

Ag & Vet Weekly



Tuesday June 15 – Friday June 18, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 UP: BUBS UP 29%; CRESO DOWN 7%**
- * **AUSTRALIA, UK FREE TRADE DEAL; LABOR 'CAUTIOUS WELCOME'**
- * **ABARES: \$66b RECORD FARMGATE PRODUCTION**
- * **BUBS TO LAUNCH BABY FORMULA IN THE US**
- * **WIDE OPEN PREPARES \$1.6m LUPIN PROTEIN FACILITY**
- * **CRESO, RED LIGHT HOLLAND MARIJUANA MERGER FOR HIGHBRID LAB**
- * **AUSCANN LEASES R&D FACILITY TO SOURCE CERTAIN**
- * **OCEAN GROWN: MSC CERTIFICATION UNDERWAY**
- * **NANOLLOSE EGM 16% OPPOSE OPTIONS**
- * **MGC: CANNEPIL ON IRISH REIMBURSEMENT SCHEME**
- * **THAI UNION TAKES 6% OF CLOVER**
- * **DAVID JONES REPLACES NUFARM DIRECTOR FRANK FORD**
- * **MGC LOSES CO SEC NADINE BARRY**

MARKET REPORT

The Australian stock market was up 0.13 percent on Friday June 18, 2021, with the ASX200 up 9.9 points to 7,368.9 points. Twenty-one of the AVW-42 stocks were up, 10 fell, nine traded unchanged and two were untraded.

Bubs was the best, up 11 cents or 29.3 percent to 48.5 cents, with 59.6 million shares traded. Cann Global climbed 20 percent; A2 and Synlait were up more than five percent; Auscann, Memphasys, Pharmaust, Seafoods and Tasfoods improved more than four percent; Elixinol and Epsilon were up more than three percent; Bega and Huon rose more than two percent; AP Hemp, Cann Group and Wide Open were up more than one percent; with Clean Seas, Clover, Costa, Ecofibre and Select Harvests up less than one percent.

Creso led the falls, down one cent or 6.7 percent to 14 cents, with 44.2 million shares traded. Food Revolution and Ocean Grown lost more than three percent; Avecho shed 2.7 percent; Althea, Next Science, Nufarm, Regeneus and Terragen were down less than one percent; with Elders down 0.6 percent.

FEDERAL GOVERNMENT

The Federal Government says it has a free trade agreement with the UK, and a new agricultural visa for the UK and 10 nations of the Association of South-East Asian Nations. A media release from the Federal Minister for Agriculture, Drought and Emergency Management David Littleproud said that under the agreement tariffs on Australian beef and lamb exports would be lifted with a 10-year transition in place, caps on tariff free exports would remain in place and a new agricultural visa would be available for British agricultural workers and the ASEAN countries.

Mr Littleproud told ABC Radio National that “beef, sheep, sugar, dairy, they've all been winners out of this ... and for beef, we've gone from under 5,000 tonne to 35,000 tonne overnight, and for sheep from just over 15,000 to 25,000”.

Mr Littleproud said that beef would reach 175,000 tonnes over 15 years.

“While we'd like it to be quicker, you've got to strike that balance and understand we're opening up this market and in fact, when you're getting a significant increase in quotas, tariff free quotas straight up, straight off the bat, that's real dollars into Australian to farmers' pockets,” Mr Littleproud said.

Asked how far the UK deal would address the gap left by the bans on wine, barely and other commodities by China, Mr Littleproud said that trade “continued to flourish, despite the real challenge with wine and timber, our beef exports have continued to go up”.

Mr Littleproud said the ban on Australian wine “was very disappointing” and farmers had found new markets for barely.

The media release said the agricultural worker visa would be in place before the end of the year and would be available to agricultural workers from Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Mr Littleproud said the loss of about 10,000 seasonal UK workers no longer required to work in agriculture was a “line in the sand that we couldn't cross unless there was compensation ... [but] unfortunately, Australians can't be incentivized to go and have a crack at these jobs”.

“The reality is we're going to have to continue to rely on overseas labor.”

Mr Littleproud said the new seasonal agricultural worker visa would mirror the existing program and add to the pool of workers available to work on Australian farms.

LABOR OPPOSITION

In a media release, the Federal Labor Party Shadow Minister For Trade Madeleine King cautiously welcomed the in-principle UK free-trade agreement but “we will wait to see the details of this proposed agreement”.

Ms King said the Labor Opposition would “work constructively with the Government ... [and] consult with the union movement, the business community and the public service”.

Ms King said the Government had a “set and forget” approach to existing agreements with implementation of the Indonesia-Australia Partnership slow and failing to progress stronger ties with India.

In an interview on ABC News Radio, Ms King said Australia was enthusiastic on free trade “because it opens up more markets for us, but for this to be transitioned over between 10 and 15 years is a significant lag for those farmers”, with the UK yet to establish an independent commission to scrutinize the agreement, “the requirement of British farmers”.

“This will not go very far to repair any of the trade decline with China,” Ms King said.

Ms King said the red wine producers and cray fisheries were “literally collapsing”.

“There's no way the British market is going to replace the Chinese market for crayfish ... they might go some way on red wine, but ... certainly not very close ... [and] some elected representatives need to drop some of their pretty inflammatory rhetoric”.

BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

The Australian Bureau of Agricultural and Resource Economics and Sciences says farmgate production is “on-track for a record-breaking \$66.3 billion year”.

Acting Abares executive director Dr Jared Greenville said that the value of agricultural exports was forecast to be about \$47 billion in 2020-'21.

“Abares has revised both the gross value of production and the value of exports up by \$400 million from earlier estimates,” Dr Greenville said.

Dr Greenville said the upward revision was the result of strong domestic livestock prices and faster-than-expected Australian grain exports after the second largest winter harvest.

Dr Greenville said the turnaround for wheat, barley and canola shipments was “impressive” and showed the resilience of supply chains, benefits of the diversified production base and access to a range of markets.

The Abares media release said that the 2021-'22 gross value of production was forecast to fall from the record high to “a still impressive \$65 billion”.

Dr Greenville said that the prospects for the next winter crop were “positive” with a record high area planted but it was “very unlikely to see two record years back-to-back”.

Dr Greenville said the exports were forecast to grow to \$49.7 billion in 2021-'22, driven by higher exports of beef, wool, dairy products and a sharp recovery in cotton exports.

“Herd and flock rebuilding is still ongoing but we are expecting more animals to begin flowing into meat processing in 2021-'22, which is also likely to ease margin pressures on the red meat processing sector,” Dr Greenville said.

Dr Greenville said the mouse plague has been devastating on a local scale but on a national scale had been reasonably limited.

“The worst impacts have been to stored grain and hay across parts of Queensland and New South Wales, although high mouse activity has been observed in many parts of the wheat belt,” Dr Greenville said.

Dr Greenville said it was likely the worst of the mouse plague was over as cool and wet winter conditions slow breeding, but a risk remained if winter was warmer than expected.

The June quarter 2021 Agriculture Commodities report is available at:

<https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook>.

BUBS AUSTRALIA

Bubs says it will launch its Aussie Bubs formula range on the US electronic-commerce platform Walmart.com, from September 2021.

Bubs said the initial launch would consist of two products, Aussie Bubs Australian goat milk-based toddler formula and Aussie Bubs grass fed nutritional cows' milk-based toddler formula, with both English and Hispanic labels.

Bubs founder Kristy Carr said the company was “delighted to announce this important milestone in our continued implementation of our export diversification strategy,”

“This also marks an important achievement for our Aussie farmers, as we embark on growing our export markets and taking Australia’s high-quality standards for purity and provenance into the homes of families across the globe,” Ms Carr said.

“The acceptance within Walmart.com and making Aussie Bubs available through Amazon.com gives the business immediate scale access to the market,” Ms Carr said.

Bubs executive chair Dennis Lin said the launch was “a key next pillar of our global market diversification and expansion, providing continued momentum for our export sales growth contribution from South East Asia as we build on our existing business in Malaysia, Vietnam, Hong Kong, Macau and Singapore”.

Bubs climbed 11 cents or 29.3 percent to 48.5 cents with 59.6 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open says it will pay \$1.6 million to construct and operate an in-house lupin and plant-based protein manufacturing facility in Western Australia.

Wide Open said the estimated expenditure of \$1.6 million for the initial construction of the plant was adequately funded, with cash of \$12.8 million as at March 31, 2021 and an expected increase in revenue.

The company said that the facility would be close to its Dirty Clean Food Operations in the Perth suburb of Kewdale and would be used to refine the lupin production process and produce pilot-scale, food grade quantities of modified lupin protein.

Wide Open managing director Ben Cole said that the “in-house pilot plant will offer ... unmatched global capability and know-how in the production of lupin-based proteins with a unique techno-function sourced from [Western Australia’s] leading regenerative farmers.”

Wide Open was up 1.5 cents or 1.7 percent to 88.5 cents.

CRESO PHARMA

Creso says it will merge with Red Light Holland to become the Highbrid Lab for recreational marijuana as well as “applied science, technology and innovation”.

Creso said the Ontario-based Red Light Holland was currently engaged in the production, growth, and sale of “magic truffles” to the legal, recreational market in the Netherlands.

The company said the merged business, the Highbrid Lab, was expected to have an implied value of \$371 million based on the closing price of the two companies’ shares on June 15, 2021 and a cash balance of about \$48 million, and would trade on the Canadian Securities Exchange under the code TRIP.

Creso said its shareholders would receive 0.395 of a Red Light Holland share for one Creso share and 0.257 of a Red Light Holland share for each listed Creso option.

The company said the merger needed to be approved by the Supreme Court of Western Australia, with 75 percent approval from its share and option holders at the scheme meetings.

Creso said the first court hearing was scheduled for August 13, with the scheme meeting and option scheme meeting were to be held on September 17, 2021.

The company said after the implementation of the schemes, its former security holders would own about 57.4 percent of the pro forma issued and outstanding Red Light Holland shares, resulting in a reverse takeover of Red Light Holland by the company.

Creso said the Highbrid Lab would be led by Red Light Holland’s current chief executive officer Todd Shapiro as chief executive officer and a director.

The company said that marijuana entrepreneur Bruce Linton would be Highbrid’s non-executive chair with Creso chair Adam Blumenthal appointed a non-executive director along with two other Creso board nominees upon completion of the deal.

The company said that Canopy Growth’s William Lay would be appointed chief strategy officer.

Mr Blumenthal said the “transaction follows a considerable amount of due diligence undertaken by both parties, highlighting the strength of both Creso Pharma’s and Red Light Holland’s operations and abilities across a number of key international markets”.

“There are a number of synergies across the businesses, which will allow the combined company to considerably scale-up operations in the near term,” Mr Blumenthal said.

Creso fell one cent or 6.7 percent to 14 cents with 44.2 million shares traded.

AUSCANN GROUP HOLDINGS

Auscann says it will lease its Perth research and development facility, fitted to cultivate medical marijuana to Perth's Source Certain International.

Auscann said the five-year lease of the facility provided a reduction in its cost base and annual rental income of \$475,000, excluding tax.

The company said it provided the first six months free of rent as an incentive and it had two extension options of five years each.

Auscann said the lease was part of its revised growth strategy to reduce its expenses, maximize asset value, focus its resources on research and development, and commercialization opportunities for higher return on investment.

The company said Source Certain International was responsible for any operating expenses related to the facility and had the first right to purchase if it proposed to sell.

Auscann was up half a cent or 4.55 percent to 11.5 cents.

OCEAN GROWN ABALONE

Ocean Grown says it has begun the Marine Stewardship Council certification process for its Flinders Bay, Augusta fishery to support marketing its abalone.

Ocean Grown said that the Western Australia Government was funding the assessment with the Western Australia Fishing Industry Council supporting the process to "achieve external sustainability accreditation".

The company said the external audit by the Marine Stewardship Council was expected in July and securing certification would support marketing of its Wild Two Oceans Abalone brand.

Ocean Grown fell 0.3 cents or 3.6 percent to eight cents.

NANOLLOSE

Nanollose says its extraordinary general meeting passed all resolutions, but with significant dissent against the issue of placement and broker options.

Nanollose said the issue of 14,768,637 placement options, exercisable at 15 cents each within three years, was opposed by 6,461,388 votes (16.24%) with 33,323,211 votes (83.76%) in favor.

The company said that the issue of 7,500,000 options to Peak Asset Management was opposed by 7,085,906 votes (14.57%) with 41,549,913 votes (85.43%) in favor.

Nanollose said the ratification of placement share issues were passed more easily.

The company's most recent Appendix 2A new issue announcement said that Nanollose had 147,686,368 shares on issue, meaning that the votes against the issue of broker options accounted to 4.8 percent of the company, not sufficient to requisition extraordinary general meetings.

Nanollose was unchanged at 9.4 cents.

MGC PHARMACEUTICALS

MGC says its Cannepil marijuana-derived epilepsy product will be free of charge for patients prescribed the treatment in the Republic of Ireland.

MGC said Cannepil was added to the Primary Care Reimbursement Service as part of the Medicinal Cannabis Access Program and would be covered under the Health Service Executive's service plan.

MGC was unchanged at 4.4 cents with 5.95 million shares traded.

CLOVER CORPORATION

The Thai Union Group Public Company says it has increased its substantial shareholding in Clover from 8,386,976 shares (5.04%) to 10,168,289 shares (6.11%).

The Bangkok-based Thai Union Group said between June 3 and 11, 2021, it bought 1,781,313 shares at prices ranging from \$1.5091 a share to \$1.7976 a share.

Clover was up one cent or 0.5 percent to \$1.87.

NUFARM

Nufarm says it has appointed Dr David Jones as an independent, non-executive director to its board, effective from June 23, 2021.

Nufarm said Frank Ford would retire at the conclusion of the annual general meeting on December 17, 2021.

The company said that Mr Ford was appointed to the board in 2012.

Nufarm said Dr Jones was previously Syngenta's head of business development, the chair of Zeneca China, Arysta Life Science and Plant Impact.

The company said Dr Jones held a Bachelor of Arts and a Doctor of Philosophy from Scotland's Stirling University.

Nufarm fell five cents or 1.1 percent to \$4.67 with 1.8 million shares traded.

MGC PHARMACEUTICALS

MGC says that following the appointment of David Lim as company secretary Nadine Barry has resigned as company secretary, effective from June 14, 2021.

The company said Ms Barry would continue as the company's corporate secretary.

Ms Barry's LinkedIn profile said she previously worked as Chieftain Securities' corporate secretary and held a Bachelor of Arts from Perth's Notre Dame University.