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# The Muster

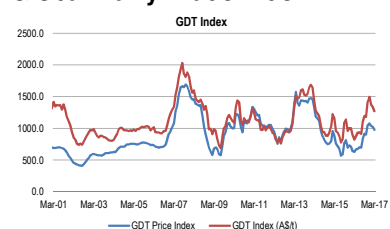
## Agriculture & FMCG roundup

### Global Agricultural Index



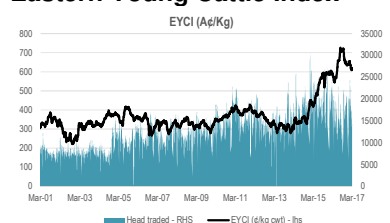
Source: Bloomberg and Bell Potter

### Global Dairy Trade Index



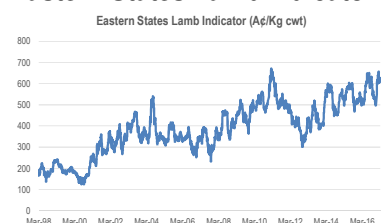
Source: Fonterra

### Eastern Young Cattle Index



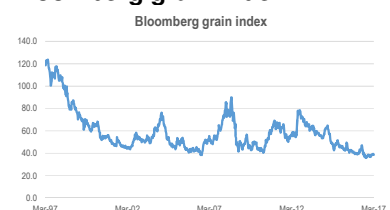
Source: MLA

### Eastern States Lamb Indicator



Source: MLA

### Bloomberg grain Index



Source: Bloomberg

### Commodity in focus: El Niño by commodity and stock

Last week the Bureau of Meteorology (BOM) has moved to an El Niño watch, which means the likelihood of El Niño forming this year is around double the average chance at 50%. El Niño is often, but not always, associated with below average winter–spring rainfall over eastern Australia and warmer than average winter–spring maximum temperatures over the southern half of Australia. Our analysis of past El Niño events demonstrates: (1) ELD, GNC, NUF & RHL are the most susceptible to share price underperformance in these events; and (2) WBA has a limited history in its current form but is subject to production risk in the cotton operations.

### Bell Potter Research: NUF 1H17 results

NUF reported a +67% YOY uplift in underlying 1H17 NPAT to \$19.8m, 85% ahead of our forecast. The stronger than expected result was driven predominantly by lower than forecast financing charges reflecting both a lower FX charge (\$6.7m vs. \$12.5m forecast) and lower average net working capital balances through the period. Underlying 1H17 EBITDA rose +14.6% YOY to \$128.7m, 4% ahead of our forecast and driven predominantly by stronger than forecast revenue growth. Following the result we made modest changes to our NPAT forecasts, up +0.6% in FY17e but down 1.0% in FY18e and down 0.3% in FY19e. We also downgraded our rating to Hold albeit with a raised target price of \$10.39ps (prev. \$10.11ps).

For more detail see “Nufarm Ltd: Outgrowing the market (22/03/17)”

### News of note

**Brazilian Beef issues:** Following allegations of corruption within the Brazilian beef industry, several countries have either suspended imports (China) or tightened testing (EU & US) of imported product. JBS Swift which has been named as one company being investigated has suspended production at 33 of their 36 Brazilian beef processing facilities.

**China e-commerce:** China has delayed indefinitely new cross boarder e-commerce laws, with goods coming into the country via cross boarder e-commerce platforms being classified as personal rather than common trade, meaning no additional requirements for local registration or labelling. This is a positive development for companies such as BAL and A2M which are reliant on cross boarder e-commerce

**Milk production continues to slide:** Australian milk production fell 10% YOY in Feb’17 and is now down 8.4% YOY season to date. US milk production fell 1% YOY in Feb’17, the third monthly fall in the past five months.

Bell Potter acted as Joint Lead Manager in ELD’s \$102.4m placement and underwritten rights issue in Jun’16. Bell Potter acted as Joint Lead Manager on RFF’s \$35m placement and entitlement offer in Sep’15 and as Lead Manager and sole underwriter on RFF’s \$61m entitlement offer in Jul’16. Bell Potter acted as underwriter to AHF’s loyalty option conversion in Feb’16. Bell Potter received fees for these services.

# Commodity in focus: El Niño

Last week the Bureau of Meteorology (BOM) has moved to an El Niño watch, which means the likelihood of El Niño forming this year is around double the average chance at 50%. El Niño is often, but not always, associated with below average winter–spring rainfall over eastern Australia and warmer than average winter–spring maximum temperatures over the southern half of Australia. Our analysis of past El Niño events demonstrates: (1) ELD, GNC, NUF & RHL are the most susceptible to share price underperformance in these events; and (2) WBA & HUO have limited histories in their current form but are subject to production risk, particularly WBA in relation to cotton production and access to water.

**Figure 1 - Share price performance through El Niño events**

Stock	Code	Sector	Earnings risk	Comment	Historical stock moves				
					2015-16 Strong	2009-10 Weak	2006-07 Weak	2002-03 Moderate	1997-98 Strong
Aust. Agricultural Co	AAC	Beef	Positive 2017: Cattle prices typically weaken on increased supply	Historically the cattle herd falls ~2% in El Niño years resulting in increased cattle supply which should be a positive for processing assets. This same event would, however, result in negative herd mark-to-markets which historically has impacted the AAC share price.	+8%	0%	(7%)	(2%)	n.a.
The a2 Milk Co	A2M	Dairy	Negative 2017: Rising milk input prices	Lower production volumes would typically be associated with rising input costs for marketing and distribution businesses such as A2M.	+192%	n.a.	n.a.	n.a.	n.a.
Apim Animal Health	AHX	Animal health	Negative 2017: Lower herd size	An El Niño is typically associated with declining milk production on the east coast and a declining cattle herd. These are two large markets for AHX.	n.a.	n.a.	n.a.	n.a.	n.a.
Bega Cheese	BGA	Dairy	Negative 2017: lower volume and higher milk costs	Historically milk production has been fairly static in El Niño years, though has fallen 6% YOY in the last three events. Risk to volume throughput and potentially higher farmgate prices.	+27%	n.a.	n.a.	n.a.	n.a.
Bellamy's Aust	BAL	Dairy	Negative 2017: Rising milk input prices	Lower production volumes would typically be associated with rising input costs for marketing and distribution businesses such as A2M	+216%	n.a.	n.a.	n.a.	n.a.
Elders	ELD	Rural Merchandise Livestock Wool	Negative 2017: lower crop protection, livestock and wool revenues.	Lower demand for fertiliser and crop protection products from the winter cropping segment as well as reduced wool volumes and a smaller herd in the livestock business. Crucial months April-June	+31%	(48%)	(16%)	(23%)	(3%)
Farm Pride Foods	FRM	Eggs	Negative 2017	Above average temperatures can lead to heat stress in chickens, lifting mortality and lay rates. Lower wheat production has the possibility to result in higher feed costs.	+469%	(58%)	(14%)	+6%	n.a.
GrainCorp	GNC	Grain	Negative 2017-18: lower grain receipts, exports, marketing tonnage and carry-out	On average east coast wheat yields have been 25% below the long-term average. GNC receipts in the last 3 El Niño events have averaged 3.6Mt with a range of 1.1-7.4Mt. Well below average levels of ~10Mt.	(11%)	+1%	(6%)	(22%)	n.a.
Huon Aquaculture	HUO	Aquaculture	Negative 2017: potential for elevated sea temperatures	In the 2009-10 El Niño the TGR share price fell 36%. An El Niño can lead to elevated sea temperatures reducing biomass growth resulting in elevated COGS.	(15%)	n.a.	n.a.	n.a.	n.a.
MG Unit trust	MGC	Dairy	Neutral 2017	Historically milk production has been fairly static in El Niño years, though has fallen 6% YOY in the last three events. Risk to volume throughput and but potentially elevated farmgate prices. The MCG is leveraged to the size of the milk pool which is a function of these two factors.	n.a.	n.a.	n.a.	n.a.	n.a.
NuFarm	NUF	Crop protection	Negative 2017	The largest risk is timing as an El Niño would typically be associated with poor crop on the east coast of Australia, but stronger crops in Latin America. An early on set El Niño with a fade before 4Q17 would be a negative.	+8%	(61%)	(6%)	(10%)	(1%)
Ridley Corp	RIC	Animal Nutrition	Negative 2017	Risks to dairy, beef and aquaculture production would be a headwind for RIC.	+27%	+59%	(7%)	+9%	(8%)
RuralCo	RHL	Rural Merchandise Livestock Wool	Negative 2017: lower crop protection, livestock and wool revenues. Positive: Water trading	Lower demand for fertiliser and crop protection products from the winter cropping segment as well as reduced wool volumes and a smaller herd in the livestock business. Crucial months April-June	(2%)	+31%	(14%)	(13%)	(39%)
Rural Funds Group	RFF	Property Trust	Neutral 2017	There is no direct financial impact on RFF. However, there is the potential for counterparty risk in selected industries such as cotton and livestock production.	+45%	n.a.	n.a.	n.a.	n.a.
Select Harvest	SHV	Almonds	Negative 2018: water costs and yield	Industry yields on mature orchards fell 25% in the 2010 event, though limited impact on SHV. Risk is higher water costs and the potential for increased production in California impacting global prices.	(20%)	+26%	(9%)	+25%	+22%
Webster	WBA	Walnuts	Negative 2018: water availability, walnut yield, cotton acreage and cotton yield	Risk is higher water costs and the potential for increased production in California impacting global prices. In the last four events the planted cotton acreage has been on average 34% below the rolling 10yr average with yields falling on average 8% YOY.	(32%)	(35%)	+28%	+27%	0%

SOURCE: BOM, ABARES, COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

There have been 14 El Niño events since 1965. While some data sets are limited in nature and there are distortions in the 1960-1980's due to the general yield improvements through technology adoption in the sector, there are a number of observations we can make.

**East coast grain production:** The most susceptible commodity to an El Niño is the east coast grain crop. The east coast wheat yield is the longest historical data set and in our view serves as a reasonable proxy for overall winter cropping yield outcomes. In the past 14 events the average yields in El Niño years has been 22% below the long-term average (1961-2016). The most susceptible stock to a reduction in crop yield is GNC where ~45% of FY17e EBIT is reliant on the crop size. Second derivative exposure to the crop are those leveraged into supplying crop protection and fertiliser products and it is therefore no surprise that NUF, ELD, & RHL have been material underperformers (in share price terms) during past El Niño events. To an extent NUF should be the most insulated of the group, given its exposure to counter seasonal earnings in Brazil, though this is largely dependent on the timing of onset and fade of the event. It should be noted that a historical look at herbicide sales in El Niño years indicates a surprising on average 4% YOY uplift in sales values. Fertiliser sales also demonstrated a surprising average 1% YOY uplift in fertiliser sales in the total of Australia.

**Cotton:** On average hectares planted have been 4% higher YOY in El Niño years and yield 3% higher YOY. As a summer crop, the timing of El Niño onset and availability of carryover water is particularly important for the cotton crop development. We suspect a better indication of the impact is the 34% negative deviation in crop size relative to the rolling 10 year average in El Niño years. This suggests that the impact is potentially more dependent on rainfall activity entering the event rather than the event itself and is likely reflective of the large dependence on irrigation. We also note that it can take up to 12 months for the impact to be felt in crop acreage, suggesting again that water availability into the event is an equally as important indicator.

**Milk production:** There is a fairly limited history for the share price performances of dairy processors in El Niño events and it should be noted that in 2015-16 there was a material uplift in most dairy related exposures on optimism of infant formula sales into China which significantly distorts the performance of many stocks. While there is no clear YOY distortion in annual milk production since 1966, there is an average 6% YOY fall in East Australian milk production in the last four events. It is reasonable to suggest that lower access to water and hence pasture is a negative for annual milk production.

**Sheep and cattle:** Lower rainfall results in lower pasture growth and rising feed costs. As a consequence we observe an average 12% YOY decline in the sheep flock and an average 2% YOY decline in the cattle herd. This suggests rising slaughter rates which to a degree are reflected in weaker average prices (down on average 5% through each past event in cattle). Agency based businesses generate earnings in livestock from the value of turnover, as such weaker prices on rising supply can counteract one another in terms of commissions generated.

**Wool:** Wool volumes also take a noticeable 7% YOY decline in El Niño years. The majority of agency based revenues are volume based and as such softer volumes result in lower commissions.

**Figure 2 - Historical El Niño events and impact on selected agricultural production**

Year	Event strength	SOI	SST	Period	EC Wheat Yield Mean Deviation	EC Crop Yield YOY change	Animal Health spend YOY change	Herbicide spend YOY change	EC milk prodn YOY change	EC sheep flock YOY change	EC cattle herd YOY change	EYCI movemnet	EC wool prodn YOY change	Almond yield YOY change	Cotton yield YOY change
1965-66	Strong	Moderate to Strong	Moderate	Mar'65-Jul'66	(33%)				0%						
1969-70	Weak	Weak	Weak	Jun'69-Feb'70	(22%)				9%						
1972-73	Strong	Moderate	Moderate to Strong	Mar'72-Dec'72	(38%)				(1%)						
1977-78	Moderate	Moderate	Weak	Jun'77-Nov'77	(29%)				(7%)						55%
1982-83	Strong	Very Strong	Very Strong	Apr'82-Feb'83	(63%)		29%	46%	4%						17%
1987-88	Weak	Moderate to Strong	Moderate to Strong	May'87-Mar'88	(3%)		51%	29%	(0%)						(31%)
1991-92	Moderate	Moderate to Strong	Moderate to Strong	Mar'91-Nov'91	(17%)		(21%)	(11%)	5%	(11%)					20%
1993-94	Weak	Moderate	Weak	Dec'93-Feb'94	31%				11%	(6%)					(22%)
1994-95	Moderate	Strong	Weak to Moderate	Mar'94-Dec'94	(51%)		(2%)	(16%)	2%	(33%)	(1%)		(9%)		25%
1997-98	Strong	Strong	Very Strong	Apr'97-Mar'98	17%		6%	19%	4%	(3%)	(2%)	(3%)	(6%)		(2%)
2002-03	Moderate	Weak	Weak to Moderate	Mar'02-Jan'03	(47%)	(57%)	2%	(15%)	(9%)	(12%)	(5%)	(25%)	(8%)		(10%)
2006-07	Weak	Weak	Weak	May'06-Dec'06	(53%)	(61%)	9%	6%	(6%)	(15%)	(0%)	(22%)	(6%)	35%	18%
2009-10	Weak	Weak to Moderate	Moderate	May'09-Mar'10	(13%)	(5%)	(5%)	(24%)	(4%)	(7%)	(3%)	7%	(3%)	(25%)	(22%)
2015-16	Strong	Strong	Very Strong	May'15-May'16	11%	(2%)	n.a.	n.a.	(3%)	n.a.	n.a.	18%	(7%)	(3%)	(18%)
<b>Average</b>					<b>(22%)</b>	<b>(31%)</b>	<b>9%</b>	<b>4%</b>	<b>0%</b>	<b>(12%)</b>	<b>(2%)</b>	<b>(5%)</b>	<b>(7%)</b>	<b>2%</b>	<b>3%</b>

SOURCE: BOM, ABARES AND BELL POTTER SECURITIES

**Salmon production:** While not highlighted in the table above, we note that El Niño can result in warmer sea temperatures around Tasmania which can impact the cost of production of salmon in the region. The effects of this can be felt for three years as noted during the 2015-16 event. However, the history is limited and the share price performance of salmon stocks inconsistent at best in past events.

# Commodity news and views

Figure 3 - Commodity Summary (prices as of close 15/03/17)

	Current Reading	1 Week Change	1 Month Change	1 Year Change	Rolling 12 Month Average	YOY Change
Cattle saleyard volumes (head)	40,363	(13.4%)	(26.9%)	+7.6%	2,464,556	(13.8%)
Cattle slaughter volumes (head)	131,432	(1.6%)	(0.1%)	+7.5%	6,430,670	(18.9%)
Eastern States Young Cattle Index (A¢/Kg cwt)	618	+1.1%	(0.2%)	+7.5%	643	+18.9%
US90CL Beef (A¢/Kg)	611	+0.5%	+1.6%	+11.9%	579	(8.7%)
Sheep & Lamb saleyard volumes (head)	263,588	+6.3%	(10.3%)	(24.1%)	12,107,826	(1.6%)
Sheep & Lamb slaughter volumes (head)	383,630	(18.2%)	(14.7%)	(6.3%)	21,289,156	(8.1%)
Eastern States Lamb Indicator price (A¢/Kg)	627	+1.6%	(1.1%)	+21.3%	581	+6.5%
AWEX wool bales sold	39,866	(8.8%)	(6.4%)	+8.9%	1,703,890	(1.1%)
AWEX Indicator price (A¢/Kg)	15.46	+0.0%	+7.4%	+21.7%	13.4	+8.5%
ICE #2 Cotton Future (US¢/lb)	77.27	(1.2%)	+5.1%	+32.4%	69.1	+9.8%
GDT - Skim Milk Powder (USD/T)	1,948	n.a.	(24.3%)	+8.1%	2,147	+9.9%
GDT - Whole Milk Powder (USD/T)	2,855	n.a.	(10.5%)	+44.6%	2,705	+19.9%
GDT - Cheddar (USD/T)	3,406	n.a.	(5.1%)	+34.7%	3,240	+11.7%
GDT Index	975	n.a.	(4.4%)	+50.9%	860	+22.5%
NASDAQ salmon Index (NOK/Kg)	62.7	+9.3%	(1.4%)	(7.5%)	64.6	+44.1%

SOURCE: AWEX, BLOOMBERG, GDT, MLA, NASDAQ

**Woolmark volumes handled:** Wool volumes handled by brokers in the week ending the 17<sup>th</sup> March were up 8.9% YOY, yet are down 1.1% on a R12M basis. YTD volumes (Sep YE) are up +9.2% YOY.

**Livestock volumes:** Cattle saleyard volumes as reported by the NLRS rose +7.6% YOY in the week ended 23-Mar, but YTD are down 11.7% YOY. Sheep saleyard volumes as reported by the fell 24.1% YOY in the week ended 23-Mar, and YTD are down 2.0% YOY. YTD cattle slaughter volumes are down 19.3% YOY and sheep slaughter volumes are down 13.0% YOY.

**GDT trading event:** The latest GDT trading event saw a +1.7% uplift relative to the last session, the first positive move in the last three sessions. With the data there was a 10.1% slide in SMP pricing to US\$1,948/t and the commodity is now 27% off from its Jan'17 peak. WMP pricing rose +2.9% to US\$2,855/t the first material positive gain for the commodity since Dec'16.

**Australian milk production:** Feb'17 milk production demonstrated a 10% YOY decline in Australia to be down 8.4% YOY season to date (STD). Falls of 11.5% YOY in VIC (down 9.7% YOY STD), 10.7% YOY in NSW (down 7.1% YOY STD) and 12.1% YOY in SA (down 10.9% YOY STD) being the main drivers of the weakness.

**US milk production:** Milk production fell 1.0% YOY in Feb'16 after adjusting for leap year, the third monthly fall in the past five months. Jan'16 milk production was also revised up to 17.0Bnlbs, a +2.7% YOY increase. The number of milking cows rose +0.6% YOY and milk production per cow fell 1.7% YOY. In addition the latest cold storage statistics demonstrated a +6% YOY uplift in refrigerated cheese stocks in Feb'17, we should note that US refrigerated cheese inventories are a record high for February (data set back to 1970).

**US livestock slaughter:** Beef production rose +3% YOY in Feb'17 to 1.93Bnlbs. Cattle slaughter totalled 2.37m head, up 3% YOY. The average live weight was down 12 pounds from the previous year, at 1,360lbs. In addition the latest cold storage statistics demonstrated a 1% YOY reduction in frozen beef inventories in Feb'17, though we should note that Feb'16 was a record high for February (data set back to 1915).

**Brazilian beef scandal:** Following reports Brazilian inspectors were accused of taking bribes to allow sales of tainted food, a number of countries have either lifted inspection protocols or banned imports all together. BRF SA and JBS SA, along with dozens of smaller rivals, following a two-year probe into meatpackers allegedly paying off inspectors to overlook practices including processing rotten meat, shipping exports with traces of salmonella and failing to carrying out inspections. The probe is said to involve only 21 of the 4,800 meat processors in Brazil, but has already resulted in a temporary import ban in China, heightened re-inspection and pathogen testing in the US, tightened inspections of imported Brazilian chicken meat and temporarily banned sales of chicken products by BRF in South Korea and the suspension of imports from four Brazilian processing facilities in the EU.

# Corporate news and views

## DOMESTIC NEWS

**MGC:** Murray Goulburn Co-operative Co. Limited announced the appointment of Mr John Spark as Chairman with effect from 1 April 2017 and the retirement of Mr Philip Tracy from the Chairmanship and Board on 31 March 2017. Mr Spark was previously a Director of Ridley Corporation, Newcrest, ANL, Baxter Group, MacArthur Coal. The move marks the continued evolution of senior management and the Board at MG following last year's material farmgate milk price step down.

**NUF:** NUF reported a +67% YOY uplift in underlying 1H17 NPAT to \$19.8m, 85% ahead of our forecast. The stronger than expected result was driven predominantly by lower than forecast financing charges reflecting both a lower FX charge (\$6.7m vs. \$12.5m forecast) and lower average net working capital balances through the period. Underlying 1H17 EBITDA rose +14.6% YOY to \$128.7m, 4% ahead of our forecast and driven predominantly by stronger than forecast revenue growth. A 1H17 DPS of 5.0cps was declared, up +25% YOY, but in line with our expectations. In our view the two clear highlights of the result were the continued focus on working capital management (ANWC/sales of 37.1% well below the stated 40% target), delivery on cost out initiatives (target of \$20m retained for FY17e) and the improving ROIC trend within the business (ROIC up +246bp YOY and up +527bp from 1H14). *For more detail see "Nufarm Ltd: Outgrowing the market (22/03/17)"*

**SHV:** SHV investor day presentation highlighted a largely unchanged guidance for FY17e, with the crop estimate maintained at 15,750-16,250t and pricing estimate maintained at A\$7.50-8.00/Kg. However, we note that early harvest indications (~10% complete) are exceeding expectations on quality and volume and that 45-50% of the crop has now been committed at A\$7.50-8.00/Kg (which compares to 30% committed at A\$7.70/Kg at the Feb'17 result).

**WBA:** WBA announced the acquisition of a 250Ha of mature walnut orchard adjacent to their Tabbita orchards for \$23.1m (consisting of \$10m cash and 9m shares). The orchard is owned by one of WBA's existing shareholders (Peter Joy who holds 6.2% of the company) and WBA already manage the orchard on his behalf. WBA expect the deal to be EPS accretive in FY17e.

**A2M/BAL:** China has delayed indefinitely new cross boarder e-commerce laws, with goods coming into the country via cross boarder e-commerce platforms being classified as personal rather than common trade, meaning no additional requirements for local registration or labelling. This is a positive development for companies such as BAL and A2M which are reliant on cross boarder e-commerce.

**FSF:** Fonterra reported a +2.2% uplift in 1H17 NPAT to NZ\$418m and a 20cps dividend. The result was delivered in an environment where milk collection fell 7% YOY and production volume fell 3% YOY. Growth in Consumer and Food service EBIT of 30% looked to mitigate a 17% YOY fall in Ingredients EBIT. Net debt within the co-operative fell 11% to NZ\$6.1Bn.

## INTERNATIONAL NEWS

**JBS/BRF:** JBS SA has announced the suspension of beef production at 33 out of 36 Brazilian plants for investigation following allegations of involvement in the corruption scandal which has led to export bans on Brazilian meats. JBS has said that production will resume next week at two thirds of capacity. BRF SA, the world's largest poultry exporter is also among the firms who are being investigated by Brazil Federal Police.

**Bakkafrost:** Bakkafrost has cut its 2017 harvest guidance by ~2,000t HOG following suspicion of pathogenic ISA at A-73 Hvannasund Norður. While the ISA suspicion has not been confirmed, the company is taking precautionary action in its decision to prematurely harvest the remaining fish at the site.

**Leroy:** Leroy Seafood group has announced its dissatisfaction with the Norwegian government's proposal for significant regularity framework changes for the fishing industry, including the termination of existing trawler obligations and a reduction in basic quotas. Which is expected to strengthen competition and innovation in the industry. Leroy suggests the changes imply a 20% cut to the groups quota.

**BASF:** Wendel SE has announced that subsidiary Stahl has agreed to acquire Leather chemical assets of BASF SE. The agreement includes the acquisition of leather chemical production site in Spain as well as chemical supply contracts for BASF's remaining business. BASF will receive 16% equity in Stahl and cash consideration of ~€150 million.

# Global Sector Averages

Figure 4 – Sector supply chain and stock leverage (as of close 15/03/17)

Sector	Company	Bell Potter Rating	Target price (\$ps)	Share Price (\$ps)	Shares Out (m)	Market Cap (\$m)	Net Debt/(Cash) (\$m)	Enterprise Value (\$m)	EV/EBITDA (x)			EV/EBIT (x)			PE (x)						
									2015	2016	2017e	2015	2016	2017e	2015	2016	2017e				
<b>Grain traders and processors</b>																					
	Anchor Daniel Milard	ADM US		45.61	571.1	26,047	6,330	32,377	10.0	11.5	9.9	9.4	13.9	18.0	14.2	13.5	17.4	20.8	15.9	14.6	
	The Andersons	ANDE US		38.20	28.4	1,083	320	1,403	8.7	11.8	7.5	6.8	29.0	73.4	21.0	15.9	21.5	55.8	16.8	13.4	
	Alliance Grain Traders	AGT CN		31.64	23.9	757	506	1,263	13.1	10.4	9.1	8.2	17.1	n.a.	n.a.	n.a.	20.4	15.5	12.4	11.0	
	Bunge	BG US		80.08	139.5	11,172	2,725	13,897	7.1	8.4	7.0	6.7	10.6	12.7	10.2	9.2	16.1	17.9	13.0	11.9	
	GrainCorp*	GNC AU	Sell	7.96	9.05	228.9	2,071	849	2,920	12.1	11.4	7.3	7.1	23.5	25.9	11.5	11.7	46.6	39.3	14.1	14.2
	Olam	OLAM SP		1.87	2,728.7	5,089	10,377	15,466	13.3	13.4	12.3	11.6	15.9	n.a.	n.a.	n.a.	14.6	15.2	14.0	14.0	
	Ridley Corporation	RIC AU	Buy	1.43	307.8	400	50	451	9.0	7.9	8.2	7.3	12.8	10.7	11.6	10.3	18.4	16.9	17.6	15.1	
	Wilmar International	WIL SP		3.54	6,320.9	22,376	12,958	35,334	16.5	17.9	13.9	13.2	24.8	29.9	20.7	19.3	19.8	26.8	17.8	16.5	
	<b>Average</b>								11.3	11.6	9.4	8.8	19.2	28.4	14.9	13.3	22.0	26.0	15.2	13.9	
<b>Dairy Processors</b>																					
	Bega Cheese	BGA AU	Hold	5.58	6.39	192.6	975	48	1,023	18.4	15.6	15.1	13.6	30.5	23.5	24.0	20.6	44.4	33.8	34.2	29.2
	Bright Dairy	600597 CH		13.14	1,230.6	16,171	159	16,329	11.1	11.0	10.4	9.7	24.5	16.4	15.5	14.6	41.6	31.7	28.4	25.5	
	Dairy Crest	DOGL LN		5.57	141.1	786	252	1,038	10.3	11.3	11.6	10.8	15.2	15.5	14.9	13.7	14.9	16.3	15.6	14.4	
	Dairy Farm International Holdings	DFI SP		9.15	1,352.5	12,735	423	12,798	19.2	20.0	17.3	16.0	29.3	30.0	25.6	23.5	28.1	27.8	24.3	21.9	
	Danone SA	BN FP		63.97	655.9	41,957	13,586	55,556	15.3	14.3	12.6	11.5	19.3	18.5	16.2	14.7	22.2	21.0	18.8	17.0	
	Fonterra Shareholders Fund	FSF AU		5.66	1,589.1	9,051	6,018	15,059	10.1	7.8	7.9	7.3	15.2	10.9	10.7	19.1	11.3	11.2	9.9		
	MG Unit Trust	MGC AU	Buy	1.13	0.99	554.8	549	518	1,067	6.2	7.9	8.5	7.3	8.9	13.7	17.6	13.9	n.a.	13.6	17.7	13.4
	Nestle SA	NESN VX		77.40	3,112.2	240,881	11,918	252,799	14.7	14.7	14.3	13.5	18.3	18.2	17.6	16.4	23.4	22.6	20.0	20.5	
	Parmalat Spa	PLT IM		3.08	1,855.1	5,714	(581)	5,133	11.0	11.3	10.4	9.5	15.9	19.4	17.1	15.0	27.3	38.5	32.1	34.2	
	Saputo Inc	SAP CN		45.73	388.1	17,746	1,049	18,795	16.9	16.3	13.9	12.9	19.7	19.3	16.3	14.9	29.7	29.1	24.0	21.7	
	Symlat	SMLNZ		3.50	179.1	627	126	753	18.3	8.9	8.7	7.2	28.4	12.3	12.0	9.6	46.1	16.3	15.2	11.9	
	<b>Average</b>								13.8	12.7	11.9	10.9	20.5	18.0	17.1	15.2	29.7	23.8	22.1	20.0	
<b>Agricultural inputs</b>																					
	Agrium Inc	AGU US		95.49	138.2	13,194	5,127	18,322	8.7	10.8	9.8	9.0	11.4	15.5	13.8	12.4	13.4	19.8	17.8	15.2	
	Apium Animal Health Ltd	AHX AU	Buy	1.44	1.15	100.2	115	18	133	12.4	24.2	12.7	10.2	n.a.	14.6	11.5	n.a.	34.7	19.7	16.1	
	BASF	BAS GR		89.50	918.5	82,204	13,693	95,897	382.7	9.3	8.5	8.0	15.5	15.4	13.4	12.4	18.5	18.6	16.8	15.4	
	Bayer AG	BAYN GR		106.62	826.9	88,169	12,115	100,285	9.6	9.0	8.5	8.0	13.9	12.5	11.6	10.2	15.3	14.3	13.7	12.8	
	Chemtura	CHMT US		63.83	1,213.3	77,446	13,162	90,608	9.9	9.4	8.5	8.0	13.7	13.4	12.1	11.4	19.5	17.5	15.5	14.3	
	CF Industries	CF US		29.39	233.1	6,851	3,637	10,488	5.4	10.9	8.0	7.0	7.2	23.6	20.7	15.9	7.6	37.1	115.3	29.6	
	Dow Chemical Co	DOW US		63.83	1,213.3	77,446	13,162	90,608	9.9	9.4	8.5	8.0	13.7	13.4	12.1	11.4	19.5	17.5	15.5	14.3	
	Du Pont	DD US		80.56	864.6	69,650	2,720	72,370	14.0	13.4	12.5	11.8	19.1	17.8	16.1	14.9	29.1	24.7	21.9	20.0	
	Elders Ltd	ELD AU	Hold	4.45	4.54	113.9	917	86	693	13.8	10.1	9.4	9.0	14.9	10.7	10.1	9.6	0.1	10.2	12.4	11.4
	Incolt Privat	IPL AU		3.84	1,687.2	6,479	1,616	8,095	9.7	11.9	10.1	8.9	13.8	18.7	15.4	12.8	16.3	22.6	20.2	15.9	
	K+S AG Reg	SDF GR		21.32	191.4	4,080	2,731	6,811	6.4	12.8	9.0	7.0	9.3	29.2	17.8	12.3	8.2	31.1	19.2	12.2	
	Monsanto Co	MON US		113.16	438.6	49,627	6,674	56,301	11.5	15.2	14.2	12.8	13.7	18.7	15.5	19.7	15.5	19.7	25.4	23.9	21.0
	Mosaic Co.	MOS US		29.00	350.2	10,157	3,540	13,697	6.7	13.2	10.9	9.4	10.5	41.5	26.8	20.3	10.4	42.8	28.7	21.2	
	Nufarm	NUF AU	Hold	10.39	9.75	266.5	2,599	1,026	3,625	11.4	9.8	8.7	8.0	15.3	12.6	11.0	10.1	22.1	23.8	13.0	15.4
	PGW Wingham	PGW NZ		0.54	754.8	408	109	516	7.7	7.4	7.7	7.0	8.7	8.5	9.1	8.2	10.8	10.6	11.5	10.0	
	Platform Specialty Products Corp	PAH US		12.62	284.2	3,387	4,651	8,238	14.8	10.9	10.0	9.4	18.3	12.6	11.7	11.0	20.7	21.6	16.8	13.7	
	Potash Corp of Saskatchewan	POT US		17.09	839.8	14,352	4,265	18,617	6.9	13.1	13.0	11.5	9.5	25.4	24.5	20.9	10.8	33.6	32.4	25.0	
	RuralCo Holdings Limited*	RHL AU	Hold	2.98	2.80	79.3	222	88	310	6.1	7.3	6.9	6.0	7.2	9.4	8.7	7.6	11.7	16.5	14.5	11.7
	Sumitomo Corp	8053 JP		1491.00	1,250.6	1,864,649	2,708,407	4,574,056	23.0	14.4	16.4	14.2	20.6	23.2	33.6	24.9	(35.3)	18.7	12.5	9.1	
	Syngenta	SYNN VX		434.80	92.6	40,253	1,474	41,727	15.1	16.2	14.7	13.6	20.7	23.5	18.6	16.9	25.1	26.5	23.7	22.2	
	Yara International	YAR NO		326.30	273.2	89,151	22,427	111,578	5.4	7.6	7.2	6.4	7.5	11.7	10.5	9.4	15.6	14.4	11.9		
	FMC Corp	FMC US		61.55	133.8	8,237	1,619	9,856	15.4	13.8	12.8	11.8	19.1	17.0	15.0	13.9	25.9	21.8	18.2	16.3	
	<b>Average</b>								27.6	11.8	10.4	9.3	13.5	18.3	15.8	13.4	13.3	23.0	22.6	16.1	
<b>Farming operations</b>																					
	China Mengniu Dairy	2319 HK		15.24	3,925.0	59,817	2,289	62,106	14.9	17.4	12.4	11.3	23.1	24.7	19.5	17.5	24.82	28.86	21.46	19.05	
	China Modern Dairy Holdings	1117 HK		1.87	6,131.4	11,466	6,129	17,595	12.7	20.0	12.4	10.6	21.3	53.9	18.5	15.1	10.87	56.67	19.28	14.96	
	China Huihuan Dairy Holdings	6863 HK		2.80	13,476.5	37,734	7,306	45,040	24.3	31.2	23.1	20.1	27.2	37.2	25.4	22.8	29.17	51.85	40.58	33.73	
	China Shengmu Organic Milk	1432 HK		2.07	6,354.4	13,154	959	14,112	11.6	9.4	8.7	7.0	11.8	9.8	10.2	7.5	18.82	13.99	11.83	9.95	
	Rural Funds Management	RFF AU	Buy	1.91	1.83	207.7	380	147	527	32.5	26.5	15.9	13.8	32.5	26.5	15.9	13.8	20.13	19.70	14.76	13.71
	Select Harvests	SHV AU	Buy	6.21	5.61	73.5	412	121	533	5.3	9.9	10.7	8.8	5.9	12.9	15.0	11.7	6.5	14.5	0.2	0.2
	Scales Corporation	SCL NZ		3.44	139.8	491	23	504	7.9	7.4	7.8	7.8	9.8	9.0	9.7	9.9	12.74	12.74	13.49	13.49	
	Webster Ltd	WBA AU	Hold	1.44	1.48	350.7	917	169	686	34.3	23.1	15.0	12.4	44.0	31.6	19.6	15.3	22.3	32.8	24.6	18.9
	Yuanzhengshi Dairy	1431 HK		0.56	4,690.5	2,627	(950)	1,676	4.3	n.a.	n.a.	n.a.	5.3	n.a.	n.a.	n.a.	n.a.	28.00	18.67	n.a.	
	<b>Average</b>								10.6	11.1	15.1	12.3	14.3	20.2	44.0	17.4	14.9	24.6	9.2	24.5	
<b>Livestock and livestock products</b>																					
	Australian Agricultural Co	AAC AU	Buy	2.20	1.59	558.7	888	398	1,286	(329.8)	86.3	42.9	28.4	44.5	11.5	15.2	39.1	n.a.	n.a.	n.a.	
	Cal-Maine Foods Inc	CALM US		37.30	43.7	1,631	(11)	1,620	31.6	3.3	(102.8)	8.8	6.5	3.5	n.a.	n.a.	10.91	5.87	(53.59)	18.12	
	Farm Pride Foods	FRM AU	Buy	1.82	1.09	55.2	60	(2)	58	4.7	3.6	3.8	3.6	6.5	4.6	4.9	4.6	10.64	6.87	7.38	6.82
	Ingham																				



**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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Jonathan Snape owns shares in the following companies: 22,500 shares in A2M.

Bell Potter acted as Joint Lead Manager in ELD's \$102.4m placement and underwritten rights issue in Jun'16. Bell Potter acted as Joint Lead Manager on RFF's \$35m placement and entitlement offer in Sep'15 and as Lead Manager and sole underwriter on RFF's \$61m entitlement offer in Jul'16. Bell Potter acted as underwriter to AHF's loyalty option conversion in Feb'16. Bell Potter received fees for these services.

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