

Ag & Vet Weekly



Monday September 7 – Friday September 11, 2020

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-44 DOWN: OPYL UP 10.5%; AP HEMP DOWN 6%**
- * **ABARES: WINTER CROP UP BY 64%**
- * **NSW FARMERS: COVID-19 LAMB PRICE DROPS \$4/kg**
- * **OPYL TELLS ASX: COVID-19 1st USE FOR AI TRIAL SOFTWARE**
- * **SEAFARMS: WA GOVERNMENT TO UPGRADE MOONAMANG ROAD**
- * **MEMPHASYS RECEIVES \$1.3m R&D TAX INCENTIVE**
- * **PHARMAUST: ELANCO DROPS 2018 MONEPANTEL OPTION; COVID-19**
- * **ANTEOTECH DEVELOPS COVID-19, INFLUENZA A, INFLUENZA B TEST**
- * **TGA JOINT SESSION DROPS MARIJUANA CBD TO O-T-C SCHEDULE 3**
- * **MEMPHASYS, HYDRIX GOOD DESIGN GONG FOR SPERM SEPARATOR**
- * **MGC: UP TO \$15m MERCER EQUITY-DRAWDOWN FACILITY**
- * **AUSTRALIAN SUPER TAKES 9.4% OF HUON**
- * **KIRMAN 2, BRIAN SHERMAN TAKE 5.7% OF REGENEUS**
- * **EX-DIRECTOR PETER MARGIN REJOINS BEGA AS DEPUTY CHAIR**
- * **HELEN WISEMAN REPLACES ELIXINOL CHAIR PAUL BENHAIM**
- * **WIDE OPEN LOSES JOINT CO SEC LYDIA FEE, SAM WRIGHT CO SEC**

MARKET REPORT

The Australian stock market was down 0.8 percent on Friday September 11, 2020, with the ASX200 down 49.1 points to 5,859.4 points. Fourteen of the AVW-44 stocks were up, 17 fell, 11 traded unchanged and two were untraded.

Opyl was the best, up two cents or 10.5 percent to 21 cents, with 960,273 shares traded. Apiam and Ocean Grown climbed more than nine percent; Creso was up 5.9 percent; Roots and Seafarms improved more than four percent; Ecofibre rose 3.4 percent; Food Revolution, Nufarm and Regeneus were up more than two percent; Ridley climbed 1.3 percent; with Elders, Select Harvest and Tassal up by less than one percent.

AP Hemp led the falls, down one cent or 6.25 percent to 15 cents, with 75,855 shares traded. Terragen lost 5.5 percent; Nanollose shed 4.1 percent; Auscann, Clean Seas and Elixinol were down three percent or more; Bubs, Cann Group and Palla fell more than two percent; Clover, Costa, Huon and Synlait lost more than one percent; with A2 Milk, Althea, Bega and Wide Open Agriculture down by less than one percent.

BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

The Australian Bureau of Agricultural and Resource Economics and Sciences (Abares) forecasts a 64 percent increase in winter crop production for the 2020-'21 season.

Abares said it had forecast the winter crop production to be 47.9 million tonnes for the 2020-'21 season, 20 percent higher than the 10 year average and an eight percent improvement on its previous June forecast (AVW: Jun 12, 2020).

Abares executive director Dr Steve Hatfield-Dodds said crop prospects were strongest in New South Wales, where favorable winter rainfall and a strong start to the season were expected to result in "well above average" production.

"Increased production in New South Wales has accounted for 60 per cent of the forecast increase in production nationally," Dr Hatfield-Dodds said.

"New South Wales production is forecast to be 14.8 million tonnes in 2020-'21... more than a 300 per cent increase on last year and the highest since 2016-'17," Dr Hatfield-Dodds said.

"Crop prospects are average to above average in Victoria, South Australia, Western Australia and southern Queensland, despite warmer than average temperatures and below average rainfall in June and July," Dr Hatfield-Dodds said.

"Soil moisture levels and timely rainfall were sufficient to sustain established crops through this period... [and] timely August rainfall provided a boost to yield prospects in many regions," Dr Hatfield-Dodds said.

"However, it is expected August rainfall was generally insufficient for crops in central and northern cropping regions in Queensland to achieve average yields," Dr Hatfield-Dodds said.

"Area planted to winter crops in 2020-'21 is estimated to have increased by 23 per cent to 22.6 million hectares from the drought affected season in 2019-'20," Dr Hatfield-Dodds said.

"The area planted [in New South Wales] is estimated to be six million hectares—almost double that from 2019-'20," Dr Hatfield-Dodds said.

Abares said that wheat production was forecast to increase by 91 percent to 28.9 million tonnes, 22 percent above the 10 year average, barley production was forecast to increase by 25 percent to 11.2 million tonnes, 23 percent above the 10 year average, and canola production was forecast to increase by 47 percent to 3.4 million, four percent above the 10 year average.

The Bureau said it also expected summer crops to do well, with area plant to summer crops forecast to rise by 194 percent to about one million hectares, which was 11 percent below the 10-year average.

Abares said rice plantation was forecast to increase by almost 400 percent to about 27,000 hectares due to higher water allocations than the previous two drought-stricken years.

The Bureau said area planted to grain sorghum was forecast to rise by about 300 percent to 595,000, 13 percent above the 10-year average, while area planted to cotton was forecast to rise by 300 percent to 239,000 hectares, or 40 percent below the 10 year average.

Abares said the Bureau of Meteorology's outlook for September to November indicated that spring rainfall was likely to be above average in most cropping regions, although Western Australia would have areas with below average rainfall.

The full report is available at <https://bit.ly/2DUrnK0>.

NEW SOUTH WALES FARMERS

New South Wales Farmers says it is concerned by recent price drops in the sheep meat and goat industries, caused by reduced production due to Covid-19 restrictions.

NSW Farmers said that “critical Victorian processing plants have been forced to close or operate below capacity amid Covid-19 restrictions, contributing to softening returns for farmers”.

NSW Farmers president James Jackson said that “earlier in the year, lamb prices were sitting around \$9 a kilogram, while now they’re closer to \$5 a kilogram” with the price drop coming just as New South Wales producers were looking to recover from the economic impacts of drought.

“It’s not uncommon for producers to have held on to stock during the drought, absorbing the costs of feed with the expectation prices would rise and they’d be able to recoup losses afterward,” Mr Jackson said.

“Livestock producers are going to have limited numbers of stock to market in the rebuilding period post drought,” Mr Jackson said.

“It would be particularly cruel for producers who have spent a fortune on keeping animals going through the drought to be denied a fair return on the stock they have to market because of labor issues in the processing industry,” Mr Jackson said.

“Producers who purchased store lambs earlier in the year are also set to lose out, facing much lower market prices despite fattening and improving the stock,” Mr Jackson said.

“A high percentage of workers in processing plants are from overseas on short term visas,” Mr Jackson said. “The [Covid-19 pandemic] has meant some are no longer able to stay in Australia”.

“Others have simply had their access to work impeded by the restrictions and quarantine requirements,” Mr Jackson said.

“We need appropriate permit systems for agriculture to ensure flow of workforce across borders, and we need solutions around entry visas,” Mr Jackson said.

OPYL

In a six-page response to ASX queries, Opyl said that the Covid-19 model of its trial prediction software was not proof-of-concept, as stated on September 3, 2020.

Last week, Opyl said that a proof-of-concept study of its artificial intelligence clinical trial prediction software had analyzed the probability of Covid-19 vaccine and antibody therapy trial success (BD: Sep 3, 2020).

Today, the company said “a more accurate statement is that Covid-19 is the model’s first major use case” and it had applications beyond Covid-19 for a range of applications.

Opyl was up two cents or 10.5 percent to 21 cents.

SEAFARMS GROUP

Seafarms says the Western Australia Government will upgrade and seal the remaining 7.5-kilometre Moonamang road to the Northern Territory border.

Seafarms said the upgrade would allow it to efficiently move fresh prawns from growth and harvesting at Legune Station to processing near Kununurra in Western Australia.

The company said this was “the last piece of the jigsaw puzzle to enable year-round access to and from Legune Station in the Northern Territory, the location for the farm and associated infrastructure of Seafarms’ Project Sea Dragon”.

Seafarms was up 0.5 cents or 4.8 percent to 11 cents with 5.7 million shares traded.

MEMPHASYS

Memphasys says it has received \$1,293,092 from the Australian Tax Office under the Federal Government Research and Development Tax Incentive program.

Memphasys said the rebate related to research and development for the year to June 30, 2020.

Memphasys was unchanged at 11.5 cents.

PHARMAUST

Pharmaust says Elanco will not exercise its 2018 option to negotiate for a royalty-bearing commercial licence to use its intellectual property for cancer in animals.

Pharmaust did not disclose any reasons for the Eli Lilly subsidiary decision.

In 2018, Pharmaust said it had an option agreement with Elanco to develop the monepantel sheep round-worm drench as a treatment for dog cancer (BD: Apr 18, 2018).

The company said at that time that Elanco would supply monepantel for clinical trials in dogs at commercial rates and Elanco would have the option to negotiate for a royalty-bearing commercial licence to use Pharmaust's intellectual property for cancer in animals, and the option agreement would last for six months after receipt of the final report for the relevant canine trial.

In May, Pharmaust said that monepantel for naïve B cell lymphoma in dogs was "successful", with one of seven dogs having a 60 percent reduction in tumor size after treatment (BD: May 12, 2020).

In July, Pharmaust said the trial report had been sent to Elanco (BD: Jul 13, 2020).

Today, in a separate announcement, the company said monepantel and monepantel sulfone reduced severe acute respiratory syndrome-coronavirus-2 (Sars-Cov-2), the virus that caused Covid-19, in in-vitro anti-viral confirmatory testing and it was preparing for a phase I trial in humans.

Pharmaust was unchanged at 13.5 cents with 1.3 million shares traded.

AUSTRALIAN THERAPEUTIC GOODS ADMINISTRATION

The Australian Therapeutic Goods Administration says it has made an interim decision to downgrade cannabidiol to schedule three, allowing for over-the-counter sales.

On its website, the TGA said the down-scheduling would be subject to a number of criteria being satisfied, including: restrictions on preparation and dose, dosage form, pack size, age and limiting supply; a requirement for a child-resistant closure; a requirement for specific warning statements; cannot be advertised directly to consumers; and limited to medicines that were entered on the Australian Register of Therapeutic Goods.

The decision of the Advisory Committee on Medicines and Chemicals Scheduling joint session is available at: <https://bit.ly/3mekxAm>.

MEMPHASYS, HYDRIX

Memphasys and Hydrix say they have been jointly named as the recipients of the 2020 Good Design Awards for the Felix sperm separator device.

Memphasys and Hydrix said the device won both the Gold Good Design Award for engineering and the Good Design Award for medical and scientific product design.

The companies said the awards were one of Australia's oldest prizes and were recognized as an international endorsement program.

MGC PHARMACEUTICALS

MGC says it has an up to \$15 million drawdown facility with the New York-based Mercer Street Global Opportunity Fund LLC, with \$2.25 million to be received upfront.

MGC said it would use the fund for the phase II trial of the artemisinin and curcumin-based Artemic for Covid-19 patients, the phase IIb trial of its marijuana-based Cannepil for epilepsy and its glioblastoma brain cancer research.

The company said the first \$2.25 million tranche would “be provided shortly ... on satisfaction of the closing conditions ... through the issue of 2,475,000 convertible notes with a face value of \$1.00 each to Mercer”.

MGC said first tranche notes would convert at 2.4 cents a share within two months of the issue and afterwards, the price would be the lower of 2.0 cents or 92 percent of the lowest daily 10-day volume weighted average price, with a minimum 1.8 cents.

The company said that within 18 months, it could request additional drawdowns of a further \$12.75 million through the issue of 14,025,000 convertible notes to Mercer at a face value of \$1.00 each.

MGC said the convertible notes from subsequent drawdowns would convert at the lower of 3.5 cents or 92 percent of 10-day volume weighted average price, with the minimum price of 1.8 cents.

The company said it would issue Mercer 9,375,000 commencement shares.

MGC was unchanged at 2.3 cents with 4.1 million shares traded.

HUON AQUACULTURE GROUP

Australian Super says it has become a substantial shareholder in Huon with 10,220,063 shares or 9.36 percent of the company.

The Melbourne-based Australian Super said that between January 7 and July 6, 2020 it sold 50,485 shares for between \$2.92 and \$4.49 a share and on September 2, 2020 converted 10,000,000 shares.

Huon fell five cents or 1.7 percent to \$2.90.

REGENEUS

Kirman 2 Pty Ltd and Brian Michael Sherman say they have become substantial shareholders in Regeneus with 15,760,892 shares or 5.67 percent.

The Sydney-based Kirman and Mr Sherman said that they acquired 6,250,000 shares on September 3, 2019 as part of an underwriting agreement for the company's \$620,157 rights offer at eight cents a share (BD: Aug 30, 2019).

Regeneus was up 0.5 cents or 2.9 percent to 18 cents.

BEGA CHEESE

Bega says it has appointed Peter Margin as a director and deputy chairman.

Bega said Mr Margin was previously a director of the company from June 2011 to January 2019 but retired “due to the demands of his roles with other companies”.

The company said Mr Margin was currently a non-executive director of Costa Group and Nufarm and was the non-executive chairman of Asahi Holdings Australia.

Bega said Mr Margin was previously Asahi Australia's executive chairman, Goodman Fielder's chief executive officer and the chief executive officer and chief operating officer of National Foods.

Bega fell four cents or 0.75 percent to \$5.31 with 532,426 shares traded.

ELIXINOL GLOBAL

Elixinol says it has appointed Helen Wiseman to replace Paul Benhaim as chair, with Mr Benhaim to move into a non-executive director role.

Elixinol said Ms Wiseman joined the company in April as a non-executive director and was previously the chair of Bid Corp and Bidvest international food service (BD: Apr 21, 2020). Elixinol fell 0.5 cents or three percent to 16 cents with 1.3 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says joint company secretary Lydia Fee has resigned from her position, with Sam Wright to continue as sole company secretary.

Wide Open chief executive officer Dr Ben Cole said that the board thanked Ms Fee “for her valued contribution to the company over the past four years.”

Wide Open fell 0.5 cents or 0.5 percent to \$1.055.