



TFSA Investors: 1 Great Agriculture Investment for 2021

Description

Ceres Global Ag (TSX:CRP) procures and supplies North American [agricultural commodities and value-added products](#), industrial, fertilizer, and energy products. The company provides supply chain logistics and storage services to customers worldwide. Ceres is headquartered in Minneapolis and operates 131 locations across Saskatchewan, Manitoba, Ontario, and Minnesota. These facilities throughout North America have an aggregate grain and [oilseed storage capacity](#) of approximately 311 million bushels.

The company has a price-to-earnings ratio of 77.36, price-to-book ratio of 0.88, and market capitalization of \$126 million. Debt is very sparingly used at Ceres, as evidenced by a debt-to-equity ratio of just 0.63. The company has depressed performance metrics with an operating margin of 1.01% and a return on equity of 1.15%.

The company's grain segment is engaged in handling, trading, and merchandising of specialty grains and oilseeds such as hard red spring wheat, durum wheat, rye, canola and pulses through Ceres's grain storage and handling facilities. These facilities are strategically located where Ceres's core products are grown and key markets served.

About 80 of Ceres's grain-storage facilities are located on major rail lines across North America. Two facilities are located at deep-water ports on the Great Lakes, allowing access to vessels, and another facility is located on the Minnesota River with capacity to load barges for shipment. These facilities combine to provide Ceres with efficient access to export and import flows of core grains and oilseeds to North America and global markets.

The company's supply chain services segment utilizes Ceres's facilities to provide logistics services, storage, and transloading for non-agricultural commodities and industrial products. Ceres efficiently manages assets to ensure that handling capacity and transportation costs are optimized, and value-adding products are delivered to key customers and markets served.

One of Ceres's key assets is the facility at Northgate. Northgate sits on approximately 1,300 acres of land in Northgate, Saskatchewan, and is designed to utilize two rail loops, each capable of handling

unit trains of up to 120 railcars and two ladder tracks capable of handling up to 65 railcars. Northgate is an approximately \$75 million fertilizer terminal and is connected to a major railway with ability to further build out the infrastructure to support handling of other industrial products and equipment.

The company's seed and processing segment consists of a soybean crush facility located in a strong soybean producing region with low-cost origination driven by export economics, a specialty crops birdfeed sales business, and the distribution of seed products in western Canada. Operations of this segment are primarily located in Saskatchewan.

The majority of Ceres's staff have been trained at some of the largest grain companies in the world. Further, seasonality does not materially affect Ceres's operations in the same way as a traditional grain handler that is focused on inventory turns and the annual harvest of crops.

Ceres has established business partnerships to diversify the company's agriculture-related businesses in regions that it knows and understands well. This will enable the company to continue delivering high-quality products and superior value to Ceres's seed dealer and grower network.

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