

# Ag & Vet Weekly



Tuesday April 19 – Friday April 22, 2022

*All the news on ASX-listed agriculture and veterinary companies*

- \* **ASX200, AVW-42 DOWN: ROOTS UP 20%;  
- SUSTAINABLE NUTRITION DOWN 9%**
- \* **RLF \$8.5m IPO FOR LIQUID PLANT NUTRITION**
- \* **NANOLLOSE, ORTA COLLABORATE ON TREE-FREE DENIM**
- \* **BEGA EXPECTS 2022 EBITDA DOWN 11% TO \$175-195m**
- \* **CLEAN SEAS 'RECORD' Q3 REVENUE UP 33% TO \$17m**
- \* **TERRAGEN: 'MYLO LOWERS METHANE, IMPROVES CATTLE WEIGHT GAIN'**
- \* **SEAFARMS: IAN TRAHAR CALL TO REMOVE CHAIR MICK McMAHON**
- \* **FONTERRA, CASTALIA CLASH ON OPEN COUNTRY DAIRY REPORT**
- \* **FEDERAL \$1m FOR DAIRY INDUSTRY PRICE TRACKING**
- \* **FEDERAL \$828k FOR RED MEAT EXPORTS**
- \* **CANN GROUP \$15m NAB LOAN; RENEGOTIATES \$50m LOAN**
- \* **ROOTS: PRECOOL RZTO SOUTH AFRICA DISTRIBUTOR; J-V**
- \* **PHARMAUST RECEIVES \$708k FEDERAL R&D TAX INCENTIVE**
- \* **MGC SLOVENIA PATENT FOR CIMETRA**
- \* **COSTA M-D RIGHTS, OPTIONS; 30% DIRECTORS' FEE POOL HIKE AGM**
- \* **ELIXINOL 2m DIRECTORS RIGHTS AGM**
- \* **STATE STREET BELOW 5% IN COSTA**
- \* **JAMBER REDUCES TO 8.55% OF ROOTS**
- \* **NUFARM APPOINTS KATE HALL CO SEC**
- \* **PALLA LOSES DIRECTORS SUE MACLEMAN, IAIN ROSS, STUART BLACK**

## MARKET REPORT

The Australian stock market fell 1.57 percent on Friday April 22, 2022, with the ASX200 down 119.5 points to 7,473.3 points. Thirteen of the AVW-42 stocks were up, 18 fell, nine traded unchanged and two were untraded.

Roots Sustainable was the best, up 0.1 cents or 20 percent to 0.6 cents, with 1.4 million shares traded, followed by Terragen up 15.4 percent to 22.5 cents, with 760,902 shares traded.

Clover climbed 5.9 percent; MGC and Wellnex improved more than four percent; Botanix, Cobram and Epsilon rose more than two percent; Auscann and Next Science were up more than one percent; with Clean Seas, Synlait Milk and Tassal Group up by less than one percent.

Sustainable Nutrition led the falls, down 1.5 cents or 8.6 percent to 16 cents, with 52,670 shares traded.

Both Creso and Murray Cod fell 4.76 percent; Elixinol and Food Revolution were down more than three percent; A2, Althea, Australian Agricultural, Costa, Ridley and Tasfoods shed two percent or more; Fonterra, Memphasys, Nufarm, Select Harvests and Wide Open Agriculture were down more than one percent; with Bega and Elders down by less than one percent.

## RLF (RURAL LIQUID FERTILISERS) AGTECH

RLF says it hopes to raise \$8.5 million at 20 cents a share to list on the ASX under the code RLF to further commercialize its plant nutrition products.

Formerly Rural Liquid Fertilisers, RLF said that it would have an indicative market capitalization of \$37 million following the initial public offer.

RLF said that proceeds of the offer would support expanding its sales and marketing teams, increasing production capacity, progressing the carbon credit initiative, working capital and cover offer-related expenses.

The company said that its Plant Proton Delivery technology enabled farmers “to grow higher-yielding, better quality and more nutritious produce”.

RLF said that independent trials had shown that its Plant Proton Delivery technology could “deliver a 10 to 30 percent yield increase, with demonstrated [returns on investment] of more than 200 percent to more than 1,000 percent to the farmer”.

The company said its products had been shown to improve the quality of produce and improve soil carbon and condition.

RLF said its chair was Don McLay, with executive directors Lu Shen and Gavin Ball, non-executive directors, Liza Carpenne and Paul McKenzie, with company secretary Benjamin Donovan.

The company said its managing-director was Ken Hancock who had more than 20 years of operational experience in mid-sized manufacturing and distribution businesses.

RFL said that Discovery Capital Partners were the lead managers of the offer and the prospectus was available at: <https://www.rlfagtech.com/prospectus-disclaimer>.

RLF is a private company.

## NANOLLOSE

Nanollose says the Istanbul, Turkey-based Orta Anadolu will develop denim fabrics incorporating its Nullarbor tree-free fibres made from waste cellulose.

In March, Nanollose said that it had produced an initial 250kg of Nullarbor-20 'forest-friendly' lyocell fibre, proving commercial scale was achievable (AVW: Mar 4, 2022).

Today, Nanollose said it would provide 50kg of Nullarbor-20 from the pilot spin to allow Orta to begin the project and would provide additional Nullarbor fibres as required.

The company said that each party had agreed to work exclusively in the development of denim fabrics from fibres incorporating microbial cellulose.

Nanollose said that following a successful project, both parties would work for an ongoing commercial agreement for the supply of Nullarbor fibres for denim fabrics.

The company said that Orta manufactured 40 million metres of denim a year and supplied brands including Armani, Stella McCartney, Levi's, Lee, Wrangler, Calvin Klein, GAP and Banana Republic.

Nanollose executive chair Dr Wayne Best said the company was "delighted to be working with Orta to develop denim fabrics incorporating Nanollose's forest-friendly Nullarbor fibres".

"Orta's commitment to sustainability through innovation aligns very well with our own," Dr Best said.

"The agreement also marks a very exciting milestone for Nanollose, being the first shipment of fibre from our recent pilot spin with Birla Cellulose," Dr Best said.

"Much of the remaining fibre will be converted to yarn and fabric to meet the specific requirements of other interested parties," Dr Best said.

Nanollose was unchanged at 9.9 cents.

## BEGA CHEESE

Bega says it has updated earnings for the 12 months to June 30, 2022 to a range of \$175 million to \$190 million due to Covid-19 and Australian flood impacts.

On December 23, 2021, Bega said it expected normalized earnings before interest, taxation, depreciation and amortization (Ebitda) for the 12 months to June 30, 2022 to be in the range of \$195 million to \$215 million.

Ag & Vet Weekly calculates the mid-range Ebitda to fall by 11.0 percent.

This week, the company said that the full-year direct costs related to the Covid-19 pandemic would be more than \$40 million.

Bega said that it was experiencing supply chain disruptions due to floods across Australia, as well as lockdowns in Shanghai, but that dairy prices had "continued to strengthen".

Bega fell four cents or 0.8 percent to \$5.11 with 873,720 shares traded.

## CLEAN SEAS SEAFOOD

Clean Seas says it has "record revenue" for the three months to March 31, 2022 up 32.7 percent to \$17,018,000 compared to the prior corresponding period.

Clean Seas said that revenue for the nine months to March 31, 2022 was up 48.9 percent to \$49,150,000 and came primarily from the breeding and sale of yellowtail kingfish.

The company said it had cash and cash equivalents of \$13,685,000 at March 31, 2022 compared to \$10,691,000 at March 31, 2021.

Clean Seas was up half a cent or 0.8 percent to 61.5 cents.

## TERRAGEN HOLDINGS

Terragen says a study of its Mylo microbial feed supplement shows a 7.5 percent difference in methane emissions and 21 percent greater weight gain in cows.

Terragen said the 40-day study, conducted at the Victoria Government-supported Ellinbank Smartfarm in Gippsland, used 40 lactating Holstein-Friesian cows, split evenly into a control treatment and a Mylo treatment, with the Mylo group receiving 10mL/day of the Mylo feed supplement.

The company said that the control cows, emitted a non-significant 7.5 percent more methane per litre of milk ( $p = 0.13$ ) and that cows on Mylo gained 21 percent more weight than the control group.

Terragen said that Ellinbank researchers would present the findings at the International Greenhouse Gas and Animal Agriculture Conference at Orlando, Florida in June 2022.

Terragen said that the research indicated that Mylo could “reduce methane emissions by the equivalent of 100 tonnes of CO<sub>2</sub> per 350-cow dairy farm per year”.

Terragen was up three cents or 15.4 percent to 22.5 cents.

## SEAFARMS GROUP

Seafarms says it has received a request from Ian Trahar and Avatar Industries Pty Ltd for a meeting to remove executive chair Michael Peter McMahon as a director.

Earlier this week, Seafarms requested a trading halt “pending an announcement ... in relation to a potential board movement”.

Last year, Seafarms said that chief executive officer Mick McMahon had been appointed executive chair on \$1.25 million a year and had begun a review of the black tiger prawn expansion Project Sea Dragon (AVW: Nov 5, 2021).

The company said at that time that outgoing executive chair and major shareholder Ian Trahar would continue as a non-executive director.

In August, Mr Trahar and Gabor Holdings said they held 27.48 percent to the company, while Janet Cameron held 19.8 percent and Tokyo’s Nippon Suisan Kaishu held 6.06 percent (AVW: Aug 20, 2021).

Today, Seafarms said the meeting requisition under Section 249D of the Corporations Act 2001 meant it was required to call a meeting within 21 days and hold a general meeting within two months of the request, no later than June 20, 2022.

The meeting requisition was signed by Ian Norman Trahar as sole director of Avatar.

In October, Seafarms said that the cost of Project Sea Dragon had increased 41.4 percent to \$410 million and it had awarded a \$95 million contract to Canstruct.

In August, Seafarms said it raised \$107.5 million for the project (AVW Aug 13, 2021).

Earlier this month, the Seafarms review, led by Mr McMahon and company secretary Ian Brannan, concluded that Project Sea Dragon “cannot proceed in its current form - there is no funding to proceed given failure of the debt financing process” (AVW: Apr 8, 2022).

In response to an ASX aware query Seafarms said that the outcomes of its Project Sea Dragon review “were not known... prior to the board meeting on March 30, 2022”.

In a series of statements and questions, the ASX noted a 13.8 percent fall in the Seafarms share price from 2.9 cents on March 29 to an intraday low of 2.5 cents on March 30, 2022, with no announcements on either day.

The ASX said there was a 46.15 percent decrease in Seafarms’ share price from 2.6 cents on March 30 to an intraday low of 1.4 cents on March 31, 2022 along with an increase in the volume of shares traded following the news that Project Sea Dragon could “not proceed in its current form”.

Seafarms was unchanged at 1.7 cents with 8.3 million shares traded.

## FONTERRA CO-OPERATIVE GROUP

New Zealand's Fonterra and Castalia have criticized each other over a report for Open Country Dairy criticizing Fonterra's capital structure change.

Fonterra said the report by the Wellington-based, Castalia Advisory Group for the Auckland's Open Country Dairy contained "no perspectives not previously considered by Fonterra" and its capital structure changes received more than 85 percent support from its shareholders in December 2021.

The company said it disagreed with the report and "a number of its conclusions" including the assertion that protections for a fair milk price would be eroded and that the restructure would cause its milk price to increase.

Fonterra said it noted that Castalia estimated its future share price on the basis of possible dividends up to 2030 but appeared to assume that it would have "zero value at the end of 2030", which Fonterra considered to be a "misleading approach to valuing its shares".

On its website Open Dairy said it was New Zealand's "largest independent dairy processor".

In reply, Castalia said the report concluded that Fonterra's proposed capital restructure would "significantly increase the number of farmer-only shares available to sell, while also reducing the number of buyers in the farmer-only market ... [which would] lower the market price of the shares, have negative implications for competition in the dairy processing sector, with further detrimental implications for productivity and consumer prices".

Castalia said Fonterra and media had focused on the absolute value of Fonterra's farmer-only FCG shares and Fonterra Shareholders' Fund units if the restructure proceeded.

"This fundamentally misses the key point of the Castalia report," Castalia said.

The report is available at: <https://bit.ly/3k0wyJQ>.

Fonterra fell five cents or 1.7 percent to \$2.95.

## FEDERAL GOVERNMENT

The Federal Government says it will provide \$1,034,00 in grants to the dairy industry to help track products and prices, and develop "greater market transparency".

A media release from the Federal Minister for Agriculture David Littleproud said the projects would enable "greater efficiency and transparency across the supply chain".

"An \$814,000 grant to Australian Dairy Farmers will improve access to timely industry pricing and consolidated market data throughout the supply chain in line with the recently introduced Australian dairy traceability guidelines," Mr Littleproud said.

"The project will remove manual data entry and duplicated reporting - getting the [information technology] systems involved to talk to one another so that better data is more quickly available to the farmer and supply chain participants, even in real time," Mr Littleproud said.

"The vision is to use technology to speed-up the feedback loop on product and price movement including associated processes like milk test results - which is not just valuable feedback for the farmer on the herd but potentially speeds payment for the milk," Mr Littleproud said.

"Processors will know exactly how much milk is at each farm, which will assist with logistics and milk payments," Mr Littleproud said.

The media release said that a \$220,000 grant to Dairy Australia would see "the delivery of face-to-face and on-line workshops across all eight dairy regions to build knowledge and understanding of the dairy market and the tools available to farmers to maximize value from their milk".



## FEDERAL GOVERNMENT

The Federal Government says it will provide \$827,860 in grants to assist beef, sheep and goat meat exports to the Middle East, North Africa, and South-East Asia.

A media release from the Federal Minister for Agriculture David Littleproud said the grant would help “provide the red meat industry greater security”.

“The focus will be on technical market access, trade facilitation and capturing and maximizing opportunities to grow export volumes and values in key export markets,” Mr Littleproud said.

“A cross-sectoral partnership of Red Meat Advisory Council members will use the funds to support and promote the uptake of an electronic paperless health certification system to high growth markets and draw their attention to Australia’s strong regulatory export system for halal red meat exports,” Mr Littleproud said.

“A new cultural exchange program for young cattle producers will also build stronger international relationships and the development of a sheep-meat export strategy will support producers to better understand market requirements,” Mr Littleproud said.

## CANN GROUP

Cann Group says it has a \$15 million working capital loan facility with the National Australia Bank and has renegotiated its \$50 million construction loan.

Cann Group said the drawn margin rate on the new facility would be 2.00 percent a year, with a facility fee of 0.35 percent a year.

The company said the facility terms had been negotiated to include a review on November 30, 2022, and every 12 months thereafter.

Cann Group said it had renegotiated its \$50 million Mildura marijuana plant construction draw down facility with the National Australia Bank (AVW: Nov 27, 2020).

The company said the loan would have a base interest rate of the Bank Bill Swap Bid Rate, a drawn margin rate of 2.30 percent a year, compared to the previous 3.20 percent a year, and a facility fee of 0.35 percent a year, compared to the previous 1.80 percent.

The company said that amortization of the loan would begin on May 31, 2024 on a quarterly basis for 10 years, rather than the original eight years.

Cann Group was unchanged at 41 cents with 1.2 million shares traded.

## ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots says it has a 12-month agreement with Pretoria’s Precool Manufacturing to distribute its root zone temperature optimization technology in South Africa.

Roots said it would pay 55 percent of the costs for Precool to market, sell, install and provide post-sale services for its root zone temperature optimization (RZTO) technology.

The company said the agreement was exclusive for 12 months after the purchase of its technology, with an opportunity for a joint venture within the next 12 months.

Roots said South Africa was a “large market” with “exceptional growth since 2013” in the blueberry industry as well as the medical marijuana market.

Precool director Ari Zwick said his company had “close relationships with manufacturers in South Africa who could begin to manufacture Roots heat exchange probe systems, which would allow us to offer these units and entire RZTO systems at a competitive price”.

“I believe that Roots’ RZTO technology is a game changer for the agricultural control industry and will enable our growers here in South Africa to produce higher quality and higher quantities of produce all year round,” Mr Zwick said.

Roots was up 0.1 cents or 20 percent to 0.6 cents with 1.4 million shares traded.

### PHARMAUST

Pharmaust says it has received \$708,113 from the Australia Tax Office under the Federal Government Research and Development Tax Incentive program.

Pharmaust said the rebate related to research and development expenditure for the year to June 30, 2021.

Pharmaust was unchanged at 9.2 cents.

### MGC PHARMA

MGC says the Slovenia Intellectual Property Office has granted a patent for the manufacture of Cimetra.

MGC said the patent would protect Cimetra for 20 years, but failed to detail the end-date.

The company said Cimetra was based on curcumin and Boswellia, while Artemic (Cimetra backwards) comprised artemisinin and curcumin.

MGC was up 0.1 cents or 4.55 percent to 2.3 cents with 5.4 million shares traded.

### COSTA GROUP

Costa says shareholders will vote to issue up 606,900 rights and 340,955 options to managing-director Sean Hallahan and a 30 percent increase in the directors' fee pool.

Costa said its annual general meeting would vote to grant Mr Hallahan up to \$606,900 in short term incentives, pending performance hurdles, as well as 340,955 long term incentive options exercisable at \$2.96 by March 1, 2027, with vesting contingent on the company's earnings per share and geographic and product diversification.

Costa said it would seek approval to increase its directors' fee pool by 30 percent, from \$1,200,000 to \$1,600,000 a year.

The company said shareholders would vote on the remuneration report and the election of directors Janette Kendall, Dr Jane Wilson and Harry Debney.

The shareholder meeting will be held at King & Wood Mallesons, Level 27, Collins Arch, 447 Collins Street, Melbourne on May 25, 2022, at 11am AEST and will be online at

<https://meetings.linkgroup.com/CGC2022>.

Costa fell seven cents or two percent to \$3.37 with 1.6 million shares traded.

### ELIXINOL WELLNESS

Elixinol says its annual general meeting will vote on the issue of 2,244,161 share rights to its chief executive officer and three directors.

Elixinol said that shareholders would vote to grant chair Helen Wiseman 981,153 performance rights vesting in two tranches, pending total shareholder return.

The company said the meeting would vote to issue director Paul Benhaim 652,566 performance rights, vesting on the same conditions.

Elixinol said investors would vote to issue chief executive officer Oliver Horn 144,689, short term incentive rights, vesting on approval.

The company said it proposed to issue 465,753 rights to director David Fenlon.

The company said shareholders would vote on the elections of Mr Horn and Mr Fenlon, the remuneration report, a termination benefit for Ronald Dufficy, the company's equity plan, and the additional placement capacity.

The meeting will be held online on May 26, at 9am (AEST) and is available at

[https://us02web.zoom.us/webinar/register/WN\\_HZqmi3Z7SPGmyC\\_vAaclwg](https://us02web.zoom.us/webinar/register/WN_HZqmi3Z7SPGmyC_vAaclwg).

Elixinol fell 0.2 cents or 3.5 percent to 5.5 cents.

### COSTA GROUP

State Street says it has ceased to be substantial in Costa Group, returning, transferring and lending shares to Macquarie, ING and Goldman Sachs.

Earlier this month, State Street said it had become substantial in Costa with 23,213,587 shares (5.00%) of the company (AVW: Apr 8, 2022)

Today, the Boston, Massachusetts-based State Street said that in more than 130 transactions, it bought and sold shares at \$3.40 a share, transferred, returned and lent shares.

### ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Jamber Investments says it has reduced its substantial share-holding in Roots from 80,495,668 shares (10.74%) to 64,115,022 shares (8.55%).

The Vacluse, Sydney-based Jamber Investments said that between December 14, 2021 and March 19, 2022 it sold 16,380,646 shares for \$101,989 or an average of 0.62 cents a share.

### NUFARM

Nufarm says general counsel Kate Hall will replace Paul Townsend and Terrie Morgan as company secretary, effective from April 20, 2022.

Nufarm said Ms Hall was appointed general counsel last week.

Earlier this year, the company said that Mr Townsend and Ms Morgan had replaced company secretary Fiona Smith (AVW: Feb 4, 2022).

This week, Nufarm said that most recently Ms Hall was Mayne Pharma general counsel and had worked for lawyers Minter Ellison, as well as Royal Dutch Shell in The Hague. The company said Ms Hall held a Bachelor of Laws, a Bachelor of Science and a Master of Laws from the University of Melbourne.

Nufarm fell 10 cents or 1.5 percent to \$6.76 with 830,434 shares traded.

### PALLA PHARMA (FORMERLY TASMANIAN POPPY INDUSTRIES ENTERPRISES)

Korda Mentha as liquidators of Palla Pharma say that Susan MacLeman, Iain Ross and Stuart Black have resigned as non-executive directors of the company.

In March, Korda Mentha said it had sold Palla Pharma UK and Palla Pharma Norway Holdings AS, but did not expect that recoveries would be sufficient to provide returns to shareholders (AVW: Apr 1, 2022).

This week, Korda Mentha said that Simon Moore remained a director.

Palla last traded at 29.5 cents.