



AGRIFEX

AGRIBUSINESS REPORT

ARGENTINA

Main investments, mergers & acquisitions of
the Agricultural sector

Q4 - 2018

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M&A advisory is enriched through a representation agreement in South America of **Verdant Partners LLC**.



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AGRIBUSINESS REPORT ARGENTINA Q4-2018 aims to summarize the main activities in investments, mergers and acquisitions in Argentina during the last quarter of 2018. Circulation is carried out quarterly to develop relevant information. The document consists of two sections:

Investments: In addition to the capital expenditures presented, this section may include financing operations such as corporate bonds and stock offerings.

Mergers & Acquisitions: Together with local transactions, this section presents some of the main transactions in the global scope.

INVESTMENTS



- **Grupo Don Mario (GDM)** begins to evaluate its soybean materials in China. It will do so as of May 2019 with 300 different varieties. While in China you can import certain GMO grains, it is not allowed to produce them internally, so the materials to be tested by the Argentine company will not be transgenic. This expansion occurs in the context of the company's commercial growth in the US.
- The Japanese company **Sakata**, one of the largest globally in flower and vegetable seeds, opened its subsidiary in Argentina. Sakata landed with an investment of ARS 40 MM and with the objective of growing in the region. Today the company is the supplier of 60% of the broccoli and squash seeds consumed in Argentina.
- **Stine**, the largest private seed company in the world, announced a USD 3 MM investment plan for 2019. The capital will be used mainly to build a research center in Venado Tuerto, Santa Fe and planting 400 hectares of crops.
- **Florimond Desprez** opened a new wheat research facility in Balcarce, Buenos Aires. The experimental station, which has 80 hectares and 5 permanent people, is the base from which the company seeks to identify more materials to grow in South America. The French firm was already successful with the Algarrobo variety, which licensed to Don Mario and is now a leader in the region.
- The **Ministry of Agriculture of the Province of Buenos Aires** invested ARS 3.5 MM in a Plant Health laboratory in the capital city of La Plata. The main objective of this project is research and development aimed at biological control of *tucuras*, a pest that threatens agriculture, especially in the southeast and southwest regions of the province.



- **San Miguel**, the largest citrus exporter in the Southern Hemisphere, will receive USD 100 MM from the International Finance Corporation (IFC), the Inter-American Development Bank (IDB) and the Rabobank. The financing will contribute to the investment plan of San Miguel for USD 132.5 MM to grow its business model, expand its operations in Argentina, Uruguay, Peru and South Africa, and increase its production volumes of lemon, orange, tangerine, table grape and avocado.
- **Cerezas Argentinas**, a fruit company based in Rio Negro, plans to invest USD 12 million in the coming years. The capital expenditure will be used mainly to put 300 new hectares (150 hectares of cherries and 150 hectares of pears / apples) into production and to expand its cherry processing plant in the town of Chimpay.
- **Bodegas Chandon**, part of the LVMH group, will invest Euros 3.8 MM in a new production line for the bottling of wine at its plant in Mendoza. This investment will replace the production line that has been in operation since the 1990s and will allow the company to double the installed capacity to 12,000 bottles per hour.
- **Fecovita**, emblem cooperative of Cuyo that integrates 5,000 small and medium wine producers, invested USD 40 MM in a fractionation plant and a distribution center in San Martín, Mendoza. The cooperative, owner of Toro wineries, has a storage capacity of 95 MM liters, sells over ARS 9 BN and has 1,000 direct employees.



- **Adecoagro** inaugurated a snack plant after investing USD 5 MM in the new facilities. The plant located in Pilar has a production capacity of 400,000 packages per month of snacks based on rice. This business is part of the Molinos Ala brand, which currently markets rice and pasta. With 40,000 hectares of rice, Adecoagro is the largest rice producer in Argentina and sells 4 million packages per month.
- **Tecnocampo**, a Córdoba based company, invested USD 7.5 MM in a seed and grain processing plant to increase its presence in foreign markets. The project, located in Rio Primero, has the capacity to process 10,000 tons of soybeans, and 15,000 tons of chickpeas. When the work finishes in 2020, it will have a total capacity of 40,000 tons per year. The company plants 50,000 hectares annually and exports to 28 countries.



- **Ledesma** and **Pacuca-CPS**, both companies linked to the Blaquier family, signed an MoU with the Japanese conglomerate **Mitsui & Co.** to develop synergies and analyze investments together to obtain animal protein. They will do so by incorporating new technology and expanding their production and export capacity.
- **Emmbalpharma** and **Milkpharma**, two Brazilian companies, announced investments for USD 5.5 million in Villa Maria, Córdoba. The first one, which manufactures kits designed for taking milk samples that are used for quality analysis; will invest USD 4 MM and will have 100 employees. The second company will invest USD 1.5 million and will focus on developing liquid reagents for analysis and solid pellets that act as preservatives for milk samples. With this project, Milkpharma will employ a total of 30 people.
- The **Secretary of Science, Technology and Productive Innovation of the Nation** will finance the construction of a pig genetics laboratory in Neuquén in which a total of ARS 6.1 MM will be invested (from which it will contribute ARS 4.1 MM). This project aims to improve the local species because the existing phytosanitary barriers cannot carry animals standing for this purpose.
- The Córdoba company **BLD** starts investments for USD 45 MM to develop its Piglet Production Unit. The project consists of producing 150,000 piglets per year and then growing them in 22 units distributed in different locations in the provinces of Córdoba and Santa Fe.



- **Genergía Bio-Corrientes**, a member company of the **Papelera Mediterránea Group** that has assets in Santa Fe and Córdoba, will invest to produce electricity in the province of Corrientes. It will do so from the use of forest biomass and will generate energy for more than 20,000 inhabitants of the region. The investment will be about USD 42 MM and the plant will have a capacity of 12.5 MW. About 200,000 tons of forest waste will be used annually.
- **Asociación de Cooperativas Argentinas (ACA)** through their **Bios** division, will invest USD 53 MM to expand its Biofuels plant in Villa Maria, Córdoba. The objective is to bring the production from 470 to 700 m3 of bioethanol per day.

- The installation of a biogas plant in the new Cañuelas Agro-livestock Market was announced. The project, which will have an investment of USD 15 MM, will be made jointly by **Combigas, Gemidan** (both from Denmark) and Argentina's **Opción Energética**. The estimated capacity of the plant is 52,000 Mwh per year and it will be supplied with waste of the animals present in the site destined to slaughter.
- **Angiord**, a canning company from Mendoza, develops together with INTI a project to produce thermal energy with peach and damask waste. The transformation of the biomass of the peach stones allows it to generate the steam used in the elaboration of preserves and marmalade. The capital expenditures needed to carry out this undertaking will allow the replacement of the use of natural gas (non-renewable fossil fuel) with one that comes from byproducts of its production and is more sustainable.

MERGERS AND ACQUISITIONS (M&A)

Global Scope



- **Altria Group**, one of the largest US holdings and owner of companies such as Phillip Morris and Kraft Foods, entered the legal cannabis sector making an investment of USD 1.9 BN in the Canadian company **Cronos Group** in exchange for 45% of the shares.
- **Crystal Crop Protection**, an agrichemical production company backed by Everstone Capital fund, acquired 3 brands of insecticides and fungicides from **Syngenta** in India: Proclaim, Tilt and Blue Copper. During 2018 Crystal Crop also acquired a chemical plant from Cytec India Specialty Chemicals & Materials, the Indian business of sorghum, pearl millet and forage seeds from Syngenta and four brands (Furadan, Splendor, Affinity Force and Metcil) from FMC Corporation.
- **S&W Seed Company** acquired certain assets and contracts from **Chromatin** for USD 26.5 MM. Chromatin has a diverse portfolio of sorghum varieties, an extensive R&D program, and has distribution agreements with many producers and companies around the world. In turn, it recently acquired the sorghum lines of Nidera Seeds.

- **Aqua Capital**, an investment fund focused on agribusiness with HQ in Brazil, has acquired **Total Biotecnologia**, a Brazilian developer of agricultural inoculants. Aqua Capital plans to merge the company with Biotrop, a start-up of biological inputs that belongs to the investment fund. The merged company will develop, manufacture and market products for the development, nutrition and protection of crops.

-  ▪ **Cargill** will sell its malt business to **Boortmalt**, subsidiary of Axéreal. The transaction involves the global business of malt, including 15 facilities on four different continents and in which 500 people work. This transaction will give Boortmalt a global geographic footprint since currently its maltings are all located in Europe.

-  ▪ **Joyvio**, the agricultural arm of Legend Holdings Corporation, a Chinese company that, among other assets, controls Lenovo, acquired the Chilean salmon company **Australis Seafoods** for USD 880 million. With a vision of scarcity of aquaculture resources, the Chinese giant seeks to secure a salmon origination platform to supply its commercial food business.

-  ▪ **Indigo** acquired **TellusLabs**, a leading company in the use of satellite technology and artificial intelligence. According to the report, the goal of the purchase is to integrate TellusLabs' agricultural intelligence technology with the Indigo field data record to provide personalized information to producers through the same platform. This acquisition comes after Indigo captures USD 250 MM in its Series E financing round in September.

- **Pivot Bio**, a start-up from San Francisco, US focused on the use of microorganisms to improve plant nutrition, raised USD 70 MM. This occurred in the framework of its Series B financing round led by Breakthrough Energy Ventures, in which Jeff Kisses and Bill Gates are members.

- **Synthace**, a company that provides a platform to automate and improve the success rate of biological R&D announced the closing of a Series B financing round for USD 25.6 MM. It was led by Horizons Ventures, Luminous Ventures, and SOSV. Synthace will use the new funds to boost the development of its products and develop its customer base of cell therapy and genetics.

- **Taranis**, an agricultural technology company that uses aerial and big data to identify possible crop problems, announced that it has raised USD 20 million in its Series B financing round. It was led by Viola Ventures and included the participation of investments from Nutrien, Cavallo Ventures and Sumitomo Corporation Europe.
- **Trace Genomics**, a start-up from San Francisco, US that develops diagnostic tools for agricultural producers, closed a round of financing Series A for USD 13 MM.

Local Scope



- The investment fund **L. Catterton**, whose main shareholders are Louis Vuitton Moët Hennessy and Groupe Arnault, has partnered with **Luigi Bosca I Familia Arizu**. The strategic partnership, focused on the international market, includes an investment in the Argentine company. The fund already has a precedent in the agricultural sector having acquired the Chandon and Terrazas de los Andes wineries. The Arizu family will remain in the direction of the company with the aim of giving growth to sales in key markets, mainly in the United States, United Kingdom, Brazil and China.



- **Limagrain** acquired two seed companies in South America, **Sursem** in Argentina and **Geneze** in Brazil. Both companies select, produce and distribute seeds of corn, wheat, sunflower and soybeans. This sale was made by the Pampa Capital investment fund, which a few months ago also sold the agricultural machinery company Pla to John Deere.
- **Bioceres**, an agricultural biotechnology company, and Union Acquisition Corp (UAC), a special acquisition company listed on the NYSE, signed a share exchange agreement under which Bioceres will contribute its agricultural solutions business in exchange for UAC's capital. It is expected that the combination of these businesses results in an estimated valuation of USD 456 MM. Immediately after the closing of the transaction, UAC will change its name to Bioceres Crop Solutions, and it is expected that it will continue to quote NYSE under the symbol "BIOX" for its shares and "BIOX WS" for its options.



- **BRF**, as part of its global restructuring plan, sold **Avex** brands and assets to **Granja Tres Arroyos** and **Fribel** (Grupo Beltrán) for an amount of USD 50 MM. Avex has a daily slaughter capacity of 160,000 chickens and processes more than 10,000 tons per month of products such as margarine, dressings, oils, and mayonnaises.

On the other hand, as part of the same process, BRF agreed to the sale of **Quickfood** (owner of the Paty brand) to the **Marfrig** group for USD 60 MM. Quickfood operates in three plants where it slaughters and processes cattle to produce hamburgers and sausages. The same operation also included certain real estate assets in Brazil valued at USD 25 MM and a meat supply contract for 5 years.



- **Rofex - Matba**, the two most important futures markets in the country signed an agreement to merge the companies. According to specialists, the valuation of Rofex is USD 212 MM and that of Matba is USD 62 MM, which would give a joint value of USD 274 MM. The main objectives of the merger are to multiply the volume of operations, avoid the segmentation of products, and simplify the operations for agents and customers. It is expected that this merger will help boost the Argentine capital market.

SUMMARY

The **AGRIBUSINESS REPORT ARGENTINA Q4-2018** shows that despite the country's macroeconomic and exchange rate instability, local and foreign companies continue to invest. It highlights the case of international seed companies that are landing in the country in search of regional growth. Likewise, investment announcements are observed in process improvement and production capacity in companies with exportable products. It can be seen how Adecoagro is taking more and more prominence in the sale of food at the retail level and how Granja Tres Arroyos continues to grow strongly inorganically through acquisitions to consolidate itself as the main processor of poultry meat in the country. It is also worth noting the operation carried out by Bioceres to quote on the stock exchange. It is anticipated that this will provide greater liquidity to the numerous shareholders of the company and allow it to raise new funds to grow through future acquisitions. At the international level, major investments in the cannabis sector in Canada are highlighted, a country that is taking the lead in the development of the crop. Lastly, the trend of funding AgTech startups continues through funding rounds, and in turn M&A operations are beginning to be seen between them.