

Ag & Vet Weekly



Monday September 13 – Friday September 17, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 DOWN: AVECHO UP 12%; MGC DOWN 4.8%**
- * **ABARES FORECASTS RECORD \$73b YEAR; LABOR SHORTAGES**
- * **CSIRO: \$150m TO BUILD A \$20b AG AND FOOD SECTOR**
- * **ELDERS REFINANCES, INCREASES LOAN FACILITY TO \$180m**
- * **AVECHO RECRUITS 1st PHASE I TPM-MARIJUANA TRIAL PATIENT**
- * **MGC: UK APPROVES IMPORT, USE OF CANNEPIL+ FOR EPILEPSY**
- * **EPSILON REQUESTS 'VALENS 1st MATERIAL ORDER' TRADING HALT**
- * **ROOTS FACES AGM 26% DISSENT ON STOCK ISSUES**
- * **AP HEMP NAME CHANGE AGM**
- * **CANN GROUP TESTS GELPELL EQUIPMENT; HARVEST ONE PAYMENT**
- * **CRESO: MHG ORDERS \$338k MARIJUANA PRODUCTS**
- * **CRESO: CANNADOL ON-LINE SALES, \$80k ANIBIDIOL FOR POLVET**
- * **MGC: GERMAN APPROVES NATURAL ARTEMIC**
- * **PERPETUAL TAKES 12.2% OF COSTA GROUP**
- * **SCHRODER REDUCES TO 7.5% OF RIDLEY**

MARKET REPORT

The Australian stock market fell 0.76 percent on Friday September 17, 2021, with the ASX200 down 56.5 points to 7,403.7 points. Twelve of the AVW-42 stocks were up, 19 fell, nine traded unchanged and two were untraded.

Avecho was the best, up 0.2 cents or 11.8 percent to 1.9 cents, with 1.3 million shares traded. Tasfoods climbed 10 percent; Clover and Wellnex improved more than four percent; Memphasys and Murray Cod were up three percent or more; Costa and Next Science rose more than two percent; Ocean Grown, Palla and Synlait were up more than one percent; with Tassal up 0.6 percent.

MGC led the falls, down 0.3 cents or 4.8 percent to six cents, with 8.2 million shares traded. Elixinol and Food Revolution fell four percent or more; Anantara, Nanollose and Pharmaust were down more than three percent; Auscann and Bubs shed more than two percent; A2, Cann Group, Ecofibre, Huon, Ridley, Seafarms, Select Harvests and Wide Open were down more than one percent; with Bega, Elders and Nufarm down by less than one percent.

BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES NSW FARMERS, FEDERAL OPPOSITION

Abares says Australia will grow a record \$73 billion in produce this financial year, but there are concerns over labor shortages with Opposition concern over conditions.

Abares acting executive director Dr Jared Greenville said that if the forecast in the Agricultural Commodities: September Quarter report proved to be accurate, it would be "the first time the agriculture sector has been valued at over \$70 billion".

"The value of crop production is set to rise by seven percent to \$39.5 billion because of another near-record winter crop harvest, combined with strong global prices for grain, sugar and cotton," Dr Greenville said.

"While there are risks related to mice, labor availability and continued uncertainties due to Covid-19, we are expecting national production to remain robust," he said.

"The value of livestock production is also tipped to rise to \$33.5 billion, an increase of eight percent," Dr Greenville said.

"We've had a solid cropping year across the wheat-sheep belt, so we're looking at another robust harvest," Dr Greenville said. "The international market is also tipped in our favour, as poor harvests in North America and Europe are pushing up the price of grain."

Dr Greenville said that strong domestic production and a favorable global market would see exports reach a record \$55 billion, with crops "set to rise by 17 percent to \$30 billion".

"A good year means optimism at the saleyards, and many of our farmers are enjoying their second good year in a row, ... [which] has translated to record prices for young cattle as farmers look to restock," Dr Greenville said.

The report is at: www.agriculture.gov.au/abares/research-topics/agricultural-outlook.

The New South Wales Farmers Association welcomed the Federal Government changes to the Seasonal Worker Program and the Pacific Labour Scheme under the new Pacific Australia Labour Mobility scheme; widely known as the Agricultural Visa.

NSW Farmers said the commitment to bring an additional 12,500 workers from the Pacific by March 2022 to work in sectors including agriculture would "help alleviate the workforce shortage crisis continuing to threaten the productivity of farm enterprises".

NSW Farmers president James Jackson said approved employers would have a single application process and existing employers would be recognized under both schemes.

Mr Jackson said he welcomed the doubling of recruitment caps for approved employers and extending the validity period for labor market testing to 12 months, but said the changes would not benefit all enterprises with competition from other sectors, such as tourism and hospitality, and the inflexible programs were "inaccessible for smaller growers with high seasonality", calling for increased portability for sharing and moving workers.

The Federal Opposition's Shadow Minister for Agriculture Julie Collins said welcomed the forecast production rise, but "farm worker shortages would end up hurting farmers and hitting Australian consumers".

Ms Collins said the schemes "won't mean one more worker makes it onto Australian farms this summer, with borders still closed after Mr Morrison failed his two jobs this year: deliver national quarantine and effectively rollout the vaccine".

"The Morrison-Joyce Government's addiction to temporary visa holders has contributed to the exploitation of agriculture workers, not to mention wage suppression across the wider economy," Ms Collins said.

"There is no detail ... about how this agriculture visa will protect workers against the shocking examples of exploitation we have seen before," Ms Collins said.

Ms Collins said that "last year, David Littleproud repeatedly pointed to 25,000 pre-vetted Pacific workers that would help fix labor shortages, but by his own admission in June this year, 'less than 7,000' had made it to Australia," Ms Collins said.

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION

The CSIRO says a \$150 million investment with government and industry targets a \$20 billion agriculture and food sectors by 2030.

The CSIRO said that it would provide \$79 million with government and industry providing \$71 million for three “missions” to tackle drought, the food export market and “protein”.

CSIRO chief executive Dr Larry Marshall said the organization had worked with farmers and governments for more than 100 years and would bring “all of our newest science and technology, from artificial intelligence to genetics and smart materials, to bear on overcoming our oldest national challenge – drought”.

“Overcoming the impacts of drought, protecting the authenticity of Australian products, and inventing whole new markets will grow one of our most important national industries,” Dr Marshall said.

The announcement did not mention climate change or global warming.

The CSIRO said the research aimed to: reduce the impacts of drought by 30 percent, increase the value of Australian agricultural food exports by \$10 billion and produce an additional \$10 billion of high-quality protein products by 2030.

“Overcoming challenges of this size takes a Team Australia approach, which is why we’re proud to have so many collaborators on board to help Australian agriculture become more resilient, more profitable, and to produce food that is more plentiful and healthier for Australians and our customers around the world,” Dr Marshall said.

Meat & Livestock Australia managing-director Jason Strong said that each of the three research missions targeted “a critical challenge and opportunity to ensure Australia’s meat and livestock industry continues to be the trusted source of the highest quality protein”.

The CSIRO said drought resilience researchers would “investigate new farming systems that use water more efficiently, technologies to secure regional water supplies and new tools based on localized climate data that will make farming into the future easier”.

The Organisation said that the mission was “vital to protect agricultural profitability, strengthen the economic resilience and water security of regional communities, and improve environmental outcomes”.

The CSIRO said that Australia could increase the value of its agricultural food exports such as horticulture and beef products by \$10 billion by 2030.

The Organisation said that the mission would improve access to high-value markets through new isotopic fingerprinting tools that supported proof-of-origin for food and verify its “clean and green” credentials, as well as reduce the cost of meeting export requirements through automated systems that use sensors and remote technologies.

The CSIRO said the future protein mission targeted a “\$10 billion opportunity for Australia’s growers and producers to create the future protein for the world’s growing population” and the mission would protect and increase “existing livestock and aquaculture industries, develop new plant-based products and use new technologies, such as bio-manufacturing to create new proteins or even transform waste products into high value food products”.

The Federal Minister for Agriculture David Littleproud said the missions would “help make Australian farmers and communities more resilient to droughts, increase the value of Australian food exports and help to secure the future of our regional communities”.

“The missions will also help the agriculture industry achieve its ambitious target to increase the value of the nation’s [agricultural food] exports to \$100 billion in the next decade,” Mr Littleproud said.

“Transforming Australia’s agriculture sector requires a large, focused research effort between industry, government and research organizations, and the Australian Government is committed to supporting these monumental efforts,” Mr Littleproud said.

ELDERS

Elders says it has refinanced its debt facilities to deliver a simplified structure “better tailored to ... seasonal cash flows, extended tenure and improved terms”.

Elders said it had increased the multi-option facility from \$150 million to \$180 million and extended it to September 2024.

The company said it had a \$40 million seasonal tranche committed for the first half of the financial year to cover seasonal cash flows and would retire the \$40 million Australian Independent Rural Retailers facility and \$30 million facility for bolt-on acquisitions.

Elders chief executive officer Mark Allison said the refinance “takes advantage of the positive momentum in the business and the low interest rate environment while maintaining total facilities at the same amount”.

“Elders will continue to review and, where appropriate, renegotiate its funding facilities in advance of scheduled maturities to meet business needs and take advantage of market conditions,” Mr Allison said.

“We are very pleased to continue our banking relationship with ANZ, NAB and Rabobank,” Mr Allison said.

Elders fell eight cents or 0.6 percent to \$12.48 with 491,929 shares traded.

AVECHO BIOTECHNOLOGY

Avecho says it has enrolled the first of 16 healthy volunteers for its phase I trial of tocopheryl phosphate mixture (TPM) soft gel marijuana-derived cannabidiol.

In April, Avecho said the trial would measure the safety and absorption profile of its cannabidiol (CBD) product using its TPM vitamin E-derived drug delivery system and the data would be used for future regulatory submissions and drug labels (BD: Apr 13, 2021).

Today, the company said the study would compare the absorption of cannabidiol from its CBD capsules at 75mg and 150mg, with results expected in December 2021.

Avecho was up 0.2 cents or 11.8 percent to 1.9 cents with 1.3 million shares traded.

MGC PHARMA

MGC says its Cannepil+ for drug-resistant epilepsy has been approved for import by the UK Medicine and Healthcare products Regulatory Agency.

MGC said the approval was facilitated by its UK distribution and clinical access partner, the London-based Elite Pharmaco.

The company said that a Cannepil+ was a biosimilar effect-identical product of its Cannepil phyto-cannabinoid and as part of this process, Cannepil+ was approved for prescription for patients in the UK.

MGC said it was “the first time that an epilepsy treatment currently in a clinical trial process, and containing [tetrahydrocannabinol], has been approved by the authorities in the UK for import”.

The company said that Cannepil+ would be made available for free on compassionate grounds to 10 patients for six months, with treatment monitored as part of an observational trial using a data collection software application, provided by London’s Alta Flora.

MGC fell 0.3 cents or 4.8 percent to six cents with 8.2 million shares traded.

CANN GROUP

Cann Group says Gelpell capsule manufacturing equipment is being commissioned at its Mildura marijuana facility, and it will issue 2,725,863 shares to Harvest One Cannabis Inc. Cann Group said the equipment was shipped from Switzerland and arrived on-site at Mildura growing and extraction facility for inspection late last month.

The company said the delivery and installation of the Gelpell manufacturing line, together with other equipment and commissioning activity was “a key milestone in the ramp-up to production at Cann’s new \$117 million state-of-the-art cultivation and manufacturing facility and a subsequent step-change in the economics of the business”.

Cann Group said that acceptance of the Gelpell production equipment triggered the payment included in the February Satipharm acquisition (BD: Feb 15; Mar 11, 2021).

The company said that the 2,725,863 shares were issued to the Vancouver, British Columbia-based Harvest One at 29.5 cents each, equivalent to \$C750,000 (\$A804,000), with the share price calculated as the 30-day volume-weighted average price to September 7, 2021.

Cann said that following finalization of the 2020-'21 financial accounts for the Satipharm business, 24,083 fully paid ordinary shares at a 40.3 cents each were issued to Harvest One, representing adjusted earnout payments.

The company said that validation and verification batches of Gelpell capsules would be produced to help meet clinical good manufacturing practice inspection requirements and for stability testing.

Cann Group said it would continue to have Satipharm cannabidiol (CBD) products manufactured under contract in Switzerland to meet European market requirements, and formulation activity at Mildura would focus on the production of a combined tetrahydrocannabinol (THC) and CBD product for medicinal purposes and a low dose CBD only product in anticipation of Australian registration approval for an over-the-counter pharmacist S3 capsules.

The company said that the investment in the Gelpell manufacturing technology and equipment was expected to deliver cost savings of about 60 percent, compared to contract manufacturing costs.

Cann chief executive officer Peter Crock said the works at Mildura were “key milestones in the ramp-up of production activity ... and have been achieved despite ongoing challenges associated with Covid-19 delays relating to delivery of equipment, on-site restrictions and the availability of specialist contractors”.

“The new Mildura facility aims to deliver scale benefits, substantial cost savings and improved supply chain security and we anticipate will provide the platform for strong profitable growth of the business,” Mr Crock said.

“We are continuing to monitor and manage the impacts relating to Covid and will provide regular updates on progress at Mildura as we continue to track towards full commissioning of both manufacturing and cultivation activity,” Mr Crock said.

Cann Group fell half a cent or 1.75 percent to 28 cents.

CRESO PHARMA

Creso says it has two purchase orders worth of CHF230,000 (\$A340,933) from MHG GmbH for its marijuana-based Cannaqix hemp seed oil and 50mg lozenges.

Creso said the orders from the Zug, Switzerland-based health products distributor would broaden its European market presence.

Creso was unchanged at 12 cents with 10.1 million shares traded.

CRESO PHARMA

Creso says it has launched an on-line sales site for marijuana products under the Born to Move brand and sold \$80,141 worth of marijuana to Polvet Healthcare.

Creso said the three Cannadol products under the Born to Move portfolio included the Cannadol booster, Cannadol revitalize gel and Cannadol recovery for sports.

In May, Creso said it had a one-year non-exclusive agreement with the Orzesze, Poland-based Polvet Healthcare to market and distribute its marijuana-based animal health products in Poland (AVW: May 21, 2021).

Today, the company said Polvet ordered Creso's hemp-flour based Anibidiol granule for use in animals treated in its clinics before and after surgery and to sell and distribute through its electronic commerce channels.

MGC PHARMACEUTICALS

MGC says Germany has issued a free trade certificate for Artemic its combination of curcumin, Boswellia serrata, artemisinin and vitamin C.

MGC said the approval followed "the successful completion of a phase II, multi-centre clinical trial on the formulation which demonstrated significantly enhanced recovery of hospitalized patients with Covid-19 compared with placebo controls".

Last year, the company said its 50-patient, 14-day, phase II trial of Artemic for Covid-19 patients in Israel and India had "successfully met the primary and secondary endpoints" (BD: Dec 15, 2020).

Today, MGC said the German free trade certificate was "likely to significantly accelerate entry into other markets, both within the EU and elsewhere".

EPSILON HEALTHCARE

Epsilon has requested a trading halt pending an announcement on "the first material order under the recently announced partnership ... [with] the Valens Company".

Trading will resume on September 21, 2021, or on an earlier announcement.

Epsilon last traded at 15 cents

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says its annual general meeting faced more than 26 percent opposition to the ratification of the prior issue of placement Chess depositary interests (CDIs).

Roots said the meeting voted more than 19 percent opposition to 12 resolutions to issue CDIs, stock and options to Adam Blumenthal and Everblu Capital.

The company said of the 32 resolutions, the largest number of votes in opposition were against the issue of securities to Adam Blumenthal with 5,840,243 (19.90%) votes against and 23,506,895 (80.10%) votes in favor.

Roots said all other resolutions passed by wider margins including the appointment of auditors, the election of Graeme Smith and Dafna Shalev-Flamm as directors and the increase of authorized share capital.

According to the company's most recent Appendix 2A application for quotation of securities Roots had 539,783,931 Chess depositary interests on offer meaning that the opposition to Adam Blumenthal amounted to 1.1 percent of the company's total Chess depositary interests, not sufficient to requisition extraordinary general meetings.

Roots was unchanged at 0.9 cents with 1.1 million shares traded.

AUSTRALIAN PRIMARY HEMP

Australian Primary Hemp says its annual general meeting will vote to change its name to the Sustainable Nutrition Group.

AP Hemp said the proposed name “better fulfills the criteria which is to position the company as a branded health and wellness company, focussed on sustainable nutrition”. The company said the meeting would vote on the issue of \$230,000 worth of performance rights to managing-director Neale Joseph and \$50,000 worth of options to Shane Gild exercisable at 49.97 cents within three years.

AP Hemp said that shareholders would vote on the adoption of the remuneration report, the election of directors Mr Joseph, Mr Gild and Pauline Gately, the ratification of the prior issue of 16,200,000 shares and 2,500,000 options, the employee incentive plan and the 10 percent placement facility.

The meeting will be held virtually on October 20, 2021, at 10am (AEDT).

AP Hemp was unchanged at 31 cents.

COSTA GROUP HOLDINGS

Perpetual says it has increased its substantial shareholding in Costa Group from 50,521,698 shares (10.88%) to 56,455,051 shares (12.16%)

The Sydney-based Perpetual said that between September 7 and 10, 2021, it bought 5,933,353 shares with the largest purchase of 580,973 shares for \$1,869,947 or \$3.22 a share on September 10, 2021.

Costa was up seven cents or 2.1 percent to \$3.34 with 5.6 million shares traded.

RIDLEY CORP

Schroder Investment Management Australia says it has reduced its shareholding in Ridley Corp from 27,696,981 shares (9.00%) to 23,802,289 shares (7.45%).

The Sydney-based Schroder said between December 15, 2018, and September 10, 2021, it bought 9,155,979 shares for \$10,546,547 or \$1.16 a share, sold 6,632,960 shares for \$6,449,349 or 97.2 cents a share and transferred-out 6,377,711 shares.

Ridley fell 1.5 cents or 1.1 percent to \$1.32.