MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2013

ALLIANCE GRAIN TRADERS INC.
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The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operation has been prepared by Management to help readers interpret Alliance Grain Traders Inc.'s ("AGT" or the "Company") consolidated financial results for the three and twelve months ended December 31, 2013 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2013. The consolidated financial statements have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to AGT, including periodic quarterly and annual reports and the Annual Information Form ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

This MD&A has been prepared as at March 21, 2014. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights of 2013

• **EBITDA*** was $60.0 million for the year ended December 31, 2013 compared to $39.4 million for the year ended December 31, 2012, an increase of 52.3%. EBITDA* was $18.2 million for the unaudited three months ended December 31, 2013 compared to $14.4 million for the unaudited three months ended September 30, 2013 and compared to $12.5 million for the unaudited three months ended December 31, 2012.

• **Revenue** was $1.1 billion for the year ended December 31, 2013 compared to $855.3 million for the year ended December 31, 2012, an increase of 33.1%. Revenue was $375.1 million for the unaudited three months ended December 31, 2013 compared to $240.5 million for the unaudited three months ended September 30, 2013 and compared to $247.2 million for the unaudited three months ended December 31, 2012.

• **Adjusted net earnings*** were $21.6 million for the year ended December 31, 2013 compared to adjusted net earnings* of $5.6 million for the year ended December 31, 2012. Adjusted net earnings* were $6.8 million for the unaudited three months ended December 31, 2013 compared to $4.7 million for the unaudited three months ended September 30, 2013 and compared to $3.8 million for the three months ended December 31, 2012.

• **Improvement in days trade accounts receivable outstanding** to 52 days for the year ended December 31, 2013, down from 68 days for the year ended December 31, 2012.

• **Improvement in days inventory outstanding** to 74 days for the year ended December 31, 2013, down from 86 days for the year ended December 31, 2012.

• **Minot facility** construction complete with commissioning activities on the second line nearing completion.

• **Dividend** of $0.15 per share for the quarter ($0.60 per share on an annualized basis).

Business Overview

AGT operates with three reporting segments: (1) pulses and grains processing (2) trading and distribution and (3) food ingredients and packaged foods, the final segment introduced during the fourth quarter as part of AGT's year end 2013 results. The pulses and grains processing segment includes subsidiaries and facilities in Canada, the U.S., Australia and a portion of the operations in Turkey. The trading and distribution segment includes operations in Europe, Russia, India, China and a portion of the operations in Turkey. The food ingredients and packaged foods segment includes subsidiaries and facilities in the U.S., Canada, South Africa and a portion of the operations in Turkey.

Through its three segments, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans, popcorn, canary seed, flax and other specialty seeds packed for export as well as in dry small package and canned products for both domestic consumption and export markets. In North America, AGT produces pulses proteins, fibres, starches and flours for food ingredient and industrial uses. AGT's operations in Turkey produce milled durum wheat products such as semolina, pasta (under the Arbella brand) and bulgur wheat as well as medium grain and long grain milled rice. These products are sold for both domestic consumption and export markets.

AGT owns twelve pulse processing plants and a canning and retail packaging plant in Canada, two plants in the U.S., four in Australia and nine in Turkey, as well as one bean processing and food distribution facility in China and one processing and retail packaging facility in South Africa. Wholly owned foreign subsidiaries include the Arbel Group in Turkey ("Arbel"); United Pulse Trading Inc. ("United Pulse") in Williston and Minot, North Dakota, U.S.A.; Australia Milling Group Pty Ltd. ("Australia Milling Group") in Victoria, South Australia and New South Wales, Australia; Advance Seed Pty Ltd. and its subsidiary Pouyoukas Foods ("Advance Seed") in South Africa; A. Poortman (London) Limited in London, U.K. ("Poortmans") with merchandising offices in the Netherlands and Spain; Alliance Grain Traders India PVT Ltd. ("AGT India") in India; Alliance Grain Traders Switzerland in Le Grand-Saconnex, Switzerland ("AGT Switzerland"); and Alliance Grain Traders (Tianjin) Co. Ltd. ("AGT China") in Tianjin, China. AGT also operates an origination office located in Rostov-on-Don, Russia ("AGT Rostov"). In January of 2014, AGT announced that it had acquired the assets of CLIC International Inc. ("CLIC"), a Laval, Quebec-based retail packaging and canning distribution company, forming a new operating company called AGT CLIC Foods Inc. ("AGT CLIC"). See subsequent event note on page 39.

AGT is among the world's largest value-added processors and splitters of pulse crops and an international producer, processor and exporter of staple food products to over 100 countries. The Company's common shares are currently listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "AGT".

Business Outlook

AGT management expects an increasingly positive outlook in AGT's food ingredient and packaged foods segment in addition to continued recovery in the Company's core legacy pulses and grains processing and trading and distribution segments. The continued recovery is expected to be driven by increased capacity utilization and the expected continuation of normalized flow of pulses and staple foods to key consumption markets evidenced by export data from Canada for pulses. Overall, margins and total metric tonnes ("mt") handled through AGT facilities are tracking as per AGT management expectations, with further improvements expected throughout 2014. As AGT's business segments grow and improve, margin and earnings are expected to improve with them. AGT management forecasts a transformational year in 2014 and into 2015 as the company grows its ingredient platform, moving towards increased concentration in the potentially higher margin, less volatile food ingredient sector, focused on ingredient flours, protein, fibres and starches derived from pulses and the packaged retail foods market.

Food Ingredients and Packaged Foods

In recent periods, pulse ingredients have been gaining profile with both consumers and food companies in the human food, petfood and animal feed sectors. As well, food manufacturers may use pulses as an ingredient, in whole or fractionated form, combined with other ingredients to create products and ingredient blends or for other applications. Concentrations include foods for human consumption (baking, cereals, meat and meat analogues, pasta, snack and extruded foods, dips, soups and convenience meals) as well as for petfood, branded feed ingredients and aquaculture. Pulse ingredient flours, proteins, fibres and starches can be derived from a single product, individually from lentils, peas, chickpeas or a variety of beans. Alternatively products may be blended to capture or enhance particular characteristics.

Pulse ingredients are considered attractive for the nutritional characteristics they naturally provide, as they have a low allergen profile, are gluten-free and are high in protein, fibre, vitamins and minerals [Source: Saskatchewan Pulse Growers]. Pulse ingredients are also attractive because they are derived from pulses which are GMO-free and are produced sustainably. Pulses naturally replenish nitrogen in the soil [Source: Saskatchewan Agriculture], and have lower greenhouse gas emissions [Source: Zentner et al. 2004] and lower water usage to produce than other forms of protein [Source: National Geographic Report]. Pulse ingredients provide attractive characteristics for food companies reacting to consumer demand for healthier, sustainable products as well as for the consumers themselves.

For example, General Mills, Kellogg's and Post have all recently announced their intention to replace GMO ingredients, including soy and corn, in some of their products, in part as a result of the work of consumer advocacy groups. According to data from Euromonitor, demand for alternative flours, including pulse flours, is estimated to outpace more traditional wheat flours throughout the food and beverage industry. In the sweet and savory snacks applications category, "other flours" are forecast to grow almost four times faster than wheat flours and ahead of other cereals and potato flour between 2012 and 2017 in North America and Europe. Market research firm Packaged Facts reports gluten-free foods are expected to have sales of more than $6.6 billion by 2017. The National Foundation for Celiac Awareness reports that 18 million Americans have non-celiac gluten sensitivity in addition to the 3 million Americans that suffer from celiac disease. The global protein market is expected to reach $24.5 billion by 2015, with the greatest annual growth occurring in the plant protein ingredient sector [Source: Canadian Institute of Food Science and Technology]. Statistics such as these demonstrate the potential market opportunities pulse ingredients may provide, not only in North America and Europe but around the globe, supporting AGT management's belief that its well-structured, strategic entry into the pulse ingredient market may provide significant growth opportunities and increased earnings potential for AGT.

AGT management believes that this pulse ingredient business segment may provide added margin opportunities and therefore earnings growth, as well as assist in smoothing earnings over the year. As has been demonstrated in past periods, AGT's legacy pulses and grains business is seasonal in nature, with new-crop harvests and customer buying patterns dictated by local production supply and demand dynamics. Packaged foods, such as AGT's growing Arbella pasta business, have provided some seasonal smoothing of earnings. This has also led to the motivation of management to pursue the growth of this platform, through the acquisition of CLIC's canning, packaging and distribution facilities and its retail listings in Canadian retail stores. The CLIC acquisition contributes to the expansion of AGT's business in this segment globally.

Food companies appear to be less susceptible to volatility in commodity markets, as they typically purchase higher-value ingredient products with specific characteristics and profiles or non-fractionated, value-added pulses with delivery contracts over a longer period of time (at potentially higher prices to guarantee delivery and quality). In order to meet the requirements of both higher-value ingredient products and non-fractionated value-added pulses, AGT has made significant investments both in its global value-added pulses processing infrastructure and its ingredient production and research and development facilities.

Currently, AGT is in the process of completing an expansion, adding a second line of production at its Minot, North Dakota facility, announced in late 2013. As a result of AGT's marketing agreement with Cargill on pulse protein for the petfood and branded animal feed ingredients in North America, line one in Minot is currently operating at full capacity, necessitating the installation and commissioning of line two to allow for the expansion of sales programs. Commercial production on line two commenced in March 2014, with a sales program both inclusive of the Cargill agreement and globally to other human food, petfood and aquaculture customers tracking as per AGT management expectations. Further investigation into line three is commencing, with a potential 2014-15 target date. The pace of the expansion will depend on the success of AGT's sales programs for pulse ingredients. After the successful expansion to three lines in Minot, management may take decisions related to partial or full conversion of some capacity in Regina, Williston or a portion of AGT's Mersin facilities to pulse ingredients and fractionation.

The impact of conversion as opposed to greenfield construction is a lower capital cost and shorter time to market and is expected to provide competitive advantages for AGT's growing ingredient business segment. With the high fixed cost nature of AGT's overall business, inclusive of ingredients, investments in infrastructure and facilities, as well as the management to operate the business unit, have potential to make a higher contribution to earnings as scale and capacity utilization targets are achieved. This is the same principle followed by AGT for its other processing operations.

Research and development, through collaborative research with food companies and ingredient partners, such as Cargill, is expected to continue to yield application innovations. Research and development will also provide baseline data required for food companies to potentially increase inclusion of pulse ingredients in new products or replace ingredients in existing products. In many cases, research initiatives result in an ability to convert test quantities to real commercial sales for AGT, which is one of the reasons for AGT's investment in its Research, Development and Innovation ("RD&I") Centre in Saskatoon, Saskatchewan.

Research and development by AGT at its RD&I Centre is targeted to exploit the ability of pulse ingredients to perform well in food applications for bakery, meat, pasta and extruded snacks, as well as global applications for petfood, animal feed and aquaculture and industrial uses for starches and fibres. Preliminary results in AGT's high viscosity flour products derived from starch fractions, which are used for batters, breading, extruded snacks, thickeners to replace modified starches, and stock for sweeteners and meat/meat analogues and meat fillers, are viewed by AGT management as promising. AGT has begun to book real commercial sales in the food segment complementing the sales opportunities in the petfood sector. Protein and fibre sales demand is growing and AGT has made progress in developing food, feed and petfood sales to ensure that the movement of starch products continues as the pace of production increases with the commissioning of the second line of production in Minot. It is essential that commercial opportunities are developed to ensure the consistent movement of all products to ensure that production is not disrupted. Management is pleased with the progress in its sales development and customer prospects for sales in 2014-2015 are tracking with management expectations.

Inclusive of quantities sold and shipped as part of the Cargill marketing agreement, margins on sales of protein and fibre margins are tracking as per AGT management expectations. Volumes of high viscosity flour and starches are being sold. Currently volumes are concentrated in feed applications, and are expected to be replaced over time by increased human food, petfood and aquaculture applications through research and development activities. This is expected to contribute to improving overall profitability of AGT's ingredient platform and positively commence contributing to earnings as ramp up continues in 2014.

Pulses and Grains Processing

AGT's pulses and grains processing segment has benefited from normalization of global pulses and staple foods markets as indicated by Canadian pulses export statistics and reports of crop conditions and estimated production volumes in core consumption markets. Canada produced a record pulse crop and demonstrated good export volumes in 2013 as reported by Statistics Canada ("StatsCan"). Exports to key markets in India, Turkey, the United Arab Emirates and Egypt suggest the start of a return to normal shipment of pulses in 2014 and a return to relative supply and demand balance, which has been imbalanced over past periods due to oversupply and sluggish demand caused by currency volatility and macroeconomic issues. The negative headwinds from supply-demand imbalance appear to be correcting and management expects that demand in Indian subcontinent, Middle East and North Africa ("MENA") and Mediterranean markets to continue to pace at normalized seasonal levels.

With improved volumes, capacity utilization at AGT facilities globally is improving and tracking as per AGT management expectations. As previously stated, given the high fixed cost nature of AGT's business, incremental improvements in capacity utilization have a significant impact on gross margin and earnings. AGT management initiatives surrounding working capital management, inventory and receivable turns and cost reduction will continue, as these initiatives have also provided a positive impact on AGT's earning over the 2013 period and are expected to continue their positive impact in 2014 and into the future.

With significant crop production and record export volumes in Canada, freight options have been of concern to all commodity sectors. The resource sector in Western Canada is strong, putting constraints on rail capacity, which, coupled with threat of labour unrest and extreme cold weather in all parts of Canada, may have an effect on available transportation options and potentially affect capacity utilization at some AGT facilities. While these factors are considered to be temporary by AGT management, possible alternatives to freight options, such as more over-the-road trucking and bulk pulses exports (as demonstrated by significant increases to Canada's bulk exports as reported by CGC and Canadian Ports Clearance Association through STAT Publishing) are being utilized, providing optimism in AGT's ability to manage its delivery chain and capitalize on market opportunities for pulses and staple foods to key consumption and import markets.

Currency volatility, particularly in the key Turkish and Indian markets, is being closely watched by AGT management. The Indian rupee has weakened against the U.S. dollar throughout 2013, resulting in decreased prices for lentils and pulses in local markets, as local buyers appear to be short on the funds required to purchase products in advance of Rabi harvest. The relative weakness of the Canadian dollar has closed the gap somewhat maintaining grower bids and providing the ability to better match prices expected by prospective buyers. AGT management expects imports to India and neighboring markets to continue at significant levels, pacing with levels established in 2013.

The Turkish lira has also shown weakness in the later part of 2013 and early 2014, with the most significant impact currently being seen within the domestic supply and demand dynamic of the country. Turkey is a significant import/re-export origin, with supply requirements to the MENA region that are traditionally fulfilled through imported product from Canada, Australia and the U.S. However, these products are not typically purchased and sold in Turkish lira, mitigating some of the currency impact. Estimated low levels of production in Turkey are expected by AGT management to partially offset pricing weakness to India, which may result in positive trending for global lentil, pulses and staple foods markets and may lead to positive fundamentals for AGT, including a margin improvement in its pulses business in 2014-2015.

AGT has been able to capitalize on its significant strengths in origination and supply position in multiple production and distribution geographies to procure, process and ship pulses and staple foods year-round. AGT's multiple origin strategy has been able to de-risk AGT's supply position in periods where production in one origin may be at risk. In the current market with lower production in Turkey and Australia, AGT has been able to procure new crop products from the record Canadian harvest to meet sales requirements and protect margins. AGT management, both at its executive and operational levels, has vast experience in origination, processing and marketing of pulses that has assisted AGT during the previous periods of volatility in global pulses and staple foods markets and is expected to assist positively as AGT's legacy business lines normalize and improve margins, volumes and profitability.

Trading and Distribution

Normalization of pulses and staple foods markets has positively impacted export volumes of other commodities sold through AGT's trading and distribution segment. Trading and distribution sales are made up of products not specifically processed in AGT facilities, including popcorn, coffee, canola, flax, sugar, spices and a variety of seeds.

With civil unrest in Syria and across northern and central Africa, AGT has benefited from a number of government tender programs, both for pulses and staple foods as well as other products and food parcels through governments, international aid organizations and non-governmental organizations ("NGO"). For example, the Turkish government has been very active with aid programs for Syria, having spent an estimated $2.5 billion by the end of 2013 [Source: NY Times Magazine] on foodstuffs, camps and infrastructure. Approximately 25% of the 2.5 million refugees created by the country's ongoing conflict are based in Turkey. AGT's Arbel Group operations in Turkey have been very active in such NGO tenders and aid programs in the region.

Similar margin and volume improvements to those seen in AGT's pulses and grains processing segment are expected by AGT management in this segment in the 2014-2015 period. While relative margins are potentially lower in this segment, they are expected to continue to be a positive contributor to AGT's earnings due to the fact that they do not require processing, facility infrastructure nor capital investment.

Strategy Implementation: Management Update

Management strategies and initiatives outlined over recent periods remain ongoing. These initiatives include monitoring accounts receivable and inventory turns, cost reduction and normalization of AGT's legacy business in whole and product diversification including value-added pulses and staple foods for export, and new lines of related business such as pulse ingredients and retail packaged goods. These initiatives have the goal of continuing to improve utilization and thereby profitability of AGT's business and global operations. To date, as markets have improved, these strategies and initiatives have shown positive results and are expected by AGT management to continue, providing the support for AGT as it continues to grow and diversify.

AGT is on track towards the acceleration of growth related to food ingredients and packaged foods, including expansion of its Minot, North Dakota facility and an increased focus on retail packaged and canned goods business globally to build scale in these potentially higher-value segments. Additionally, AGT's legacy business continues to normalize to traditional seasonal patterns, with slight increases to current volumes. AGT management continues in its efforts to positively improve the performance of its traditional pulses and grains processing business.

These management strategies and initiative include:

Margin Improvement through increased volumes, product mix changes and growth in new platforms: AGT management expects margin improvement in all segments to continue. A number of factors have contributed to this expectation, including overall volume increases as a result of higher import levels to key consumption markets to bring supply and demand into better balance; relative price strength when viewing the pulses and staple foods markets in totality; diversification into different products, origins and destinations such as rice from India, chickpeas, beans and split peas to South America and South Asia; and increases in volumes for AGT's new pulse ingredient business focused on pulse flour, protein, fibre and starches to food companies focused on human food, petfood, animal feed and aquaculture to North America, Europe and South Asia.

During periods of supply and demand imbalance, AGT management was focused on programs to strengthen and streamline its distribution network to ensure that sales opportunities were being captured efficiently to maximize margin and volume potential. As markets normalize, a stronger distribution network is expected to assist in continued positive progress in converting revenue growth to improved margins and profitability. AGT continues to demonstrate its ability to convert gross margin improvements into EBITDA* through a relatively consistent general and administrative and marketing sales and distribution expense on a per metric tonne basis, taking into account that business volumes and the global footprint have increased significantly. Management views this as a positive foundation for earnings improvement.

AGT management is confident in its ability to deliver steady improvements in gross margins per metric tonne as well as increased volumes shipped through 2014. With the scale and size of operations, margin improvement on existing metric tonne handled through AGT facilities is expected to have a material impact on improving earnings.

Working Capital Management: AGT management's ongoing working capital initiatives aimed at increasing inventory and receivable turns to ensure that working capital debt is reduced as a percentage of revenues and equity capital programs are planned to continue. Earnings improvement and debt optimization strategies are forecast and expected to ensure that AGT maintains a healthy balance sheet to fund its growth and expansions from free-cash flows, debt and equity while maintaining its yield to shareholders, particularly as AGT's legacy business normalizes and improves and gains are made in the new ingredient and retail packaged foods programs. AGT management expects that as profitability continues to improve, free cash flows may be deployed to reduce debt and fund expansions and conversions in the food ingredient and packaged food business. AGT management will continue to pursue strategies to reduce its global cost of debt capital across its mix of operating geographies.

Increase capacity utilization: One of AGT's greatest strengths has been its global origination base and strengths in marketing and origination. By leveraging this strength, AGT expects to boost utilization of its asset base, including the utilization for new products and opportunities outside of AGT's core legacy business. This is expected to include cereal grains and oilseeds in Australia; increases to Canadian facility utilization through an expanded focus on beans, chickpeas, green peas, flax seeds and canary seeds; and leveraging grain origination in Russia, Ukraine, Argentina, Canada and Australia in an effort to continue boosting utilization in Turkey as local Turkish production decreases.

With the announcement of the second line expansion of AGT's Minot, North Dakota ingredient facility and the acquisition of assets in January 2014 leading to the commencement of AGT CLIC for retail canning, packaging and distribution, AGT management is focused on building the new food ingredient and packaged goods segment of its business. This segment is viewed as offering potentially higher-margin, year-round business to food companies producing food for human consumption as well as petfood, animal feed and aquaculture suppliers. AGT management continues its analysis on the feasibility and costs of conversion of existing available capacity to assist AGT in ramping up its food ingredient platform in 2014 and 2015.

Management will also focus a small capital expenditure program in 2014 to enhance utilization. Global capital expenditure programs are budgeted at approximately $10 million; a figure that is essentially equivalent to the depreciation expense of AGT consolidated operations. AGT management will continue to postpone large-scale capital allocation to major new projects until margins and earnings show a marked improvement to pre-financial crisis levels in the legacy business.

In the absence of facility conversions to food ingredients, management capacity utilization targets are to achieve 67% asset utilization in 2014 (pre-crisis levels) and boost that utilization through a steady 3% per annum program to achieve full utilization within five years. With a high fixed component business, additional gains in utilization contribute materially to incremental earnings. The pace of this capacity utilization increase may be sped up dramatically by the strategy to take underutilized capacity from the Canada and Turkey platforms and convert it to projected higher margin utilization in pulse food ingredients. Transportation availability in North America will also be a factor that contributes to the speed of increasing utilization activities. With strong demand forecast for 2014-2015 from its North American operations, AGT is optimistic that recently announced legislative remedies by the Government of Canada will assist in clearing the grain transportation system backlogs and return shipping to normalized seasonal flows.

Continue to focus on efficiencies and costs: Initiatives surrounding cost-containment and reduction continue to be a focus of AGT management, with accountability on these items with each global plant manager at a geographic cost center level being measured on cost reduction programs and overall reductions in processing costs per metric tonne. Programs will continue to focus on management of fixed costs so that boosting utilization of AGT's asset base may indeed deliver a higher contribution to earnings per share and earnings. AGT expects continued success in relatively consistent general and administrative expenses on a per tonne basis when comparing periods. Tonnages invoiced have increased while costs remain static, implying that management cost containment programs are showing benefits through a reduction in fixed overheads.

Improve reporting and disclosure to the market: A new reporting segment has been introduced which is expected to allow more meaningful insight into the earnings potential of AGT's new food ingredient and packaged foods segment as compared to its core legacy business.

By focusing on the core competencies and strengths of AGT's business, including the strength of the management team, the geographic diversification of AGT's assets, AGT's global reach for sales and distribution to virtually all pulse consumption markets around the globe, a clearly defined and executed risk management program, and adequate access to capital in a capital constrained global market, AGT management is optimistic about AGT's ability to normalize business operations and strengthen shareholder value in the long-term. As AGT's legacy business normalizes and is supplemented by its new ingredient and packaged goods business, new opportunities for sales, earnings and margin growth in future periods are expected.

Summary of Annual Results (in thousands of Cdn. $ except as indicated)	Year Ended Dec 31, 2013	Year Ended Dec 31, 2012	Year Ended Dec 31, 2011
Revenue	$ 1,138,773	$ 855,325	$ 759,974
Less: cost of sales (1)	1,042,760	787,764	682,821
Gross profit	96,013	67,561	77,153
Add back: depreciation cost of sales	11,605	9,948	6,726
Add back: finance income	29	2,276	856
Adjusted gross profit	**107,647**	**79,785**	**84,735**
Deduct: General and administrative expenses	(35,478)	(29,772)	(24,632)
Deduct: Marketing, sales and distribution expenses	(19,198)	(16,352)	(20,213)
Add: Depreciation in operating expense	3,463	2,888	5,506
Add: Non-recurring costs (2)	3,605	2,842	2,194
EBITDA (*)	**60,039**	**39,391**	**47,590**
Deduct: Finance expense	(25,910)	(16,935)	(10,977)
Deduct: Depreciation and amortization	(15,068)	(12,836)	(12,231)
Deduct: Provision for (recover of) income taxes	2,503	(4,031)	(1,835)
Adjusted net earnings (*)	**21,564**	**5,589**	**22,547**
Adjusted basic net earnings per share	1.09	0.28	1.14
Adjusted diluted net earnings per share	1.08	0.28	1.14
Deduct: Non-recurring costs (2)	(3,605)	(2,842)	(2,194)
Deduct: Non cash foreign exchange effect	(27,674)	4,065	(28,814)
Net (loss) earnings per financial statements	**(9,715)**	**6,812**	**(8,461)**
Basic net (loss) earnings per share	(0.49)	0.34	(0.43)
Diluted net (loss) earnings per share	(0.49)	0.34	(0.43)
Total assets	773,792	712,491	689,512
Bank indebtedness	110,805	205,549	197,868
Short term financing	-	12,402	42,371
Long-term debt including current portion	230,605	82,310	80,765
Shareholders' equity	234,339	269,848	270,965
Dividends declared per share	$ 0.600	$ 0.600	$ 0.585
Basic shares outstanding	19,850,589	19,788,185	19,725,023
Fully diluted shares outstanding	20,028,887	19,973,515	19,725,023
Total tonnes invoiced	1,443,369	1,078,501	1,033,442
Gross profit per metric tonne	$ 66.52	$ 62.64	$ 74.66
Adjusted gross profit per metric tonne	74.58	73.98	81.99
EBITDA (*) per metric tonne	41.60	36.52	46.05

(1) Cost of sales includes depreciation on equipment used to process inventory. Total depreciation is added back for EBITDA*.

(2) Non-recurring costs deemed by Management to be non-cash, non-recurring, relating to acquisitions, financing, severance costs or other predominantly reported within General and Administrative Expenses .

Summary of Quarterly Results (1)

(in thousands of Cdn. $ except as indicated, unaudited)

	3 Months Ended Dec 31, 2013	3 Months Ended Sept 30, 2013	3 Months Ended June 30, 2013	3 Months Ended March 31, 2013	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	3 Months Ended June 30, 2012	3 Months Ended Mar 31, 2012
Revenue	$ 375,119	$ 240,485	$ 246,729	$ 276,440	$ 247,195	$ 208,957	$ 201,768	$ 197,405
Less: cost of sales (2)	346,584	218,549	223,396	254,231	227,415	191,926	185,148	183,275
Gross profit	28,535	21,936	23,333	22,209	19,780	17,031	16,620	14,130
Add back: depreciation cost of sales	3,192	3,144	2,549	2,720	2,700	2,445	2,402	2,401
Add back: finance income	10	(329)	8	340	433	1,034	492	317
Adjusted gross profit	**31,737**	**24,751**	**25,890**	**25,269**	**22,913**	**20,510**	**19,514**	**16,848**
Deduct: General and administrative expenses	(11,057)	(6,938)	(8,365)	(9,118)	(9,008)	(7,051)	(6,975)	(6,738)
Deduct: Marketing, sales and distribution expenses	(5,339)	(4,916)	(4,616)	(4,327)	(4,204)	(3,113)	(4,266)	(4,769)
Add: Amortization in general and administrative expense	881	839	601	1,142	717	640	805	726
Add: Non-recurring and other costs (3)	1,970	639	388	608	2,073	505	184	80
EBITDA (*)	**18,192**	**14,375**	**13,898**	**13,574**	**12,491**	**11,491**	**9,262**	**6,147**
Deduct: Finance expense	(6,494)	(6,352)	(7,296)	(5,768)	(4,248)	(4,402)	(3,837)	(4,448)
Deduct: Depreciation and amortization	(4,073)	(3,983)	(3,150)	(3,862)	(3,417)	(3,085)	(3,207)	(3,127)
Add (Deduct): Provision for income taxes	(796)	685	1,434	1,180	(1,033)	(22)	(1,779)	(1,198)
Adjusted net earnings (loss) (*)	**6,829**	**4,725**	**4,886**	**5,124**	**3,793**	**3,982**	**439**	**(2,626)**
Adjusted basic net earnings (loss) per share	0.34	0.24	0.25	0.26	0.19	0.20	0.02	(0.13)
Adjusted diluted net earnings (loss) per share	0.34	0.24	0.24	0.26	0.19	0.20	0.02	(0.13)
Non-recurring and other costs (3)	(1,970)	(639)	(388)	(608)	(2,073)	(505)	(184)	(80)
Non-cash foreign exchange effect	(5,735)	(7,007)	(10,037)	(4,895)	72	(2,895)	1,415	5,473
Net earnings (loss) per financial statements	**(876)**	**(2,921)**	**(5,539)**	**(379)**	**1,792**	**582**	**1,670**	**2,767**
Basic net earnings (loss) per share	(0.04)	(0.15)	(0.28)	(0.02)	0.09	0.03	0.08	0.14
Diluted net earnings (loss) per share	(0.04)	(0.15)	(0.28)	(0.02)	0.09	0.03	0.08	0.14
Total assets	773,792	708,068	710,905	735,810	712,491	641,882	624,580	651,052
Bank indebtedness	110,805	120,023	112,277	132,362	205,549	170,649	171,227	185,782
Short term financing	-	-	2,622	12,714	12,402	17,936	21,073	40,436
Long-term debt including current portion	230,605	222,517	215,486	210,769	82,310	76,202	77,069	77,468
Shareholders' equity	234,339	240,655	253,923	267,892	269,848	268,960	274,598	273,742
Dividends declared per share	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150
Pulses and grain processing tonnes invoiced (4)	320,619	216,780	267,774	278,199	231,206	221,107		
Trading and distribution tonnes invoiced (4)	127,523	98,902	69,286	93,313	76,087	55,733		
Packaged food and food ingredients tonnes invoiced (4)	54,147	-	-	-	-	-		
Elimination tonnes	(34,317)	(20,026)	(12,959)	(15,872)	(38,911)	(17,749)		
Total tonnes invoiced	467,972	295,656	324,101	355,640	268,382	259,091	275,905	275,123
Gross profit per metric tonne	$ 60.98	$ 74.19	$ 71.99	$ 62.45	$ 73.70	$ 65.73	$ 60.24	$ 51.36
Adjusted gross profit per metric tonne	67.82	83.72	79.88	71.05	85.37	79.16	70.73	61.24
EBITDA (*) per metric tonne	38.87	48.62	42.88	38.17	46.54	44.35	33.57	22.34

Notes:

(1) Calculated from the condensed consolidated unaudited interim financial statements for the quarters ended September 30, 2013 and 2012, June 30, 2013 and 2012, March 31, 2013 and 2012 and the audited IFRS annual financial statements for the year ended December 31, 2013 and 2012.

(2) Cost of sales includes depreciation on equipment used to process inventory. Total depreciation is added back for EBITDA*.

(3) Non-recurring costs deemed by Management to be non-cash, non-recurring, relating to acquisitions, financing, severance costs or other predominantly reported within General and Administrative Expenses.

(4) For a breakdown on segmented information, see the section entitled "Revenues, expenses and EBITDA* by reporting segment".

Discussion of Quarterly and Year to Date Results
(in thousands of Cdn. $ except as indicated, unaudited for the three month ended periods)

Revenue, Gross Profit and Adjusted Gross Profit

	Unaudited 3 Months Ended December 31			Year Ended December 31			Unaudited 3 Months Ended		
	2013	2012	Change	2013	2012	Change	December 2013	September 2013	Change
Revenue	375,119	247,195	127,924	1,138,773	855,325	283,448	375,119	240,485	134,634
Less: cost of sales	346,584	227,415	119,169	1,042,760	787,764	254,996	346,584	218,549	128,035
Gross profit	28,535	19,780	8,755	96,013	67,561	28,452	28,535	21,936	6,599
Add back: depreciation in cost of sales	3,192	2,700	492	11,605	9,948	1,657	3,192	3,144	48
Add back: finance income	10	433	(423)	29	2,276	(2,247)	10	(329)	339
Adjusted gross profit	31,737	22,913	8,824	107,647	79,785	27,862	31,737	24,751	6,986
Gross profit percentage	7.6%	8.0%	-0.5%	8.4%	7.9%	0.5%	7.6%	9.1%	-1.5%
Adjusted gross profit percentage	8.5%	9.3%	-0.8%	9.5%	9.3%	0.2%	8.5%	10.3%	-1.8%

Revenue was $375.1 million for the three months ended December 31, 2013 compared to $247.2 million for the three months ended December 31, 2012 and compared to $240.5 million for the three months ended September 30, 2013. Revenue increased for the three months ended December 31, 2013 compared to the three months ended December 31, 2012 and the three months ended September 30, 2013 due to increased tonnes invoiced and commodity price increases in beans, lentils and chickpeas. The increase in revenue to $1.1 billion for the year ended December 31, 2013 compared to $855.3 million for the year ended December 31, 2012 is due to business unit additions including AGT India and increased activity from Turkey, Russia and Ukraine.

Gross profit was $28.5 million or 7.6% for the three months ended December 31, 2013 compared to $19.8 million or 8.0% for the three months ended December 31, 2012 and $21.9 million or 9.1% for the three months ended September 30, 2013. Adjusted gross profit was $31.7 million or 8.5% for the three months ended December 31, 2013 compared to $22.9 million or 9.3% for the three months ended December 31, 2012 and $24.8 million or 10.3% for the three months ended September 30, 2013.

Gross profit was $96.0 million or 8.4% for the year ended December 31, 2013 compared to $67.6 million or 7.9% for the year ended December 31, 2012. Adjusted gross profit was $107.6 million or 9.5% for the year ended December 31, 2013 compared to $79.8 million or 9.3% for the year ended December 31, 2012.

Gross profit and adjusted gross profit percentages decreased when comparing the quarter ended December 31, 2013 to the quarter ended December 31, 2012. This is due to increased trading opportunities with lower gross profit percentages. These opportunities add gross profit in absolute dollars while not tying up capacity and do not result in significant additional overhead costs thereby contributing to earnings positively.

Gross profit and adjusted gross profit in absolute dollars increased when comparing the quarter ended December 31, 2013 to the quarter ended September 30, 2013, however gross profit and adjusted gross profit percentages decreased. This is due largely to continued margin pressure in Australia at the end of the 2013 crop season. AGT has a volume guarantee rail contract in Australia and as a result of limited stocks of AGT's traditional commodity base in end 2013 period, AGT shipped a more significant volume of lower margin product including wheat, peas and sorghum to avoid empty rail car costs. In addition, USA legacy business through the Williston, North Dakota plant was hampered by low utilization due largely to rail and transportation problems associated with competition from the Bakken oilfield rail demand. The situation made rail car supply extremely tight reducing shipment volumes and margins in the USA. Additional trading opportunities contributed to the increase in gross profit and adjusted gross profit in absolute dollars.

EBITDA*

	Unaudited 3 Months Ended December 31			Year Ended December 31			Unaudited 3 Months Ended		
							December	September	
	2013	2012	Change	2013	2012	Change	2013	2013	Change
EBITDA*	18,192	12,491	5,701	60,039	39,391	20,648	18,192	14,375	3,817

EBITDA* was $18.2 million for the three months ended December 31, 2013 compared to $12.5 million for the three months ended December 31, 2012 and $14.4 million for the three months ended September 30, 2013. EBITDA* increased by $5.7 million when comparing the three months ended December 31, 2013 to the three months ended December 31, 2012 and increased by $3.8 million when comparing the three months ended December 31, 2013 to the three months ended September 30, 2013. This increase is a result of improved grain gross margins in absolute dollars and increased tonnes invoiced when compared to prior quarters, partially offset by lower margins sales in Australia.

EBITDA* was $60.0 million for the year ended December 31, 2013 compared to $39.4 million for the year ended December 31, 2012, an improvement of 52.3%. This is due to an overall increase in tonnes invoiced, as well as a decrease in general and administrative and marketing, sales and distribution costs per tonne. In addition, gross profit and adjusted gross profit per metric tonne improved.

	Unaudited 3 Months Ended December 31			Year Ended December 31			Unaudited 3 Months Ended		
	2013	2012	Change	2013	2012	Change	December 2013	September 2013	Change
General and administrative expenses	11,057	9,008	2,049	35,478	29,772	5,706	11,057	6,938	4,119
Marketing, sales and distribution expenses	5,339	4,204	1,135	19,198	16,352	2,846	5,339	4,916	423

General and administrative expenses were $11.1 million for the three months ended December 31, 2013 compared to $9.0 million for the three months ended December 31, 2012 and $6.9 million for the three months ended September 30, 2013. The increase from the quarter ended December 31, 2012 and the quarter ended September 30, 2013 is due to costs related to the food ingredients platform as well as the ramping up of the sales office in India and the facility in China. In addition, the quarter ended December 31, 2013 also includes approximately $1.5 million of non-recurring costs associated with a private placement of shares and syndicate amendments as well as accounts receivable allowances of approximately $1.0 million and additional travel costs related to market development of $0.5 million.

General and administrative expenses were $35.5 million for the year ended December 31, 2013 compared to $29.8 million for the year ended December 31, 2012. This increase when comparing the year ended December 31, 2013 to the year ended December 31, 2012 is due to additional costs and staff related to the food ingredients platform as well as additional costs related to growth in China and India.

Marketing, sales and distribution expenses were $5.3 million for the three months ended December 31, 2013, compared to $4.2 million for the three months ended December 31, 2012 and $4.9 million for the three months ended September 30, 2013.

Marketing, sales and distribution expenses were $19.2 million for the year ended December 31, 2013 compared to $16.4 million for the year ended December 31, 2012. The increase is due largely to additional invoiced tonnes. In addition, the current year includes costs related to the food ingredient platform and additional travel costs associated with market development.

	Unaudited 3 Months Ended December 31			Year Ended December 31			Unaudited 3 Months Ended		
	2013	2012	Change	2013	2012	Change	December 2013	September 2013	Change
Finance expense	6,494	4,248	2,246	25,910	16,935	8,975	6,494	6,352	142
Depreciation and amortization	4,073	3,417	656	15,068	12,836	2,232	4,073	3,983	90
Provision for (recovery of) income taxes	796	1,033	(237)	(2,503)	4,031	(6,534)	796	(685)	1,481
Non-cash foreign exchange effect	5,735	(72)	5,807	27,674	(4,065)	31,739	5,735	7,007	(1,272)

Finance expenses for the three months ending December 31, 2013 were $6.5 million compared to $4.2 million for the three months ending December 31, 2012 and $6.4 million for the three months ending September 30, 2013. Finance expense increased when comparing the three months ended December 31, 2013 to the three months ended December 31, 2012 due to a larger global platform and resulting higher debt levels and was consistent with the three months ended September 30, 2013.

Finance expenses were $25.9 million for the year ended December 31, 2013 compared to $16.9 million for the year ended December 31, 2012. This is due to a larger global platform and resulting higher debt levels in 2013 compared to the same period in 2012.

Depreciation expenses for the three months ended December 31, 2013 were $4.1 million compared to $3.4 million for the three months ended December 31, 2012 and $4.0 million for the three months ended September 30, 2013. Depreciation expense increased when comparing to the three months ended December 31, 2012 and the three months ended September 30, 2013 due to assets being put into use.

Depreciation expenses for the year ended December 31, 2013 were $15.1 million compared to $12.8 million for the year ended December 31, 2012. This was due to capital assets being put to use and depreciated, particularly the Minot, North Dakota facility.

Provision for income tax shows an expense of $0.8 million for the three months ended December 31, 2013 compared to an expense of $1.0 million for the three months ended December 31, 2012 and a recovery of $0.7 million for the three months ended September 30, 2013. The income tax expense is calculated for each subsidiary at the individual rate for that country, therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

Provision for income tax shows a recovery of $2.5 million for the year ended December 31, 2013 compared to an expense of $4.0 million for the year ended December 31, 2012. This is due to losses in certain jurisdictions as well as the use of various tax credits.

AGT estimates an average tax rate in the range of 25% to 26%, depending on which jurisdiction has earnings or losses, and the tax treatment of various revenues or expenses.

Non-cash foreign exchange was an expense of $5.7 million for the three months ended December 31, 2013 compared to a recovery of $0.07 million for the three months ended December 31, 2012 and an expense of $7.0 million for the three months ended September 30, 2013. The change in non-cash foreign exchange from the three months ended September 30, 2013 and December 31, 2012 to the three months ended December 31, 2013 is due to changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts and includes the cross currency swap related to the high yield offering of $125 million.

Non-cash foreign exchange was an expense of $27.7 million for the year ended December 31, 2013 compared to a recovery of $4.1 million for the year ended December 31, 2012. The increase is due to changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts. This amount includes the cross currency swap related to the high yield offering of $125 million.

Reporting Segments

As of July 1, 2012, improvements were made to management information systems to allow the review of AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies. AGT currently has three segments: (1) pulses and grains processing, (2) trading and distribution and (3) food ingredients and packaged foods.

The pulses and grains processing includes the operations of AGT factories across its global platform. The activities in this segment are viewed by management as the traditional and regular business of AGT: to source pulses and grains from producers, process them through its factories and sell these products through its network of clients in over 100 countries in the world. The segment includes all pulses processed in AGT factories in Canada, Australia, and a portion of the operations in Turkey and the United States. The segment is consistent with AGT in the periods prior to 2010 when AGT management began a strategy to establish certain distribution activities in key regional markets around the globe.

Trading and distribution relates to AGT's activities aimed at bringing its range of pulses and specialty crops direct to wholesale and retail markets. The segment currently captures AGT operations in the UK, Netherlands, Spain, Russia, Ukraine, China, India and a portion of the operations in Turkey and Australia.

The segment was established to develop packaging, wholesale and retail clients for AGT products offering import, warehouse, logistics and quality management services and expanding market reach and penetration of certain client segments in Europe and Africa. The segment includes a trading group that sources products from South America, Africa, China, Russia and Ukraine for the food and feed client base. It also includes a birdseed ingredient distribution business in Europe with sales to leading packagers of bird food blends for retail clients globally.

Food ingredients and packaged food is the newest segment which AGT operates. During the fourth quarter, the company strengthened reporting abilities in this segment to allow improved disclosure of these results. This segment includes the results from the newly commissioned flagship pulse fractionation plant in Minot, North Dakota. Additionally, results from the pasta and semolina plants in Turkey are included. Finally, the results of the food processing and handling facility in South Africa are included. Starting in 2014, the results of the newly formed AGT CLIC Foods Inc. will be represented in the food and food ingredients segment. See subsequent event note on page 39.

AGT’s chief operating decision maker evaluates segment performance on the basis of EBITDA* (earnings before finance expense, income taxes, depreciation and amortization, non-recurring costs and any effects of non-cash foreign exchange adjustment). Prior to October 1, 2013, AGT reviewed its operations based on the following two operating segments: (1) pulses and grains processing and (2) supply chain management. As such, reporting to accurately track food ingredients and packaged foods performance was not in place. Management has determined that the cost to develop reliable comparative information would be excessive.

Net Earnings by Reporting Segment
(in thousands of Cdn. $ except as indicated, unaudited)

	Pulses and Grain Processing			Trading and Distribution			Food Ingredients and Packaged Foods		Corporate and Eliminations			Consolidated		
	3 Months Ended Dec 31, 2013	Year Ended Dec 31, 2013	3 Months Ended Sept 30, 2013	3 Months Ended Dec 31, 2013	Year Ended Dec 31, 2013	3 Months Ended Sept 30, 2013	3 Months Ended Dec 31, 2013	Year Ended Dec 31, 2013	3 Months Ended Dec 31, 2013	Year Ended Dec 31, 2013	3 Months Ended Sept 30, 2013	3 Months Ended Dec 31, 2013	Year Ended Dec 31, 2013	3 Months Ended Sept 30, 2013
Quarterly comparisons														
Revenue	$ 236,825	$ 840,212	$ 171,746	$ 113,665	$ 359,713	$ 93,587	$ 44,261	$ 44,261	$ (19,630)	$ (105,413)	$ (24,847)	$ 375,119	$ 1,138,773	$ 240,486
Cost of sales	220,142	772,486	155,489	107,355	336,969	87,907	38,718	38,718	(19,630)	(105,413)	(24,847)	346,584	1,042,760	218,549
Gross profit	16,683	67,726	16,257	6,310	22,744	5,680	5,543	5,543	-	-	-	28,535	96,013	21,937
Adjusted gross profit	18,848	77,932	19,302	6,325	23,131	5,779	6,555	6,555	10	29	(329)	31,737	107,647	24,752
Net segment earnings	**11,052**	**50,909**	**13,542**	**2,219**	**7,157**	**1,667**	**4,666**	**4,666**	**(15,620)**	**(60,843)**	**(14,985)**	**2,316**	**1,889**	**224**
EBITDA*	**$ 12,152**	**$ 53,883**	**$ 14,212**	**$ 2,834**	**$ 7,872**	**$ 1,721**	**$ 4,915**	**$ 4,915**	**$ (1,710)**	**$ (6,631)**	**$ (1,556)**	**$ 18,192**	**$ 60,039**	**$ 14,375**
Total tonnes invoiced	320,619	1,083,372	216,780	127,523	389,024	98,902	54,147	54,147	(34,317)	(83,174)	(20,026)	467,972	1,443,369	295,656
Gross profit per metric tonne	$ 52.03	$ 62.51	$ 74.99	$ 49.48	$ 58.46	$ 57.43	$ 102.37	$ 102.37				$ 60.98	$ 66.52	$ 74.19
Adjusted gross profit per metric tonne	58.79	71.93	89.04	49.60	59.46	58.43	121.06	121.06				67.82	74.58	83.72
EBITDA* per metric tonne	37.90	49.74	65.56	22.22	20.24	17.40	90.77	90.77				38.87	41.60	48.62

AGT is not reporting comparative segment information due to changes in segment information. In future periods, management will report comparative figures.

The pulses and grain processing segment showed adjusted gross profit of $58.79 per metric tonne and EBITDA* of $37.90 per metric tonne for the quarter ended December 31, 2013. For the year ended December 31, 2013, adjusted gross profit was $71.93 per mt and EBITDA* per metric tonne was $49.74. The quarter ended December 31, 2013 includes only AGT's legacy business of receiving, processing and shipping product.

The trading and distribution segment showed adjusted gross profit of $49.60 per metric tonne and EBITDA* per mt of $22.22 for the quarter ended December 31, 2013. For the year ended December 31, 2013, adjusted gross profit was $59.46 and EBITDA* was $20.24. Earnings are lower than that of the pulses and grain processing segment due partially to low margin sales executed out of Australia in order to make use of empty rail cars. AGT management continues to view this segment as an important platform for new business development and development of opportunities to utilize capacity in AGT's Pulses and Grain Processing segment. This is demonstrated by AGT being awarded for government tenders that include processed product as well as traded product.

Food ingredients and packaged foods showed adjusted gross profit of $121.06 per metric tonne and EBITDA* of $90.77 per metric tonne for the quarter ended December 31, 2013. Pasta demands remained high during the quarter, and pasta lines were at or near full capacity. The Minot, North Dakota facility continues to show increased volumes, and the second line is close to commissioned. Packaged food sales out of South Africa continue to show strong earnings.

For the year ended December 31, 2013, corporate elimination metric tonnes, product that sold and/or transferred between AGT segments, were 83,174 tonnes.

Net working capital* increased to $176.4 million at December 31, 2013, compared to $171.1 million at September 30, 2013 due largely to increased accounts receivable and inventory balances resulting from the growth in sales. This increase was partially offset by increased utilization of the accounts receivable factoring facility.

Net debt* is comprised of bank indebtedness, short term financing, long term debt and current portion of long term debt, less cash and totaled $318.5 million at December 31, 2013 compared to $319.6 million at September 30, 2013 and compared to $267.2 million at December 31, 2012 (see table on page 28). Net debt decreased by $1.1 million from the quarter ended September 30, 2013. Although overall accounts receivable and inventory are higher due to the larger platform and higher volumes handled, there was a continued focus on accounts receivable collection and inventory turns, which resulted in an overall decrease in interest bearing debt while maintaining a consistent cash level.

Current assets were $464.3 million at December 31, 2013 compared to $404.2 million at September 30, 2013 and compared to $417.9 million at December 31, 2012 (see table on page 28). The current asset base is largely accounts receivable and inventory. It is important to note that accounts receivables are largely insured by Export Development Canada ("EDC"), significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance.

Trade accounts receivable days outstanding decreased to 52 days for the year ended December 31, 2013 from an average of 68 days for the year ended December 31, 2012.

Trade accounts receivable increased to $166.5 million at December 31, 2013, compared to $141.0 million at September 30, 2013 and increased compared to $159.1 million at December 31, 2012 (see table on page 28). Trade accounts receivable increased by $25.5 million when comparing the quarter ended December 31, 2013 to the quarter ended September 30, 2013. This is due to higher overall sales tonnes during the quarter ended December 31, 2013 compared to the quarter ended September 30, 2013. When comparing the quarter ended December 31, 2013 to the quarter ended September 30, 2013, accounts receivables increased in Canada by $4.7 million, Australia by $10.7 million and in Turkey by $7.5 million. Accounts receivable at other subsidiaries increased by $2.6 million. In addition to closely monitoring accounts receivable collection, AGT utilizes an accounts receivable factoring program to reduce accounts receivable levels and increase turns.

Inventory days outstanding decreased to 74 days for the year ended December 31, 2013 from an average of 86 days for the year ended December 31, 2012.

Inventory increased by $31.9 million, to $236.1 million at December 31, 2013, compared to $204.2 million at September 30, 2013. The overall increase in inventory is largely due to the timing of the Australia harvest and the resulting increase in inventory of $23.4 million in Australia. Inventory also increased by $3.2 million in Turkey, by $9.8 million in the U.K. and by $7.1 million in China due to ramp up for sales in the first quarter of 2014. Inventory decreased by $9.6 million in North America and by $2.0 million in other locations.

The total of trade accounts receivable and inventory days outstanding has decreased from 154 days during the year ended December 31, 2012 to 126 days for the year ended December 31, 2013. AGT Management continues to monitor these metrics.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. While the inventory value is $236.1 million at December 31, 2013, this value represents a number of different commodities globally. Much of this inventory is also earmarked for sales contracts and will remain as inventory until substantial risks transfer from seller to buyer under AGT's revenue recognition policy. AGT management continues the practice of examining stock levels at each of its foreign operations to achieve an optimization of inventory levels. In addition, inventory management practices include book to physical inventory reconciliations monthly to ensure accurate recording of inventory values.

The majority of AGT sales are insured through EDC providing coverage on receivables in the event of customer default on payment. In addition, ownership of the original documents for the cargo in transit remains with AGT in most cases, due to the terms of sale. If a customer defaults on the contract, AGT can choose to resell the cargo to another customer or divert the cargo to another market. With extensive market reach and facilities or warehouses in key consumption markets, AGT has numerous options available to minimize or mitigate risk and exposure in these areas. AGT also has the option to make a claim to EDC to cover up to 90% of the receivable in question. AGT has extended its EDC coverage to all foreign operations, excluding China, to ensure that additional financial risks are largely mitigated in the current macro-economic environment.

Working capital and short-term debt is typically used by AGT to finance its export program and customer orders due to the long transit times. In addition, costs associated with the goods, such as processing costs, payments to the farmer from whom raw materials were purchased and freight costs, must be paid prior to receiving payment for sale. Customer purchases are typically backed by irrevocable letters of credit (LC) or cash against document (CAD) terms and therefore payment risk is mitigated. The EDC policy remains in place to ensure that a catastrophic loss in any particular region will not hinder payment. Management has implemented steps to monitor accounts receivable aging and inventory turns at each facility. Metrics are calculated for each facility and correlate to facility compensation.

In addition, much of the bank financing availability is determined based on a borrowing base calculation and therefore this financing is backed by the inventory and accounts receivable.

AGT management will continue in its efforts to optimize capital utilization and debt levels to ensure a predictable return on deployed capital for shareholders. It is anticipated that with a predicted return to more seasonal flows in the global pulse and staple foods markets, AGT management may observe a potential de-levering of the balance sheet with a gradual ramp up of working capital in the last four months of the calendar year. This seasonal working capital trend has been observed in past years and reflects the normalized consumption patterns of markets for AGT's products.

Dividends - AGT paid a dividend in January 2014 of $3.0 million ($0.15 per share) in the aggregate to its shareholders of record.

It is currently anticipated that, going forward, AGT will continue to pay a quarterly dividend, the amount of which will be determined by the Board of Directors. AGT's dividend policy will be subject to the discretion of the Board of Directors and may vary depending on, among other things, AGT's earnings, financial requirements, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends and other relevant factors. AGT and its predecessors have declared and paid the quarterly dividend each quarter since its inception in 2005. Management does not anticipate a reduction of the current dividend in the coming periods.

AGT's financial statements are presented in Canadian dollars, but AGT's operating subsidiaries earn revenues and incur expenses in several currencies, including U.S. dollars ("US$" or "USD"), Turkish lira ("TL"), Australian dollars ("A$" or "AUD"), Pounds Sterling ("£" or "GBP"), Euros ("€" or "EUR"), South African rand ("R" or "ZAR"), Renminbi of the People's Republic of China (" ¥" or "RMB") and the Indian Rupee ("INR").

Balance sheet accounts of subsidiaries are valued at December 31, 2013 and December 31, 2012 foreign exchange rates as follows [Source: Bank of Canada]:

	Dec 31, 2013	**Dec 31, 2012**
USD/CDN	1.06360	0.99490
AUD/CDN	0.94960	1.03390
TL/CDN	0.49520	0.55740
GBP/CDN	1.76270	1.61780
EUR/CDN	1.46550	1.31180
ZAR/CDN	0.10130	0.11720
RMB/CDN	0.17570	0.15970
INR/CDN	0.01717	N/A

For each subsidiary, any difference between the December 31, 2013 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive income (loss) on AGT's Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity.

Liquidity and Capital Resources

Liquidity risk is the risk that AGT cannot meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The following are the contractual maturities of financial liabilities, including interest payments:

2013	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 110,805	$ 111,229	$ 111,229	$ -	$ -	$ -
Accounts payable and accrued liablities	150,979	150,979	150,979	-	-	-
Long-term debt and finance leases	230,605	294,327	21,538	21,132	251,657	-
Derivative liability	15,191	15,191	15,191	-	-	-
Dividend payable	2,980	2,980	2,980	-	-	-
	$ 510,560	$ 574,706	$ 301,917	$ 21,132	$ 251,657	$ -

2012	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 205,549	$ 205,549	$ 205,549	$ -	$ -	$ -
Short term financing	12,402	12,402	12,402	-	-	-
Accounts payable and accrued liablities	115,230	115,230	115,230	-	-	-
Long-term debt and finance leases	82,310	91,911	9,079	9,398	72,315	1,119
Derivative liability	348	348	348	-	-	-
Dividend payable	2,971	2,971	2,971	-	-	-
	$ 418,810	$ 428,411	$ 345,579	$ 9,398	$ 72,315	$ 1,119

AGT has been able to generate sufficient cash from its operations and through access to equity, operating lines and other facilities to maintain its operations and development activities, and pay its declared dividends. AGT's ability to generate sufficient cash resources from its operations will depend, among other things, on future harvests of and demand for pulses and special crops. Please see "Discussion of Dividends" above, "Outlook" and "Appendix A" discussing geographic crop conditions for a discussion of these factors. Further information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

AGT's working capital requirements fluctuate from quarter to quarter as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. AGT's working capital requirements are met from its earnings, with its credit facility providing bridge financing until payments for sales are received.

At December 31, 2013, AGT had total operating lines available of $177.5 million (December 31, 2012 - $289.8 million). Included in these facilities is a syndicated debt facility of $150.0 million (December 31, 2012 – $130.0) secured by a general security agreement, maturing in January 2016. The weighted average interest rate on operating credits is 3.8% (December 31, 2012 – 5.8%).

The Canadian credit facilities have floating interest rates, and Management regularly monitors interest rates to make adjustments to its fixed versus floating interest rate management program. AGT also uses fixed rate banker's acceptances from time to time to mitigate a portion of its floating interest rate risk in its operating credit facilities. As a result of the low interest rates prevailing in Canada in recent years, management has decided to leave its Canadian credit facilities largely at floating interest rates. At December 31, 2013, AGT is in compliance with its financial covenants under all credit agreements and expects to be in compliance in future periods.

AGT has implemented a global foreign exchange management program to effectively manage its net exposure to the U.S. dollar, while matching its local currency operations to minimize net exposure to any one foreign currency. AGT's operations in Canada, Australia and Turkey are managed such that net exposures to local currencies are mitigated through offsetting local currency receipts with local currency requirements and borrowings, and hedging programs where appropriate.

On January 24, 2013, AGT finalized an amended and restated credit agreement that provides for three facilities in an aggregate principal amount of $300 million through AGT's wholly owned Alliance Pulse Processors Inc. ("APP") subsidiary through the Bank of Nova Scotia and a syndicate of six other lenders containing customary negative covenants and maintenance of certain ratios at the APP and AGT level.

On February 6, 2013 AGT submitted the first draw against a Master Receivables Purchase Agreement that was signed with The Bank of Nova Scotia on December 21, 2012. This agreement allows the sale of specific Turkish trade accounts receivable that are insured through EDC, to The Bank of Nova Scotia. AGT continues to be involved in the collection of the accounts receivables and submission of those collections to The Bank of Nova Scotia with any uncollected amounts resulting in EDC making a payment to the third party.

On February 14, 2013, an offering of $125 million aggregate principal amount of senior secured second lien notes due February 14, 2018 was completed with proceeds used to repay certain indebtedness of some of AGT's global subsidiaries and for general corporate purposes.

The combination of these credit arrangements is expected by AGT management to provide additional balance sheet certainty with regard to both duration and interest rates and additionally provide the capital required to execute AGT's business plan to expand global asset base utilization, commercialize AGT's new pulses based food ingredient platform and provide working capital requirements for additional operations in India, China and Russia which Management believes may assist in the incremental improvement in earnings and margins.

Capital Management

AGT manages its capital to ensure financial flexibility and to increase shareholder value through a combination of acquisitions and organic growth. This allows AGT to respond to changes in economic and/or marketplace conditions. AGT also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGT includes bank indebtedness, long term debt and shareholders' equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in AGT's approach to capital management during the year.

AGT includes Net Debt* and shareholders' equity as components of its capital structure. The calculation of shareholders' equity, Net Debt* and capital is set out in the following table:

Net debt and capital

in thousands of Cdn. $ except as indicated)		Dec 31, 2013		Sept 30, 2013 (unaudited)		Dec 31, 2012
Long term debt and finance leases	$	224,544	$	216,369	$	76,558
Bank indebtedness, short term financing and current portion of long term debt and finance leases		116,866		126,170		223,703
Cash and cash equivalents		(22,893)		(22,909)		(33,110)
Net debt*	**$**	**318,517**	**$**	**319,630**	**$**	**267,151**
Shareholders' equity		234,339		240,655		269,848
Capital	**$**	**552,856**	**$**	**560,285**	**$**	**536,999**

Selected asset and liability information

in thousands of Cdn. $ except as indicated)		Dec 31, 2013		Sept 30, 2013 (unaudited)		Dec 31, 2012
Cash and cash equivalents	$	22,893	$	22,909	$	33,110
Trade accounts receivable		166,489		141,046		159,147
Inventory		236,123		204,181		188,882
Bank indebtedness, short term financing and current portion of long term debt and finance leases		116,866		126,170		223,703
Accounts payable, accrued liabilities and deferred revenue		164,121		103,090		122,257
Long-term debt and finance leases		224,544		216,369		76,558
Total current assets		464,301		404,244		417,935
Total current liabilities(1)		287,873		233,171		351,006
Net working capital*		176,428		171,073		66,929

(1) excludes derivative liabilities

Consolidated capitalization information

Consolidated capitalization information of AGT as of December 31, 2013 includes information on the operations of Alliance Pulse Processors, United Pulse, Australia Milling Group and Poortmans, consolidated ("APP Group") as well as information on AGT and other entities, and is set out in the following table:

Capital Structure
in thousands of Cdn. $ except as indicated)

		Dec 31, 2013	Financial statement caption
APP Group			
Senior secured APP bank facility	$	94,553	bank indebtedness
Senior secured APP bank facility		109,845	long term debt
Poortman facility (GBP 11 million)		9,781	bank indebtedness
Leases		33	long term debt
	$	214,212	
Arbel/Other Entities (excluding AGT)			
Arbel drafts [1]	$	-	short term financing
Senior secured Advance Seed facility		6,226	bank indebtedness
Arbel/Advance Seed/other debt		245	bank indebtedness
Leases		272	long term debt
	$	6,743	
Alliance Grain Traders			
Notes offered	$	120,455	long term debt
Total debt	$	341,410	

December 31, 2013 financial statements

Bank indebtedness	$	110,805
Short term financing [1]		-
Long term debt, including current portion		230,605
	$	341,410

[1] Arbel drafts were fully repaid during the year

	3 months ended March 31, 2013 (unaudited)	3 months ended June 30, 2013 (unaudited)	3 months ended Sept 30, 2013 (unaudited)	3 months ended Dec 31, 2013 (unaudited)	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Cash flow from operating activities	$ (39,888)	$ 35,390	$ (11,012)	$ 14,821	$ (689)	$ 44,776
Cash flow from financing activities	52,299	(28,133)	9,845	(4,916)	29,095	(33,694)
Cash flow from investing activities	(10,384)	(8,605)	(9,561)	(10,224)	(38,774)	(34,571)
Effect of exchange rate changes on	1,638	(1,176)	(613)	302	151	379
Change in cash	$ 3,665	$ (2,524)	$ (11,341)	$ (17)	$ (10,217)	$ (23,110)

	3 months ended March 31, 2013 (unaudited)	3 months ended June 30, 2013 (unaudited)	3 months ended Sept 30, 2013 (unaudited)	3 months ended Dec 31, 2013 (unaudited)	Year ended Dec 31, 2013	Year ended Dec 31, 2012
Non-cash working capital	$ (47,234)	$ 27,063	$ (15,769)	$ 3,274	$ (32,666)	$ 22,499

Cash flow from operating activities for the year ended December 31, 2013 was a decrease of $0.7 million compared to an increase of $44.8 million for the year ended December 31, 2012 and was an increase of $14.8 million for the three months ended December 31, 2013. The year over year change is due largely to a decrease in non-cash working capital for the year ended December 31, 2013 in the amount of $32.7 million compared to an increase for the year ended December 31, 2012 in the amount of $22.5 million, partially offset by increased earnings. The change is due to increased trade accounts receivable, inventory and prepaid levels year over year partially offset by an increase in accounts payable levels. The change in cash flow from operations from the quarter ended September 30, 2013 to the quarter ended December 31, 2013 is due to an increase in non-cash working capital. The increase in accounts payable when comparing the year ended December 31, 2013 to the year ended December 31, 2012 is largely attributable to inventory ramp up late in the year ending December 31, 2013.

Cash flow from financing activities for the year ended December 31, 2013 was an increase of $29.1 million compared to a decrease of $33.7 million for year ended December 31, 2012 and was a decrease of $4.9 million for the quarter ended December 31, 2013 compared to an increase of $9.8 million for the quarter ended September 30, 2013. This change year over year is a result of additional credit and term facilities as well as the high yield notes issue resulting from the growth of AGT. The change when comparing the quarter ended December 31, 2013 to the quarter ended September 30, 2013 is due to cash collection and the resultant decrease in debt levels.

Cash flow from investing activities for the year ended December 31, 2013 was a reduction of $38.8 million compared to a reduction of $34.6 million for year ended December 31, 2012 and was a reduction of $10.2 million for the quarter ended December 31, 2013 compared to a reduction of $9.6 million for the quarter ended September 30, 2013. This is due mainly to increased purchases of property, plant and equipment in 2013 when compared to the same period in 2012. This includes $22.3 million related to the Minot, North Dakota facility, assets of $3.9 million being constructed in China, improvements of $5.7 million in Turkey, and improvements in other facilities of $6.9 million. Cash flow from investing activities was consistent when comparing the quarter ended December 31, 2013 to the quarter ended September 30, 2013.

Cash Flow Information – Non-Cash Working Capital:

Non-cash working capital for the year ended December 31, 2013 decreased by $32.7 million compared to an increase of $22.5 million for the year ended December 31, 2012. This difference of $55.2 million is due primarily to increased trade accounts receivable, inventory and prepaid levels, partially offset by an increase in accounts payable levels. AGT continues to monitor working capital.

Accounts Payable, accrued liabilities and deferred revenue:

Accounts payable, accrued liabilities and deferred revenue increased by $61.0 million, from $103.1 million at September 30, 2013 to $164.1 million at December 31, 2013. This is due mainly to harvest ramp up and resulting amounts owing to producers in Australia as well as late December receipts of inventory in Turkey and the U.K.

Leases:

AGT classifies leases as either finance or operating. Leases that transfer substantially all of the benefits and risk of ownership to AGT are accounted for as finance leases. Assets under finance leases are depreciated on a straight-line basis over the term of the lease unless the terms contain a bargain purchase option in which case the asset is amortized over the asset's estimated economic life on a straight-line basis. Rental payments under operating leases are expensed as incurred.

Transactions with other related parties:

AGT has defined key management personnel as senior executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of AGT. The following table outlines the total compensation expense for key management personnel:

(in thousands of Cdn. $ except as indicated)

Key management personnel:

		2013		2012
Short term benefits (wage, bonus, vacation paid out, directors fees)	$	2,198	$	2,426
Post employment benefits (RRSP)		86		85
Other long term benefits including stock based compensation (long term incentive plan)		1,454		899
Total	$	3,738	$	3,410

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with key management and corporations significantly influenced or controlled by AGT directors or key management:

		2013		2012
Accounts receivable	$	317	$	801
Accounts payable		2,621		1,641

		2013		2012
Purchases	$	7,200	$	8,445

AGT contracted labour and construction support for ongoing construction projects from entities owned or controlled by directors of AGT or its subsidiaries. The amounts in the above table are largely attributable to these transactions.

Critical Accounting Estimates:

The preparation of the consolidated financial statements in conformity with IFRS requires AGT management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the consolidated financial statements are as follows:

Impairment of long-lived and intangible assets

In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or cash generating units (CGU's). The determination of CGU's is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures. AGT also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long-lived and intangible assets based on the identified CGU's.

AGT assesses the carrying values of property, plant and equipment, intangibles assets, and goodwill annually. Recoverability is determined through assumptions and estimates regarding future cash flows, sustaining capital requirements, discount rates, and asset lives. A material change in assumptions may impact the potential recoverability of these assets, resulting in amounts charged against current earnings.

Income Taxes:

AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its financial statements. Significant judgment is required related to the classification of transactions and assessment of probable outcomes as well as timing of future results. Significant estimates are required in determining income tax provisions and the recoverability of deferred income tax assets. In calculating income taxes, consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, changing tax laws and management's expectations about future results. AGT estimates deferred income taxes based on temporary differences, income and losses for financial reporting purposes and income and losses determined under the substantively enacted tax laws and rates. The tax effect of these temporary differences is recorded as a deferred tax assets or liabilities in the financial statements. If these estimates prove to be inaccurate, future earnings may be materially impacted.

Derecognition of accounts receivable

Significant judgment is applied when determining whether financial instruments qualify for derecognition and whether substantially all of the risks, as well as the rights, control and ownership of the accounts receivable and their cash flows were transferred to a third party. AGT has removed the related accounts receivable from the statement of financial position and recognizes any costs in finance expense.

Fair value of derivative instruments

The fair value of derivative instruments is estimated using inputs, including foreign exchange rates and interest rates (Level 2), as described in Note 13 of AGT's December 31, 2013 annual audited consolidated financial statements. These inputs are subject to change on a regular basis based on the interplay of various market forces. Consequently, the fair value of AGT's derivative instruments are subject to change each reporting period.

Functional Currency

The identification of functional currency for each of the legal entities involves significant judgment. AGT has assessed the factors in determining the appropriate functional currency and summarized the results in note 3c of AGT's December 31, 2013 annual audited consolidated financial statements.

Financial Instruments:

Non-derivative financial assets

AGT initially recognizes loans and receivables and deposits on the date that they are originated at fair value and subsequently measured at amortized cost. All other financial assets are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument.

AGT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by AGT are recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if AGT manages such investments and makes purchase and sale decisions based on their fair value in accordance with AGT's documented risk management or investment strategy. Upon initial recognition relevant transaction costs are recognized in net earnings as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in net earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

AGT initially recognizes short term debt securities on the date that they are originated at fair value and expenses related transaction costs. Debt associated with long term agreements is initially recognized at fair value less any directly attributable transaction costs. All other financial liabilities (including liabilities designated at fair value through profit and loss) are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument. AGT derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Subsequent to initial recognition, liabilities are categorized as fair value through profit and loss or other liabilities measured at amortized cost using the effective interest method. Refer to note 13 of AGT's December 31, 2013 annual audited consolidated financial statements for current year presentation of financial liabilities by category.

Derivative financial instruments

AGT holds derivative financial instruments to mitigate its foreign currency risk exposures. Embedded derivatives are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings.

Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. AGT has not elected to follow hedge accounting and subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized immediately in net earnings.

AGT, as part of its operations, carries a number of financial instruments that include cash, bank indebtedness, short term financing, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and finance leases. The fair value of cash, bank indebtedness, short term financing, accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate their carrying value given their short-term maturities.

To mitigate risks associated with certain financial assets, AGT utilizes sales terms such as letters of credit, cash against documents, prepayments and accounts receivable insurance. Sales are made to customers that management feel are creditworthy.

To mitigate risk associated with foreign currency, AGT enters into sales denominated in U.S. currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. AGT has entered into certain foreign exchange contracts with maturities of less than one year to manage risks associated with entering into new sales contracts denominated in U.S. dollars and Euros. For Arbel, transactions in foreign currencies expose AGT to foreign currency risk, arising mainly from the fluctuation of foreign currency used in the conversion of foreign denominated assets and liabilities into Turkish lira. Foreign currency risk arises as a result of trading transactions in the future and the difference between the assets and liabilities recognized. Management reviews the foreign currency open position and takes risk management measures if required.

To mitigate risk associated with fluctuations in the market price of the commodities AGT buys and sells, Management monitors inventory turns and overall grain position and enters into purchase contracts with suppliers and sales contracts with buyers.

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("Disclosure Controls") are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to AGT management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, do not expect that AGT's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), requires CEOs and CFOs to certify that they are responsible for establishing and maintaining Disclosure Controls for the issuer, that Disclosure Controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's Disclosure Controls, and that their conclusions about the effectiveness of those Disclosure Controls at the end of the period covered by the relevant annual filings have been disclosed by the issuer. AGT's CEO and the CFO evaluated the design and operating effectiveness of AGT's Disclosure Controls as at December 31, 2013 and concluded that AGT's Disclosure Controls were effective.

Internal Controls over Financial Reporting

National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined by the CSA, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that AGT has disclosed any changes in its ICFR during its most recent interim period that have materially affected, or are reasonably likely to materially affect, its financial reporting.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, have been detected. Therefore, no matter how well-designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

Management, under the supervision of the CEO and the CFO, has evaluated the ICFR using the framework and criteria established in the 1992 Internal Controls – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management, including the CEO and CFO, evaluated the design and operating effectiveness of AGT's ICFR. Based on this evaluation, the CEO and the CFO have concluded that as at December 31, 2013, ICFR (as defined in NI 52-109) were designed and operating effectively.

There were no changes in our ICFR during the year ended December 31, 2013 that have materially affected, or are reasonably likely to affect, our ICFR.

New Standards and Interpretations

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements, as their effective dates fall in annual periods beginning subsequent to the current reporting period.

Proposed standards	Description	Previous Standard	Effective Date
IAS 32 - Financial Instruments: Presentation	Issued in December 2011. Clarifies the presentation requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation	IAS 32- January 1, 2014
IFRS 9 - Financial Instruments	Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities.	IAS 39 - Financial Instruments: Recognition and Measurement	To be determined
Annual Improvements to IFRS (2010 - 2012) and (2011 - 2013)	Issued in December 2013. Amendments were made to various standards, including IFRS 2 Shared-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure.	IFRS 2 Shared-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure	July 1, 2014

Management is assessing the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure. AGT does not expect any significant impact. AGT intends to adopt the above standards in accordance with their effective dates.

On January 1, 2013, AGT adopted the following new or amended standards as issued by the IASB: IFRS 7 Financial Instruments: Disclosures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities and IFRS 13 Fair Value Measurement. None of these standards had a material impact on AGT's financial statements.

Additionally, AGT has early adopted an amendment to IAS 36 Impairment of Assets. This amendment reverses the unintended requirement in IFRS 13 Fair Value Measurement to disclosure the recoverable amount of every cash-generating unit to which significant goodwill or indefinite life intangible assets have been allocated. As a result of early adoption, AGT does not expect any significant impact to the financial statements.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 19,865,521 common shares of AGT.

Risks and Uncertainties

Information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com. Potential risks and uncertainties include operating requirements, volume, transportation and transloading, distribution and supply contracts, customer retention and competitive environment, foreign operations, integration of acquisitions, realization of benefits from acquisitions, acquisition and expansion, reliance on key personnel, localized decision making, potential undisclosed liabilities, uninsured and underinsured losses, global financial crisis and general economic conditions, wholesale price volatility, capital markets, leverage and capital requirements, financing and credit liquidity, reduced dividend payment, international agricultural trade, foreign exchange, counterparty and export, geographic and political, environmental protection, energy price fluctuation, information technology, regulatory oversight, financial reporting, control of AGT and dilution of shareholders. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the year ended December 31, 2013.

Commitments and Contingencies

AGT enters into contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

At December 31, 2013, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of $10 million (December 31, 2012 - $12 million). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires in at December 31, 2014.

At December 31, 2013, AGT had a letter of credit in favour of Lloyd's Bank in the United Kingdom in the amount of $12.8 million (December 31, 2012 – nil). This letter of credit serves as security for the operating line in the United Kingdom and is callable in the event of a default by AGT's subsidiary.

AGT has various legal matters pending which, in the opinion of management, will not have a material effect on AGT's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to AGT's financial position or results of operations could result. Should circumstances change, provisions could change materially.

Interest Rate Risk

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. With respect to its debt portfolio, AGT addresses interest rate risk by using various floating rate instruments. The exposure is also managed by aligning current and long term assets with outstanding debt and making use of global credit facilities.

Commodity Price Risk

AGT is a significant processor and supplier of pulse crops and bears significant exposure to changes in prices to these products. A substantial change in prices will affect the Company's net earnings, working capital and operating cash flows. Prices for AGT's products are volatile and are influenced by numerous factors beyond the Company's control, such as supply and demand fundamentals, geographical events and weather.

AGT's sales contracting strategy focuses on reducing the volatility in future earnings and cash flow while providing protection against decreases in market price and retention of future market price increases. To mitigate the risks associated with the fluctuations in the market price for pulse crops, AGT maintains a portfolio of product sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from pricing volatility.

Subsequent event

On January 13, 2014, AGT finalized a transaction to purchase substantially all of the assets of Quebec-based CLIC. CLIC is a Canadian ethnic and traditional retail food packager and canner and retail and food service distributor. The acquired assets include inventory, retail packaging and canning production-related equipment, all CLIC and associated retail brands, retail and food service listings. The consideration transferred for the purchase of the assets of CLIC was $15 million, plus a $1 million promissory note.

On January 30, 2014, Advance Seed signed an overdraft agreement with Standard Bank South Africa in the amount of R80 million. The facility replaces the current facility with HSBC in South Africa and is subject to an annual review. The agreement was completed on market-based terms which were substantially unchanged from the previous facility.

Caution about forward looking statements

This MD&A contains certain forward-looking statements. Forward-looking statements include, but are not limited to, those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, the growth of AGT's business, strategic initiatives, planned capital expenditures, plans and reference to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AGT (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled “Risk Factors” in AGT’s most recent AIF, which is available on SEDAR at www.sedar.com and on AGT’s website at www.alliancegrain.com and which should be reviewed in conjunction with this document. Although AGT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Although AGT believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as at the date of this MD&A. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, Western Canadian, U.S. Northern Plains, Southern Australian crop and Turkish production quality; the volume and quality of crops held on-farm by producer customers in North America; demand for and supply of open market pulses; movement and sale of pulses in Australia and Turkey, particularly in the Australian states of South Australia, New South Wales and Victoria; agricultural commodity prices; demand for lentils, peas, chickpeas and bean crop products and the market share of these products that will be achieved; general financial conditions for Western Canadian, U.S. Northern Plains, Turkish and Southern Australian agricultural producers; market share of pulse deliveries and sales that will be achieved by AGT; the ability of the railways to ship pulses to port facilities for export without labor or other service disruptions; the ability to maintain existing customer contracts and relationships; the impact of competition; the ability to obtain and maintain existing financing on acceptable terms; and currency, exchange and interest rates.

AGT expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required in accordance with applicable securities laws.

Non-IFRS Financial Measures

AGT provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include EBITDA (earnings before finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-cash, non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-cash, non-recurring and other costs, restructuring costs and foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Adjusted Net Earnings* do not include the tax effect of non-cash, non-recurring and other costs and foreign exchange. Management believes that EBITDA* and Adjusted Net Earnings*, Net Debt* and Net Working Capital* are important indicators of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. The exclusion of non-cash and foreign exchange adjustments eliminates the non-cash impact on EBITDA* and Adjusted Net Earnings*. EBITDA* and Adjusted Net Earnings*, Net Debt* and Net Working Capital* are also used by investors and analysts for the purpose of valuing AGT. The intent of these measures is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. EBITDA* and Adjusted Net Earnings*, Net Debt* and Net Working Capital* should therefore not be considered in isolation or used as a substitute for measures of performance prepared in accordance with IFRS. For a reconciliation of net earnings (loss) determined in accordance with IFRS to EBITDA* and Adjusted Net Earnings*, see the table on page 42.

Market Share, Industry Data and Other Statistical Information

This MD&A includes market share, industry data and other statistical information that AGT has obtained from independent industry publications, government publications, market research reports and other published independent sources. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although AGT believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources and cannot, and does not, provide any representation or assurance as to the accuracy or completeness of the information or data, or the appropriateness of the information or data for any particular analytical purpose and, accordingly, disclaims any liability in relation to such information and data. AGT has no intention and undertakes no obligation to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as required by law.

Reconciliation of Net Earnings, Adjusted Net Earnings* and EBITDA*

(in thousands of CDN $ except as indicated, unaudited)

	For the Year Ended Dec 31, 2013	For the Year Ended Dec 31, 2012
Net (loss) earnings	$ (9,715)	$ 6,812
(Deduct) add:		
Income tax (recovery) expense	(2,503)	4,031
Depreciation and amortization expense	15,068	12,836
Finance expense	25,910	16,935
Non-cash foreign exchange loss (gain)	27,674	(4,065)
Non-recurring and other expenses (1)	3,605	2,842
EBITDA*	60,039	39,391
Less:		
Finance expense	25,910	16,935
Depreciation and amortization expense	15,068	12,836
Income tax (recovery) expense	(2,503)	4,031
Adjusted net earnings*	$ 21,564	$ 5,589
Basic adjusted net earnings* per share	1.09	0.28
Diluted adjusted net earnings* per share	1.08	0.28
Basic weighted average number of shares outstanding	19,850,589	19,788,185
Diluted weighted average number of shares outstanding	20,028,887	19,973,515

(1) One-time costs deemed by management to be non-cash, non-recurring, relating to acquisitions, financing, severance costs or other

Reconciliation of Net Working Capital* and Net Debt*
(in thousands of CDN $ except as indicated, unaudited)

	Dec 31, 2013	Dec 31, 2012
Current assets	$ 464,301	$ 417,935
Current liabilities(1)	287,873	351,006
Net working capital*	$ 176,428	$ 66,929
Long term debt and finance leases	$ 224,544	$ 76,558
Bank indebtedness and current portion of long term debt and finance leases	116,866	211,301
Short term financing	-	12,402
Cash and cash equivalents	(22,893)	(33,110)
Net debt*	$ 318,517	$ 267,151

(1) excludes derivative liabilities

AGT provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include EBITDA (earnings before finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-cash, non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-cash, non-recurring and other costs, restructuring costs and foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Adjusted Net Earnings* do not include the tax effect of non-cash, non-recurring and other costs and foreign exchange. Management believes that EBITDA* and Adjusted Net Earnings*, Net Debt* and Net Working Capital* are important indicators of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. The exclusion of non-cash and foreign exchange adjustments eliminates the non-cash impact on EBITDA* and Adjusted Net Earnings*. EBITDA* and Adjusted Net Earnings*, Net Debt* and Net Working Capital* are also used by investors and analysts for the purpose of valuing AGT. The intent of these measures is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. EBITDA* and Adjusted Net Earnings*, Net Debt* and Net Working Capital* should therefore not be considered in isolation or used as a substitute for measures of performance prepared in accordance with IFRS.

APPENDIX 1 – REGIONAL AND PRODUCTION SUMMARY

North America – Canada and the U.S.

Canada produced an estimated 15% increase in pulses and specialty crops in 2013 over 2012 levels driven largely by higher yields resulting from ideal growing conditions. However, with agricultural production at these high levels, the Canadian agri-sector has significant quantities of agricultural products to move to port for shipment during the traditional marketing season for export, putting additional strain on an inland transportation system already strained by load volume, potential labour issues and extreme cold weather. Overall decreases in North American bean production are expected with a slight increase in Canada and a decrease in the U.S. estimated by Statistics Canada ("StatsCan") and the United States Department of Agriculture ("USDA"). Chickpea or garbanzo bean production in North America is reported as reasonably flat for 2013, with slight gains in the U.S. and decreases in Canada. Relatively similar pulses production for both Canada and the U.S. are forecasted for 2014, with the largest decreases in production expected in chickpeas.

Current StatsCan estimates for pulses production are as follows:

	Canadian Pulse Production 2013 [1]		
	Area (acres)	**Production (mt)**	**2014 Production Estimates (mt)**
Lentils	2,380,000	1,880,500	1,766,000
Dry Peas	3,345,000	3,849,300	3,301,000
Edible Beans	245,000	206,100	230,000
Chickpeas	205,000	169,400	98,000
Faba Beans[2]	20,000	20,800	60,000

(1) Effective February 28, 2014 from data and estimates available from StatsCan and STAT Publishing ("StatPub").
(2) Estimates compiled by AGT based on 5 year historical data and internal estimates of production.

Current USDA estimates for pulses production are as follows:

	U.S. Pulse Production 2013 [1]		
	Area (acres)	**Production (mt)**	**2014 Production Estimates (mt)**
Lentils	362,000	227,660	193,000
Dry Peas	860,000	708,519	729,000
Edible Beans[2]	1,139,000	953,325	1,283,537
Chickpeas	215,700	157,353	119,340

(1) Effective February 28, 2014 from data and estimates available from USDA and STAT Publishing ("StatPub").
(2) Excluding garbanzo beans or chickpeas.

Canadian pulses exports reported by StatsCan for the October – December 2013 period were increased 28% over the same period in 2012 with lentils up sharply at 69%. Full year over year results were reported as lentils up 60.5%, chickpeas up 12.1% and peas up 47.2%, demonstrating the strong performance of Canadian pulses exports in 2013. AAFC forecasts these trends to continue, with 1.7 million mt of lentils estimated to be exported from Canada for 2014, a slight decrease from the 1.8 million metric tonne exported in 2013, with India, EU-27 and Turkey continuing to be the top export markets. U.S. pulse exports were down overall for the October–December 2013 period; however, it should be noted that a significant amount of U.S. pulses are procured and sold within the USDA PL-480 Food Aid program.

Turkey

Turkish lentil production has been between 375,000 and 400,000 mt for some time, with similar production estimates for 2014 provided by StatPub based on data from TMO, USDA and private trade sources. The consistent lower production volumes over the past seasons appear to reaffirm the belief that Turkish farmers have continued to move production to crops with higher revenue potential. High import levels from Canada, with Turkey as Canada's second largest export market for lentils, appear to establish a trend whereby Turkey continues to be an importer of lentils to meet both domestic and regional supply requirements. Turkey may be looked at to supply more red lentils for regional demand, with decreased or unclear production in Syria as a result of the ongoing civil unrest in that country. Chickpea production in Turkey is reported by StatPub as increased slightly over 2013 levels, effectively flat in the 400,000 mt range.

Updated estimates on durum wheat production in Turkey were not available; however extremely dry conditions are putting Turkey's wheat production sector at risk of lower production levels in 2014. In 2013, USDA Global Agricultural Information Network ("GAIN") estimated durum wheat production, required for pasta, semolina and bulgur production, at an estimated at 2.4 million mt, with quality categorized as lower due to weather conditions at harvest in 2013. Global production of durum wheat is forecast by AAFC to decrease by 4% to 36.5 million mt, due in part to lower production estimated from Canada; however, it is forecast by AAFC that global carry-in for durum wheat is high.

On rice, USDA GAIN estimates that approximately 500,000 mt of milled rice was produced in Turkey in 2014. Annual consumption demands in Turkey are expected to result in Turkey continuing to be an importer of rice to meet high domestic consumption and regional exports.

Australia

Australian pulses production levels were reported by Australian Bureau of Agricultural and Resource Economics and Sciences ("ABARES") at 3% behind 2012, but still significant in terms of production volumes at 2.3 million mt. The most significant decreases are being reported in desi chickpeas while lupins have been reported as increased. Dry summer conditions may affect fall seeding moisture; however, ABARES reports that the "chances of a wetter or drier than normal season are roughly equal over the cropping zones of northern New South Wales, Queensland and South Australia. In Western

Australia, the chances of wetter than normal conditions across the cropping regions are between 55% and 65%."

Current ABARES estimates for pulses production are as follows:

	Australian Pulse Production 2013 [1]			Variance
	Area (acres)	**Production (mt)**	**2012 Production**	**2013 to 2012 Production**
Broad Beans	66,718	49,600	47,300	4.9%
Chickpeas (All)	1,252,824	629,000	813,300	-22.7%
Chickpeas - Desi	1,056,499	531,000	735,300	-27.8%
Chickpeas - Kabuli	196,325	98,000	78,000	25.6%
Faba Beans	375,600	328,000	377,000	-13.0%
Field Peas (All)	605,408	342,000	319,000	7.2%
Lentils	416,125	253,000	273,500	-7.5%
Lupins (All)	955,927	625,000	458,700	36.3%
Mung Beans	212,511	73,100	87,000	-16.0%

(1) Effective February 28, 2014 from data and estimates available from ABARES and STAT Publishing ("StatPub").

Australian pulse exports continued decreases in advance of harvest in Australia for the October – December 2013 period as reported by the Australian Bureau of Statistics. Australian exports have been low throughout 2013 as product stocks available for export were reported in low supply by ABARES resulted from late 2012 shipments of pulses particularly to India and subcontinent markets. However, with completion of Australian harvest replenishing stocks, it is expected that export numbers may return to more normalized levels.

Indian Subcontinent Markets

Continuing stagnant annual pulse production is resulting in USDA GAIN reporting lower pulses production for the year; however, current harvest may be consistent with historical production volumes, reducing imports in the short term. Despite this, consumption is estimated as higher by 1 million mt, reaching an estimated 22.5 million mt of consumption for 2014-15. USDA GAIN estimates 18 million mt of pulses production that would include approximately 1 million mt of lentils using historical production levels, which according to a StatPub report may be 250,000 to 300,000 mt short of requirements. For 2014, with significant Canadian pulses harvest and significant quantities of Canadian lentils available and the upcoming pulses harvest in Australia resulting in new crop chickpea availability, continued strong imports to India, albeit at levels potentially reduced from 2013, may mean strong export programs. In 2013, India was Canada's biggest export destination for lentils.

A falling Indian rupee is being supported somewhat by the softer performance of the Canadian dollar, allowing Canadian pulses exporters to better match importer price expectations with the ability to purchase raw materials from Canadian farmers. These conditions appear to have not affected importer ability to purchase in-demand pulse products in the short term; however, conditions are being watched closely. It is expected the Indian government is likely to extend the current export bans and import tariff at zero duty for another year, i.e. until March 31, 2015.

For 2014, rice production in India is estimated by USDA GAIN at 104 million mt, higher than 2013 by 1 million mt. The increases are attributed to sufficient monsoon rains and higher prices making rice production attractive to local farmers.

Russia and Ukraine

A recent USDA GAIN report indicates approximately 2 million mt of Russian pulses production in 2013, although no specific breakdown or pulses by type are provided. In past periods, when data was available from Russian State Statistical Service ("Rosstat"), StatPub and SaskPulse Growers, AGT management would estimate that Russian production could include as much as 50,000 to 75,000 mt of lentils, 1 to 1.5 million mt of peas and 175,000 to 250,000 mt of chickpeas along with approximately 500,000 mt of pulse production in the Ukraine, largely made up of pea production. Based on export levels reported from USDA GAIN in a number of reports forecasting approximately 1 million mt of pulses and other grains exported, it would be reasonable to assume production supporting these levels in absence of other data.

With decreasing levels of pulses production in Turkey, supply of some pulses, principally chickpeas and some bean varieties from Russia, Ukraine and former Soviet republics such as Kazakhstan and Kyrgyzstan, continue to be an important supply for Turkey both for domestic and regional markets. With recent political unrest in Ukraine and Crimea, AGT's origination activities for peas, chickpeas and beans have been focused more heavily on Kyrgyzstan and Kazakhstan as well as Russia through year-round ports via the Black Sea and the Bosphorus to processing destinations in Turkey.

South Africa

The Southern African region, with its significant availability of farmland, is certainly an area that may be viewed as a future production growth region in pulses and specialty crops; to date, pulses production, particularly bean production, has been flat as farmers take advantage of opportunities in other crops such as corn and canola. However, the region is a strong platform for import and distribution activities for Chinese beans, North American pulses and grains and Argentinian popcorn, complementing locally produced popcorn and other seed and nuts in small dry package directly to retailers in the Southern African region.

China

China is a significant production origin for beans; however, there is limited current information on production levels. Information from the United Nations Food and Agriculture Organization ("FAO") estimates 4.2 million mt of pulse production in 2012, including over 2 million mt of beans, comprised of broad beans, kidney beans, mung beans and adzuki beans, 1 million mt of peas, as well as 150,000 mt of lentils. China can be viewed as a significant potential export origin to major bean markets such as the U.S., Latin America, Europe, Southern Africa and India for light speckled kidney beans, black beans, navy beans, mung beans and white beans especially with North American production decreasing in past years.

China also presents significant business opportunities for pulses and pulses food ingredient import both for domestic use and regional distribution. China imports high levels of peas for domestic starch extraction for vermicelli noodle production, moon cakes and snack foods. This may provide an entry point for Canadian, U.S. and Australian whole green peas, pea starch, green pea powder and sprouting green peas as well as flax. Pulse ingredient flours, particularly starches are extensively used in South East Asia for the production of extruded snacks and other foods as well.