MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

ALLIANCE GRAIN TRADERS INC.
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The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations 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 six months ended June 30, 2014 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 August 12, 2014. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights for the quarter ended June 30, 2014

- **EBITDA*** was $24.4 million for the three months ended June 30, 2014 compared to $13.9 million for the three months ended June 30, 2013 and $17.1 million for the three months ended March 31, 2014.

- **EBITDA*** improved to $74.1 million for the trailing twelve months ended June 30, 2014 compared to $63.5 million for the trailing twelve months ended March 31, 2014 and compared to $51.5 million for the trailing twelve months ended June 30, 2013.

- **Revenue** was $359.8 million for the three months ended June 30, 2014 compared to $246.7 million for the three months ended June 30, 2013 and compared to $311.3 million for the three months ended March 31, 2014. EBITDA* as a percentage of revenue increased to 6.79% for the three months ended June 30, 2014 compared to 5.63% for the three months ended June 30, 2013 and compared to 5.49% for the three months ended March 31, 2014.

- **Net debt** improved to $335.7 million at June 30, 2014 compared to $369.4 million at March 31, 2014 and cash flow from operating activities increased by $66.8 million, to an increase of $38.9 million for the three months ended June 30, 2014 compared to a decrease of $27.9 million for the three months ended March 31, 2014.

- **Adjusted earnings per share** increased to $0.44 ($0.43 fully diluted) for the three months ended June 30, 2014 compared to $0.25 ($0.24 fully diluted) for the three months ended June 30, 2013 and $0.16 ($0.16 fully diluted) for the three months ended March 31, 2014.

- **Improvement in days trade accounts receivable outstanding** to 43 days for the six months ended June 30, 2014, down from 57 days for the six months ended June 30, 2013 and decreased to 41 days for the three months ended June 30, 2014 compared to 61 days for the three months ended June 30, 2013.

- **Days inventory outstanding** was slightly higher for the six months ended June 30, 2014 at 71 days, compared to 68 days for the six months ended June 30, 2013, however decreased to 67 days for the three months ended June 30, 2014 compared to 78 days for the three months ended March 31, 2014.

- **Total accounts receivable and inventory days outstanding** for the six months ended June 30, 2014 decreased to 114 days compared to 125 days for the six months ended June 30, 2013.

- **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 food. The pulses and grains processing segment includes subsidiaries and facilities in Canada, the U.S., Australia, China and a portion of the operations in Turkey. The trading and distribution segment includes operations in Europe, Russia, India, Switzerland and a portion of the operations in Turkey. The food ingredients and packaged foods include 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 domestic and export markets 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 and processing plants in Canada, 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.; 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 in 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 2014, AGT announced that it acquired the assets of CLIC International, a Laval, Quebec based retail packaging and canning distribution company, forming a new operating company called AGT CLIC Foods Inc. ("AGT CLIC") that includes packaging, canning, warehousing and distribution locations in Canada and the U.S.

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".

In order to more accurately reflect the business of AGT as a processor and supplier of value-added pulses, staple foods and ingredients derived from pulses and other grains for export and domestic human food and animal food markets, as well as a supplier of retail packaged and canned foods to retail and food service sectors, AGT has undertaken a name change from "Alliance Grain Traders Inc." to "AGT Food and Ingredients Inc." Management believes this name change, which is targeted to occur in 2014, is important to effectively communicate the business focus of AGT to shareholders, stakeholders and the public market in general.

Business Outlook

AGT's business segments continue to track positive progress towards earnings growth, with increases to volumes and sales in AGT's legacy business segments and new food ingredient and packaged food segment expected to continue. Positive progress with regards to the recently announced distribution and marketing agreement with Ingredion Incorporated ("Ingredion") and AGT's ongoing marketing agreement with Cargill Incorporated ("Cargill") appears to be providing the intended platform for growth for AGT's new segment focused on ingredient flours, proteins, starches and fibres derived from pulses for human food, branded feed and petfood and other industrial uses. This is supplemented by positive advancement in the quarter with regards to integration of AGT's new retail packaging and distribution business, AGT CLIC, as part of AGT's global packaged food sales and distribution business also contained within this segment.

AGT's legacy business segments, made up of pulses and grains processing and trading and distribution, continue a return to more normalized and seasonal flows, with significant volumes of pulses exported from Canada as well as Australia and other origins to key consumption markets in Turkey and India for both domestic consumption in these destinations and supply to their respective regional markets. Local pulses production in Turkey and India is viewed by Management as potentially impaired, with Turkish harvest recently completed and Indian harvest completed in April 2014, leaving Management optimistic that local buyers may continue to purchase quantities of pulses and staple foods in traditional seasonal volumes to ensure local supply for their own local distribution and sales programs as local production volumes become clear.

Significant quantities of pulses are forecasted to be produced in Canada and the Northern Tier U.S. states in 2014, which, when added to carry-in from 2013, may result in more than ample supply for AGT export programs as well as feeding raw materials for AGT's ingredient program. Wet conditions have resulted in some acre loss for agricultural land; however, Management expects the loss of acres to be less pronounced in pulse acres. Production from some of the lost acres is expected to be offset by yield gains resulting from good moisture levels and overall good growing conditions to date.

Growth in all segments is expected to drive improved results from AGT's operations, including gains in margins and total metric tonnes ("mt") handled through AGT facilities. Results and volumes are tracking as per Management expectations, with further improvements expected through 2014 and into 2015.

Management continues to forecast growth in the ingredient platform on potentially higher-margin and less volatile food ingredient sector business, focused on ingredient flours, protein, fibres and starches derived from pulses as well as the packaged retail foods segment. Additionally, AGT's legacy pulses business is also expected to continue its gradual recovery of margin and utilization.

A review of the outlook for each of AGT's business segments is as follows.

Food Ingredients and Packaged Foods

In recent periods, AGT has been focused on rollout of its new food ingredient and packaged foods segment. This has been inclusive of AGT's pulse ingredient production facility in Minot, North Dakota, focused on the production of pulses ingredient flours, proteins, starches and fibres, as well as AGT's global packaged foods business, featuring the Arbella brand of pasta sold in over 80 countries globally; Arbel brand packaged pulses and staple foods sold in many markets in Central Asia, Europe and the Middle East/North Africa ("MENA") region; AGT CLIC brand, with retail and food service listings in Canada and the U.S.; and the Pouyoukas brand of packaged foods, widely available in Southern Africa.

The food ingredient and packaged foods segment has many potential advantages for AGT. As this segment continues establishing itself through the development of sales and market opportunities and the positive growth reported to date, Management expects this segment to potentially provide added margin opportunities and therefore earnings growth. With seasonality in AGT's legacy pulses and grains business driven by new-crop harvests and customer buying patterns dictated by local production supply and demand dynamics, the businesses in this segment are expected to assist in smoothing earnings over the year.

Demand from food company customers appears 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 and at potentially higher prices to guarantee delivery and quality.

Consumers in North America and Europe continue to gravitate towards both ends of the mass retail grocery ("MRG") sector: "discount hypermarkets" focused on price sensitivity, and higher-value "premiumization" markets focused on higher-quality products, environmental sustainability and health and wellness rather than on pricing [Agriculture and Agri-Food Canada Market Analysis Report]. This may create ongoing potential for small packaged and canned offerings, both domestically in North America, but also in other markets.

More consumers are exposed to foreign tastes and flavours for a variety of reasons, leading to these previously exotic foods and package goods becoming “mainstream” in traditional markets where consumers favour retail grocery outlets such as North America and Europe. In non-traditional markets, consumers have typically purchased food products from small markets and small stores, a trend that has been steadily eroding through the widespread presence of modern MRG outlets with rising disposable incomes, consumption and preference shifting towards packaged and processed foods [Deloitte 2010 Turkish Food & Beverage Industry Report]. Additionally, this trend may have a positive impact on AGT’s legacy business as traditional markets look for shipments of pulses and staple foods in small package and canned formats rather than traditional large bulk bag shipments to go directly to retail shelves.

In June 2014, AGT announced a distribution agreement appointing Ingredion, a leading global provider of ingredient solutions to diversified industries, as AGT's exclusive distributor of its pulse flours, protein and fibre (bran) ingredients for its consumer foods and ingredient segments. These segments include products such as baked goods, snacks, pasta and texturing applications covering the United States, Canada, China, Europe, the Middle East and North Africa. Ingredion operations feature significant research, application development and sales infrastructure focused on ingredient sales and solutions for customers in the food, beverage, brewing, pharmaceuticals and other industries.

The non-GMO, high protein and fibre, gluten-free, micronutrient-rich and environmentally positive profile and characteristics of pulse ingredients, coupled with the high degree of flexibility that pulse ingredients have been demonstrating in application research testing, is a driver for food companies searching for new and different ingredients for their products as well as to align with consumer demand.

Food companies have reacted positively to non-GMO ingredients partially as a result of the work of consumer advocacy groups, with General Mills, Kellogg’s and Post all recently announcing intentions to replace GMO ingredients, including soy and corn, in some of their products. Alternative flours, including pulse flours, are forecast to grow almost four times faster than wheat flours and ahead of other cereals and potato flour in the sweet and savoury snacks applications category between 2012 and 2017 in North America and Europe [Euromonitor]. Gluten-free foods are expected to have sales of more than $6.6 billion by 2017 [Packaged Facts]. The National Foundation for Celiac Awareness reports 3 million Americans suffer from celiac disease in addition to 18 million Americans with non-celiac gluten sensitivity. While no official studies have been concluded in Canada, Health Canada estimates that as many as three hundred thousand people in Canada may suffer from celiac disease. The global ingredient protein market is expected to reach $28.9 billion by 2020, with plant protein expected to continue to account for the majority of the protein ingredient market [Grand View Research]. Overall, market trends are shifting towards lower-cost and abundant plant-based alternatives due to the rising cost of dairy-based ingredients, growing dietary preferences (e.g., gluten-free and vegan) and consumer demand for healthier ingredients [Canadian Institute of Food Science and Technology]. In part, 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 Management’s belief that a well-structured, strategic entry into the pulse ingredient sector, with the right partner, may provide significant growth opportunities and increased earnings potential for AGT.

AGT's investment in pulse ingredients, including its production facilities, research and development infrastructure as well as the management and staff required to build a functioning business unit, has been based on the strategies undertaken to diversify AGT production and add further value to potentially higher margin products, realizing the strategy of value-added processing that AGT's legacy business was founded on. Pulse ingredients have been gaining profile with both consumers and food companies in the human food, petfood and animal feed sectors, as well as food manufacturers who may use pulses as an ingredient, in whole or fractionated form, in combination with other ingredients to create products and ingredient blends or for other applications.

Pulse ingredient flours, proteins, fibres and starches can be derived from a single product. They can be derived individually from lentils, peas, chickpeas or a variety of beans, or blended from multiple products to capture or enhance particular characteristics that may provide positive application performance for the intended application.

The agreement between AGT and Ingredion is intended to more rapidly develop market and sales opportunities for AGT ingredient products through Ingredion's sales, marketing and application research strength and AGT's high quality pulse ingredients. Concentrations for sales and marketing programs include sectors in foods for human consumption such as baking, cereals, meat and meat analogues, pasta, snack and extruded foods, dips, soups beverages and convenience meals as well as nutritional supplements, additives and other industrial food uses.

It is expected that through this agreement, in conjunction with AGT's previously announced Cargill distribution and marketing agreement for protein in petfood, branded feed ingredients and aquaculture in North America and AGT's own sales and marketing initiatives for human food, petfood, aquaculture and industrial use globally outside of these agreements, that margins and sales volumes on ingredient sales will continue tracking as per Management expectations for 2014-2015. Sales of protein and fibre (bran) are expected to continue growing at progressively improving rates as customer demand grows. Improvements in volumes of high viscosity flour and starches are expected, with a concentrated volume going into feed applications, which are expected to be replaced over time by increased human food, petfood and aquaculture applications resulting from research and development successes, particularly in partnership with Ingredion.

AGT is currently operating two production lines at its Minot, North Dakota facility to continue supporting the expansion of its sales programs. The second line began commissioning in March 2014, with commercial production commencing in May 2014, doubling the stated output capacity of the Minot facility and reaching the projected volumes required for AGT's sales programs. With sales currently tracking as per Management's expectations, further additions of capacity are being contemplated for the end of 2014. The second line is estimated to be running at nearly two-thirds of its rated capacity at June 30, 2014.

AGT has begun feasibility and costing exercises to support decisions related to the installation of a third processing line in Minot, with a potential late 2014 or early 2015 target date for commercial production. Conversion feasibility will continue in 2014 with regards to Regina, Canada; Williston, U.S.A.; or a portion of AGT's Mersin, Turkey facilities with decisions targeted in 2015 for a potential launch of a second production facility in 2016. Conversion provides benefits over greenfield construction with regard to lower capital cost and shorter time to market. Additional capacity through conversion is expected to leverage AGT's investment in infrastructure, facilities, and management to operate the business unit, which has potential to add higher contribution to earnings as scale and capacity utilization targets are achieved.

Pulses and Grains Processing

Total export volumes for pulses from Canada and other origins have been reported by StatsCan as strong for the 2014 period outlining the trend established and reported throughout 2013 as local markets evaluate local production levels and supply. Significant volumes are reported to be moving to destination markets from Canada, Australia and the U.S. for lentils. Relatively stable to higher prices have provided opportunity for AGT with regard to margins and therefore earnings in the period for this segment.

As has been expected by Management, Turkey and markets within the Indian subcontinent continue to be leading destinations for Canadian exports of lentils, with slight increases to these destinations over the same period in 2013, irrespective of the marginal decrease in overall Canadian lentil exports over the Q1 2014 period. This trend indicates to Management that these core production and consumption markets may be covering short supply positions resulting from the slower Q1 2014 shipments impacted by transportation disruptions in Canada and inadequate production for both domestic use and regional supply. It appears to Management that buyers are looking to avoid short supply and are without the means to purchase staple consumption items as they have in past periods. Market trends and developments continue to be monitored by Management to continue balancing AGT market focus and activities, allowing for maximization of sales programs and margin opportunities.

Based on export statistics, Canada is the leading export origin for pulses, particularly for lentils. Production in 2014 is estimated to be relatively flat from the significant volumes produced in 2013, remaining at high levels. Significant rainfall resulting in flooding in some parts of Western Canada and the Northern Tier states has been reported with resulting lost acres of agricultural land. These reported losses are expected to be minimized in pulse-growing regions. Additionally, moisture levels and conditions may result in yield gains for pulses, resulting in significant production levels for the season. High carry-in and new crop production are expected to result in more than ample supply, which, if normalized buying patterns follow after a robust Q2 2014 shipping period, may result in year-round purchases and imports in 2014-2015, positively influencing AGT's financial results. AGT leverages its global footprint to create margin from its international sales programs.

AGT operates in a high fixed cost environment where incremental improvements in capacity utilization can have significant impact on improving AGT's financial results. In addition to efforts to boost capacity utilization, Management has undertaken cost containment initiatives and origin, product and market diversification strategies to assist in ensuring the preservation and certainty of margins even in periods where capacity utilization declines temporarily.

Improved volumes of processed and shipped product from AGT's facilities globally, particularly Canada and Turkey, are viewed by Management as important components to the positive impact on capacity utilization which appears to be showing continued improvement and tracking as per Management expectations. Management initiatives aimed at working capital management, inventory/receivable turns and cost reduction will continue and are expected to positively impact AGT's earnings over the 2014 period.

Trading and Distribution

Normalization of pulses and staple foods markets appears to have also had a positive impact on export volumes of other commodities sold through AGT's trading and distribution segment, which is made up of products not specifically processed in AGT facilities. These include popcorn, coffee, canola, flax, sugar and spices and a variety of seeds. While relative margins are potentially lower in this segment, they are expected to continue to be a positive contributor to AGT's financial results due to the fact that they do not require processing and facility infrastructure or capital investments. Working capital requirements are largely financed on relatively short finance terms with the utilization of structured trade finance instruments.

Stable volume and gradual margin improvements similar to those seen in AGT's pulses and grains processing segment are expected by Management in this segment in the 2014-2015 period. Both segments are expected to continue benefiting from improving commodity shipments globally and tenders for pulses, staple foods and food parcels through governments, international aid organizations and non-governmental agencies ("NGO") in Turkey, Syria, the MENA region and other areas around the globe.

Strategy Implementation: Management Update

During normalized market conditions with respect to product volumes, shipping periods and relative price levels, Management strategies and initiatives surrounding accounts receivable and inventory turns, cost reduction 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, demonstrate the impact these strategies and initiatives may have on AGT's business. While business segments continue to normalize and grow, recent periods are among the first to demonstrate the earnings strength Management has expected from acquisitions and expansions completed over the past several years.

Global economic headwinds and production impairment, which had impacted AGT business, have for the most part eased.

The legacy business has benefited from normalized market conditions and a return to more historical and seasonal volumes and shipping periods, providing a stronger revenue and earnings base for AGT operations.

Diversification initiatives to new business lines, such as AGT's food ingredient and retail packaged foods segment, are underway to build scale in these potentially higher-value segments. These initiatives include the expansion of AGT's Minot facility to two production lines, with a third line installation being investigated; re-deployment of some available capacity at other AGT facilities; the recently announced sales and marketing agreement with Ingredion to focus on sale and marketing of pulse ingredients globally through Ingredion's significant sales and marketing infrastructure; and AGT's expansions in the retail packaged food business. These initiatives are expected to ramp up AGT's global food ingredients and packaged foods segment over the 2014-2015 period.

Details surrounding these management strategies and initiatives are as follows:

Margin Improvement through increased volumes, product mix changes and growth in new platforms: Margin improvement reported over the recent quarters in all AGT segments is expected to continue. A number of factors contribute to this expectation, including normalization of global pulses and staple foods markets to more historical and seasonal cycles, 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.

Diversity in this area is expected to be positively impacted through AGT's agreements with Ingredion and Cargill, ramping up sales programs for AGT's pulse ingredient business focused on pulse flour, protein, and fibre (bran) in increased volumes at potentially higher margins and driving revenue, margin and earnings growth. Strategic partnerships are expected to benefit AGT through increased market reach, collaborative research into new and innovative uses of pulse ingredients and the ability to target increasingly larger customers who may be interested in the non-GMO, gluten-free, high protein and fibre and sustainable characteristics of pulse ingredients.

In AGT's legacy business, AGT management has been focused on programs to strengthen and streamline distribution networks to ensure that sales opportunities are being captured efficiently to maximize margin and volume potential. As markets have normalized, stronger distribution networks are expected to assist in continued positive progress in converting revenue growth to improved margins and profitability with regard to pricing and import levels. With its diversification of assets geographically, including origination strength diversity for raw materials as well as processing efficiency through technology, AGT continues to demonstrate its ability to convert gross margin improvements into EBITDA* through relatively consistent general and administrative and marketing, sales and distribution expenses on a per mt basis, taking into account that business volumes and the global footprint have increased. In the high fixed cost environment AGT operates in, incremental efficiency gains through diversification driving plant capacity utilization is viewed by Management as a positive foundation for earnings improvement and is expected to have a significant impact on improving earnings.

Working Capital Management: 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 expected to contribute to a healthy balance sheet for AGT and fund its growth and expansions from free-cash flows, debt and equity while maintaining its yield to shareholders, particularly as AGT's legacy business improves and gains are made in the new food ingredient and retail packaged foods programs. 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. Within the legacy business, AGT expects to boost utilization of its asset base, including the utilization for new products and opportunities outside of AGT's legacy business, including pulse ingredient production. 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.

Diversification initiatives into pulse ingredient production, with two lines of operation at AGT's Minot, North Dakota ingredient facility and the integration of AGT CLIC for retail canning, packaging and distribution, AGT management is focused on building the new food ingredient and packaged goods segment. 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 ingredients and packaged foods segment in 2014 and 2015.

Additionally, the segment is expected by Management to contribute to increased capacity utilization as legacy processing operations may feed product in partially processed (in the case of ingredient production) or fully processed (in the case of canning or packaging of pulses and staple foods for retail sales programs) form, both under AGT owned and distributed brands and co-packing for customers. Co-packing for premium retail and distribution customers is viewed by Management as an opportunity to boost production capacity utilization and utilize packaging and canning infrastructure, under conditions where it does not interfere with AGT programs.

Management expects to focus a small capital expenditure program in 2014 to enhance utilization. Global capital expenditure maintenance programs are budgeted at approximately $10 to $15 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.

Management has begun feasibility analysis of both third line installation for Minot and conversion of some underutilized processing capacity at AGT legacy processing operations to pulse ingredient production; however, any conversion or expansion will be dictated by market requirements and success of sales programs, inclusive of AGT direct global merchandising activities and those under the respective Ingredion and Cargill agreements.

In the absence of facility conversions to food ingredient production, management capacity utilization targets are to achieve 75% asset utilization in 2014 and boost that utilization through a steady 3% per annum program to achieve full utilization within four to five years. With a high fixed component business, additional gains in utilization contribute materially to incremental earnings growth.

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 being measured on cost reduction programs and overall reductions in processing costs per mt. Programs will continue to focus on management of fixed costs so that boosting utilization of AGT's asset base may deliver improved financial results. AGT expects to see a decrease in general and administrative expenses on a per mt basis when comparing periods. Tonnages invoiced have increased while costs have not increased significantly, implying that management cost containment programs are showing benefits through a reduction in fixed overheads.

Improve reporting and disclosure to the market: AGT has introduced new reporting segments 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. Additionally, Management believes AGT's upcoming name change to "AGT Food and Ingredients Inc." is an important component in communicating to public markets, customers, shareholders and other stakeholders, the business focus of AGT and the importance of AGT's emerging business segments.

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 Quarterly Results [1]

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

	3 Months Ended June 30, 2014	3 Months Ended March 31, 2014	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
Revenue	$ 359,787	$ 311,283	$ 375,119	$ 240,485	$ 246,729	$ 276,440	$ 247,195	$ 208,957
Less: cost of sales [2]	324,315	284,014	346,584	218,549	223,396	254,231	227,415	191,926
Gross profit	35,472	27,269	28,535	21,936	23,333	22,209	19,780	17,031
Add back: depreciation cost of sales	3,703	3,615	3,192	3,144	2,549	2,720	2,700	2,445
Add back: finance income	24	4	10	(329)	8	339	433	1,034
Adjusted gross profit	**39,199**	**30,888**	**31,737**	**24,751**	**25,890**	**25,268**	**22,913**	**20,510**
Deduct: General and administrative expenses	(10,573)	(9,685)	(11,057)	(6,938)	(8,365)	(9,118)	(9,008)	(7,051)
Deduct: Marketing, sales and distribution expenses	(6,278)	(5,890)	(5,339)	(4,916)	(4,616)	(4,327)	(4,204)	(3,113)
Add: Amortization in general and administrative expense	696	646	881	839	601	1,142	717	640
Add: Non-recurring and other costs [3]	1,385	1,117	1,970	639	388	609	2,073	505
EBITDA (*)	**24,429**	**17,076**	**18,192**	**14,375**	**13,898**	**13,574**	**12,491**	**11,491**
Deduct: Finance expense	(6,969)	(7,931)	(6,494)	(6,352)	(7,296)	(5,768)	(4,248)	(4,402)
Deduct: Depreciation and amortization	(4,399)	(4,261)	(4,073)	(3,983)	(3,150)	(3,862)	(3,417)	(3,085)
Add (Deduct): Provision for income taxes	(4,249)	(1,704)	(796)	685	1,434	1,180	(1,033)	(22)
Adjusted net earnings (*)	**8,812**	**3,180**	**6,829**	**4,725**	**4,886**	**5,124**	**3,793**	**3,982**
Adjusted basic net earnings (loss) per share	0.44	0.16	0.34	0.24	0.25	0.26	0.19	0.20
Adjusted diluted net earnings (loss) per share	0.43	0.16	0.34	0.24	0.24	0.26	0.19	0.20
Non-recurring and other costs [3]	(1,385)	(1,117)	(1,970)	(639)	(388)	(609)	(2,073)	(505)
Non-cash foreign exchange effect	5,553	7,149	(5,735)	(7,007)	(10,037)	(4,895)	72	(2,895)
Net earnings (loss) per financial statements	**12,980**	**9,212**	**(876)**	**(2,921)**	**(5,539)**	**(380)**	**1,792**	**582**
Basic net earnings (loss) per share	0.64	0.46	(0.04)	(0.15)	(0.28)	(0.02)	0.09	0.03
Diluted net earnings (loss) per share	0.64	0.46	(0.04)	(0.15)	(0.28)	(0.02)	0.09	0.03
Total assets	788,022	799,237	773,792	708,068	710,905	735,810	712,491	641,882
Bank indebtedness	118,660	141,320	110,805	120,023	112,277	132,362	205,549	170,649
Short term financing	-	-	-	-	2,622	12,714	12,402	17,936
Long-term debt including current portion	247,010	248,332	230,605	222,517	215,486	210,769	82,310	76,202
Shareholders' equity	257,065	251,300	234,339	240,655	253,923	267,892	269,848	268,960
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]	344,971	275,721	320,619	216,780	267,774	278,199	231,206	221,107
Trading and distribution tonnes invoiced [4]	115,368	131,236	127,523	98,902	69,286	93,313	76,087	55,733
Packaged food and food ingredients tonnes invoiced [4]	61,585	53,215	54,147	-	-	-	-	-
Inter-company tonnes	(82,632)	(73,557)	(34,317)	(20,026)	(12,959)	(15,872)	(38,911)	(17,749)
Total tonnes invoiced	439,292	386,615	467,972	295,656	324,101	355,640	268,382	259,091
Gross profit per metric tonne	$ 80.75	$ 70.53	$ 60.98	$ 74.19	$ 71.99	$ 62.45	$ 73.70	$ 65.73
Adjusted gross profit per metric tonne	89.23	79.89	67.82	83.72	79.88	71.05	85.37	79.16
EBITDA (*) per metric tonne	55.61	44.17	38.87	48.62	42.88	38.17	46.54	44.35

Notes:

(1) Calculated from the condensed consolidated unaudited interim financial statements for the quarters ended June 30, 2014, March 31, 2014, March 31, 2013, September 30, 2013 and 2012 and June 30, 2013 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, share-based payments 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
(Thousands of Cdn$ except as indicated, unaudited)

Revenue, Gross Profit and Adjusted Gross Profit

	3 Months Ended June 30 2014	3 Months Ended June 30 2013	Change	6 Months Ended June 30 2014	6 Months Ended June 30 2013	Change	3 Months Ended June 30 2014	3 Months Ended March 31 2014	Change
Revenue	359,787	246,729	113,058	671,070	523,169	147,901	359,787	311,283	48,504
Less: cost of sales	324,315	223,396	100,919	608,329	477,627	130,702	324,315	284,014	40,301
Gross profit	35,472	23,333	12,139	62,741	45,542	17,199	35,472	27,269	8,203
Add back: depreciation in cost of sales	3,703	2,549	1,154	7,318	5,269	2,049	3,703	3,615	88
Add back: finance income	24	8	16	28	347	(319)	24	4	20
Adjusted gross profit	39,199	25,890	13,309	70,087	51,157	18,930	39,199	30,888	8,311
Gross profit percentage	9.9%	9.5%	0.4%	9.3%	8.7%	0.6%	9.9%	8.8%	1.1%
Adjusted gross profit percentage	10.9%	10.5%	0.4%	10.4%	9.8%	0.6%	10.9%	9.9%	1.0%

Revenue was $359.8 million and $671.1 million for the three and six months ended June 30, 2014 compared to $246.7 million and $523.2 million for the three and six months ended June 30, 2013 and compared to $311.3 million for the three months ended March 31, 2014. Revenue increased when comparing the three and six months ended June 30, 2014 to the three and six months ended June 30, 2013 due to AGT's larger global platform and resulting increase in tonnes invoiced. Revenue increased when comparing the three months ended June 30, 2014 to the three months ended March 31, 2014 due to overall increased tonnes invoiced, largely out of Canadian and Turkish origins. Canadian origin tonnages were affected in the first quarter of 2014 by rail issues and resulting railcar shortages. This issue was resolved during the second quarter. Turkish tonnes invoiced increased due to the sale of inventory that was received later in the first quarter.

Gross profit was $35.5 million or 9.9% for the three months ended June 30, 2014 compared to $23.3 million or 9.5% for the three months ended June 30, 2013 and $27.3 million or 8.8% for the three months ended March 31, 2014. Adjusted gross profit was $39.2 million or 10.9% for the three months ended June 30, 2014 compared to $25.9 million or 10.5% for the three months ended June 30, 2013 and $30.9 million or 9.9% for the three months ended March 31, 2014.

Gross profit was $62.7 million or 9.3% for the six months ended June 30, 2014 compared to $45.5 million or 8.7% for the six months ended June 30, 2013. Adjusted gross profit was $70.1 million or 10.4% for the six months ended June 30, 2014 compared to $51.2 million or 9.8% for the six months ended June 30, 2013.

Gross profit and adjusted gross profit percentages increased when comparing the three and six months ended June 30, 2014 to the three and six months ended June 30, 2013 and to the three months ended March 31, 2014 due to margin improvements and earnings contribution from India, China and AGT CLIC as well as continued improvement in legacy business margins.

Gross profit and adjusted gross profit in absolute dollars increased when comparing the three and six months ended June 30, 2014 to the three and six months ended June 30, 2013 and to the three months ended March 31, 2014 due to increased invoiced tonnes, largely out of Canada and Turkey, aided by AGT's ability to extract premiums for shipments in the quarter caused by logistical constraints in late 2013 and early 2014.

EBITDA*

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
							June 30	March 31	
	2014	2013	Change	2014	2013	Change	2014	2014	Change
EBITDA*	24,429	13,898	10,531	41,505	27,472	14,033	24,429	17,076	7,353
EBITDA* percentage of revenue	6.79%	5.63%	1.16%	6.18%	5.25%	0.93%	6.79%	5.49%	1.30%

EBITDA* was $24.4 million for the three months ended June 30, 2014 compared to $13.9 million for the three months ended June 30, 2013 and $17.1 million for the three months ended March 31, 2014. EBITDA* increased by $10.5 million when comparing the three months ended June 30, 2014 to the three months ended June 30, 2013 due to increased tonnes invoiced at improved gross margin and adjusted gross margin percentage. EBITDA* increased by $7.4 million when comparing to the three months ended March 31, 2014 due to increased tonnes invoiced as well as improved gross margin and adjusted gross margins. EBITDA* as a percentage of revenue for the three months ended June 30, 2014 increased when comparing to the three months ended June 30, 2013 and the three months ended March 31, 2014 due to improved margins.

EBITDA* was $41.5 million for the six months ended June 30, 2014 compared to $27.5 million for the six months ended June 30, 2013. EBITDA* increased by $14.0 million when comparing the six months ended June 30, 2014 to the six months ended June 30, 2013 due to increased tonnes invoiced at improved gross margin and adjusted gross margin percentage. EBITDA* as a percentage of revenue for the six months ended June 30, 2014 increased to 6.18% compared to 5.25% for the six months ended June 30, 2013 due to improved margins and a continued focus on cost savings initiatives.

General and administrative and marketing sales and distribution expenses

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
	2014	2013	Change	2014	2013	Change	June 30 2014	March 31 2014	Change
General and administrative expenses	10,573	8,365	2,208	20,258	17,483	2,775	10,573	9,685	888
Marketing, sales and distribution expenses	6,278	4,616	1,662	12,168	8,943	3,225	6,278	5,890	388

General and administrative expenses were $10.6 million for the three months ended June 30, 2014 compared to $8.4 million for the three months ended June 30, 2013 and $9.7 million for the three months ended March 31, 2014. The expense increased when comparing the three months ended June 30, 2014 to the three months ended June 30, 2013 due to expanded operations related to food ingredients, India, China and AGT CLIC, and increased by $0.9 million from the three months ended March 31, 2014 due partially due to increased costs related to growth in the packaged food and food ingredients segment. The quarter ended June 30, 2014 includes approximately $1.1 million in non-recurring costs relating to acquisition start up, share-based compensation and other. Management expects that general and administrative expenses will continue to track consistently with the first six months of 2014, at approximately $10 million per quarter.

Marketing, sales and distribution expenses were $6.3 million for the three months ended June 30, 2014, compared to $4.6 million for the three months ended June 30, 2013 and $5.9 million for the three months ended March 31, 2014. Marketing, sales and distribution expenses increased when comparing the three months ended June 30, 2014 to the three months ended June 30, 2013 and the three months ended March 31, 2014 due largely to the expansion into food ingredients, costs associated with AGT CLIC as well as costs associated with the sales office in Switzerland.

General and administrative and marketing, sales and distribution expenses for the six months ended June 30, 2014 were $32.4 million compared to $26.4 million for the six months ended June 30, 2013. The increase is due to the growth in AGT's global platform, including expansions of operations in China, India and Switzerland, as well as growth in the food ingredients and packaged foods segment and the acquisition of AGT CLIC in January of 2014. Management expects that the combination of general and administrative and marketing, sales and distribution expenses will continue to track at approximately $15.5 to $16 million per quarter.

Other expenses

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
	2014	2013	Change	2014	2013	Change	June 30 2014	March 31 2014	Change
Finance expense	6,969	7,296	(327)	14,900	13,064	1,836	6,969	7,931	(962)
Depreciation and amortization	4,399	3,150	1,249	8,660	7,012	1,648	4,399	4,261	138
Provision for (recovery of) income taxes	4,249	(1,434)	5,683	5,953	(2,614)	8,567	4,249	1,704	2,545
Non-cash foreign exchange effect	(5,553)	10,037	(15,590)	(12,702)	14,932	(27,634)	(5,553)	(7,149)	1,596

Finance expenses for the three months ended June 30, 2014 were $7.0 million compared to $7.3 million for the three months ending June 30, 2013 and $7.9 million for the three months ending March 31, 2014. Finance expenses for the six months ended June 30, 2014 were $14.9 million compared to $13.1 million for the six months ended June 30, 2013.

Finance expense decreased when comparing the three months ended June 30, 2014 to the three months ended June 30, 2013 and increased when comparing the six months ended June 30, 2014 to the six months ended June 30, 2013. This is due to a larger global platform and additional expense related to trade finance instruments and interest bearing debt in the first quarter of 2014. Finance expense decreased when comparing the three months ended June 30, 2014 to the three months ended March 31, 2014 largely due to lower average operating line balances.

Depreciation expenses for the three months ended June 30, 2014 were $4.4 million compared to $3.2 million for the three months ended June 30, 2013 and $4.3 million for the three months ended March 31, 2014. Depreciation expenses for the six months ended June 30, 2014 were $8.7 million compared to $7.0 million for the six months ended June 30, 2013.

Depreciation expense increased when comparing to the three months and six months ended June 30, 2013 and the three months ended March 31, 2014 due to assets being put into use.

Provision for income tax shows an expense of $4.2 million for the three months ended June 30, 2014 compared to a recovery of $1.4 million for the three months ended June 30, 2013 and an expense of $1.7 million for the three months ended March 31, 2014. Provision for income tax shows an expense of $6.0 million for the six months ended June 30, 2014 compared to a recovery of $2.6 million for the six months ended June 30, 2013.

The income tax expense is calculated for each subsidiary at the individual rate for that country and therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

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 a recovery of $5.6 million for the three months ended June 30, 2014 compared to an expense of $10.0 million for the three months ended June 30, 2013 and a recovery of $7.1 million for the three months ended March 31, 2014. Non-cash foreign exchange was a recovery of $12.7 million for the six months ended June 30, 2014 compared to an expense of $14.9 million for the six months ended June 30, 2013.

The change in non-cash foreign exchange from the three and six months ended June 30, 2013 and the three months ended March 31, 2014 to the three and six months ended June 30, 2014 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.

Reporting Segments

As of July 1, 2012, improvements were made to management information systems to allow the review by AGT's chief operating decision maker 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 has three segments: (1) pulses and grains processing (2) trading and distribution and (3) food ingredients and packaged food.

The pulses and grains processing segment 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 to its network of clients in over 100 countries in the world. The segment includes all pulses processed in AGT factories in Canada, the United States, Australia, Turkey and China.

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 U.K., the Netherlands, Spain, Russia, Ukraine, Turkey and India.

Food and food ingredients is the newest segment which AGT operates. During the fourth quarter of 2013, the Company strengthened reporting abilities in this segment to allow improved disclosure of these results. This segment includes the results from the newly commissioned pulse fractionation plant in Minot, North Dakota, as well as the results from the pasta, bulgur and semolina plants in Turkey and the operations in South Africa. Starting in 2014, the results of the newly formed AGT CLIC Foods Inc. have been represented in the food and food ingredients segment.

AGT's chief operating decision maker evaluates segment performance on the basis of EBITDA*. Management believes that EBITDA* is an important indicator 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 accounting policies used within each segment are consistent with the policies outlined in the notes to the financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course of business. Certain estimates and assumptions were made by management in the determination of segment composition.

Prior to October 1, 2013, AGT reviewed its operations as two operating segments: (1) pulses and grains processing and (2) trading and distribution. As such, reporting to accurately track food ingredients and packaged food 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 June 30, 2014	6 Months Ended June 30, 2014	3 Months Ended March 31, 2014	3 Months Ended June 30, 2014	6 Months Ended June 30, 2014	3 Months Ended March 31, 2014	3 Months Ended June 30, 2014	6 Months Ended June 30, 2014	3 Months Ended March 31, 2014	3 Months Ended June 30, 2014	6 Months Ended June 30, 2014	3 Months Ended March 31, 2014	3 Months Ended June 30, 2014	6 Months Ended June 30, 2014	3 Months Ended March 31, 2014
Quarterly comparisons															
Revenue	$ 252,334	$ 459,298	$ 206,964	$ 83,159	$ 179,323	$ 96,164	$ 69,821	$ 122,543	$ 52,722	$ (45,527)	$ (90,094)	$ (44,567)	$ 359,787	$ 671,070	$ 311,283
Cost of sales	229,558	422,038	192,480	78,946	169,363	90,417	61,338	107,022	45,684	(45,527)	(90,094)	(44,567)	324,315	608,329	284,014
Gross profit	22,776	37,260	14,484	4,213	9,960	5,747	8,483	15,521	7,038	0	0	-	35,472	62,741	27,269
Adjusted gross profit	25,069	41,691	16,622	4,232	9,995	5,763	9,875	18,374	8,499	25	29	4	39,201	70,089	30,888
Net segment earnings	**18,199**	**28,791**	**10,592**	**1,119**	**3,077**	**1,958**	**6,205**	**11,521**	**5,316**	**(8,841)**	**(13,878)**	**(5,038)**	**16,683**	**29,511**	**12,828**
EBITDA*	**$ 19,049**	**$ 30,183**	**$ 11,134**	**$ 1,277**	**$ 3,298**	**$ 2,021**	**$ 6,281**	**$ 11,869**	**$ 5,588**	**$ (2,177)**	**$ (3,845)**	**$ (1,667)**	**$ 24,430**	**$ 41,505**	**$ 17,076**
Total tonnes invoiced	344,971	620,692	275,721	115,368	246,604	131,236	61,585	114,800	53,215	(82,632)	(156,189)	(73,557)	439,292	825,907	386,615
Gross profit per metric tonne	$ 66.02	$ 60.03	$ 52.53	$ 36.52	$ 40.39	$ 43.79	$ 137.74	$ 135.20	$ 132.26				$ 80.75	$ 75.97	$ 70.53
Adjusted gross profit per metric tonne	72.67	67.17	60.29	36.68	40.53	43.91	160.35	160.05	159.71				89.23	84.86	79.89
EBITDA* per metric tonne	55.22	48.63	40.38	11.07	13.37	15.40	101.99	103.39	105.01				55.61	50.25	44.17

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 $72.67 per metric tonne and EBITDA* of $55.22 per metric tonne for the three months ended June 30, 2014 compared to adjusted gross profit of $60.29 per metric tonne and EBITDA* of $40.38 per metric tonne for the three months ended March 31, 2014. The improvement is due to continued gradual margin improvements in the legacy business. Adjusted gross profit and EBITDA* per metric tonne for the six months ended June 30, 2014 were $67.17 and $48.63 per metric tonne.

The trading and distribution segment showed adjusted gross profit of $36.68 per metric tonne and EBITDA* per metric tonne of $11.07 for the three months ended June 30, 2014 compared to adjusted gross profit of $43.91 per metric tonne and EBITDA* per metric tonne of $15.40 for the three months ended March 31, 2014. Adjusted gross profit and EBITDA* per metric tonne for the six months ended June 30, 2014 were $40.53 and $13.37 per metric tonne.

Food ingredients and packaged foods showed adjusted gross profit of $160.35 per metric tonne and EBITDA* of $101.99 per metric tonne for the three months ended June 30, 2014 compared to adjusted gross profit of $159.71 and EBITDA* of $105.01 for the three months ended March 31, 2014. Pasta demands remained consistent during the quarter, and the second line at the Minot, North Dakota facility continues to ramp up. AGT CLIC results are also included in this segment. Adjusted gross profit and EBITDA* per metric tonne for the six months ended June 30, 2014 were $160.05 and $103.39 per metric tonne.

For the three months ended June 30, 2014, inter-company metric tonnes were 82,632 tonnes, meaning that they were sold from one AGT company to another for further manufacturing, further packaging and/or for sale to a final customer. For the six months ended June 30, 2014, inter-company shipments totaled 156,189 tonnes.

Net working capital* decreased to $197.3 million at June 30, 2014, compared to $201.0 million at March 31, 2014 due largely to capital asset additions and a decrease in long term debt.

Net debt* is comprised of bank indebtedness, short term financing, long term debt and current portion of long term debt, less cash and totaled $335.7 million at June 30, 2014 compared to $369.4 million at March 31, 2014 (see table on page 27). Net debt decreased by $33.7 million from the quarter ended March 31, 2014. The decrease is due to decreased inventory and accounts receivable levels, increased accounts payable levels and the pay down of operating credit. Accounts payable, accrued liabilities and deferred revenue increased by $12.7 million when comparing June 30, 2014 to March 31, 2014. This is due to a typical build up following the clearing of deferred producer cheques in the first quarter, when producers, particularly in Canada, begin to sell their pulse crops and request AGT to pay their settlements in 2015. In addition, AGT is utilizing various supplier payment programs and trade finance instruments which allow for longer accounts payable cycles.

Current assets were $463.8 million at June 30, 2014 compared to $473.9 million at March 31, 2014 (see table on page 27). 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 43 days for the six months ended June 30, 2014 from an average of 57 days for the six months ended June 30, 2013.

Trade accounts receivable decreased to $154.7 million at June 30, 2014, compared to $162.9 million at March 31, 2014 (see table on page 27). Trade accounts receivable decreased by $8.2 million when comparing the quarter ended June 30, 2014 to the quarter ended March 31, 2014. The decrease is due largely to faster accounts receivable collection, offset partially by increased sales tonnes out of many of AGT's subsidiaries. When comparing the three months ended June 30, 2014 to the three months ended March 31, 2014, Australia and the U.K. invoiced lower tonnes and had resulting lower accounts receivable of $5.5 million and $3.5 million respectively. An increase in invoiced tonnes out of Turkey resulted in increased accounts receivable of $4.3 million and improved collection cycle of out Canada resulted in a decrease of $5.2 million. Accounts receivables at other locations increased by $1.7 million. In addition to closely monitoring accounts receivable collection, AGT utilizes an accounts receivable factoring program as well as various trade finance tools to reduce accounts receivable levels and increase turns.

Inventory days outstanding increased to 71 days for the six months ended June 30, 2014 from an average of 68 days for the six months ended June 30, 2013. Although the days outstanding increased for the six month period when compared to the prior year, the days outstanding decreased to 67 days from 78 days when comparing the three months ended June 30, 2014 to the three months March 31, 2014. This is due largely to the resolution of railway issues that impacted Canadian origins during the first quarter resulting in increased invoiced tonnes out of Canada.

Inventory decreased by $16.0 million, to $240.1 million at June 30, 2014, compared to $256.1 million at March 31, 2014. Inventory decreased by $24.3 million in Canada due to increased tonnes invoiced, as well as resolution to logistics delays during the first quarter due to railway backlogs. Inventory in Australia decreased by $16.9 million due to continued sales of product already in inventory as well as a decrease in producer deliveries typical for the second quarter.

Inventory increased by $14.0 million in Turkey due to continued build-up of product for food aid family parcels and increased at AGT CLIC of $3.8 million due to Ramadan demand. The increase in purchases and sales out of Switzerland resulted in $7.0 million of inventory. Inventory at other subsidiaries increased by $0.4 million.

The total of trade accounts receivable and inventory days outstanding has decreased from 125 days for the six months ended June 30, 2013 to 114 days for the six months ended June 30, 2014. 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 $240.1 million at June 30, 2014, 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 early 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 July 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 June 30, 2014 and December 31, 2013 foreign exchange rates as follows [Source: Bank of Canada]:

	June 30, 2014	**Dec 31, 2013**
USD/CDN	1.06700	1.06360
AUD/CDN	1.00660	0.94960
TL/CDN	0.50390	0.49520
GBP/CDN	1.82610	1.76270
EUR/CDN	1.46150	1.46550
ZAR/CDN	0.10050	0.10130
RMB/CDN	0.17210	0.17570
INR/CDN	0.01777	0.01717

For each subsidiary, any difference between the June 30, 2014 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.

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 June 30, 2014, AGT had total operating lines outstanding of $118.7 million (December 31, 2013 - $110.8 million) out of $178.6 million available (December 31, 2013 – $177.9 million). Included in these facilities is a syndicated debt facility of $150.0 million (December 31, 2013 – $150.0 million) secured by a general security agreement, maturing in January 2016. The weighted average interest rate on operating credits is 3.8% (December 31, 2013 – 3.8%).

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 June 30, 2014, 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 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.

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)	June 30, 2014	March 31, 2014	Dec 31, 2013
Cash and cash equivalents	$ 29,955	$ 20,274	$ 22,893
Trade accounts receivable	154,727	162,875	166,489
Inventory	240,142	256,090	236,123
Bank indebtedness, short term financing and current portion of long term debt and finance leases	124,567	147,303	116,866
Accounts payable, accrued liabilities and deferred revenue [1]	131,126	118,465	164,121
Long-term debt and finance leases	241,103	242,349	224,544
Total current assets[1]	463,812	473,920	464,301
Total current liabilities[1]	266,521	272,943	287,873
Net working capital*	197,291	200,977	176,428

Selected asset and liability information

(in thousands of Cdn. $ except as indicated)	June 30, 2014	March 31, 2014	Dec 31, 2013
Long term debt and finance leases	$ 241,103	$ 242,349	$ 224,544
Bank indebtedness, short term financing and current portion of long term debt and finance leases	124,567	147,303	116,866
Cash and cash equivalents	(29,955)	(20,274)	(22,893)
Net debt*	**$ 335,715**	**$ 369,378**	**$ 318,517**
Shareholders' equity	257,065	251,300	234,339
Capital	**$ 592,780**	**$ 620,678**	**$ 552,856**

[1] excludes derivative assets and liabilities

Consolidated capitalization information

Consolidated capitalization information of AGT 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)

	June 30, 2014	Dec 31, 2013	Financial statement caption
APP Group			
Senior secured APP bank facility	$ 105,779	$ 94,553	bank indebtedness
Senior secured APP bank facility	124,930	109,845	long term debt
Poortman facility (GBP 11.25 million)	4,348	9,781	bank indebtedness
Leases and other	1,092	33	long term debt
	$ 236,149	$ 214,212	
Arbel/Other Entities (excluding AGT)			
Senior secured Advance Seed facility	$ 7,986	$ 6,226	bank indebtedness
Arbel/Advance Seed/other debt	547	245	bank indebtedness
Leases	76	272	long term debt
	$ 8,609	$ 6,743	
AGT			
Notes outstanding	$ 120,912	$ 120,455	long term debt
Total debt	$ 365,670	$ 341,410	
June 30, 2014 financial statements			
Bank indebtedness	$ 118,660	$ 110,805	
Long term debt, including current portion	247,010	230,605	
	$ 365,670	$ 341,410	

Cash flow summary

	3 months ended June 30, 2014	3 months ended March 31, 2014	3 months ended Dec 31, 2013	3 months ended June 30, 2013	Difference June 30, 2014 to June 30, 2013
Cash flow from operating activities	$ 38,885	$ (27,924)	$ 14,821	$ 35,390	$ 3,495
Cash flow from financing activities	(26,879)	44,223	(4,916)	(28,133)	1,254
Cash flow from investing activities	(750)	(20,027)	(10,224)	(8,605)	7,855
Effect of exchange rate changes on	(1,575)	1,109	302	(1,176)	(399)
Change in cash	$ 9,681	$ (2,619)	$ (17)	$ (2,524)	$ 12,205

	3 months ended June 30, 2014	3 months ended March 31, 2014	3 months ended Dec 31, 2013	3 months ended June 30, 2013	Difference June 30, 2014 to June 30, 2013
Non-cash working capital	$ 18,896	$ (34,427)	$ 3,274	$ 27,064	$ (8,168)

Cash flow from operating activities for the three months ended June 30, 2014 was an increase of $38.9 million compared to a decrease of $27.9 million for the three months ended March 31, 2014 and was an increase of $35.4 million for the three months ended June 30, 2013. The increase when comparing the three months ended June 30, 2014 to the three months ended March 31, 2014 is due to decreased inventory and accounts receivable levels as well as an increase in accounts payable and accrued liabilities compared to the first quarter where large numbers of producer payables that are deferred to January are cashed.

Cash flow from financing activities for the three months ended June 30, 2014 was a decrease of $26.9 million compared to an increase of $44.2 million for the three months ended March 31, 2014 and was a decrease of $28.1 million for the three months ended June 30, 2013. The decrease when comparing the three months ended June 30, 2014 to the three months ended March 31, 2014 is due to paying down of operating facilities as a result of lower inventory levels and improved cash collection.

Cash flow from investing activities for the three months ended June 30, 2014 was a decrease of $0.7 million compared to a decrease of $20.0 million for three months ended March 31, 2014 and was a decrease of $8.6 million for the three months ended June 30, 2013. There were no acquisitions and lower capital expenditures during the three months ended June 30, 2014 resulting in lower cash outflow from investing activities compared to the three months ended March 31, 2014 and the three months ended June 30, 2013.

Cash Flow Information – Non-Cash Working Capital:

Non-cash working capital for the three months ended June 30, 2014 increased by $18.9 million compared to a decrease of $34.4 million for the three months ended March 31, 2014 and compared to an increase of $27.1 million for the three months ended June 30, 2013. The decrease for the quarter ended June 30, 2014 is due to an increase in accounts payable and accrued liabilities, as well as a decrease in inventory and accounts receivable.

Accounts Payable, accrued liabilities and deferred revenue:

Accounts payable, accrued liabilities and deferred revenue increased by $12.6 million, from $118.5 million at March 31, 2014 to $131.1 million at June 30, 2014. This is due largely to settlements during the latter part of 2013 being deferred and cashed during the quarter ended June 30, 2014.

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:

		June 30, 2014		June 30, 2013
Short term benefits (wage, bonus, vacation paid out, directors fees)	$	1,367	$	1,135
Post employment benefits (RRSP)		43		43
Other long term benefits including stock based compensation (long term incentive plan)		1,120		458
Total	$	2,530	$	1,636

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:

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

	June 30, 2014	Dec 31, 2013
Accounts receivable	$ 2,772	$ 317
Accounts payable	1,521	2,621

	June 30, 2014	June 30, 2013
Purchases	$ 5,752	$ 3,384

AGT contracted labour and construction support for ongoing construction and operational projects from entities owned or controlled by directors of AGT or its subsidiaries. Also contained within accounts receivable is an amount due from executive officers and directors for shares issued pursuant to a stock option plan that are to be divested under a corporate share placement planned for subsequent periods. 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 interests 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, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and finance leases. The fair value of cash, bank indebtedness, 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 June 30, 2014 and concluded that AGT's Disclosure Controls were effective, except as noted below in the scope limitation that exists as a result of the purchase of AGT CLIC.

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 of AGT's ICFR. Based on this evaluation, the CEO and the CFO have concluded that as at June 30, 2014, ICFR (as defined in NI 52-109) were designed effectively, except as noted below in the scope limitation that exists as a result of the purchase of AGT CLIC.

There were no changes in our ICFR during the three months ended June 30, 2014 that have materially affected, or are reasonably likely to affect our ICFR, except as noted below in the scope limitation that exists as a result of the purchase of AGT CLIC.

Limitation on scope of design

Management has limited the scope of design of our disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of AGT CLIC and its subsidiaries.

The scope limitation is in accordance with National Instrument 52-109 3.3(1)(b), which allows an issuer to limit its design of DC&P or ICFR to exclude controls, policies and procedures of an acquired company not more than 365 days before the end of the financial period to which the certificate relates.

The chart below presents the summary financial information of AGT CLIC:

(in thousands of Cdn. $ except as indicated)		**June 30, 2014**
Current assets	$	19,906
Long-term assets	$	6,029
Current liabilities	$	23,683
Long-term debt and finance leases	$	1,046

(in thousands of Cdn. $ except as indicated)		**June 30, 2014**
Total revenue	$	15,406
Net income for the period	$	1,205

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
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	January 1, 2018
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	January 1, 2015
IFRS 15 - Revenue from Contracts with Customers	Issued in May 2014. Standard creates a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This standard may change how much and when revenue can be recognized.	IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers	Fiscal years ending on or after December 31, 2017
Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangibles Assets	Issued in May 2014. Standards explicitly state that revenue based depreciation is not acceptable.	IAS 16 - Property, Plant and Equipment and IAS - Intangible Assets	January 1, 2016

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, 2014, AGT adopted the following new standards as issued by the IASB: IAS 32 *Financial Instruments: Presentation*. This standard did not have a material impact on AGT's financial statements.

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 20,199,021 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 six months ended June 30, 2014.

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 June 30, 2014, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of $10 million (December 31, 2013 - $10 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, 2015.

At June 30, 2014, 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, 2013 – $12.8 million). 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.

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 Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013
Net earnings (loss)	$ 12,980	$ (5,539)
Add (deduct):		
Income tax expense (recovery)	4,249	(1,434)
Depreciation and amortization expense	4,399	3,150
Finance expense	6,969	7,296
Non-cash foreign exchange (gain) loss	(5,553)	10,037
Non-recurring and other expenses (1)	1,385	388
EBITDA*	24,429	13,898
Less:		
Finance expense	6,969	7,296
Depreciation and amortization expense	4,399	3,150
Income tax expense (recovery)	4,249	(1,434)
Adjusted net earnings*	$ 8,812	$ 4,886
Basic adjusted net earnings* per share	0.44	0.25
Diluted adjusted net earnings* per share	0.43	0.24
Basic weighted average number of shares outstanding	20,173,367	19,860,795
Diluted weighted average number of shares outstanding	20,316,439	19,993,898

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

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

	June 30, 2014	Dec 31, 2013
Current assets(1)	$ 463,812	$ 464,301
Current liabilities(1)	266,521	287,873
Net working capital*	$ 197,291	$ 176,428
Long term debt and finance leases	$ 241,103	$ 224,544
Bank indebtedness and current portion of long term debt and finance leases	124,567	116,866
Cash and cash equivalents	(29,955)	(22,893)
Net debt*	$ 335,715	$ 318,517

(1) excludes derivative assets and 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.

Based on seeding intentions for Canadian growers, StatsCan estimates relatively flat 2014 production from the record levels for Canada in 2013, with final production levels to be determined at harvest. With carry-in remaining, even after a robust 2013 export shipping period, it is expected that these high production levels, coupled with carry-in stocks, will result in more than ample stocks for global export programs from Canada in the balance of 2014 and into 2015.

Significant rainfall resulting in flooding in some parts of Western Canada and the Northern Tier states has been reported with resulting lost acres of agricultural land; however, these reported losses are expected to be minimized in pulse-growing regions. Additionally, these moisture levels and conditions may result in yield gains for pulses, resulting in significant production levels for the season. By late July and early August, some areas of the U.S. Northern Tier states had commenced harvest, with an on-time harvest in Western Canada also expected.

Slight increases in U.S. production with similar growing conditions as Canada are being reported by the United States Department of Agriculture ("USDA"), along with estimates of large decreases in lentils and significant increases in beans.

Current StatsCan estimates for pulses production are as follows:

Canadian Pulse Production Estimates 2014 (1)

	Area (acres)	Production (mt)	2013 Production (mt)
Lentils	3,240,000	2,095,000	1,880,500
Dry Peas	3,975,000	3,849,000	3,849,300
Edible Beans	345,947	281,000	206,000
Chickpeas	191,000	147,000	180,400
Faba Beans(2)	20,000	20,800	-

(1) Effective July 3, 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 Estimates 2014 [(1)]

	Area (acres)	Production (mt)	2013 Production (mt)
Lentils	320,000	185,400	227,660
Dry Peas	921,000	730,000	708,519
Edible Beans[(2)]	1,530,900	1,205,705	953,325
Chickpeas	217,800	152,915	157,353

(1) Effective July 3, 2014 from data and estimates available from USDA and STAT Publishing ("StatPub").
(2) Excluding garbanzo beans or chickpeas.

Freight and transportation issues in early 2014 resulting from extreme winter conditions, diminishing equipment movement of commodities and agricultural products including pulses exports from Canada, have been substantively resolved. The supply chain has worked together to move volumes from Western Canada, providing the opportunity for exporters to "catch up" as demonstrated by increased volumes to Europe, MENA, Central America and some Indian subcontinent markets. Increases in exports in the April-June period to some markets in the Indian subcontinent, Turkey and MENA region can be seen as a positive indicator of recovery from these issues as local production in India and Turkey is viewed by Management as potentially impaired, with Turkish harvest recently completed and Indian harvest completed in April 2014, leaving Management optimistic that local buyers may continue to purchase quantities of pulses and staple foods in traditional seasonal volumes.

New data for the April-June period indicates increasing buying activity in June 2014 from traditional markets, including Turkey and markets in the Indian subcontinent, leading to an overall improvement in Canadian and U.S. pulse exports to the region in Q2 2014 despite impaired buying activity in the first two months of the quarter. Typically, the pulse needs for both domestic and regional supply in these markets are fulfilled by Indian harvest in April and Turkish harvest in June respectively; however, reports by USDA Global Agricultural Information Network ("GAIN") of impaired production in these regions has resulted in increased imports for North American crop in the period, positively impacting pea exports from the U.S. and chickpea and lentil exports from Canada as reported by USDA and StatsCan respectively. Other pulses remained flat to the high export quantities reported in the same period in 2013.

The relative weakness of the Canadian dollar has assisted in making Canadian pulses exports attractive for buyers in both Turkey and the Indian subcontinent and are expected to remain at significant levels through 2014 and into 2015.

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; however, actual levels may even be lower. These consistently 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 one of Canada's largest export market for lentils in 2014, 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 to for supply of more red lentils for regional demand, partially due to decreased or unclear production in Syria as a result of the ongoing civil unrest in that country. Chickpea production in Turkey is reported by USDA GAIN in the 350,000 mt range.

Updated estimates on durum wheat production in Turkey from GAIN reported 1.9 million mt of production, with extremely dry conditions potentially affecting yield. Durum wheat is required for pasta, semolina and bulgur production. Global production of durum wheat is forecast by AAFC at 36.7 million mt, partially due to lower production estimated from Canada; however, AAFC forecasts that global carry-in for durum wheat is high, which may assist Turkish flour millers and pasta producers in fulfilling their supply needs.

USDA GAIN reports paddy rice production of 740,000 mt in Turkey. Rice is seeded in May and is dependent on rainfall at the end of August and early September. The harvest normally begins in September and ends in October. 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. The domestic prices of rice and all pulses have increased as well.

Australia

Continuing the trend in significant pulse growing regions, the upcoming Australian pulses season estimates are reported by Australian Bureau of Agricultural and Resource Economics and Sciences ("ABARES") as flat to 2013, except for lupins and faba beans which have been estimated as decreased. Adequate to good moisture levels are being reported, providing a strong start to the growing season.

Current ABARES estimates for pulses production are as follows:

Australian Pulse Production 2014 Estimates [1]

	Area (acres)	**Production (mt)**	**2013 Production (mt)**
Lentils	395,360	264,000	253,000
Field Peas (All)	605,395	333,600	342,000
Chickpeas (All)	1,267,623	662,700	629,000
Lupins (All)	1,079,827	554,700	625,000
Faba Beans	417,608	323,500	328,000

(1) Effective July 3, 2014 from data and estimates available from ABARES and STAT Publishing ("StatPub").

India and Subcontinent Markets

Impaired production in India resulting from insufficient monsoon rains, with the Indian Meteorological Department (IMD) forecasting “below-normal” 2014 monsoon rains, are being reported by USDA GAIN. 19.8 million mt of pulses is being reported as produced, however USDA GAIN also estimates annual consumption of pulses at 22.5 million mt for 2014-15. Shortfalls in production to demand are filled through imports at various times of the year from Canada and Australia around the periods of consumption of insufficient, albeit local, production.

India continues to import significant large quantities of Canadian lentils to fill demand requirements resulting from inadequate production levels. With a combination of the weak Indian rupee and local markets evaluating local production levels to determine import volumes that may be needed, Canadian exports the region slowed somewhat during the quarter, however appear to have rebounded, based on StatsCan data on Canadian exports recently. Local production is expected to continue to be impaired in the upcoming planting seasons, which may result in increases in imports once again in the period after local Indian production has been consumed by the market.

Deficient rains have resulted in GAIN lowering rice production estimates in India is estimated to 99.5 million mt.

Russia and Ukraine

Statistical data for pulse production in Russia and Ukraine is difficult to obtain, in part due to lack of official reporting and also due to political unrest in the region. Based on data from USDA and the United Nations Food and Agricultural Organization (“UN FAO”), StatPub estimates as much as 2.3 million mt of pulses production including 31,000 mt of lentils, 251,000 mt of chickpeas and 1.76 million mt of peas.

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, continues to be important for Turkey both for domestic and regional markets. With recent political unrest in Russia, Ukraine and Crimea, Management is monitoring AGT’s origination activities for peas, chickpeas and beans from the region for delivery through year-round ports via the Black Sea and the Bosphorus to processing destinations in Turkey, as well as over-land from as well Kyrgyzstan and Kazakhstan.

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; however, 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 seeds and nuts, all of which are sold in small dry package directly to retailers in the Southern African region.

China

China is a significant production origin for beans, although there is limited current information on production levels. Information from the United Nations Food and Agriculture Organization ("FAO") estimates 4.5 million mt of pulse production in 2013, including over 2.8 million mt of beans, comprised of broad beans, kidney beans, mung beans and adzuki beans, 1.4 million mt of peas and 150,000 mt of lentils, along with 125,000 mt of other pulses. 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.