

From Producer to the World



AGT Foods (TSX: AGT)

IIFL – Global Agriculture and Commodity Overview – Opportunities and Challenges

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September 2018

“Safe Harbour” Disclosure

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AGT Foods Highlights

Company Overview

- AGT Food and Ingredients Inc. (“AGT Foods”) is a global leader in pulse, staple food and food ingredient processing and distribution, with merchandising offices and value-added processing facilities in Canada, the U.S. Turkey, Australia, China and South Africa; India and European sales offices, Russian origination office and a global customer base
- \$1.7 billion sales reported in 2017
- Approximately 2,000 employees globally



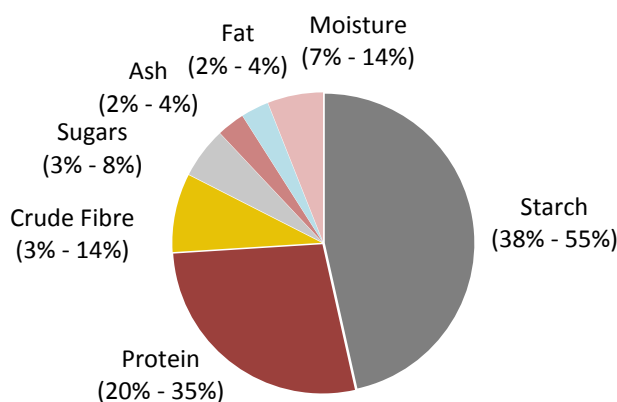
Global Company & Brands



Overview of Pulses

- Pulse crops include lentils, peas, chickpeas and beans, which produce edible seeds, called pulses
- Represent a GMO free, gluten-free, low allergen, major source of protein and fibre, which developing nations particularly rely on (i.e. vegetable sources for their protein and energy requirements)
- Increasing consumption (both directly and as an input in other food products) in developed countries where pulses are increasingly viewed as healthy

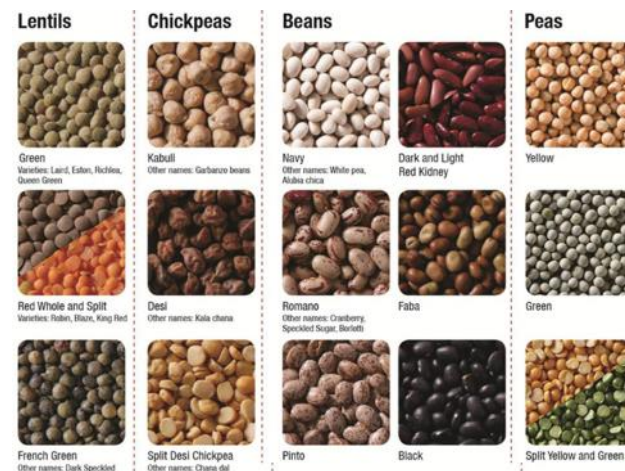
Composition of Pulses



Nutritional Characteristics of Pulses

- **High protein**
 - High lysine (higher than cereals and oilseeds)
- **High dietary fibre**
 - Rich in insoluble fibre
- **Low fat**
 - Pea, lentils and faba beans: <3%
 - Chickpeas: <7%
- **High micronutrients**
 - Folate, iron, zinc, selenium, potassium, magnesium, calcium and beta-carotene

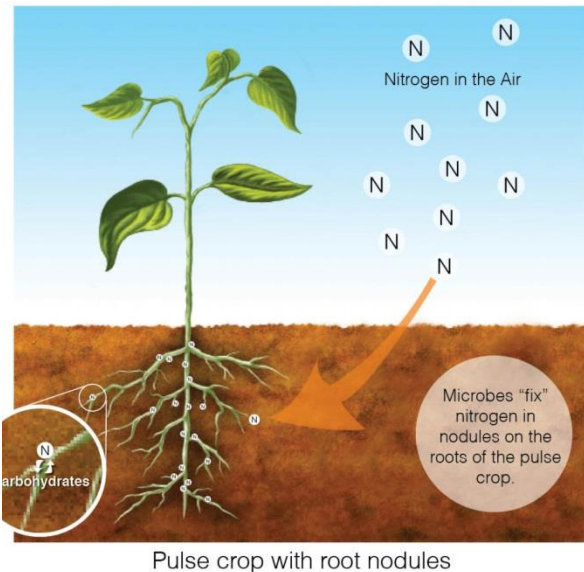
Types of Pulses



Pulses & Sustainable Agriculture

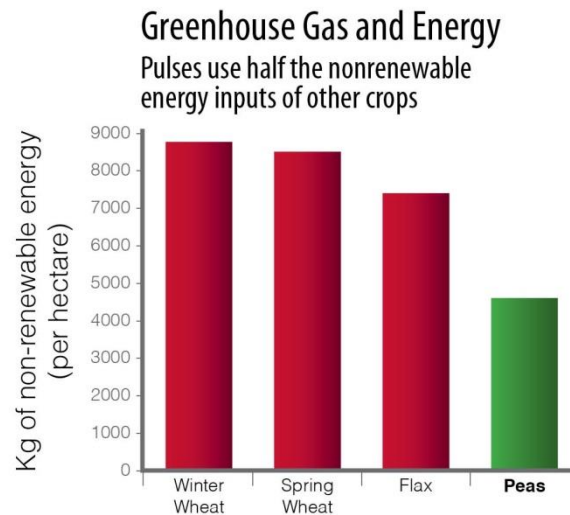
Plant Fixing Nitrogen

- Pulses produce their own fertilizer by fixing nitrogen



Lower Energy Requirement

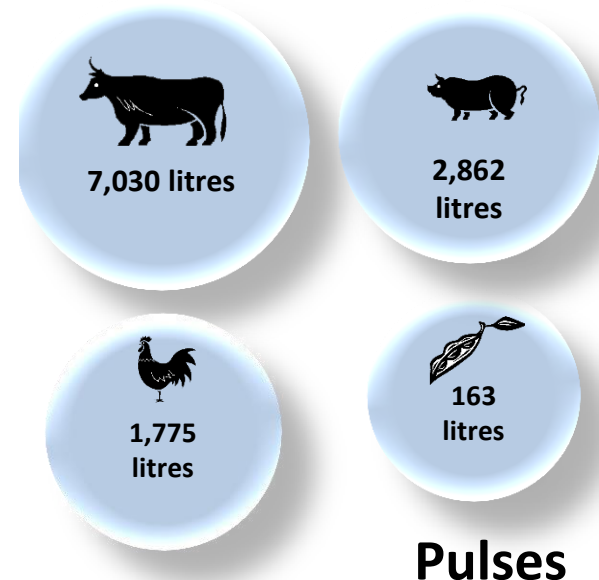
- Pulses Use Less Non-Renewable Energy Relative to Other Crops
- 70% of the non-renewable energy used in cropping systems in western Canada is attributable to fertilizers



Source: (Zentner et al. 2004)

Increased Water Use Efficiency

- 163 litres** of water required to produce 0.5 kg of pulses
- 7,030 litres** of water required to produce 0.5 kg of beef



Pulses

Source: Hoekstra and Chapagain, *Globalization of Water*, U. of Twente, Waterfootprint.org National Geographic, April 2010

Food Production Targets



We need to produce in the next **40 years** the equivalent of all of the food produced in the **last 10,000 years**.

Agriculture – Not just food anymore

- Agriculture not just hitting the “breadbasket” anymore
- Trends surrounding health, wellness, nutrition and consumer demands are driving this shift in perspective
- Protein is a key driver of agricultural markets
- Canada is the “first stop on the protein highway”
- Impact is moving up chain and reaching far outside Agri-Food:
 - Retail sector
 - Health and Wellness sector
 - Energy sector
 - Environment sector
 - Immigration sector
 - Economy overall



Agri-Foods Market Dynamics

Traditional Markets for Agri-Food

Growth Driver: Population & Global Demand for Food

Markets: S. and E. Asia Pacific, MENA, Central/South America, Africa

- 2050 - Global population expected to rise 30% to over 9 Billion
- Global food output will have to grow by 70% to feed the world with growing middle class
- Pulses, grains are a sustainable source of vegetable protein, a key nutrient for large numbers of the world's populations

New Markets for Pulses driven by:

Growth Driver: Health, Nutrition and Sustainability

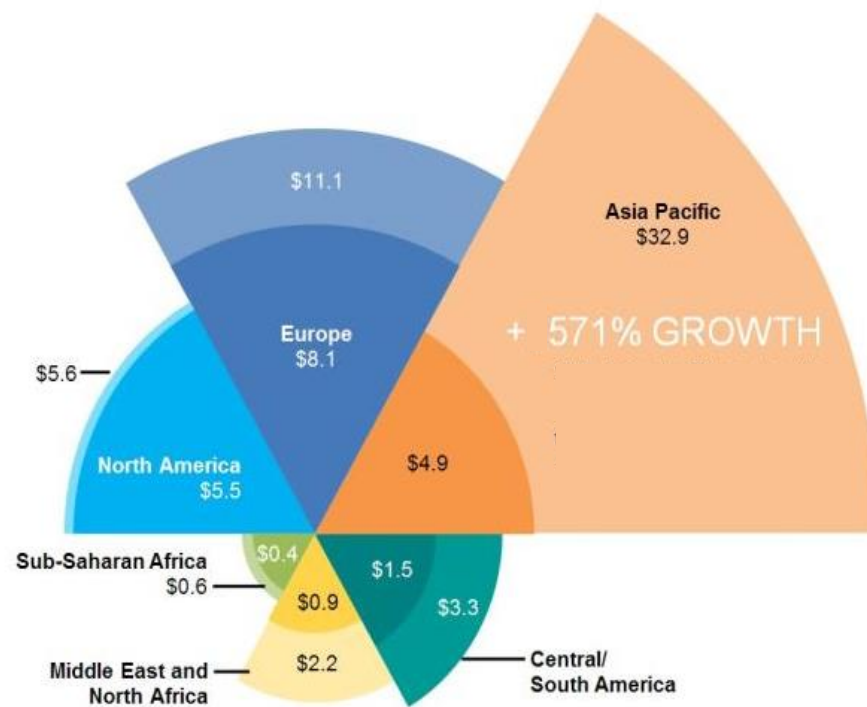
Markets: Europe, North America, China

- Health, nutrition, changes in diet choices
- High Protein and Fibre, Nutrient Dense, Low Fat, Gluten Free, non-GMO, Low Allergenicity
- Lower Energy Use, Reduce Greenhouse Gas Emissions, Improve Soil Health through Rotational Cropping, Increase Water Use Efficiency

MIDDLE CLASS CONSUMER SPENDING

OUTER RING: 2030 in trillions, USD (projected)

INNER RING: 2009 in trillions, USD



Global Supply / Demand by Pulse Type

Lentils

Total Production:
6.7 million mt ⁽¹⁾

Canada is the world's largest producer with its product primarily consumed in the export market

Lentil Supply and Demand (in mt)						
Rank	Importers		Exporters		Producers	
1	India	753,566	Canada	2,053,528	Canada	3,248,000
2	Turkey	337,500	Australia	284,106	India	920,000
3	Bangladesh	319,803	Turkey	243,768	Australia	830,000
4	UAE	183,634	USA	235,174	USA	575,000
5	Sri Lanka	131,004	UAE	99,521	Turkey	325,000

Chickpeas

Total Production:
12.7 million mt ⁽¹⁾

India is the world's largest producer and importer, with product consumed primarily in the domestic market

Chickpea Supply and Demand (in mt)						
Rank	Importers		Exporters		Producers	
1	India	873,542	Australia	1,274,875	India	7,060,000
2	Bangladesh	175,636	Russia	239,079	Australia	2,310,000
3	Pakistan	129,844	Canada	137,055	Pakistan	537,800
4	UAE	117,103	USA	133,941	Turkey	451,000
5	Iran	89,971	Argentina	127,653	Myanmar	425,000

Peas

Total Production:
14.0 million mt ⁽¹⁾

Canadian production is destined for export markets primarily India and China

Pea Supply and Demand (in thousands of mt)						
Rank	Importers		Exporters		Producers	
1	India	3,061,899	Canada	3,136,682	Canada	4,836,000
2	China	1,001,558	Russia	702,002	Russia	2,200,000
3	Pakistan	462,860	USA	583,013	USA	1,259,000
4	Bangladesh	351,096	France	367,883	India	1,010,000
5	USA	119,400	Ukraine	257,833	Ukraine	750,000

Beans

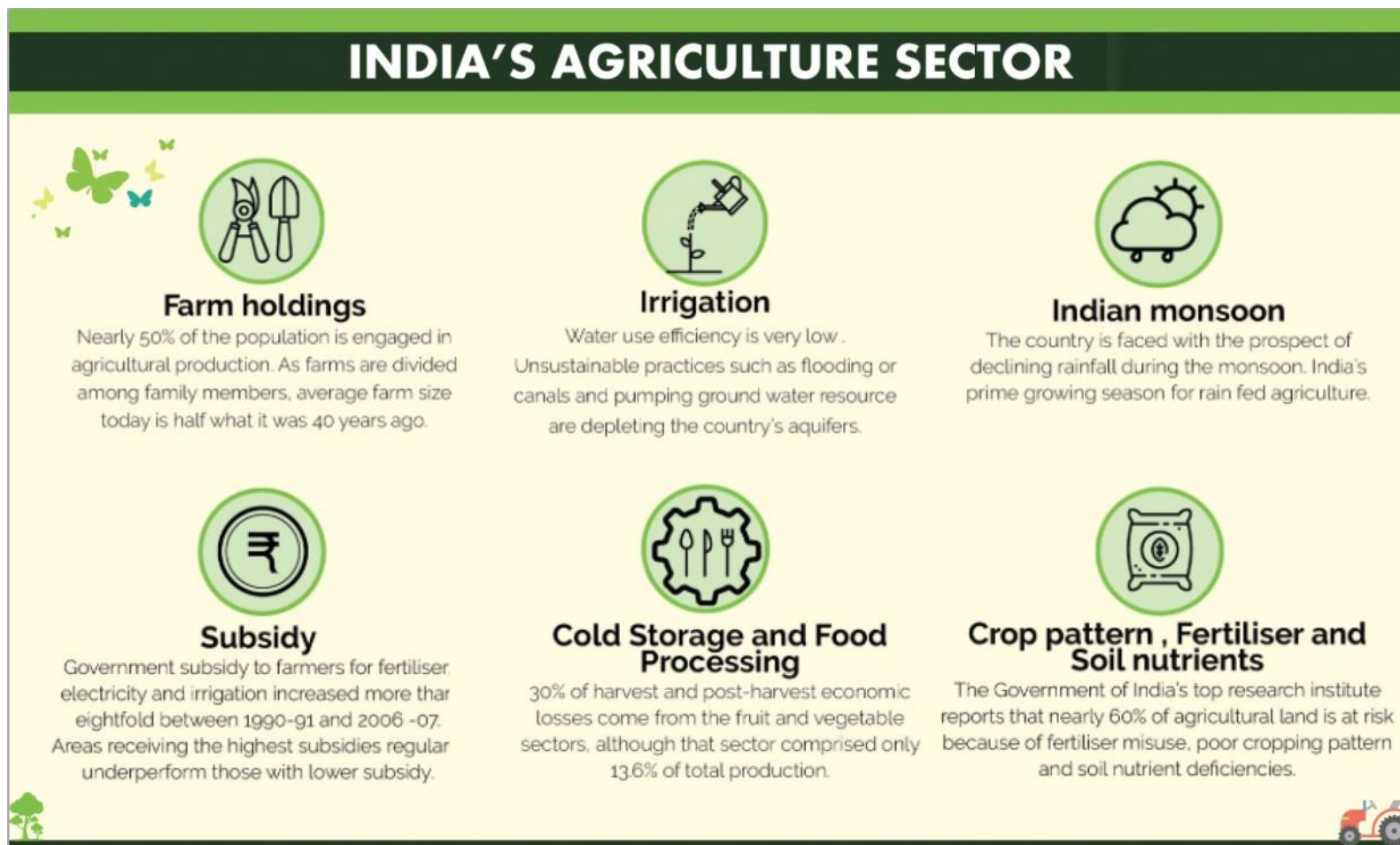
Total Production:
22.5 million mt ⁽¹⁾

Primarily a domestic market; China is the only major producer supplying the export market

Bean Supply and Demand (in mt)						
Rank	Importers		Exporters		Producers	
1	India	681,406	Myanmar	984,491	India	6,600,000
2	Brazil	341,890	China	630,162	Myanmar	3,614,000
3	Mexico	163,226	Australia	421,505	Brazil	3,400,000
4	Italy	127,561	Argentina	402,256	USA	1,363,000
5	VietNam	106,627	USA	191,827	China	962,000

(1) Source: Compiled by StatPUB from official and estimated data; Data shown for 2016

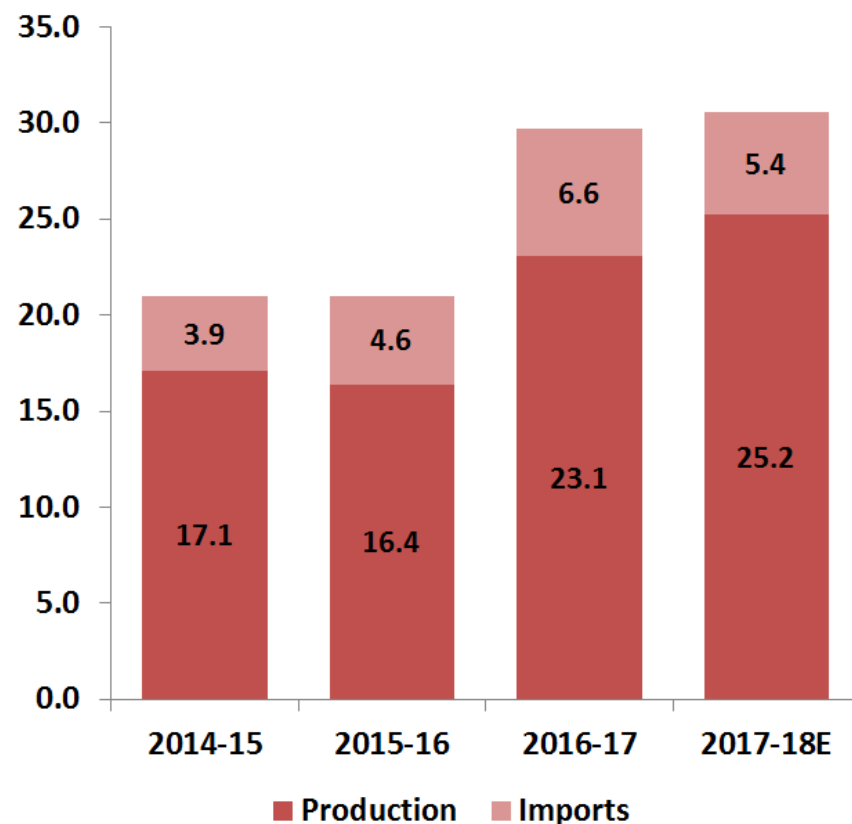
Key Markets – India



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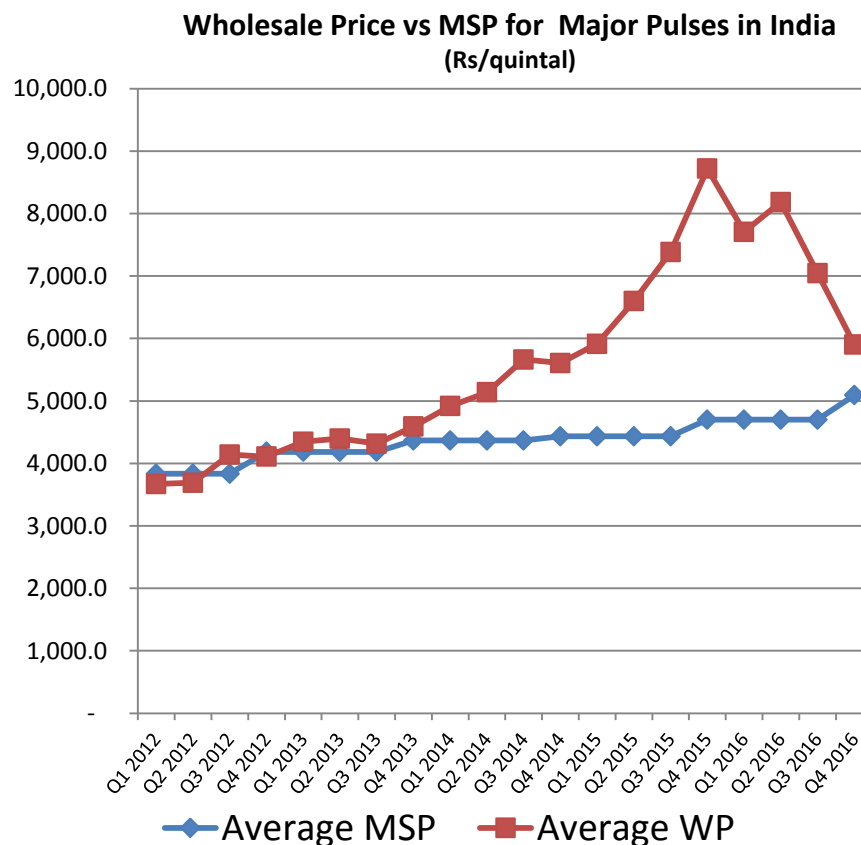
- Largest pulses market in the world with over 20 million metric tonnes of demand for pulses annually and a growing supply demand deficit
- 52% of the land area is considered arable and is among the highest-ranking countries in production volume for various ag commodities
- Agriculture and related sectors such as forestry and fisheries account for 17%
- India depends on imports to continue to meet domestic market requirements. Cycle of local production first, then commence import activities.
- Some forecast 31% increase in demand for food grains by 2030 including 1.96% per year increase in demand for pulses

India - Pulses Supply / Demand Position (mmt)



Indian Government and Ag Policy

- Indian Government supporting local markets and agri sector with:
 - minimum support pricing (MSP),
 - messaging surrounding elections,
 - food security and agricultural policy,
 - anti-hoarding regulations,
 - import of safety stocks to ensure availability of pulses
 - non-tariff trade barriers such as their policy on fumigation of agricultural products and duty on pulses (peas 50%; lentils 33%; chickpeas 66%) as well as restrictions on pea import volumes



Changes with Pulses in the Food System in India

- How pulses are marketed is changing in India from
- Drive to modernize pulse sector in India will come from:
 - Consumers demanding convenience, nutrition and value
 - Farmers producing crops that maximize their return and create sustainable opportunity for themselves
- Biggest challenge for modernization may be in Governmental policy on support of agricultural production to both support local production as well as global supply opportunities
- Majority of Indian population is vegetarian and pulses are the source of economical protein & essential nutrients.
- Economical downtrodden can not afford meat and thus consume vegetable protein / pulses
- Highly affluent section is also turning to vegetable protein due to health reasons



Opportunity for Modernization in India?

**Modernization of pulses and retail sector means the same thing in India –
Modernize food system overall**

- Use of pulses in these areas makes sense for India:
- Prepared food / Ready meals: Pre-prepared and ready-to-consume food products currently very limited in the market but present a great potential for the urban consumer.
 - Increase of middle class
 - More women join the work force
 - work hours are extended in a competitive business environment,
 - quick meal solutions based on traditional tastes
- Gourmet/Foreign Ingredients: Consumers' tastes changing as well as ingredients used in making these types of traditional dishes (e.g. pulse enriched pasta)
- Healthy Snacks: Healthy snacks to benefit the rising 'healthy consumption' trend (chips, crisps, crackers).

Key Markets – Africa

REASONS TO INVEST IN AFRICA'S AGRICULTURE SECTOR



MOTHERLAND OF RESOURCES

As global food demands soar, investors are scrambling for a piece of Africa's ripening agricultural pie, where the sector employs 65% of the labour force and accounts for 35% of South Africa's GDP.



OUTSTANDING YIELDS

South Africa's farmland has yielded 22.1% over 15 years (ending December 2013) compared to the FTSE/JSE Index at 18.2% over the same period.



CONSISTENT HIGH PERFORMANCE

It has also yielded consistently higher returns than international equity (MSCI World), local bond (ALBI BEASSA) and local real estate (IPD) indices over the medium- to long-term.



ABUNDANCE OF ARABLE LAND

Home to over 50% of the world's uncultivated land, 39 million hectares of agricultural land in Africa is physically suitable for irrigation but only 7% of it is irrigated, and in sub-Saharan Africa only 3.7%.



AFRICA COULD FEED THE WORLD

Sub-Saharan Africa's agriculture and agribusiness markets are projected to increase more than three-fold to \$1 trillion by 2030, creating jobs, prosperity, and many opportunities for all involved.



Solutions - Investment in Agriculture in Emerging Markets

- A stronger to open regional trade is a key component in growing efficient local agribusiness capacity.
- As diets remain basically local ability to produce and distribute food is critical to development of sector as well as feed people
- Ag investment can:
 - Make regions more food secure by 2050
 - Create many more productive jobs in agriculture
 - and the food system more widely, helping to avoid a premature exit of workers from agriculture to low productivity jobs in urban centers
 - Create the types of jobs that are attractive to Africa's growing population of young workers
 - Reduce poverty by improving the incomes of smallholders and wage workers, and keeping food prices down
 - Provide consumers with more nutritious foods
- Invest in research into varieties, farming practices, yields and other advantages to grow as much as we can with what we have.



Research Spending on Pulses

- World production of pulses has slowly and steadily increased since the 1960s at a rate of about 1 percent per year however the pace of pulses expansion has not matched that of the other basic foodstuffs
- Other crops and basic agricultural foodstuffs spend dramatically more than pulses research to date resulting in pulses being the “orphan child” of the agricultural “basic foodstuffs”
- A collective effort is needed to add to the total research funding d for research into a variety of areas including **nutrition, growing practices, production, agronomy** and others

Commodity	Avg 61 – 63	Avg 09 – 11	% Growth
Wheat	235.3	678.8	188
Maize	210.0	853.1	306
Rice, paddy	255.8	705.0	212
Soybeans	27.4	250.3	814
Pulses	43.8	67.7	54

Canada's Agri-Food Endowment

- **Abundant natural resources**
(e.g. freshwater, long coastlines suited to aquaculture, least densely occupied arable land in the world)
- **Strong network** of R&D facilities universities
- **Sophisticated, ethnically diverse consumer base** that stimulates product development
- **Early adopters** of technology
- **Reliable access to capital and inputs**
(e.g., fertilizers, feed, seeds)
- **Lowest use** of pesticides per-hectare
- **Political stability and goodwill** that encourage foreign investment
- **Strong primary and secondary processing** sector



Where Are the Opportunities?

“The (global) trend toward urbanization is likely to continue. With it will come growing demand for goods linked to household consumption — particularly agricultural products. Consider the hundreds of millions of people who are climbing the income scale in India and China. Their changing diet implies much more than just stronger demand for traditional protein sources. It also implies demand for inputs such as fertilizer, animal feed, fish feed, oilseeds and specialty crops such as lentils and chickpeas. Indeed, the latest traffic figures from Port Metro Vancouver show sharp growth in shipments of wheat and specialty crops, and solid gains in meat, poultry and potash.”



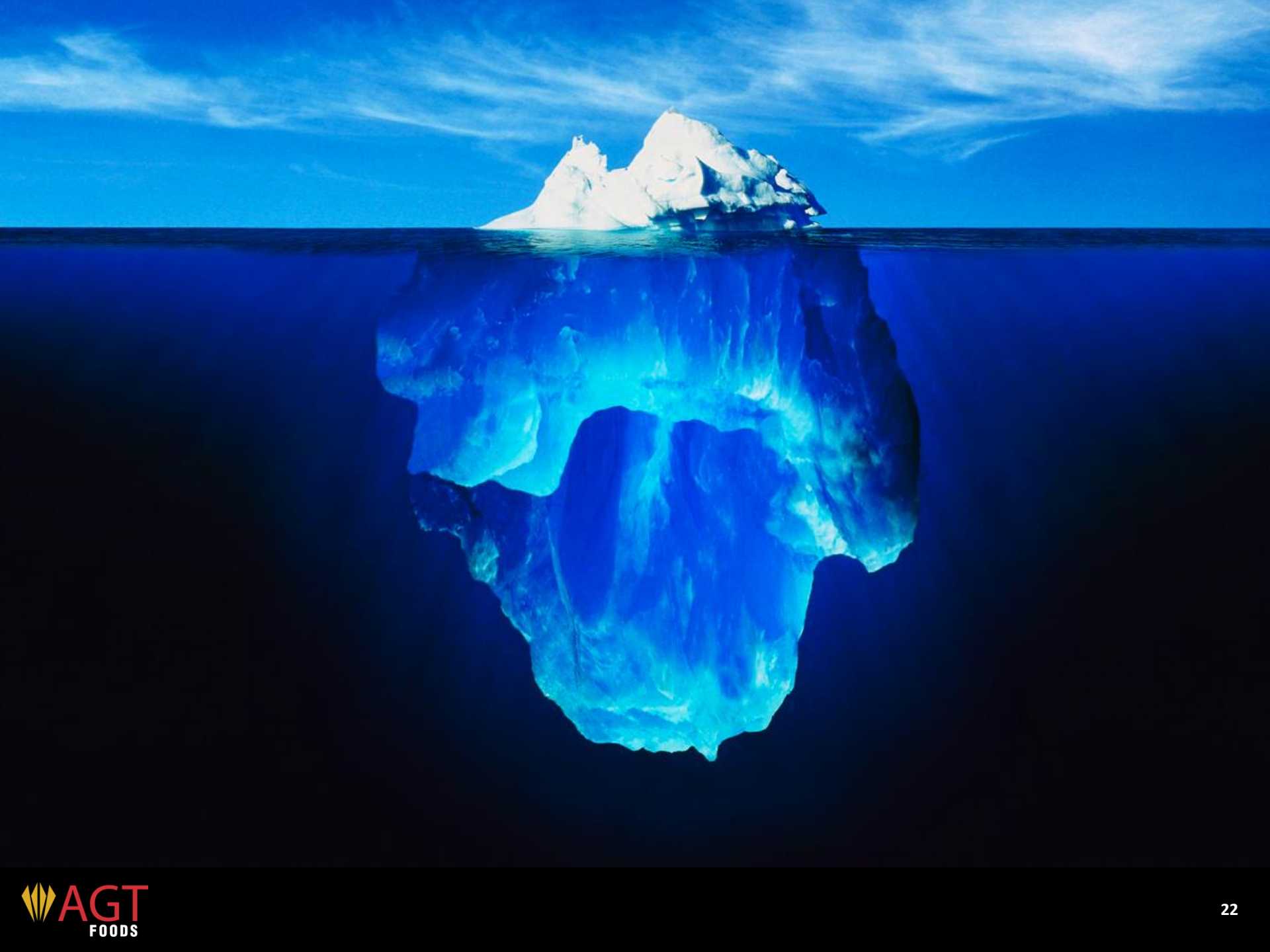
Stephen S. Poloz
Governor of the Bank of Canada

Canada – First Stop on Protein Highway

- In emerging economies, demand for protein is growing rapidly due to urbanization and rising incomes.
- Canadian ingredients and food have a reputation of safety, quality and trustworthiness.
- Canada's food brand is enhanced by the country's natural advantage, - producing food that is among the best in the world
- Pulses, Cereals, Meat & Poultry, Dairy, Eggs
- Canada's ag-food sector could become the trusted global leader in safe, nutritious and sustainable food for the 21st century.







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