

Ag & Vet Weekly



Monday October 12 - Friday October 16, 2020

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-44 DOWN: MEMPHASYS UP 8%; CANN GLOBAL DOWN 25%**
- * **FONTERRA INCREASES FARMGATE MILK PRICE**
- * **WIDE OPEN LAUNCHES OATUP REGENERATIVE OAT MILK**
- * **CANNPAL: SOUTH AFRICA DERMACANN APPLICATION; VETIO US DEAL**
- * **CORRECTION: APIAM ANIMAL HEALTH**
- * **MGC SHIPS 'HIGH THC' MARIJUANA TO BRAZIL**
- * **CANN GLOBAL SHORTFALL RAISES \$859k; TOTAL \$2m OF HOPED-FOR \$4.7m**
- * **CANN GLOBAL PLEADS SCHULTZ, 'LOW PRICE' TO ASX 100% QUERY**
- * **AMP BELOW 5% OF COSTA**
- * **VINVA BELOW 5% IN BEGA**
- * **VANGUARD TAKES 5% OF SELECT HARVESTS**
- * **WASHINGTON SOUL PATTINSON, PENGANA REDUCE TO 22% OF CLOVER**
- * **ELLERSTON BELOW 5% IN TASFOODS**
- * **AURORA SELLS CANN GROUP 12%**
- * **CRESO CANCELS L1, LIND, CHIFLEY CONVERTIBLE NOTES**
- * **MGC: ARTEMIC 'NOT TOXIC IN RATS' FOR COVID-19**
- * **L1 BELOW 5% IN CRESO**
- * **AMBER SCHWARZ, JAMBER BELOW 5% IN CRESO**

MARKET REPORT

The Australian stock market was down 0.5 percent on Friday October 16, 2020, with the ASX200 down 33.5 points to 6,176.8 points. Twelve of the AVW-44 stocks were up, 20 fell, nine traded unchanged and three were untraded.

Memphasys was the best, up one cent or eight percent to 13.5 cents, with 515,129 shares traded. Clean Seas climbed 5.3 percent; Pharmaust and Regeneus improved more than three percent; Nanollose and THC rose more than two percent; Bega and Tasfoods were up one percent or more; with Clover, Huon, Next Science and Tassal up by less than one percent.

Cann Global led the falls, down 0.2 cents or 25 percent to 0.6 cents, with 141.8 million shares traded. Opyl lost 5.3 percent; Seafarms shed 4.8 percent; Auscann, Creso, Elixinol and Wide Open fell more than three percent; Cann Group, Food Revolution and Select Harvests declined more than two percent; Bubs, Costa, Nufarm, Ridley, Synlait and Terragen were down one percent or more; with A2 Milk, Apiam, Ecofibre and Elders down by less than one percent.

FONTERRA CO-OPERATIVE GROUP

Fonterra says it has increased the midpoint of its 2020-'21 forecast farmgate milk price range to \$NZ6.30 to \$NZ7.30 (\$A5.86 to \$A6.79) per kilogram of milk solids (kg/MS).

In July, Fonterra said it had narrowed the 2020-'21 forecast farmgate milk price from \$NZ5.40 to \$NZ6.90 per kg/MS to \$NZ7.10 to \$NZ7.20 per kg/MS (AVW: Jul 17, 2020).

This week, Fonterra chief executive officer Miles Hurrell said the stronger 2020-'21 milk price forecast was "largely being driven by improved demand in China".

"Despite the initial impact of Covid-19, we have seen demand for dairy in China recover quickly ... in particular, demand for whole milk powder, which is a big driver of milk price, has been stronger than expected," Mr Hurrell said.

Mr Hurrell said the increased demand was reflected in on-line milk market Global Dairy Trade auctions which had prices trending upwards.

Mr Hurrell said the trend of increasing milk prices supported the company's decision to lift the farmgate milk prices range and the \$NZ6.80 mid-point, which would bring more than \$NZ10 billion into regional New Zealand.

"It is still relatively early in the season and a lot can change," said Mr Hurrell.

"For example, we could experience volatility with exchange rates, milk supply from the EU and US is increasing and there continues to be uncertainty around how a potential risk from further waves of COVID-19 and a global economic slowdown could impact demand," Mr Hurrell said.

"With increasing demand and supply, we see the dairy outlook as more balanced, but given there are still a number of risks, we are still recommending our farmers be cautious with their decision making," Mr Hurrell said.

Fonterra was untraded at \$3.82.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says it is on-track to launch its Oatup regeneratively farmed oat-based milk in Western Australia in November.

In July, Wide Open said the final recipe formulations for its oat-based milk had arrived from its European manufacturer and met the nutritional criteria of its Dirty Clean Food label (AVW: Jul 24, 2020).

This week, the company said that its European manufacturer had finalized production and packaging for the first commercial batch, following positive market testing with leading baristas, retailers and distributors.

Wide Open said Oatup was the first regenerative oat milk produced with Western Australia oats.

The company said regenerative agriculture was farming that built soil health by supporting biodiversity, primarily by returning carbon and nutrients back to the soil.

Wide Open said the initial batch of products had been airfreighted to Western Australia to be launched in late October, ahead of the state launch in November.

The company said it planned an Australia-wide Oatup launch by April 2021, with overseas markets including Japan, South Korea and Singapore expected later.

Wide Open managing-director Ben Cole said that "launching our first packaged product, into the \$2.8 billion plant-based milk category is an immense step forward for [the company]".

"Oatup will offer a new pathway for [Western Australia]'s regenerative oat growers to reach conscious food consumers in Australia and Asia," Mr Cole said.

Wide Open Agriculture fell four cents or 3.9 percent to 98 cents.

CANNPAL ANIMAL THERAPEUTICS

Cannpal says it has begun the process to register Dermacann for canine skin conditions in South Africa and has a US manufacturing deal with Vetio Animal Health.

Cannpal said it was working with a local partner to register and sell the marijuana-based Dermacann as a herbal supplement through South African veterinary practices, which would complement its Australian and New Zealand regulatory dossiers, currently being drafted for submission.

The company said the St Louis, Missouri-based Vetio was a contract development and manufacturing organization and would begin manufacturing activities in early 2021.

Cannpal said it had continued discussions with animal health partners to commercialize Dermacann in a number of countries, including South Africa and the US.

Cannpal managing-director Layton Mills said the company “had Dermacann in development for over three years now and in that time we’ve built a robust product dossier with a novel formulation, compelling dataset and strong intellectual property”. “To our knowledge, this will be the only clinically-validated, oral [cannabidiol]-derived pet nutraceutical for skin health in dogs.

Cannpal was unchanged at 12 cents.

CORRECTIONS: APIAM ANIMAL HEALTH

Last week’s major article on Apiam included several errors.

Apiam has regional city-based companion animal practices with 150 veterinarians and 400 support staff, not as published, and the article incorrectly described a Warragul acquisition as Devoted Pets which should have been Devoted Vets.

The company services 35 percent of the nation’s pig industry, more than half the beef cattle feedlot sector and 35 percent of the dairy sector and the US joint venture partner is Swine Veterinary Services.

Apiam chief executive officer Dr Richards told Ag & Vet Weekly that the company’s debt was “well under” three times underlying earnings and revenue indicates that “the second [current] half may see a real material change”.

The article confused two separate operations. Apaim’s Best Mates companion program has 3,500 dogs and cats, rather than the Pro Dairy program having 3,500 farmers.

The errors were made by the former Thursday sub-editor who said she was confused by all the numbers in the Federal Budget.

She has been seconded to Dog & Cat Food Daily where she can do less harm.

The corrected editions are on the website: www.agvetweekly.com.

Apiam fell 0.5 cents or 0.8 percent to 63 cents.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC says it has shipped its first Mercury Pharma marijuana products directly to patients in Brazil, including its high tetrahydrocannabinol (THC) ratio products.

MGC said the shipment was through its agreement with Onix Empreendimentos e Participações with minimum orders of 20,000 units in the first year (AVW: Mar 6, 2020).

MGC has previously said it sold various combinations of cannabidiol and THC oils, including its 25mg/mL THC Cannepil oil for epilepsy in 50mL bottles as well as its MP1:1 25mg/mL CBD:THC formulation.

This week, the company said it was the first to ship high THC formulations directly to a patient’s door in Brazil.

MGC was unchanged at 2.3 cents with 3.5 million shares traded.

CANN GLOBAL

Cann Global says its entitlement offer shortfall at 0.5 cents a share has raised \$859,363 of a hoped-for \$2,036,744, taking the total raised to \$3,060,111.

In July, Cann Global said its one-for-four renounceable entitlement offer had raised \$2,200,748 of a hoped-for \$4,661,235 and planned to place the remaining \$2,036,744 shortfall by October 23, 2020 (AVW: Jul 31, 2020).

This week, the company said the shortfall had closed and had been placed by the directors to existing shareholders and new investors.

Cann Global fell 0.2 cents or 25 percent to 0.6 cents with 141.8 million shares traded.

CANN GLOBAL

Cann Global has told the ASX that it is not aware of any information it has not announced which, if known, could explain recent trading in its securities.

The ASX said the company's share price rose 100.0 percent from 0.4 cents on October 13 to 0.8 cents on October 14, 2020 and noted a "significant increase" in the trading volume.

Cann Global said the low share price on October 13 was "a historically low valuation for the company's businesses from which base the observed price increase to date represents only a minor recovery when compared to 2019 levels".

Since June 30, 2020 Cann Global has closed at either 0.4 cents or 0.5 cents every day, apart from two days.

COSTA GROUP HOLDINGS

The Sydney-based AMP says it has ceased its substantial shareholding in Costa.

AMP said that between July 6 and October 8, 2020 it bought and sold shares, with the single largest sale 196,798 shares for \$676,575 or \$3.44 a share.

In July, AMP said it became substantial in Costa with 20,387,887 shares (5.09%), buying and selling shares between March 20 and July 3, 2020, with the single largest purchase 639,387 shares for \$2,037,568 or \$3.19 a share (AVW: Jul 10, 2020).

Costa fell six cents or 1.6 percent to \$3.71 with 1.8 million shares traded.

BEGA CHEESE

Sydney's Vinva Investment Management says it has ceased to be a substantial shareholder in Bega.

Last month, Vinva said it became substantial in Bega with 10,770,417 shares or 5.02 percent of the company (AVW: Sep 4, 2020).

This week, Vinva said that between September 2 and October 9, 2020 it sold 8,126 shares for \$42,394 or \$5.22 a share and transferred out 50,066 shares.

Ag & Vet Weekly calculates that Vinva holds 4.98 percent of Bega.

Bega was up eight cents or 1.5 percent to \$5.33 with 763,933 shares traded.

SELECT HARVESTS

The Valley Forge, Pennsylvania-based Vanguard Group says it has become a substantial shareholder in Select Harvests with 5,708,559 shares or 5.084 percent of the company.

Vanguard said it held the shares through Brown Brothers Harriman, BNY Mellon, JP Morgan Chase, State Street and others, but did not disclose details of share purchases.

Select Harvests fell 17 cents or 2.7 percent to \$6.18 with 627,100 shares traded.

CLOVER CORPORATION

Washington H Soul Pattinson and Pengana Capital Group say they have reduced their holding in Clover from 38,123,569 shares (22.92%) to 36,300,936 shares (21.83%).

The Sydney-based Washington H Soul Pattinson and Pengana said that they bought and sold shares between November 1, 2019 and October 9, 2020, including a single largest purchase on March 25, 2020 of 1,993,850 shares for \$2,697,619 or \$1.34 a share and a single largest sale on August 26, 2020 of 500,000 shares for \$1,092,906 or \$2.19 a share. Clover was up one cent or 0.5 percent to \$2.02.

TASFOODS

The Sydney-based Ellerston Capital says it has ceased to be a substantial shareholder in Tasfoods.

The substantial shareholder noticed, signed by Ellerston Capital company secretary Ian Kelly, did not disclose details of share sales.

In July 2019, Ellerston said that on February 16, 2018, it increased its holding from 13,099,728 shares to 15,312,126 shares but was diluted from 7.13 percent to 5.60 percent.

Tasfoods was up 0.1 cents or one percent to 9.8 cents.

CANN GROUP

Cann Group says Aurora Cannabis Inc has sold its 11.84 percent shareholding in through off-market trades to a small number of undisclosed buyers.

In August, Aurora said its 31,956,347 share-holding in Cann Group had been diluted from 22.9 percent to 12.29 percent (AVW: Aug 28, 2020).

This week, the company said Aurora told the company that the decision was "consistent with [its] current strategic priorities".

Cann Group said this would not impact its business plans, which remained focused on developing a supply base with business to business customers and expanding its manufacturing capacity.

Cann Group was down one cent or 2.6 percent to 38 cents with one million shares traded.

CRESO PHARMA

Creso says it has made cash payments to L1 Capital Global Opportunities Master Fund, Lind Global Macro Fund and Chifley Portfolios to cancel their convertible notes.

Last week, Creso said it expected to raise \$8,992,531 through a placement to repay debt and amounts owed to L1, Lind and Chifley for outstanding convertible notes, including \$1,802,653 and 29,169,010 collateral shares for L1, \$222,927 and 21,000,000 shares for Lind and \$325,000 and 2,555,555 shares for Chifley (AVW: Oct 9, 2020).

This week, the company said it had been released from its ongoing obligations related to the convertible notes.

Creso said that following the cancellation, it would have 1,666,667 convertible notes on issue held by Suburban Holdings, and it would seek shareholder approval for early redemption of these notes.

Creso fell 0.1 cents or 3.3 percent to 2.9 cents with 48.6 million shares traded.

MGC PHARMACEUTICALS

MGC says Artemic for Covid-19 is not toxic and has no pathological impact on major organs in a 24-rat pre-clinical in-vivo safety and toxicity study.

MGC said the results provided critical toxicological information for Artemic to support its current phase IIa trial on Covid-19 patients.

In August, the company said 10 patients in its up-to 50-patient phase II trial of Artemic for Covid-19 showed safety and efficacy, with no adverse effects (AVW: Aug 21, 2020).

CRESO PHARMA

L1 Capital Global Opportunities Master Fund says it has ceased to be a substantial shareholder in Creso.

In July, the Cayman Islands-based L1 said it had ceased to be substantial in Creso and last week, said it had become substantial again with 49,412,496 shares or 11.99 percent of the company (AVW: Jul 17, Oct 9, 2020).

Earlier this week, L1 said it had reduced its holding to 43,062,496 shares or 10.45 percent.

Later in the week, L1 said that it disposed of 24,016,379 shares on October 12, 2020.

Ag & Vet Weekly calculates that L1 now holds 2.8 percent of Creso.

CRESO PHARMA

Jamber Investments says it has ceased to be a substantial shareholder in Creso.

In June, Jamber said it had increased and diluted in Creso to 23,735,938 shares or 8.50 percent (AVW: Jun 12, 2020).

This week, the substantial shareholder notice, signed by Jamber director James Schwarz for the Amber Schwarz Family account, said that it disposed of 3,172,320 shares on October 7, 2020.

Ag & Vet Weekly calculates that Jamber now holds 3.0 percent of Creso.