From Producer to the World

AGT FOODS

AGT Foods (TSX: AGT)

Agriculture as a Driver of Canadian Economic Prosperity:

Canadian Federation of Agriculture – 2018 Annual General Meeting

www.agtfoods.com

February 2018

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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
- $1.9 billion sales reported in 2016
- Approximately 2,000 employees globally

Global Company & Brands

AGT FOODS

Saskcan

arbel

ARBELLA

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PULSE

AGT POORTMAN

Advance Seed

Pouyoukas Foods

Rural Renaissance

"a future in which agriculture provides societal solutions to energy supplies, health promotion and climate change."

"whatever producers and processors do, they must be done in innovative ways that resonate with their customers."

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
- Saskatchewan 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

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
- Sop**histicated, 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

Source: Advisory Council on Economic Growth;

Barriers to Growth in Canada Ag

1 **Underdeveloped value chain**

- Only processes **50%** of agriculture output
- **Lack of investment** in processing infrastructure

2 **Low productivity**

- Unable to achieve **economies of scale** on farms in some sub-sectors
- Deployment of **productivity-enhancing technologies** limited by rural internet bandwidth
- **Government spending** primarily on risk management rather than productivity enhancing investments

3 **Trade barriers**

- **Lack of preferential trade agreements** with 3 of 5 biggest potential export markets (China, India, and Japan)
- **Comprehensive Economic and Trade Agreement** with EU yet to be fully implemented

4 **Regulation**

- **Growing regulatory obstacles** to trading with the U.S. have added substantial burdens to agri-food companies in the last decade

Source: Canada Advisory Council on Economic Growth;

Agri-Food – Canada’s #1 Job Creator

Canadian “core strength”[1] sectors	Employment contribution Million jobs, 2015	GDP contribution %, 2015
Agri-food	2.10	6.7
Manufacturing	1.70	10.5[1]
Education	1.00	13.7
Energy and renewables	0.95	6.8
Tourism	0.63	2.0
Forestry	0.30	1.3
Financial services	0.78	5.2
Mining	0.06	3.5

0.20 million   **Natural resources**

SOURCE: McKinsey and Co;MentorWorks; National Energy Board; Natural Resources Canada; Innovation, Science and Economic Development Canada; Conference Board of Canada, TIAC;

[1] Export-intensive sectors with strong GDP contribution and/or comparative advantages

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 Agri-Foods Trade

$ Billions USD (2014)

Rank	1	2	3	4	5	6	7	8	9	10
AGRICULTURE										
	EA**	USA	China*	Brazil	Canada	India	Australia	Argentina	Mexico	Chile
Ag export values	118.60	77.74	34.24	29.76	28.17	20.47	13.90	12.62	12.13	11.59
	EA**	China*	USA	Japan	UK	Canada	Mexico	Egypt	Sweden	Poland
Ag import values	143.08	77.09	49.05	29.99	19.09	11.98	10.24	8.15	7.11	6.37
AGRI-FOOD										
	EA**	USA	Brazil	China*	UK	Malaysia	NZ	Canada	Thailand	Poland
Agri-food export values	306.11	62.12	40.39	36.00	25.79	22.40	20.74	19.75	19.34	18.14
	EA**	USA	China*	UK	Japan	Canada	Mexico	India	Australia	Poland
Agri-food import values	245.02	78.96	52.26	46.18	34.02	23.43	14.53	13.26	10.34	9.92

Source: UN Comtrade

2014 world rankings, USD (billions)

[1] Agriculture includes HS codes 01, 03, 06, 07, 08, 10, 12, 14. Agri-food includes HS codes 02, 04, 09, 11, 13, 15, 16, 17, 18, 19, 20, 21, 22

* *China includes Hong Kong and Macao*

** *EA includes Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Cyprus, Estonia, Greece, Latvia, Lithuania, Malta, Slovakia, and Slovenia*

Source: UN Comtrade; FCC;

Agri-Foods Market Dynamics

Traditional Markets for Agri-Food
Growth Driver: Population & Global Demand for Food
Markets: 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

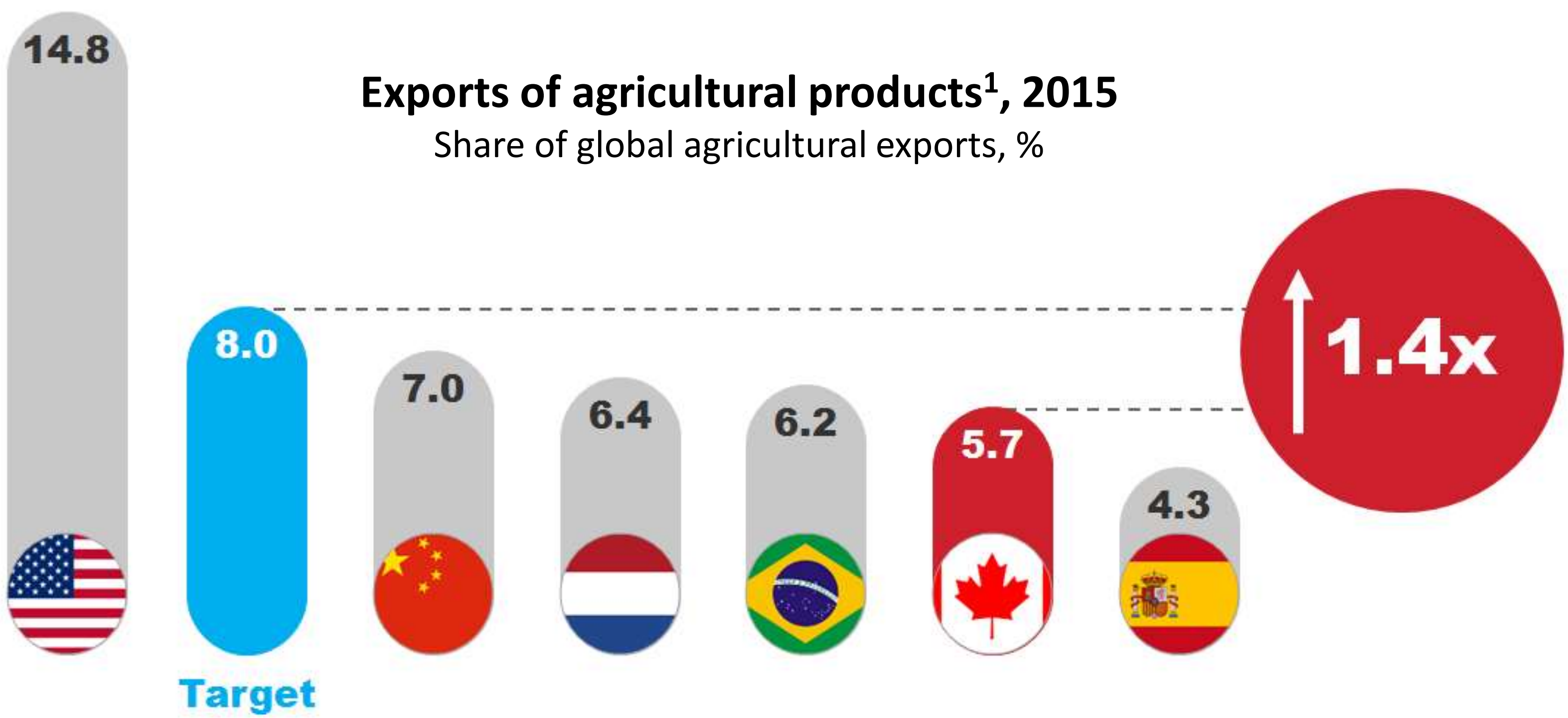
- Health, nutrition, changes in diet choices
- High Protein and Fibre, Nutrient Dense, Low Fat, Gluten Free, non-GMO, Low Allergenicity
- Lower Energy Use, Reduce Greenhouse Gas Emissions, Improve Soil Health through Rotational Cropping, Increase Water Use Efficiency

MIDDLE CLASS CONSUMER SPENDING
OUTER RING: 2030 in trillions, USD (projected)
INNER RING: 2009 in trillions, USD

Source: AAFC; UN FAO

Direct-From-Farm Agri-Exports

- Other countries are outgrowing Canada on exports of direct-from-farm agricultural products
- Canada could target an **8%** global market share in agricultural products by 2027, which represents an opportunity of **$11B**



Source: McKinsey and Co; Advisory Council for Economic Growth;
[1] Agriculture trade defined as live animals, aquaculture, live plants, edible vegetables, edible fruit, cereals, oilseeds, veg plaiting

Case for Food Processing in Canada

- Second largest manufacturing industry in Canada in terms of value of production with shipments worth $105.5 billion in 2014;
- Accounts for 17% of total manufacturing shipments and for 2% of the national Gross Domestic Product (GDP).
- Largest manufacturing employer and provides employment for 246,000 Canadians.
- Supplies approximately 75% of all processed food and beverage products available in Canada
- Largest buyer of agricultural production.
- Exports of processed food and beverage products stood at $27.8 billion in 2014, an increase of 9.8% over 2013; accounting for 26% of production value.

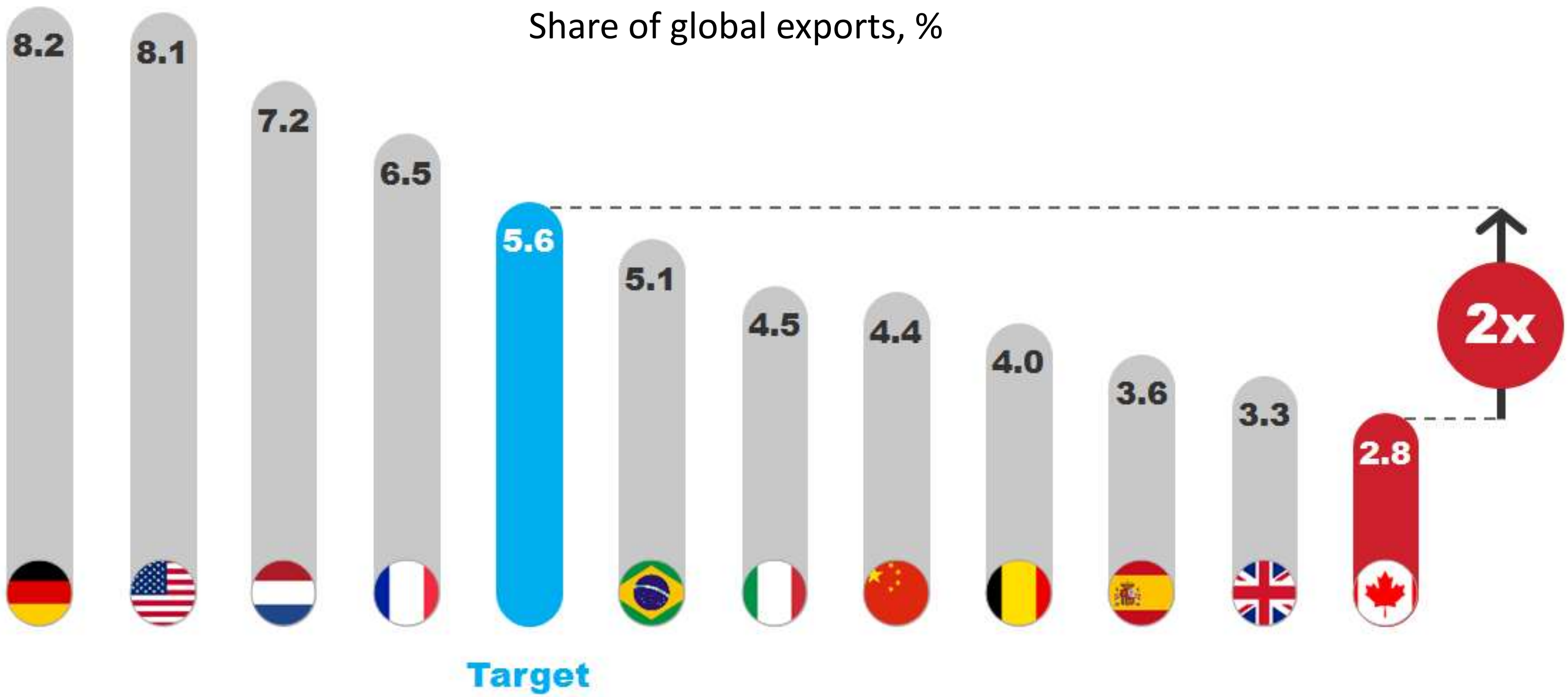
Source: AAFC; Ag in the Classroom

Exports of Processed Foods

- Canada could aim to **double** its share of processed food exports by 2027, which represents an opportunity of **$19B**

Exports of agri-food products[1], 2015

Share of global exports, %



Source: McKinsey and Co; World Trade Organization;

[1] Agri-food trade defined as dairy, coffee, milled products, lac, gums and resins, fats, preparations of meat, sugars, cocoa, preparations of cereals, preparations of vegetables, misc edible products, beverage

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**.

Source: UN FAO

Canada’s Food Policy Framework

Building Blocks of Canada's Agri-Food Growth Strategy

1	**Set an ambitious aspiration**	Increase annual agri-food exports by US $30 billion over the next 5-10 years to become a Top 3 agri-food exporter
2	**Launch a few bold pilots**	Signature initiatives that large and small players can rally behind across key sub-sectors
3	**Implement the Council's core recommendations in agriculture sector**	Specific initiatives to broaden trade agreements, develop infrastructure, enhance immigration and FutureSkills Lab, and accelerate innovation
4	**Public-private collaboration**	Rally private sector and government to work together to drive growth

Source: Canada Advisory Council on Economic Growth;

Innovation Superclusters

- Innovation Superclusters Initiative will allocate a small number of high-value, strategic investments in the form of non-repayable contributions to industry-led consortia
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- 9 finalists invited to Phase II application process

Title:	Protein Innovations Canada (PIC) Supercluster: Unleashing the Potential of Canadian Crops
Mission statement:	Position Canada as the world's paramount supplier of plant-based proteins and related products. Capture the massive export-market opportunity for safe, nutritious plant-based food and feed by stimulating collaboration on novel technologies and value-added supply-chain infrastructure.
Applicant:	AGT Foods, Ag-West Bio Inc. along with more than 60 innovation partners
Location:	Pan Western Canada

Protein in Global Food Solution

How can we meet the protein needs of 9 billion people in a way that is affordable, healthy and good for the environment?

Source: Forum for the Future: Future of Protein Report

Canada’s – 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.

Source: McKinsey & Co; UN FAO

Canada’s Economy Strategy Tables

- Agri-Food Table convened to position Canada’s agriculture and agri-food sectors for long-term growth.
- Model for industry-government collaboration, focused on turning Canadian economic strengths into global advantages.
- Tables are chaired by industry leaders and will set ambitious growth targets, identify sector-specific challenges and "bottlenecks"
- Lay out an actionable roadmap to achieve their goals.

Economic Strategy Tables

- Announced in Budget 2017 as part of the Innovation & Skills Plan
  - Key element of the government's overall strategy for economic development and inclusive growth (e.g., Superclusters, Strategic Innovation Fund, etc.)

- Common approach across all 6 Economic Strategy Tables*
  - Asked to craft a vision for the sector we want in 2025
  - Set ambitious growth targets, identify sector-specific challenges and bottlenecks, and develop bold ideas to achieve these targets

- Recommendations to include a mix of initiatives
  - Government-led policies, programs, regulatory initiatives
  - Industry-led action plans
  - Joint initiatives involving public/private collaboration

*Advanced Manufacturing, Agri-Food, Digital Industries, CleanTech, Health/Bio-sciences, and Clean Resources

Agri-Food Table

- Builds on recommendations set out in the Barton Report
  - Strategic opportunity for Canada to be a world-leader in agri-food production
  - Table exploring ways to achieve the $75 billion export target, and other targets

- Comprised of 15 members, representing the diverse perspectives of the agri-food sector
  - Includes representatives from primary agriculture, food processing, fish and seafood, technology providers, grain handling, and retail
  - Producer Advisory Council bringing farmers' perspectives to the Table
  - All members committed to boosting the sector's competitiveness

- Interim Report released February 13, 2018
  - https://www.ic.gc.ca/eic/site/098.nsf/eng/00015.html

Producer Advisory Council

- Comprised of 10 members representing the range of crop and livestock sectors in Canada
  - Grains & oilseeds, pulses, dairy, beef, pork, poultry, horticulture, special crops, etc.
- Producer Advisory Council informing the Table's work
  - Key challenges and opportunities brought to the Table for consideration
  - Feedback being sought on the Table's priority themes
  - Input being taken into consideration in

Priority Themes

The Agri-Food Table has identified five priority themes to drive their forward workplan

1. Market Access and Export Growth
2. Infrastructure and Regulations
3. Innovation and Value-Added Opportunities
4. Technology and Digitization
5. Skills and Labour

Going Forward

- Monthly face-to-face meetings will continue until June 2018
- Proposals related to the five priority themes are being developed to drive Canadian competitiveness
  - Where possible, coordination with other Tables on horizontal issues (e.g., technology adoption, skills development)
- Recommendations will be addressed to both government and industry, with an implementation plan and performance metrics
- Final Report to be released this Fall

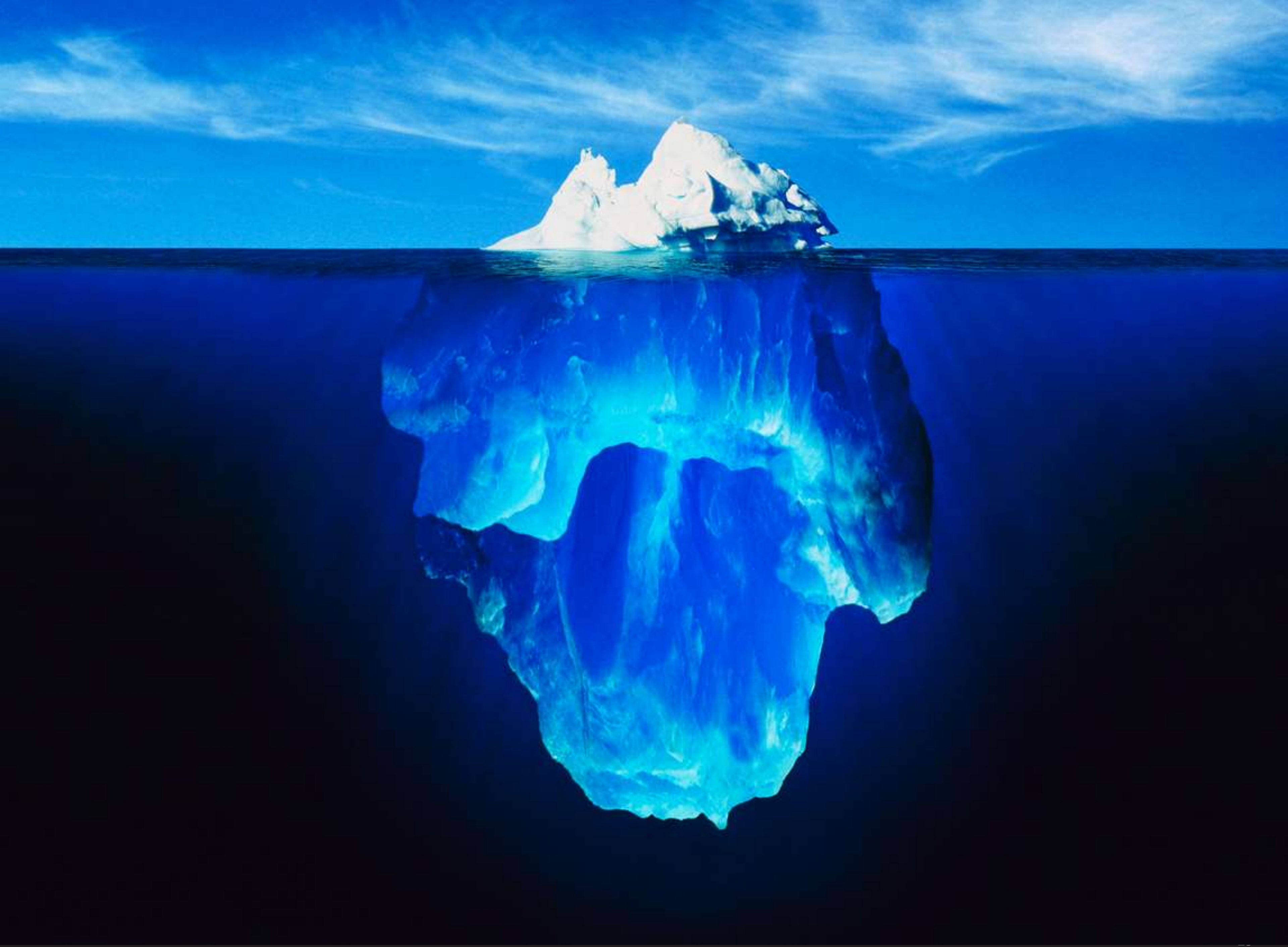
Provide your input!

- What is your aspirational vision for your sector? What would success look like in 2025?
- It is often suggested that countries need to target their growth efforts towards areas of competitive advantage. In your sector, where does Canada have strength or emerging strength?
- What are the obstacles to innovation in your sector? (You may wish to think about investment, talent and skills, access to markets, rules or regulations, demand.) How could these be overcome?
- What is, or will be, the most significant innovation globally in your sector for the next 10 years? What is needed to capitalize on this innovation and establish Canada as a world leader?
- To ensure that all Canadians benefit from accelerated economic growth, what actions and partnerships could governments, businesses, educational institutions and Canadians undertake?

ic.est-tsse.ic@canada.ca

or

https://www.ic.gc.ca/eic/site/098.nsf/mail/PWOF-AS7KC9



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