

Ag & Vet Weekly



Tuesday June 14 – Friday June 17, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX DOWN, AVW-42 UP: ROOTS UP 17%; AVECHO, MGC DOWN 13%**
- * **US SHORTAGE TAKES BUBS REVENUE TO \$100m, EARNINGS UP 100%**
- * **BUBS SELLS WALMART 85k TINS OF INFANT FORMULA**
- * **PICTOR: JOHNE'S DISEASE TEST TO SAVE NZ DAIRY \$72m A YEAR**
- * **ROOTS SELLS \$42k ROOT ZONE SYSTEM; CONDENSATION IRRIGATION**
- * **CRESO: \$15k 1st ORDER OF NEW MARIJUANA STRAINS**
- * **MGC MARIJUANA 'KILLS GLIOBLASTOMA IN CELL LINES'**
- * **RLF TO RELEASE 1.6m ASX ESCROW SHARES**
- * **TATTARANG, 'TWIGGY' FORREST TAKE 17% OF AUST AGRICULTURAL**
- * **FONTERRA TO LOSE DIRECTORS JOHN SHEWAN, KIM ELLIS**
- * **MURRAY COD LOSES DIRECTOR DAVID CROW**
- * **SYNLAIT TO LOSE CO SEC DEBORAH MARRIS**

MARKET REPORT

The Australian stock market fell 1.76 percent on Friday June 17, 2022, with the ASX200 down 116.3 points to 6,474.8 points. Twenty of the AVW-42 stocks were up, 14 fell, seven traded unchanged and three were untraded.

Roots was the best, up 0.05 cents or 16.7 percent to 0.35 cents, with 121,750 shares traded. Memphasys climbed 12.9 percent; Australian Agricultural and Bubs were up more than nine percent; RLF was up 7.7 percent; A2 and Ecofibre improved more than four percent; Murray Cod, Rare Foods, Synlait and Terragen were up more than three percent; Costa, Fonterra and Nufarm rose more than two percent; Elders, Select harvests and Tasfoods were up more than one percent; with Bega, Tassal and Wide Open up by less than one percent.

Avecho led the falls, down 0.2 cents or 13.3 percent to 1.3 cents, with 1.3 million shares traded; followed by MGC down 13.0 percent to two cents, with 14.9 million shares traded. Nanollose and Pharmaust lost more than nine percent; Seafarms fell 7.1 percent; Next Science was down 5.9 percent; Botanix, Cann Group, Clover and Cobram were down more than three percent; Creso shed 2.4 percent; Althea and Clean Seas were down more than one percent, with Apiam down by 0.7 percent.

BUBS AUSTRALIA

Bubs has upgraded its year to June 30, 2022 revenue to more than \$100 million with net profit after tax, with earnings up “at least 100 percent” to \$2.4 million.

Last year, Bubs reported revenue of \$39,312,738 with a net loss after tax of \$74,748,124 and underlying earnings before interest, taxation, depreciation and amortization (Ebitda) of \$28,470,414 (AVW: Sep 3, 2021).

For the six months to December 31, 2021, Bubs reported record revenue of \$33,627,180 with a net loss of \$601,925 and underlying Ebitda of \$1,154,151 (AVW: Feb 25, 2022).

Today, the company said it “expects gross revenue to be over \$100 million for [2021-'22], subject to scheduled operations occurring without disruption, with at least 100 percent increase on the \$1.2 million underlying Ebitda, excluding non-cash equity compensation”.

Bubs chief executive officer Kristy Carr said that “all key product segments ... [were] performing strongly in Australia, China and the US” (see US article below).

“Due to a strong momentum in China and the unanticipated volume of sales in the US, complemented by Bubs' demonstrated agility and speed to respond to the call for action with first mover advantage, fourth quarter turnover is likely to be higher than originally anticipated,” Ms Carr said.

“It has been an extraordinary journey for Bubs to have had over 12 months of in-market experience to provide the first response to US's infant formula shortage, which is likely to change the industry landscape in the US,” Ms Carr said.

Bubs was up 5.5 cents or 9.1 percent to 66 cents with 17.2 million shares traded.

BUBS AUSTRALIA

Bubs says it will supply the Bentonville, Arkansas-based Walmart 85,000 tins of infant formula to be sold in about 800 Walmart shops in about 20 states of the US.

Last week, Bubs said the Cincinnati, Ohio-based Kroger and the Boise, Idaho-based Albertsons supermarkets would distribute its infant formula to 4,000 shops in 35 states (AVW: Jun 10, 2022).

Earlier, the company said it had committed to supply at least 1.25 million tins of infant formula to the US after the US Food and Drug Administration exercised its discretion authorizing Bubs to import formula products into the US (AVW: Jun 3, 2022).

The company said at that time that the FDA application was in response to the US Government initiative to address domestic infant formula supply shortages, and its range of formulas met the US nutrient and safety requirements.

Today, Bubs said that Walmart would buy the entire shipment of about 85,000 tins of Bubs Infant Formula, delivered to the US via chartered aircraft under the ‘Fourth Operation Fly Formula Mission’.

The company said that all six Bubs Infant Formula products and two Aussie Bubs Toddler Formula products, would be included in the order.

Bubs said that together with the first consignment purchased by Kroger and Albertsons, Bubs products would be sold in about 4,800 US outlets.

Bubs chief executive officer Kristy Carr said the company was “tremendously excited to be forging a relationship with Walmart, with all of Bubs infant formula and toddler formula products going on-shelf in approximately 800 stores across America's Central and Mid-West regions”.

“More broadly, the addition of Walmart will increase our bricks and mortar exposure in the United States over the coming days and weeks to around 4,800 stores across 35 States,” Ms Carr said.

PICTOR

Pictor says its Pictarray test for mycobacterium avium paratuberculosis, or Johne's disease, could save New Zealand's dairy industry \$NZ80 million (\$A72.2 million) a year. The Auckland-based Pictor said that the "accurate, affordable multiplexed diagnostic test for mycobacterium avium paratuberculosis (MAP) ... could save the New Zealand dairy industry upwards of \$80 million a year in lost production".

Wikipedia says that Johne's disease leads to diarrhoea and wasting in cattle, with mycobacterium avium paratuberculosis thought to be the causative agent for Crohn's disease in humans.

Pictor research and development director Dr Natasha Gordon said that the Pictarray assay "would be a positive addition to national control programs to help in the eradication of Johne's disease from the dairy industry".

The company said the test would be presented at a Johne's disease conference in Dublin, this week.

Pictor said that the Pictarray multiplex enzyme-linked immunosorbent assay (Elisa) technology allowed multiple biomarkers to be tested in a single well, increasing the information gained by the clinical testing laboratory, enabling improved disease management on the farm.

The company said that the conventional Elisa test took "a snapshot of a disease at one moment in time, while the Pictarray multiplex allows complex diseases to be monitored through different stages of infection using biomarkers that present at different time points during the infection cycle, including asymptomatic stages".

Pictor said that earlier detection of Johne's disease would allow infected animals to be removed from herds sooner, minimizing transmission.

"Our Pictarray MAP assay could facilitate improved biosecurity, and support trade, because tests can be performed quickly and accurately when importing, exporting or moving livestock and associated products between local locations, resulting in safe transportation without the risk of spreading infection," Dr Gordon said.

Pictor said the project was a collaboration with Palmerston North Massey University's Dr Rao Dukkupati and built on research at Massey University by Prof Alan Murray.

The company said that it received an \$NZ404,040 grant from New Zealand's Ministry for Primary Industries' Sustainable Food and Fibre Futures fund to develop the test and had filed an international patent application for the multiplexed assay.

Pictor is a private company.

ROOTS AUSTRALIA

Roots says Deer Country Farms will pay \$42,000 for its Root Zone Temperature Optimization (RZTO) technology and it is developing irrigation by condensation.

Roots said Deer Country Farms was a peony grower in an unidentified "mountainous area of Israel" and was buying the technology to simplify labor-intensive practices.

In the same announcement, Roots said it had signed a letter of intent with the Beit Yitzhak, Israel-based Finepro, which would integrate Roots' "irrigation by condensation" technology with gas or solar operated energy systems.

The company said "for every sale of the [irrigation by condensation] system made by Roots, Finepro will be entitled to 70 percent of the selling price, with Roots receiving 30 percent.

The company said this figure would rise 75 percent of any units Finepro sold, but that Finepro would also build and finance the manufacture of the system.

Roots was up 0.05 cents or 16.7 percent to 0.35 cents.

CRESO PHARMA

Creso says its Windsor, Nova Scotia-based, subsidiary Mernova Medicinal, has received orders worth about \$CA13,68 (\$A15,291) for new marijuana strains.

Creso said that the new strains, called Mac 1 and Grape Cream Cake, were in a 3.5-gram dried flower format and were ordered from the province of Saskatchewan.

Creso fell 0.1 cents or 2.4 percent to 4.1 cents with 5.6 million shares traded.

MGC (MEDICAL GRADE CANNABIS) PHARMACEUTICALS

MGC claims that a three-year, Slovenian study shows that its marijuana derivatives kill the brain cancer glioblastoma in cell lines in-vitro.

MGC said it experimented on glioblastoma cells from 18 patients using combinations of tetrahydrocannabinol (THC), cannabidiol (CBD) and “cannabigerol” (CBG) and said that they were “cytotoxic to glioblastoma tumor and stem cells, reducing the cells’ viability and inducing caspase-dependent cell apoptosis, or cell death”.

The company provided four graphs, but no significant data to support its claims.

MGC said that the study with the National Institute of Biology in Slovenia “also examined the effect of adding a widely used [unnamed] chemotherapy agent to the treatment formulation in order to determine the effect on its efficacy, with the results demonstrating that the addition of the agent bore no contributing effects to cell apoptosis”.

“Significantly, these results suggest that MGC Pharma’s cannabinoid treatment can potentially be used as a treatment in cancer patients without the inclusion of toxic agents,” the company said.

MGC managing-director Roby Zomer said the results were “enormously exciting both for the company, and for the treatment of fatal cancerous tumors”.

“MGC Pharma’s research has demonstrated the effect of naturally derived cannabinoid products on stage IV brain tumors without the use of toxic chemotherapy components,” Mr Zomer said.

MGC fell 0.3 cents or 13.0 percent to two cents with 14.9 million shares traded.

RLF (RURAL LIQUID FERTILIZERS) AGTECH

RLF says it will release 1,574,874 shares from ASX escrow on June 24, 2022.

According to the company’s most recent filing, RLF will have 83,878,124 shares on issue, with 101,055,154 shares in ASX escrow.

RLF was up one cent or 7.7 percent to 14 cents.

AUSTRALIAN AGRICULTURAL CO

Tattarang Pty Ltd says it has increased its substantial holding in Australian Agricultural from 47,596,569 shares (7.90%) to 104,928,666 shares (17.41%).

The Perth-based Tattarang and Dr Andrew ‘Twiggy’ Forrest said that between June 10 and 16, 2022, they bought 57,332,097 shares for \$122,030,226, or an average of \$2.128 a share.

Australian Agricultural was up 20 cents or 9.9 percent to \$2.22 with 2.2 million shares traded.

FONTERRA SHAREHOLDERS' FUND

Fonterra says the chair of the Fonterra Management Co John Shewan and independent director Kim Ellis will retire at the annual meeting in November.

Fonterra said that Mr Shewan intended to retire last year but “concluded that was not an appropriate time ... during Fonterra’s capital structure review”.

The company said the review had been concluded and approved by shareholders and Mr Shewan had confirmed his retirement.

Fonterra said that Mr Ellis had been an independent director of the manager since the Fund’s launch in 2012.

Fonterra said it had begun a recruitment process for the two director roles.

The company said that Mary-Jane Daly would be appointed chair of the Manager to replace Mr Shewan, with effect on his retirement.

Fonterra said that Ms Daly was elected to the board of the Manager in November 2020 and was currently chair of the New Zealand Earthquake Commission and a director of Kiwibank and Kiwi Property Group.

Fonterra was up six cents or 2.2 percent to \$2.81.

MURRAY COD AUSTRALIA

Murray Cod Australia says director David Crow has resigned “to focus on other business opportunities”, effective from June 15, 2022.

Murray Cod was up half a cent or 3.45 percent to 15 cents.

SYNLAIT MILK

Synlait says that company secretary Deborah Marris has resigned to take up an opportunity outside of Synlait and will leave the business in September.

Synlait said that Ms Marris joined the company in 2018 and was the head of the legal, risk and governance department.

Synlait was up nine cents or 3.2 percent to \$2.94.