | 33.58%     | 35.31% | 32.38% |
| Net Profit Margin   | 9.27%      | 6.09% | 7.80% |
| Accounts Receivable Days | 28.61     | 32.47 | 34.73 |
| Accounts Payable Days | 41.51  | 36.92 | 40.99 |
| Debt-to-Equity Ratio | 1.56      | 2.02 | 1.63 |
| Return on Equity    | 17.85%     | 16.56% | 40.46% |
| Sales per Employee  | $301,784  | $301,784 | $265,505 |
| Profit per Employee | $48,530   | $48,530 | $48,203 |
| Sales Growth        | 16.83%     | 19.06% | 22.66% |
| Profit Growth       | 11.98%     | 2.63% | 38.67% |

Source: Profit Cents
Transaction Highlights
Notable Transactions

In September 2023, **Agrality Inc.** acquired **Nebraska Irrigated Seeds LLC** for an undisclosed amount. The acquisition will expand Agrality Inc.'s presence and service within the United States domestic market and beyond. Following the acquisition, Nebraska Irrigated Seeds LLC will retain its name but will add "By Agrality" to the end of the company's moniker. Founded in 1935, Nebraska Irrigated Seeds LLC is located in Nebraska, United States, and produces high-quality seeds and dependable services for the seed industry in the production sector.

In August 2023, **Valmont Industries Inc.** acquired **HR Products** for an undisclosed amount. The acquisition would expand Valmont Industries Inc.'s geographic footprint and its presence in agriculture market. The transaction was funded through cash on hand and is expected to be immediately accretive to earnings. Founded in 1979, HR Products is located in Perth, Western Australia, Australia and manufactures and wholesales automatic irrigation equipment. The deal was expected to close by third quarter of 2023 and was subject to customary closing conditions. It has nearly 100 employees. It has generated revenue of approximately $45 million.

In July 2023, **Lindsay Corp** acquired **Fieldwise LLC** for an undisclosed amount. The acquisition is in line with the growth strategy of Lindsay Corp and enhances its service offerings. Following the transaction, FieldWise LLC would continue to operate independently. Founded in 2008, Fieldwise LLC is located in Norfolk, Nebraska, United States, and offers agricultural producers and their trusted service providers with innovative solutions.

In July 2023, **CBC Co Ltd** acquired **Bioplanet SPA** for an undisclosed amount. The acquisition would expand the business capabilities and market presence of CBC Co Ltd in Europe. Following the acquisition, Bioplanet SPA will continue to operate under the name CBC Bioplanet SRL, Founded in 1985, Bioplanet SPA is located in Cesena, Italy and manufactures biopesticides.
## Select M&A Transactions

| Date       | Target Name               | Acquirer Name                                      | Enterprise Value (MM) | Revenue | EBITDA |
|------------|---------------------------|----------------------------------------------------|-----------------------|---------|--------|
| 30-Sep-2023| Nebraska Irrigated Seeds LLC | Agrality, Inc.                                     | NA                    | NA      | NA     |
| 31-Aug-2023| HR Products               | Valmont Industries, Inc.                            | NA                    | 45.00   | NA     |
| 28-Aug-2023| Pringles Ag-Plus Pty Ltd. | Emmett Holdings Pty Ltd.                            | NA                    | NA      | NA     |
| 31-Jul-2023| FieldWise LLC             | Lindsay Corp.                                      | NA                    | NA      | NA     |
| 21-Jul-2023| Bioplanet SPA             | CBC Co., Ltd.                                      | NA                    | NA      | NA     |
| 17-Jul-2023| Hortech Srl               | Guaresi SpA; Hyle Capital Partners Sgr SpA         | NA                    | 9.89    | 1.24   |
| 14-Jul-2023| Smart Apply, Inc.         | Deere & Co.                                        | NA                    | NA      | NA     |
| 10-Jul-2023| BioWorks, Inc.            | Biobest Group NV                                   | NA                    | NA      | NA     |
| 04-Jul-2023| Biovert SL                | Stirling Square Capital Partners LLP; Sustainable Agro Solutions SA | NA | NA | NA |

($ in millions)  
*Source: Factset*
Public Companies
Industry Performance

CFAW Select Agriculture Index

Source: FactSet
## Public Comparables

### Ag Chemical Manufacturers and Distributors

| Company                  | Share Price | Shares O/S | Market Cap | Enterprise Value (LTM) | Revenues (LTM) | EBITDA (LTM) | Enterprise Value / Revenues | EBITDA  |
|--------------------------|-------------|------------|------------|------------------------|----------------|--------------|-----------------------------|---------|
| Asahi Kasei Corporation  | $6.30       | 1,394      | $8,780     | $14,275                | $19,696        | $2,037       | 0.7x                         | 7.0x    |
| BASF SE                  | $45.47      | 894        | $40,647    | $64,134                | $82,146        | $8,922       | 0.8x                         | 7.2x    |
| Bayer AG                 | $48.12      | 982        | $47,274    | $93,328                | $50,934        | $12,314      | 1.8x                         | 7.6x    |
| FMC Corporation          | $66.97      | 125        | $8,353     | $12,268                | $5,358         | $1,292       | 2.3x                         | 9.5x    |
| ICL Group Ltd.           | $5.48       | 1,289      | $7,071     | $9,564                 | $8,550         | $2,783       | 1.1x                         | 3.4x    |
| Mosaic Company           | $35.60      | 332        | $11,829    | $15,189                | $16,828        | $4,404       | 0.9x                         | 3.4x    |
| Nutrien Ltd.             | $62.04      | 495        | $30,680    | $43,614                | $33,646        | $8,390       | 1.3x                         | 5.2x    |
| **Mean**                 |             |            |            |                        |                |              |                             |         |
|                          | $36,053     | $31,023    | $5,735     |                        |               |              | **1.3x**                     | **6.2x**|
| **Median**               |             |            |            |                        |                |              | **1.1x**                     | **7.0x**|

Source: FactSet
### Public Comparables

#### Ag Equipment Manufacturers and Distributors

| Company            | Share Price | Shares O/S | Market Cap | Enterprise Value (LTM) | Revenues (LTM) | EBITDA (LTM) | Enterprise Value / Revenues | EBITDA |
|--------------------|-------------|------------|------------|------------------------|----------------|--------------|-------------------------------|--------|
| AGCO Corporation   | $118.28     | 75         | $8,857     | $10,786                | $14,177        | $1,977       | 0.8x                          | 5.5x   |
| Caterpillar Inc.   | $273.00     | 510        | $139,269   | $169,602               | $64,771        | $14,491      | 2.6x                          | 11.7x  |
| Deere & Company    | $377.38     | 288        | $108,686   | $163,544               | $61,353        | $16,379      | 2.7x                          | 10.0x  |
| Lindsay Corporation| $117.68     | 11         | $1,296     | $1,288                 | $697           | $122         | 1.8x                          | 10.6x  |
| **Mean**           |             |            |            | $86,305                | $35,249        | $8,242       | **2.0x**                      | **9.4x** |
| **Median**         |             |            |            | $87,165                | $37,765        | $8,234       | **2.2x**                      | **10.3x** |

**Source:** FactSet
## Public Comparables

### Grain/Oilseeds/Feed/Seed/Storage

| Company                                      | Share Price | Shares O/S | Market Cap | Enterprise Value (LTM) | Revenues (LTM) | EBITDA (LTM) | Enterprise Value / EBITDA |
|----------------------------------------------|-------------|------------|------------|------------------------|----------------|--------------|--------------------------|
| Archer-Daniels-Midland Company               | $75.42      | 536        | $40,433    | $45,411                | $99,926        | $4,605       | 0.5x 9.9x                |
| Bunge Limited                                | $108.25     | 151        | $16,307    | $21,509                | $63,791        | $2,644       | 0.3x 8.1x                |
| C.A.G Group AB                               | $9.20       | 7          | $66        | $63                    | $81            | $10          | 0.8x 6.5x                |
| Cibus, Inc. Class A                          | $18.22      | 17         | $303       | -                      | -              | -            | -                        |
| COFCO Capital Holdings Co., Ltd. Class A     | $1.06       | 2,304      | $2,432     | ($890)                 | $3,063         | $51          | NM NM                    |
| Corbion NV                                   | $19.97      | 59         | $1,183     | $2,020                 | $1,577         | $194         | 1.3x 10.4x               |
| Corteva Inc                                  | $51.16      | 710        | $36,312    | $38,850                | $17,531        | $3,238       | 2.2x 12.0x               |
| S&W Seed Company                             | $1.12       | 43         | $48        | $107                   | $74            | ($13)        | 1.4x NM                  |
| Mean                                         |             |            |            | $15,295                | $26,578        | $1,533       | 1.1x 9.4x                |
| Median                                       |             |            |            | $2,020                 | $3,063         | $194         | 1.0x 9.9x                |

Source: FactSet
## Public Comparables

### Livestock Producers

| Company                        | Share Price | Shares O/S | Market Cap | Enterprise Value (LTM) | Revenues (LTM) | EBITDA (LTM) | Enterprise Value / Revenues | EBITDA |
|-------------------------------|-------------|------------|------------|------------------------|----------------|-------------|-----------------------------|--------|
| Hormel Foods Corporation      | $38.03      | 546        | $20,783    | $23,408                | $12,195        | $1,432      | 1.9x                         | 16.4x  |
| Pilgrim's Pride Corporation   | $22.83      | 237        | $5,406     | $8,630                 | $17,069        | $836        | 0.5x                         | 10.3x  |
| Tyson Foods, Inc. Class A     | $50.49      | 286        | $14,417    | $26,344                | $53,270        | $2,695      | 0.5x                         | 9.8x   |
| WH Group Ltd. (HK)            | $0.52       | 12,830     | $6,733     | $10,349                | $27,853        | $2,226      | 0.4x                         | 4.6x   |
| Mean                          |             |            |            |                        |                |             | 0.8x                         |        |
| Median                        |             |            |            |                        |                |             | 0.5x                         |        |

### Charts

- Livestock Producers | Median EBITDA Multiples
- Livestock Producers | Median Revenue Multiples

Source: FactSet
Public Vs. Private Comparables

Valuation Premiums Can Be Considerable

Regardless of industry, publicly traded companies often trade at premium valuations to privately held companies. This is reflected in M&A transactions and can lead to unrealistic value expectations for some business owners. The chart below illustrates this variance and shows that the variance has been both long term and growing.

Transactions between private buyer and private seller tend to be small by comparison and thus do not benefit from a “size” premium that is associated with transactions in general. While this chart does not breakout private equity transactions, our analysis indicates those transactions usually fall between public and private and move closer to public as size increases.

Note: Each data point in this chart is based on a minimum of 10 transaction multiples. If there are not enough transaction multiples for a particular year or quarter, the data are not included.

DealStats Value Index Report Q3-2023
CFA Overview
Who We Are / What We Do

Corporate Finance Associates (CFA) is an independent international investment banking firm serving middle-market businesses. For over 60 years Corporate Finance Associates has been advocating on behalf of business owners who are restructuring a company, either through divestiture, merger, acquisition or recapitalization. Combining the knowledge and leverage of a larger bank with the customer focused detail of a boutique firm, from inception to completion, our senior principals provide hands-on expertise to clients buying, selling or recapitalizing a business.

This Agriculture Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

About CFA
Local Service, Global Reach

Where We Are

With offices across the USA and in Austria, Belgium, Germany, Hong Kong, India, Ireland, Italy, Mexico, Netherlands, Poland, Spain, Switzerland and the United Kingdom providing middle-market companies with a wide range of M&A, financial advisory services and access to capital resources.
Delivering Results

Drive

Making it Happen
Beyond taking initiative, the CFA team embodies a competitive spirit. It is manifested in our drive to find new opportunities to get the job done. We believe that persistence and tenacity are positive values. They guide us in our work for you.

Creativity

Fresh Solutions
We achieve superior results by interpreting information differently from others in our industry. In today's market it is not enough to follow precedents; one must build on the firm's foundation and produce creative solutions through imaginative and original work.

Knowledge

Sorting Out Noise
We serve you best when we work across external and internal boundaries and use our collective knowledge from national and international offices to manage the outcome of complex transactions in your favor.

Founded in 1956 • 70 Managing Directors • 37 Offices Worldwide • Billions in M&A Transactions
Agriculture

The Agriculture practice group is comprised of accomplished dealmakers with extensive experience in advising both public and private companies in the industry. These dealmakers offer expert service in acquisitions, divestitures, financing, and strategic planning to a wide range of companies operating in multiple subsectors including:

- Ag Chemical Manufacturers and Distributors
- Ag Equipment Manufacturers and Distributors
- Grain/Oilseeds/Feed/Seed/Storage
- Livestock Producers

Whether you want to acquire, merge, sell, or finance, let CFA's industry knowledge, international resources and proven dealmaking skills work for you. We research, identify, qualify, advocate, negotiate and help steer you through the mine fields of due diligence to maximize your value and secure your objective.
Recent Selected Industry Transactions

- **Global AgriSystem Private Limited, India**
  - Has been acquired by **AgriSecure, Agra, Nebraska**
  - Raises private equity capital from **Nine Rivers Capital, India**

- **Open Market Division**
  - Has been acquired by **Hansen Manufacturing Inc., Hi Roller Conveyors**

- **Heartland Ag, Inc.**
  - Has been acquired by **Gillis AG Systems, Spain**

- **Q C Supply, United Phosphorus Limited, United Kingdom**
  - Has been acquired by **UPL**

- **RMA INTEGRITY, Nextrim Chemicals India, India**
  - Has been acquired by **CERQUISA**

- **CRO/W London initiated and acted as advisor to the seller in the transaction**

**CORPORATE FINANCE ASSOCIATES**
- Since 1986