



**AGRIFEX**

# AGRIFEX REPORT

Main investments, mergers & acquisitions  
of the Agricultural sector

**Q3 - 2019**

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- Business Valuations
- Investment Projects
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- Capital Markets

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M&A advisory is enriched through a representative agreement in South America of U.S.-based **Verdant Partners LLC**.



**Felipe Lanusse**   
felipe@agrifex.com



**Luis Casanova**   
luis@agrifex.com

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The **AGRIFEX REPORT Q3-2019** summarizes the main Agribusiness activities in investments, mergers and acquisitions in Argentina during the third quarter of 2019. Circulation is carried out quarterly to develop relevant information. The document consists of three sections:

**Investments:** in addition to the capital expenditures presented, it may include financing operations such as corporate bonds and stock offerings.

**Capital Markets:** presents securities issued by Ag companies for financing purposes.

**Mergers & Acquisitions:** together with local transactions, it presents some of the main transactions in the global scope.

## INVESTMENTS

- **Molinos Agro** announced the investment of US\$ 50 MM in its industrial plant in San Lorenzo, Santa Fe. The disbursement will be applied to the construction of a new port with which it expects to grow in the soybean import business from Paraguay and Brazil. The processing capacity of the plant is 18,000 tons, equivalent to 1,100 trucks per day.
- **Molinos Rio de la Plata** announced the inauguration of its new line of snacks and storage facilities in Esteban Echeverría, Buenos Aires. It demanded an investment of US\$ 28 MM and was carried out during the last 18 months. The Perez Companc Group has annual revenues of US\$ 3,400 MM and in the last year invested an estimated US\$ 300 MM.
- **Verdesian Life Sciences**, an American company that researches and markets technology for plant nutrition, announced its landing in Latin America and Argentina. It will do so with an investment of US\$ 3 MM and with a 5-year strategic plan to launch its seed treatment products, urea polymers and phosphate products.
- **Biogenesis-Bagó** announced the investment of US\$ 10 MM in the expansion of its laboratory located in Garín, Buenos Aires. In these facilities the firm develops vaccines for Foot and Mouth Disease for which it has exports for US\$ 40 MM; With this investment, Biogenesis-Bagó plans to increase annual exports to US\$ 100 MM.
- **Grupo La Barranca** announced an initial investment of US\$ 850,000 to enter the Axion Energy Agribusiness. The project will be executed in the region of Villa Mercedes, San Luis and will focus on the sale of fuels and supplies for agricultural production.

- **Green Seed**, a company that produces fruits and vegetables in the town of San Pedro, Buenos Aires, made an investment of US\$ 200,000 to produce and package bottled soups with a processing capacity of 15,000 units per month.
- **Randon**, a local company that produces trailers and semi-trailers announced investments of AR\$ 15 MM in its facilities in Alvear, Santa Fe. Today its production capacity in the country is 4 units per day, mainly with export destination. Globally, the company has its headquarters in Porto Alegre and has more than 21 industrial centers.
- **Mastellone** invested US \$ 20 MM for the development of a PET bottling line in the town of General Rodríguez, Buenos Aires. The investment is intended to produce a new container that will be more sustainable and will increase capacity at a lower price per unit. Mastellone is the main processor in the country with 3.4 MM of average daily liters.
-  **Coto** will invest US\$ 25 MM in the modernization of the slaughterhouse acquired last year in the city of Rosario. The objective of the supermarket group is to increase the capacity of slaughter from 15,000 to more than 20,000 heads per month, and give it export destination. The plant is enabled to export to China, a country that currently represents more than 50% of Argentine beef exports.
-  **Solfrut**, a member company of the Phrónesis Group, will invest US\$ 14 MM in a new olive oil manufacturing plant with the capacity to process 4,000 tons. In this way, it will become the most important olive factory in Latin America. In addition, the company advances in the planting of up to 500 hectares of pistachio. Currently Solfrut has 2,300 hectares planted between vines and olive groves.
-  **KWS** inaugurated the expansion of its seed treatment plant in Manuel Ocampo, Pergamino county, Buenos Aires. After spending the equivalent of € 9.5 MM, the firm estimates to reach an annual production capacity of 700,000 bags of corn.
-  **Facultad de Agronomía de la UBA (FAUBA)** invested AR\$ 38 MM in state-of-the-art equipment to assist Argentine seed SMEs in their research and development programs. It will put into operation a DNA sequencer and a high-performance genotyping platform. The acquisition of the equipment was financed by the Argentine Technological Fund (FONTAR) of the National Agency for Scientific and Technological Promotion and managed by UBATEC S.A.

- **Agidea**, which provides research & development services to seed companies and agrichemical developers, completed the construction of its new laboratory that required an investment of approximately US\$ 1.5 MM. The new facilities will help the company to improve the services provided (analytical chemistry, entomology, seed treatment and microbiology, among others) and expand its capacity to assume additional commitments.
  
- **Biogás Cañuelas** signed new agreements for the development of what they say will be the largest Biogas plant in Latin America. The project, which involves using urban waste as the main input, involves an investment of US\$ 35 MM over the next 3 years and will generate 5 MW that will be injected into the national electricity grid.
  
- **Kumagro**, a member company of Grupo Don Mario (GDM) and dedicated to the production of non-GMO soybeans, received a loan of US\$ 5 MM from the Dutch development bank FMO. The financing will be used to strengthen the company's balance sheet and to improve the commercialization of IPSoy soy. According to FMO, less than 2% of world soybeans are certified and this credit seeks to encourage its growth.
  
- **Desdelsur** received a syndicated loan from the BICE and Galicia banks for US\$ 11.8 MM. The funds will be used to complement financing for the livestock project in the province of Salta and to modernize its legume processing plants.
  
- **Ledesma**, agro-industrial company of the Blaquier family, received a loan of US\$ 90 MM from the Dutch development bank FMO. The funds will be used to refinance short-term debt by repurchasing corporate bonds and incorporating new technology into its sugar and paper businesses.

## CAPITAL MARKETS

### Corporate Bonds

- **Cresud**, Argentine agricultural company, issued its corporate bond Series 14 Class XXV (general regime) for US\$ 59.6 MM. It was placed at a fixed rate of 9% for a term of 24 months, representing a duration equivalent to 22.6 months for the security.
  
- **Alianza Semillas**, firm belonging to the ALZ-Agro group, issued its corporate bond Series V (SME regime) for US\$ 1.4 MM. It was placed at a fixed rate of 10% for a period of 18 months, representing a duration equivalent to 14.6 months for the security.

- **Overseas Properties**, company dedicated to the development of agricultural land, issued its corporate bond Series I (Guaranteed SME regime) for US\$ 100,000. It was placed at a fixed rate of 8.5% for a term of 37 months, representing a duration equivalent to 19.8 months for the security.
- **Petroagro**, dedicated to the production of agricultural specialties, issued its corporate bond Series II (general regime) for US\$ 6.2 MM. It was placed at a fixed rate of 10.5% for a term of 18 months, representing a duration equivalent to 15.6 months for the security.

### Financial Trusts

- **Syngenta**, multinational company of agricultural inputs, structured the financial trust *Crescere VIII* for which it raised US\$ 40.7 MM at a fixed rate of 20% for a period of 2 months (duration 1.8 months). The trust assets were commercial credits on sales of agricultural inputs from Syngenta.
- **Red Surcos**, argentine company of agricultural inputs, structured the *Red Surcos V* financial trust for which it raised US\$ 8.8 MM at a fixed rate of 7.5% for a period of 9 months (duration 2.2 months). The trust assets were commercial credits on sales of agricultural supplies from Red Surcos.

### Mutual Funds

- **Allaria Ledesma** structured the mutual fund *Allaria Adblick Grnos FCIC Agropecuario* for US\$ 3 MM. The fund will be aimed at investing in property rights of companies that could qualify as CNV SMEs dedicated to agricultural activities.

## MERGERS & ACQUISITIONS (M&A)

### Global Scope



- **Sumitomo** announced the acquisition of the crop protection and seed treatment business in South America of **Nufarm**. The transaction was made for a total of US\$ 804.4 MM and corresponds to an expansion strategy of the Japanese group in the region, after last year it acquired Agro Amazonia in Brazil. On the other hand, with this divestment, Nufarm will cancel debts and focus on its businesses in North America, Europe and Asia.

- **Arcadia Biosciences** and **Legacy Ventures Hawaii** announced a Joint Venture that will operate under the name of **Archipelago** and will aim to be an integrated firm with R&D, production and marketing of hemp. The commercial focus will be on Asia, specifically in Japan that legalized CBD products in 2016 and today has an estimated market of US\$ 10,000 MM.
- **Nutrien Ag Solutions** acquired the seed business and research center of **Northern Seed** based in Montana. With this transaction, the world's largest supplier of fertilizer and other ag inputs continues to expand its portfolio of options for farmers.
- **Marrone Bio innovation**, company that specializes in the development of biological products for pest control, acquired the licenses and rights of **Jet Ag** and **Jet Oxide** from the company Jet Harvest Solutions. Both products are broad spectrum for disease control.
- 🏭 ▪ **Bunge** announced that it reached an agreement to acquire a 30% stake in the Brazilian grain and input company **Agrofel**. This occurs under a corporate strategy to strengthen its position of grain origination. Agrofel, through its 15,000 client farmers and its 470 employees, handles more than one million tons of grain, including soybean, wheat and corn.
- **Bunge** and **BP Plc** reached an agreement to formalize a JV of their operations in Brazil. With this partnership the new company will be the third largest sugarcane processor in the world. Together they will manage 11 processing plants with the capacity to receive 32 MM of ton of cane per year.
- 🌱 ▪ **Ginkgo Bioworks**, Boston-based biotechnology company, raised US\$ 290 MM in its Series E financing round to expand the reach of its ongoing platform. Since it was founded in 2009, the firm has raised US\$ 719 MM and created several alliances such as the one made with Cronos to produce cannabinoids and the one it has with Roche for antibiotics.
- 💰 ▪ **Cargill** divested **CarVal Investors**, an investment fund manager created by Cargill in 1987 that holds US\$ 10,000 MM under management, to the same managers of the firm in an agreement that marks its exit from the asset management business. This occurs after the American firm also divested Black River Asset Management in 2016.

## Local Scope



- **Grupo Olio** and **Frigorífico Alberdi** of Oro Verde, Entre Ríos, announced the merger of their companies. At the same time, they will invest US\$ 22 MM to double their slaughter processing capacity which currently stands at 10,000 heads/month and thus be able to export to China.
- **Beeflow**, Argentine startup that works with bees to improve the pollination of different crops, made a capitalization round for US\$ 3 MM signed by the US fund **Ospraire**. The company entered the US market at the end of 2017 through the IndieBio biotechnology acceleration program in San Francisco.
- **Marfra**, Argentine company from Chaco, acquired two textile plants of **Alpargatas** for US\$ 8.5 MM. The facilities, located in the provinces of Chaco and Corrientes, allow the company to vertically integrate its cotton textile production. At the same time, with an additional investment of US\$ 3 MM, Marfra will seek to increase production by 60%.
- **Koppert**, Dutch company leader in biological products for crops, acquired the Argentine company **Nitrasoil**. The latter has its production plant in the city of Quilmes, Buenos Aires, and specializes in the production of inoculants, growth promoters and bio-pesticides. The amount of the transaction was not reported.
- **Seed Holdings** y **Satus Ager** from Argentina acquired **Remington Semillas de Mexico** and **Remington Servicios del Bajío**, subsidiaries of Remington Seeds who is a partner of Seed Holdings and made the sale to increase its participation in the seed consortium. This occurs in a context where Satus Ager recently acquired its competitor Tecnoseeds in Argentina and Brazil.

## SUMMARY

The **AGRIFEX REPORT Q3-2019** presents a quarter with investments made mainly by strategic companies in the sector; Molinos, Biogenesis-Bagó, Mastellone, which reflect the need to think long term beyond the delicate political and economic context of the country. We also highlight investments announced by exporting slaughterhouses that are going through a moment of expansion in their operations. The announcements of Green Seed, soup making, and UBA TEC, R&D technology, have a symbolic component since they demonstrate the potential that agriculture has to add value along the chain; from genetics to the production of processed foods.

The activity of agriculture companies in the local Capital Market continues to grow, with a third quarter that presented numerous issues of corporate bonds that vary both in term and amount depending on whether they are large companies such as Cresud or SMEs like Alianza Semillas. As usual, financial trusts remain in force as a key tool for companies selling inputs that manage with them to finance their commercial operations. The placement of the Allaria Ledesma-Adblick Common Investment Fund also happened, which can be an interesting vehicle for channeling institutional investments towards companies in the real economy.

In the context of M&A, there was an increase in local business operations compared to the second quarter of 2019. Both the announcement of capitalization of Beeflow and the sale of Nitrasoil to Koppert confirm the growing interest that exists in biological solutions applied to agriculture. At the international level, the Bunge acquisitions in Brazil and the transaction for more than US\$ 800 million between Sumitomo and Nufarm stand out. Finally, the regionalization strategy carried out by Satus Ager, supported by Remington Seeds and Victoria Capital, demonstrates the growth that local businesses can experience when they partner with internationally renowned players that allow them to capitalize on their potential.



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