

**AGRIBUSINESS M&A  
AND INVESTMENT REVIEW**

**2018**

**VERDANT**  
P A R T N E R S <sup>TM</sup>



## INTRODUCTION

Verdant Partners is pleased to present this 2018 Annual Agribusiness M&A and Investment Review as a reflection of completed deals and consolidation drivers shaping our industry. On the surface, 2018 seemed relatively calm compared to the considerable level of activity that took place in 2016 and 2017. Amidst profitability headwinds facing farmers, and consequently the major crop input markets, substantial alliances, mergers, and acquisitions took place. According to Verdant’s proprietary database of transactions covering the span of crop agribusiness, total observed deal volume during 2018 fell only 2% compared to 2017. Overall, participants in agriculture sought new opportunities for improved efficiencies, advanced technology, increased distribution, and expanded profitability. Considerable deal activity was recognized in digital agriculture, produce, and vegetable seed segments.

This installment of our Agribusiness M&A and Investment Review summarizes select transactions and investments during the past year and offers unique insights and expectations for the year to come. We hope that you will read this report with great interest and consider contacting one of the professionals on our team should you have questions or be interested in exploring opportunities. The future remains bright for agriculture, and the team at Verdant Partners remains ready and willing to partner with you to review, develop, or implement your strategy, as well as execute resulting transactions.

## ABOUT VERDANT PARTNERS

Verdant is wholly focused on agribusiness and the transactions that shape the competitive landscape of our industry. We have built a team of professionals that includes seasoned veterans from within the industry, with skill sets extending beyond those of traditional transaction advisors. For this reason, we are recognized as the leading transaction advisory and consulting group in this global agribusiness industry. Our focus covers the span of crop-based agriculture, with expertise on both sides of the farm-gate. Since our founding in 1998, Verdant has initiated and managed successful transactions and alliances valued in excess of US\$2.4 billion. Verdant advises privately held businesses, multinational public companies, venture capital and private equity investors, and technology companies throughout the world. Verdant’s team is comprised of professionals located in offices across North and South America, Europe, and Australia.



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## UPDATE ON INDUSTRY SHAPING CONSOLIDATION – THE “BIG 4”



ChemChina completed its \$43 billion all-cash acquisition of Syngenta in May 2017. Syngenta became a privately held company and was delisted from the NYSE and Swiss exchange upon completion of the deal. Syngenta will relocate its seed headquarters to Chicago, IL in 2019. ChemChina’s megamerger with Sinochem to create a \$130+ billion chemicals giant is still underway ([source](#)).



Dow and DuPont completed their all-stock merger in September 2017, creating a combined market cap of \$130 billion. Stemming from the concerns of U.S. and foreign regulators, DuPont was required to divest parts of its crop-protection portfolio to FMC Corp, and Dow had to sell its Brazilian corn seed business to CITIC Agri Fund for \$1.1 billion. The combined agriculture unit of DowDuPont, Corteva Agriscience, will be a pureplay agriculture entity and publicly traded in June 2019.

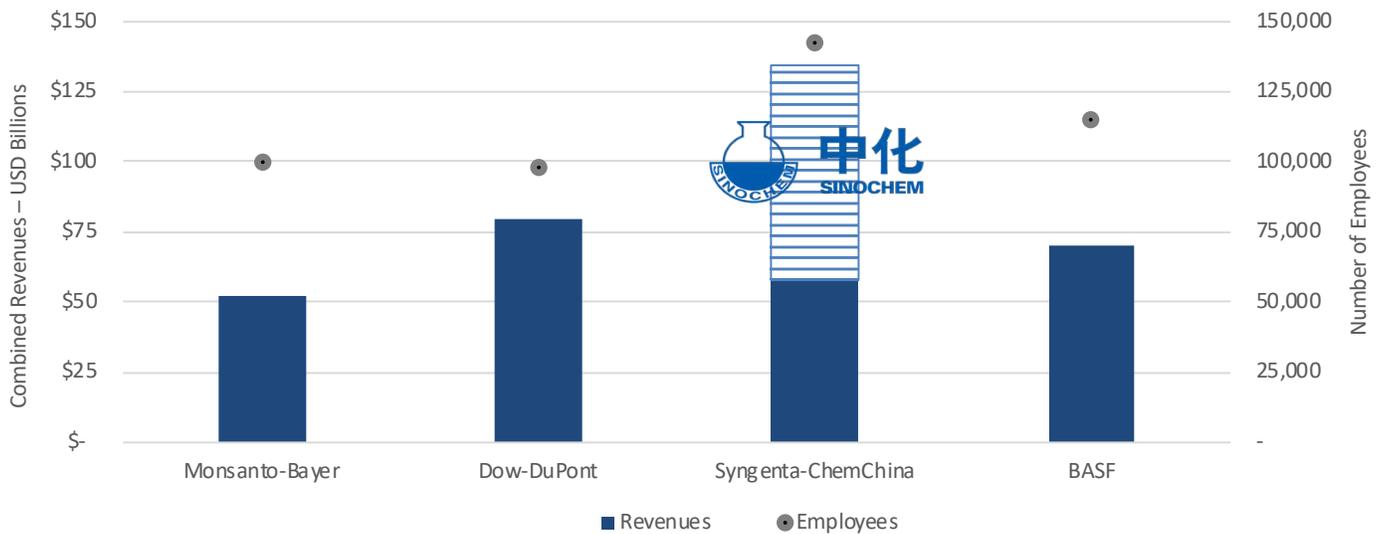


Bayer closed its \$63 billion all-cash acquisition of Monsanto in June 2018. As a result of regulatory concerns, Bayer agreed to divest select assets to BASF for approximately \$9 billion. The required divestments were essentially all of Bayer’s seed assets, including canola, soybean, cotton, and vegetable seed, LibertyLink herbicide, and Xarvio digital farming businesses.



As a result of the required antitrust divestment of the Bayer acquisition of Monsanto, BASF became the successful \$9 billion bidder for Bayer’s canola, cotton, soybean, vegetable seed, LibertyLink herbicide, and digital farming assets. The combined revenue of the assets exceeded \$2.6 billion in 2017.

## BIG FOUR CONSOLIDATED REVENUES - 2017



*“Compared to farmers’ expectations from two years ago of how the combined Bayer/Monsanto would impact their business, the regulator-required divestment and corresponding asset reshuffling should result in considerably less impact than farmers once thought. With Bayer selling virtually all of its seeds and traits business to BASF, and on-boarding all of Monsanto’s product portfolio, choices are still out there—just owned by someone new.”*



Garrett Stoerger, Partner – Verdant Partners  
As Presented in [Farm Journal](#) – June 5, 2018



## SELECT MERGERS & ACQUISITIONS – 2018

Chinese agrochemical company Nanjing Red Sun reached an agreement to acquire a 60% stake in Argentine agrochemical company Ruralco in February 2018. The acquisition is taking place in two phases: in the first phase, Red Sun is using its own fund of \$8 million to acquire 26.67% stake in Fernando Diego Gimballi, and in the second phase, Red Sun will contribute \$15 million in kind to Ruralco as a capital increased to acquire 33.33% stake in Ruralco. This acquisition will prove to be an important step in Red Sun's business deployment of the company in the global agricultural industry chain. ([source](#))



Total Produce added a significant piece to its North American produce empire in February 2018 by agreeing to buy a 45% equity stake in the Dole Food Co. from chairman and owner David Murdock for \$300 million. The agreement brings together two of the world's leading fresh produce companies and represents a significant step in the history of Total Produce and a continuation of its successful expansion strategy. ([source](#))

UPL, formerly United Phosphorus Ltd., reached an agreement in July 2018 to acquire Arysta LifeScience for \$4.3 billion. The acquisition will bring synergies that can benefit UPL's operations in overseas markets. Once completed, this deal will make UPL the world's fifth-largest crop protection company and biggest generic player. ([source](#))



In July 2018, Nutrien, the world's largest fertilizer and ag retail business, acquired Agrible, a digital agtech startup from Champaign, Illinois for \$63 million. Nutrien intends to integrate Agrible's suite of farm management services immediately with Nutrien Ag Solutions, its newly branded digital platform. Agrible's tools will strengthen the unique omnichannel offering that Nutrien has created by combining the independent knowledge and customer focus from a local agronomist network and extensive distribution system. ([source](#))

In July 2018, Bonduelle announced the completion of its \$43 million acquisition of Del Monte processed fruit and vegetable business in Canada. Del Monte will complement Bonduelle Americas Long Life business unit's canned and frozen vegetable business. This acquisition highlights Bonduelle's desired development in brand activities and expansion beyond vegetables and vegetable products. ([source](#))



DLF Seeds, a Denmark-based global seed co-operative, agreed to purchase 100% of the shares of PGG Wrightson Seeds for \$421 million in August 2018. The agreement grants DLF a brand license to PGW Seeds for the continued use of the PGG Wrightson Seeds brand. In addition to the sale of the PGW Seeds business, the PGW Board will evaluate a full range of options, including debt reduction, distributions to shareholders and strategic growth opportunities available to PGW. ([source](#))



In September 2018, Tillerman Seeds, based in Greenville, Michigan acquired the assets and real estate of Legacy Seeds Inc., a Scandinavia, Wisconsin based producer and marketer of alfalfa, corn, wheat and soybean seeds. In combination with Tillerman's October 2017 acquisition of DF Seeds, they have now created a Midwestern seed company with nearly \$40 million in annual revenues and 42 employees. ([source](#))



In November 2018, Vilmorin & Cie acquired Sursem and Geneze, two independent companies from the investment fund Pampa Agribusiness. Sursem and Geneze operate primarily through breeding, production and distribution mainly of hybrid corn seeds, with a complement of wheat, sunflower and soybean seeds. The acquisition will strengthen Vilmorin & Cie's presence in the South American seed market. ([source](#))

In November 2018, S&W Seed Company announced that it acquired certain assets and assigned contracts of Chromatin, a United States based sorghum operator for \$26.5 million. Chromatin boasts a diverse sorghum hybrid product portfolio of grain, forage, food grade, and sweet varieties that support multiple end markets with industry-leading performance. This acquisition will enable S&W to significantly expand its presence in the sorghum industry and evolve into an elite middle market agricultural company. ([source](#))





## SIGNIFICANT FUNDRAISING – 2018



Cibus, a leader in the application of gene editing technologies for directed mutagenesis, announced in June that it raised \$70 million in Series C funding led by Fidelity Management and Research Company.



BrightFarms, the controlled environment agriculture company, announced in June 2018 that it had secured \$55 million in Series D funding. The round brings the total funding to over \$100 million



In January 2018, PrecisionHawk, Inc., a leading provider of drone technology, announced that it closed a \$75 million Series D funding led by Third Point Ventures.



Inari Agriculture Inc., a Cambridge-based agtech startup, raised \$40 Million in Series B Funding, bringing its total funding to \$55 million.



Pivot Bio, a synthetic biology company working on nitrogen-producing microbes announced the close of its \$70 million Series B round in October 2018 led by Breakthrough Energy Ventures.



In July 2018, Apeel Sciences, a California based startup backed by both Bill Gates and Andreessen Horowitz, closed a \$70 million Series C funding round.



AgriProtein raised \$105 million in equity and debt in 2018. AgriProtein's capital funding prior to this totaled approximately \$30 million.



Bowery Farming, the New York-based indoor farming group, closed a \$90 million Series B round of funding in December 2018. The round was led by Google Ventures.



AgBiome LLC, a private company harnessing the plant microbiome for novel agricultural pest solutions, announced that it secured \$65 million in Series C financing in July 2018.



In September 2018, Indigo announced the closing of its Series E funding round worth \$250 million, bringing the company's total funding to \$650 million.



In September 2018, Benson Hill Biosystems, a crop improvement company unlocking the natural diversity of plants, announced the closing of its \$60 million Series C funding led by Google Ventures.



## FEATURED VERDANT TRANSACTION - 2018

### A Family Owned Seed Company Preserves Heritage Business Sold to Two Family Owned Companies

#### Client Objective

Munson Hybrids has the distinct characteristic of being one of the only family owned and operated seed companies in the United States that has been through three instances of unrelated family ownership. After 19 successful years of ownership and operation, third-generation owners John and Holly Hennenfent decided that it was time to pass the torch to the next owner of their business. Without having children active in the business, no obvious internal solution existed, and consequently they decided to look to an external plan for business succession.

#### Verdant Solution

In April 2018, Munson Hybrids retained Verdant Partners to act as its exclusive financial advisor and transaction advisor in connection with the possible sale of the assets and business of the company. In response, Verdant Partners aggregated relevant market and company information, drafted marketing documents, and compiled a list of prospective acquirers of the company. The initial list included both multinational and regional strategic investors, as well as private equity firms that demonstrate a specific focus on agricultural investments. Verdant Partners' deep knowledge of crop agriculture enabled them to approach target investors who demonstrated a fit with the culture and values of the Munson business, and who were also qualified financially to make an acquisition of this size.

#### Successful Result

On August 31, 2018, it was announced that Cornelius Seed acquired retail sales rights of Munson Hybrids in Illinois and Southern Wisconsin, while Legend Seeds acquired retail sales rights in Central Wisconsin. This dual-pronged approach proved to provide the optimal solution for the Hennenfents and their employees, as the transition from one family business to another was a natural fit. The Hennenfents continue to operate seed production facilities at the Galesburg facility independently, and John will continue to sell seed to his loyal customers on behalf of Cornelius Seed.

*“Both Cornelius Seed and Legend Seeds share our values,” said John Hennenfent, president of Munson Hybrids. “They are more focused in knowing a farmer’s fields than knowing the corporate boardroom.” Regarding his relationship with Verdant Partners, John Hennenfent said, “Verdant Partners led Holly and I through a process that was completely foreign to us. Without their expert guidance and industry experience, we would not have been able to successfully achieve our goals.”*



## OTHER VERDANT REPRESENTED TRANSACTIONS - 2018





## VERDANT AG M&A OUTLOOK - 2019

### Opening Remarks

Despite the significantly diminished profitability facing row crop agriculture producers for the past several years, the agribusiness industry continues to be a highly-visible and desirable target for investors. While the much of the rest of the world suffered through the Great Recession, agriculture was one of the few industries that was largely unaffected by that crisis. During this time, the investment community took notice. As a result, private equity and venture capital has developed a newfound interest in agriculture as an investment opportunity. Ag is seen to be stable with compelling growth opportunities fueled by new technology and changing consumer habits, including these notable trends:

1. Consumer demand for fresh and healthy foods has increased the appetite for the acquisition of produce companies and for the vegetable seed companies that are responsible for the production of fresh vegetables;
2. Ag-Tech is an area of expansion with great hope for the future of farming; and
3. Medical cannabis is a fast-growing area that has captured the interest of the financial community.

Compared to the major consolidation events in 2016 and 2017, this past year could be considered relatively calm. Multinationals have reshuffled and are in the process of developing new strategies for the near and long-term, while regional businesses have capitalized on customer-facing opportunities amidst the distraction of new alliances. While commodity markets have been dismal, increased farm productivity continues to take place.

Investments in certain segments of agriculture remained active, notably for participants in vegetable seeds, fresh produce, precision agriculture, and biotechnology. During 2018, over 60% of crop agriculture M&A transactions involved companies that are categorized in these four broad segments. This trend is expected to continue in 2019, especially in vegetables and fresh produce where consumer preference and improving median incomes will drive fresh market purchasing decisions.

In Verdant's view, the agricultural market remains poised for continued consolidation as strategic participants seek improved efficiencies, more robust technology, and a stronger and more diverse geographical presence. The vast majority of agricultural companies are fortunate to have strong balance sheets with investable cash and an appetite to build on strengths and fill in voids. Additionally, financial investors look for attractive and stable returns in a segment that is now considered to be less risky and more viable than pre-recession days.

Following upon one of the most substantial reorganizations the crop input industry has ever experienced, multinationals will have a better understanding of their new partners, products, and

markets, and will look to explore new opportunities to bolster growth, largely through acquisition. Small to mid-size companies with unique offerings, reputable brands, solid profitability, and sound management teams are likely to see premiums paid. This will be especially relevant globally as trade turmoil settles and economic globalization continues.

In spite of much talk about low commodity prices, tariffs, GMOs, and other concerns, there is reason for a high level of optimism for agriculture. We are fortunate to participate in a great and expanding industry with a bright long-term future.

**Garrett Stoerger, Partner**  
**Dean Cavey, Managing Partner**



*The following excerpts provide a brief glimpse into some of the target markets and segments the Verdant team follows. Stay tuned for more descriptive overviews of each in the coming weeks.*

### Digital Agriculture

The AgTechnology market consists of an abundance of innovative startups and early stage companies attempting to improve efficiencies and profitability for producers. Agribusinesses across the entire value chain continue to emphasize the significance of digital agriculture and are seeking novel solutions to capitalize on everchanging farmer demands. In order to fast-track market penetration, many strategic agribusinesses are turning to acquisitions to build digital offerings in lieu of developing internal solutions. I predict that the coming year will be active with consolidation as agribusinesses build and bolster digital solutions via acquisition from a crowded field of startups supported by anxious investors.

**Blake Croegaert, Senior Associate**



### Microbiome Products for Ag

A focus on discovery and development of the full potential of microorganisms, collectively known as the microbiome, has become a priority for many agricultural companies. The enormous potential in the new ag-microbiome markets has expanded investment in research to eventually capitalize on these opportunities. However, excellence in R&D without relevant commercial knowledge, including the size of target markets, the economics of production for live biological products, the complexities of distribution systems, and the cost of negotiating regulatory pathways, is a recipe for scientific success and commercial failure. Only those companies that understand these challenges will have success in the market. The most likely survivors will offer a diverse product array, based on more than one microbial species, and internal proprietary technology augmented by licensing and M&A.

**Dr. Alan Gould, Advisor**





## Hybrid Wheat & Ukraine

Approximately 600 million acres of wheat are planted globally compared to corn at roughly 470 million acres. That said, wheat planting is mostly from saved seed, especially in underdeveloped major markets. The wheat seed market has the potential to be extremely valuable if hybrids could demonstrate strong returns to the farmer, but there haven't been quality results to build this market to date. Continued investments, notable from Syngenta and Bayer (now BASF), may show results in this segment in 2019. Meanwhile, continued growth and evolution are expected in the Ukraine in 2019. With approximately 33 million arable hectares (82 million acres) of extremely fertile soils and a small rural population, it is only a matter of time until Ukraine will exploit its resources to feed Europe whilst North and South America look after the other populous areas of the globe as well as themselves.

*David Palmer, Senior European Associate*



## Fresh Produce

From shifting consumer dynamics to increases in the cost to grow and food safety concerns, there has never been another time in fresh produce where there is such an abundance of change. Retail consolidation is reshuffling, requiring revised go-to-market strategies, while fresh produce companies face the increasing need to differentiate and streamline their supply chains. To achieve these goals, there is significant interest from investors outside the industry to capitalize on this rapid evolution. Additionally, continued regionalization of urban warehouse and greenhouse developments across the United States will remain. We predict that several sectors of fresh produce, including processing / wholesaling operations and regional vegetable players, will consolidate in the coming year to bolster competitiveness and efficiency.

*Don Goodwin, Advisor*  
*Tom Thompson, Advisor*



## Vegetable Seeds

Three significant developments / trends were apparent in the global vegetable seeds sector during 2018: 1) regulators' decisions concerning the Nunhems divestment, as a whole, resulted in less opportunity for competitors to pick up valuable species / programs; 2) general market slowdown was observed but may be an extraordinary result of the trade war in the global market; and 3) the increasing complexity of the phytosanitary regulations is challenging international seed movement and trade. These challenges and concerns will certainly be felt in 2019 and will lead to continued consolidation in the market.

*Emmanuel Rougier, Senior Global Advisor*



## South America

With vast land availability, rich water resources, and a relatively small population, the South American continent will remain a critical and growing region for agriculture in 2019. We foresee continued growth for competitive enterprises involved in the biological inputs, genetics, commodity row crop, niche tree crop, and produce markets. Limited capital availability in South America remains a challenge for small-medium size companies, with capital needs ranging from R&D funding to incremental working capital to support growth and investment projects, namely processing facilities. Financial and strategic businesses that utilize a local approach and a professional search process will benefit considerably from the unique investment opportunities in the region.

*Felipe Lanusse, Advisor*  
*Luis Casanova, Advisor*



## Floriculture

Considerable M&A activity in floriculture breeding took place in 2018, despite the diminished acquisition pace of Dümmen Orange. Acquisitions made by PanAmerican Seed, Syngenta Flowers, Sakata Ornamental, Beekenkamp Plant, and Nimbus, amongst others, helped keep activity in floriculture high. Although for some time to come independent family businesses will remain that focus on one or a limited number of crops, consolidation in the floriculture industry is expected to continue. Drivers are the need for accessing new breeding technologies, succession issues in family-owned businesses, and the need for economies of scale.

*Dr. Jan Pen, Advisor*



## Representation & Warranties Insurance

Representations & Warranties insurance coverage is available to cover breaches of representations and warranties statements made by the seller in a purchase agreement. Sellers are usually required to indemnify the buyer for breaches of the representations and warranties made in the purchase and sale agreement and often required to hold some level of transaction proceeds in escrow or through a holdback to ensure that funds are available in the event of a breach. Representations & Warranties insurance is intended to supplement or even replace seller indemnity obligations by insuring most or all of the representations made within the purchase agreement. The popularity of this insurance has increased significantly due to its ability to reduce or replace the seller's indemnification or escrow requirements. I expect to see an increased use of such coverage, even for small to medium sized transactions.

*Dean Cavey, Managing Partner*

