

Ag & Vet Weekly



Monday May 18 – Friday May 22, 2020

All the news on ASX-listed agriculture and veterinary companies

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- * NANALLOSE: MACLAURIN 6%, MOURSOUNDIS 6% SUZANNE CASS 4.8%
- * NUFARM LOSES DIRECTOR ANNE BRENNAN
- * BEGA DIRECTOR JEFF ODGERS RESIGNS

MARKET REPORT

The Australian stock market was down 0.96 percent on Friday May 22, with the ASX200 down 53.4 points to 5,497.0 points. Fifteen of the AVW-45 stocks were up, 18 fell, seven traded unchanged and five were untraded.

Roots was the best, up 0.3 cents or 13.6 percent to 2.5 cents, with 1,290,685 shares traded. Elixinol and Palla rose more than seven percent; Nanollose was up 6.7 percent; Wide Open climbed 5.45 percent; Creso and Terragen improved more than three percent; Cann Group rose 2.5 percent; Bega Cannpal, Memphasys, Pharmaust and Seafarms were up one percent or more; with Ecofibre and Select Harvests up less than one percent.

Tasfoods led the falls, down one cent or 9.1 percent to 10.0 cents, with 143,627 shares traded. Apiam fell 4.4 percent; Althea, Clover, Regeneus and Synlait lost more than three percent; Bubs, Clean Seas, Fonterra, Next Science, Tassal and THC shed more than two percent; A2 Milk and Costa were down more than one percent; with Elders, Huon, Nufarm and Ridley down by less than one percent.

AVW EDITORIAL: HOW GOOD IS CHINA BEAR BAITING?

Ag & Vet Weekly avoids editorials – other than on corporate transparency as required – because we believe our readers are able to make up their own minds. But, as a journal for the agriculture sector, it would be remiss not to comment on the debacle of Australia's relations with the People's Republic of China – our largest export market.

According to Prime Minister Scott Morrison's office, it was Foreign Minister Senator Marise Payne who started poking the bear, with a comment on a television program that she thought it a good idea to have an inquiry into the start of the Covid-19 pandemic.

That the Minister was echoing the blame-shifting and dissembling by Donald Trump, the President of the United States of America, (the country with the highest death count) could not have been beyond her.

Unfortunately for Australian farmers, producers and exporters, Mr Morrison backed his Foreign Minister instead of choosing to err on the side of caution and quickly explain there had been an error of emphasis.

He could have said: "The world wants to know how this pandemic began to prevent another one and any assistance the excellent scientists of China may need, we shall be willing to assist. Should China require any support, we shall call on the World Health Organisation to assist as well."

Same message, but removing the spear in the flesh.

It got worse. Trade Minister Simon Birmingham weighed-in, for good measure.

We now have several tariffs on our previous \$1.3 billion barley trade with China. There are threats being made against beef and wine, and as I write, iron ore is being discussed as another pressure point for China to punish Australia. According to the Department of Foreign Affairs and Trade website, at June 30, 2019, China accounted for 32.6 percent of all of our exports, totalling \$153.2 billion a year.

As if the worst bushfires in our history and a global pandemic weren't enough, we have crowned these crises with yet another disaster – and very much one of our own making.

It is possible to be a close trading partner of China and complain about its treatment of minorities, its lax patent infringement standards, its battalions of cheap labor and even its penchant for building military bases in the South China Sea. But a full-frontal attack is not the way to do it.

We are surprised that lobby groups have not spoken out against a government they effectively control through the National Party tail wagging the Liberal dog. One would expect the National Farmers Federation, the cattle, wine and milk lobbies to put their heads above the parapet and call for calm, and a few brighter cabinet Ministers.

Our Government has shown our major trading partner and the second largest economy in the world (we are number 13) the same contempt and hubris with which it treats its own citizens. That is not good capitalism.

David Langsam
Editor

WIDE OPEN AGRICULTURE

Wide Open Agriculture says it has licenced technology from Curtin University to develop and commercialize a plant-based lupin protein for human consumption.

Wide Open said the one-year licencing agreement with Perth's Curtin University covered the exclusive rights to extract protein from Australian sweet lupin, or lupini beans, for use as a plant-based protein food ingredient.

The company said the Curtin University researchers derived protein from the seed of lupin to form a gel, making it suitable for applications in a wide range of foods sectors, including plant-based alternative meat, eggs, dairy and gluten-free products.

Wide Open said the Australian market for plant-based protein had a projected value of \$3 billion by 2030.

Wide Open managing director Dr Ben Cole said that Curtin University's technology represented "an opportunity to produce a plant-based protein that could elevate lupin into a rapidly growing sector of the food market."

"While increasing revenue from our regenerative meat, oat products and digital platform remain the company's highest commercial focus, this agreement with Curtin University provides a low capital-intensive development opportunity which could lead to promising commercial outcomes in the future," Dr Cole said.

Wide Open was up 1.5 cents or 5.45 percent to 29 cents with 1.4 million shares traded.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says a proof of concept trial of its root zone temperature optimisation (RZTO) technology shows that it increases asparagus plant yield by 90 percent.

Roots previously said its RZTO technology increased plant yield for okra plant, marijuana and basil and increased protein content in peas and beans for artificial meat products (AVW: Sep 20, 27, Oct 18, Dec 20, 2019, Feb 21, 2020).

On Thursday, the company said the Israeli proof-of-concept study compared a yield of asparagus heated between 22 and 24 degrees Celsius through a hybrid ground source heat exchange (GSHE) and heat pump, against a yield of asparagus heated between 26 and 28 degrees Celsius using a GSHE only and then assessed both plant yields over seven harvest cycles.

Roots said results showed the higher the root zone temperature of the GSHE, the more significant the increase of the yield, with RZTO GSHE heated asparagus fruits showing a mean increased yield of 90 percent compared to a 15 percent increase when heated with the GSHE hybrid.

Roots said that the group heated by the GSHE with coils and a circulation pump only increased its yield by 165 percent and the number of marketable size fruits increased by 95 percent in the root zone heated crop

Roots executive chairman Boaz Wachtel said that "results from this early study are very encouraging for Roots and further validate ... our RTZO technology and its applicability to a large number of commercial crops".

"Discussions with commercial asparagus growers are advancing favorably," Mr Wachtel said.

"Our new business pipeline is building favorably despite the slowdown in the sales cycle that Covid-19 has caused, and we look forward to delivering more updates on [research and development] and our commercial progress," Mr Wachtel said.

Roots said it would begin marketing its RZTO technology to asparagus growers.

Roots was up 0.3 cents or 13.6 percent to 2.5 cents with 1.3 million shares traded.

BEGA CHEESE

Bega says Kraft-Heinz has applied to the High Court of Australia seeking special leave to appeal the recent dismissal of its case against Bega by the Federal Court.

Last month, Bega said the Full Court of the Federal Court had upheld the Kraft-Heinz judgement, confirming Bega's right to use the current packaging for its peanut butter products, which Kraft-Heinz alleged was similar to its original Kraft peanut butter packaging (AVW: Apr 17, 2020).

Bega was up five cents or one percent to \$5.22 with 541,867 shares traded.

ELDERS

Elders says revenue for the six months to March 31, 2020 was up 26.2 percent to \$925,220,000 with net profit after tax up 87.2 percent to \$52,874,000.

Elders said the revenue was mainly from the sale of its rural products, including seeds, fertilizers, agricultural chemicals, animal health products and general rural merchandise.

The company said diluted earnings per share was up 45.9 percent from 23.1 cents to 33.7 cents, with net tangible assets per share up 57.0 percent to \$1.46.

Elders said it had cash and cash equivalents of \$62,732,000 at March 31, 2020 compared to \$1,757,000 at March 31, 2019.

The company said it would pay a fully-franked interim dividend to holders on the record date of May 26 of 9.0 cents a share with payment on June 19, 2020.

Elders said that the Australian Federal Governments' Covid-19 restrictions on gatherings and social distancing measures had "the potential to impact real estate and livestock sales, however, at present, the financial impact cannot be reasonably estimated".

Elders fell nine cents or 0.9 percent to \$9.72 with 781,994 shares traded.

ELDERS

Elders says it has a two-year, \$50 million loan facility from the ANZ Bank, National Australia Bank and the Utrecht, Netherlands-based Rabobank.

Elders said it had increased its "debtor securitization program" from \$120 million to \$200 million and extended the program from December 2020 to December 2021.

Elders chief executive officer Mark Allison said the refinance package "positions Elders for future growth in support of our eight-point plan whilst providing additional protection against Covid-19 disruption, should it eventuate".

NANOLLOSE

Nanollose says it has raised \$361,903 by placing 15,079,285 shortfall shares at 2.4 cents each, taking the total from its rights issue to \$738,000.

In April, Nanollose said it hoped to raise up to \$720,000 through a non-renounceable, two-for-five rights offer (AVW: Apr 3, 2020).

On May 11, the company said the rights issue raised \$376,097, with the shortfall to be placed through lead manager Alto Capital (AVW: May 15, 2020).

Nanollose was up 0.2 cents or 6.7 percent to 3.2 cents.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has commitments from sophisticated and professional investors to raise \$280,000 in a placement of Chess depository instruments (CDIs) at 1.8 cents each. Roots said the 1.8 cent price was a 14 percent discount to the 15-day volume weighted average price to May 13, 2020.

The company said Sydney's Everblu Capital Pty Ltd was the lead manager of the capital raising and would receive a fee of six percent of the total funds raised as well as 1,000,000 CDIs, subject to shareholder approval.

Everblu chairman Adam Blumenthal is a non-executive director of Roots.

Roots said the funds would be used for marketing and sales of its Root Zone Temperature Optimization system, for business development opportunities, for installation and engineering costs, to pay out existing debt and placement costs, and for working capital.

In addition to the placement, the company said it had agreed to pay the Melbourne-based CST Capital \$100,000, issue 3,582,385 CDIs and forgive 1,650,000 collateral CDIs previously issued to CST Capital following the conclusion of a convertible securities agreement.

CLOVER CORPORATION

Clover says it has experienced strong demand from customers and an increase in forecast demand this year due to Covid-19 stockpiling by consumers.

Clover said that following revenue of \$37,621,000 and net profit of \$4,634,000 for the six months to January 31, 2020, demand from infant formula manufacturers was above expectations, primarily driven by market reactions to Covid-19 (AVW: Mar 27, 2020).

The company said that favorable movements in the exchange rate had provided a short-term gain in margin from US into Australian dollars and it believed that the increased demand was due to China refilling depleted stock as well as stockpiling in other countries. Clover said it expected a stronger six months to July 31, 2020, previously forecast to be similar to results for the six months to July 31, 2019.

Clover fell nine cents or 3.7 percent to \$2.34.

WATTLE HEALTH

Wattle Health says Organic Dairy Farmers of Australia, one of its partners in the Corio Bay Dairy Group joint-venture, went into voluntary administration on May 15, 2020.

Wattle Health said Shepparton Partners Collective (SPC) would continue to help obtain up to \$20 million in credit for Corio Bay Dairy Group as previously announced and would purchase 50.1 percent of the joint-venture for a nominal dollar amount, replacing Organic Dairy Farmers (ODFA) as its partner (AVW: May 1, 2020).

The company said it would retain its 45 percent shareholding in the joint-venture.

Wattle Health said the milk supply agreement between Corio Bay and ODFA remained legally binding and that the joint-venture could also purchase additional fresh organic milk from external parties.

Wattle Health said Worrells Solvency and Forensic Accountants partner Ivan Glavas had been appointed administrator of ODFA.

Wattle Health was in a suspension and last traded at 53 cents.

REGENEUS

Regeneus says Tokyo's Kyocera Corp has completed due diligence on Progenza for knee osteoarthritis and will pay a JPY100,000,000 (\$A1.5 million) milestone.

Regeneus said the payment was "refundable if a definitive commercial licence [was] not executed" (BD: Mar 2, 2020).

The company said Kyocera had until the end of July 2020 for exclusive rights to negotiate a commercial license for Progenza for osteoarthritis in Japan.

Regeneus was down 0.3 cents or 3.85 percent to 7.5 cents.

OPYL

Opyl chief executive officer Michelle Gallaher says the Covid-19 pandemic has increased focus on digital channels and data optimization in healthcare.

"Each day we get more companies coming to us to help them with their clinical trial recruitment or market insights," Ms Gallaher said.

"We are experiencing our busiest proposal period ever, as remote working and acceleration of social media use in healthcare highlights the benefits and importance of digital and social media outreach," Ms Gallaher said.

Opyl said it had signed two new contracts and had several active additional proposals due to a two-year business development campaign in collaboration with the Bracknell, England-based Huumun (BD: Feb 11, 2020).

The company said it was on track for a cash flow neutral quarter or better.

Opyl later requested a trading halt pending an announcement about "the commercial details of two contracts", followed by a voluntary suspension until May 26, 2020.

Opyl last traded at 10 cents.

THC (THE HYDROPONICS CO) GLOBAL GROUP

THC says that its first Australian-produced full spectrum marijuana product Canndeo is available by prescription in Australia.

THC said the marijuana product would be available through the Australian special access scheme and it would continue the progressive roll-out its Australian-produced medicines over the coming months.

THC was down one cent or 2.6 percent to 37.5 cents with 1.2 million shares traded.

CANN GLOBAL

Cann Global has requested a voluntary suspension following a trading halt requested on Monday pending an announcement "regarding current research initiatives".

Cann Global last traded at 0.7 cents.

NUFARM

Ellerston Capital and associates say they have decreased their shareholding in Nufarm from 44,418,007 shares (11.70%) to 40,499,410 shares (10.67%).

The Sydney-based Ellerston Capital said that between October 21, 2019 and May 14, 2020 it bought and sold shares, with the single largest sale on October 22 of 1,600,000 shares for \$10,000,000, or \$6.25 a share.

Nufarm fell two cents or 0.4 percent to \$5.24 with 534,806 shares traded.

NUFARM

The Sydney-based Macquarie Group says it has ceased its substantial shareholding in Nufarm, reducing from 19,485,482 shares, or 5.13 percent.

Earlier this month, Macquarie Group reduced its holding from 23,543,551 shares (6.20%) to 19,485,482 shares (5.13%) (AVW: May 8, 2020).

Today, Macquarie Group said that between May 6 and May 13, 2020 it bought, sold, borrowed and returned shares for prices ranging between \$4.98 and \$5.70 a share.

BEGA CHEESE

Perpetual says it has reduced its substantial shareholding in Bega from 19,300,585 shares (9.0%) to 17,022,606 shares (7.94%).

The Sydney-based Perpetual said that between April 23 and May 19, 2020 it sold 2,277,979 shares at prices ranging from \$4.78 to \$5.36 a share.

NANOLLOSE

Jason MacLaurin says through Stonehorse Nominees his holding in Nanollose has increased and been diluted from 5,517,857 shares (7.36%) to 6,351,190 shares (6.01%).

The Perth-based Mr MacLaurin said that he acquired 833,333 shares for \$20,000 or 2.4 cents a share in the recent rights issue (see above).

NANOLLOSE

John Moursounidis says he has increased his substantial shareholding and been diluted in Nanollose from 5,517,857 shares (7.36%) to 5,934,523 shares (5.61%).

The Perth-based Mr Moursounidis said he acquired 416,666 shares for \$10,000 or 2.4 cents a share in the recent rights issue (see above).

NANOLLOSE

Suzanne Cass says she has ceased to be a substantial shareholder in Nanollose, having sold 272,302 shares and been diluted in a recent rights issue.

The Perth-based Ms Cass said she sold shares on February 14, March 30 and May 15, 2020 at 3.0 cents, 3.83 cents and 6.5 cents, respectively.

Ms Cass said she held 5,092,127 shares in Nanollose, which Ag Vet Weekly calculates to be 4.8 percent of the company (see above).

NUFARM

Nufarm says director Anne Brennan will not stand for re-election at its annual general meeting this year.

Nufarm said that Ms Brennan's final day on the board would be December 3, 2020.

BEGA CHEESE

Bega says director Jeff Odgers will resign, for family reasons, effective from June 30, 2020.

Bega said Mr Odgers had been a director since the company listed on the ASX in 2011, having initially joined the company in 2009 as a director of Bega subsidiary, Tatura Milk Industries Pty Ltd.

The company said that Mr Odgers had “suffered a recent family bereavement which has led him to the decision to reprioritize his life including tendering his resignation as a Bega Cheese director”.

Bega said that Mr Odgers’ “dedication and service to the company will always be remembered and appreciated”.

The company said it would begin the search for a new director immediately.