

Ag & Vet Weekly



Monday June 20 – Friday June 24, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 EVEN: TERRAGEN UP 15%; EPSILON DOWN 9.5%**
- * **MANDALAY TO RAISE \$50m FOR SUSTAINABLE AGRICULTURE**
- * **APIAM RETAIL RIGHTS RAISE \$8.4m; TOTAL \$20.25m**
- * **APIAM PAYS \$8.3m FOR WHITTLESEA VET PRACTICE**
- * **FONTERRA FARMGATE MILK PRICE UP TO \$8.63/kgMS**
- * **ABARES: STRONG FARM PERFORMANCE, HIGH COSTS TO COME**
- * **BUBS: US TAKES 180k MORE TINS OF INFANT FORMULA**
- * **WIDE OPEN AGRICULTURE OPENS LUPIN BUNTINE PROTEIN FACTORY**
- * **SEAFARMS REVIEWS PROJECT SEA DRAGON REVIEW**
- * **FOOD REVOLUTION EXPANDS JUICE LAB, ORIGINAL JUICE CO BRANDS**
- * **BLACKROCK TAKES 5% OF ELDERS**
- * **ALLAN GRAY TAKES 11% OF NUFARM**
- * **HEYTESBURY SELLS AUSTRALIAN AGRICULTURAL HOLDING**
- * **YARRA CAPITAL BELOW 5% OF TASSAL**
- * **AUST AGRICULTURAL LOSES MD HUGH KILLEN, DAVE HARRIS INTERIM**

MARKET REPORT

The Australian stock market was up 0.77 percent on Friday June 24, 2022, with the ASX200 up 50.3 points to 6,578.7 points. Sixteen of the AVW-42 stocks were up, 17 fell, six traded unchanged and three were untraded.

Terragen was the best, up two cents or 15.4 percent to 15 cents, with 60,004 shares traded. Wide Open climbed 11.1 percent; Seafarms was up 10 percent; Murray Cod and Next Science were up more than six percent; A2 and Food Revolution improved more than five percent; Cann Group and Fonterra were up than four percent; Althea and Bubs were up more than three percent; Apiam, Clean Seas and Tassal rose more than two percent; Anantara was up 1.7 percent; with Bega up by 0.8 percent.

Epsilon led the falls, down 0.2 cents or 9.5 percent to 1.9 cents, with 458,628 shares traded. Avecho shed 7.7 percent; Auscann, MGC and Pharmaust fell five percent or more; Elixinol lost 4.55 percent; Clover was down 3.3 percent; Ecofibre and Memphasys shed more than two percent; Australian Agricultural, Botanix, Cobram, Elders and Nufarm were down more than one percent, with Costa, Ridley and Select Harvests down by less than one percent.

MANDALAY VENTURE PARTNERS

Brisbane's Mandalay Venture Partners says it has \$21.8 million in commitments, for a proposed \$50 million fund for innovative agriculture and food technology start-ups.

Mandalay said the Sydney-based NRMA (formerly the National Roads and Motorists' Association) was an investor in the sustainability-focused agriculture and food technology venture fund Mandalay Fund I, along with Novonix chief executive Phillip St Baker and PCS Capital chief executive Angus Cameron.

Mandalay partner Philippe Ceulen told Ag & Vet Weekly that the fund would invest in companies from seed capital to a series A raising.

Mr Ceulen said that the fund was an Early Stage Venture Capital Limited Partnership (ESVCLP) a Federal Government initiative to encourage early stage investment.

The Federal Government's www.business.gov.au website said the program "provides fund managers and investors with support to help stimulate early-stage venture capital investments [and] benefits include tax exemptions on an investor's share of a fund's income and tax gains".

Mandalay said its investment would "focus on early-stage and growth startups from farm-to-fork, including carbon sequestration, on-farm efficiencies, supply chain automation, autonomous vehicles, future foods, [electronic] commerce and grocery platforms".

Mandalay managing partner Al Fullerton said the company's mission was "to invest in agtech and food tech companies, that have the capability to sustainably and efficiently feed the world's growing population".

"Australia's agricultural industry is predicted to exceed \$100 billion in value by 2030 and significant investment in innovation, technology and efficiency is required for Australians to sustainably lead this market," Mr Fullerton said. "Environmental, social, and governance, ESG, and sustainability sit at the Mandalay's investment thesis and agenda."

"With agriculture at the core of Australia's post-covid economy, Mandalay Fund I leverages the significant investments made by Commonwealth and State Governments with major regionally based agtech hubs, smart farms and research centres," he said.

"This is an area that is not only desperately needed to secure the future of our food supply, but it is highly relatable," Mr Fullerton said.

Mandalay said that "with food security, availability, provenance and traceability becoming critical globally, investors [were] increasingly looking at Australia as a provider of secure, safe and innovative systems and services, and a stepping stone to the Asian markets".

Mr Ceulen said that to invest in the Fund email: invest@mandalay.vc and for start-ups looking for funds, go to: <https://mandalay.vc/for-founders/>.

APIAM ANIMAL HEALTH

Apiam says it has raised about \$8.4 million in its retail entitlement offer at 70 cents a share, taking the total raised to \$20.25 million.

Earlier this month, Apiam said it raised \$11.9 million in its fully-underwritten one-for-4.8 institutional rights offer at 70 cents a share, and last month, it said it hoped to raise \$20.25 million in the combined institutional and retail offer (AVW: May 27, Jun 3; 2022).

Apiam managing-director Dr Chris Richards said that the company looked forward "to completing the settlement of the ... acquisition of Victorian Equine Group and continuing to execute on our accelerated growth strategy to target base revenue of \$300 million by [June 30, 2024] through organic growth initiatives applied across both existing clinics and future high-quality acquisitions".

Apiam was up 1.5 cents or 2.2 percent to 68.5 cents.

APIAM ANIMAL HEALTH

Apiam says it will pay \$8.3 million to acquire the Vet Practice Pty Ltd clinic in Whittlesea, Victoria, paying \$7.1 million in cash and \$1.2 million in Apiam shares.

Apiam said that the Vet Practice was a “full-service animal clinic” which operated an animal hospital and canine rehabilitation centre.

The company said the acquisition was expected to occur on July 1, 2022, with shares in escrow for 12-months and 50 percent in escrow of 24-months, and key personnel had three-year employment agreements.

The company said the acquisition was expected to add about \$7.9 million in revenue and about \$1.33 million in normalized earnings (Ebitda) on a proforma basis.

Apiam managing-director Dr Chris Richards said the acquisition “aligns with our strategy to enter regional veterinary markets where rapid population growth is driving strong increases in local animal numbers”.

“The fact that the Vet Practice is also a leading companion animal clinic with a full-service offering means its services can be leveraged across our adjacent clinic network,” Dr Richards said.

FONTERRA SHAREHOLDERS' FUND

Fonterra says it has increased its 2022-'23 forecast farmgate milk price range from \$NZ8.75 to \$NZ10.25 (\$A7.95 to \$A9.31) per kilogram of milk solids (kgMS).

Last month, Fonterra said it had widened its 2021-'22 forecast farmgate milk price range to \$NZ8.25 to \$NZ9.75/kgMS (\$A7.54 to \$A8.91) (BD: May 27, 2022).

This week, the company said the midpoint of the range, from which farmers were paid, was increased from \$NZ9.00 to \$NZ9.50/kgMS.

Fonterra chief executive officer Miles Hurrell said the lift in the forecast reflected “the milk supply and demand picture and the current strong US dollar”.

Fonterra said expected earnings for the year to July 31, 2023 had a range of 30 to 45 NZ cents a share, with guidance of 25 to 35 NZ cents for the year to July 31, 2022.

The company said that it had appointed Komal Mistry-Mehta as chief innovation and brand officer from August 1, 2022, had created the role of managing-director strategy and optimization, which was yet to be appointed, with Asia, Middle East and North Africa chief executive officer Kelvin Wickham resigning after 34 years with the company.

Fonterra was up 12 cents or 4.2 percent to \$2.96.

THE BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS AND SCIENCES

Abares says farm financial performance for 2021-'22 was “strong” due to good rainfall and high commodity prices, but that returns will be affected by high costs.

Abares executive director Dr Jared Greenville said that cropping farms had reported higher than average cash incomes over the last year and that “at the national level, farm cash income for cropping farms is estimated to have increased by around 28 percent to average \$619,000 per farm in 2021-'22”.

“We can put this down to higher receipts from wheat, barely, oilseeds, and grain legumes,” Dr Greenville said. “That said, prices are higher for farm inputs such as fuel and fertilizer, and this has affected returns and will do so even more into 2022-'23,” Dr Greenville said.

“Over the long-term, average annual productivity growth in the broadacre industry was 1.0 percent, and 1.3 percent in the dairy industry,” Dr Greenville said.

Abares said that financial performance surveys and analyses of the agricultural industry were available at: <https://www.awe.gov.au/abares/research-topics/surveys>.

BUBS AUSTRALIA

Bubs says US President Joe Biden has arranged for an additional 180,000 tins of its infant formula to be flown to the US under the Operation Fly Formula.

In an announcement from the US White House, President Biden said that the US would transport Bubs formula to Los Angeles on June 26 and to Philadelphia on July 5, 2022.

The White House said the flights included about 320,000 pounds (145,149kg) of Bubs' formula and be available through Target, Albertsons, Kroger, Walmart and other retailers. Bubs said it had already sent two plane loads of formula to the US this month and would supply at least 1.25 million tins of formula to the US, with 500,000 tins ready for export and the remaining 750,000 to be sent in the coming months (AVW: Jun 3, 2022).

Bubs founder and chief executive officer Kristy Carr said it was "immensely rewarding that only 24 days after the US Food and Drug Administration exercised its enforcement discretion for Bubs to import six infant formula products into the United States, we can now see products physically on the retail shelves for American parents".

"By mid-July we expect 361,299 cans of Bubs Infant Formula to have been made available to major retailers across 34 States... [reflecting] an incredibly concerted effort from Bubs, our logistics and retail partners, and the United States Government," she said. Bubs was up two cents or 3.2 percent to 65 cents with 9.35 million shares traded.

WIDE OPEN AGRICULTURE

Wide Open Agriculture says it has opened its Kewdale plant-based protein, pilot production facility to produce lupin-based Buntine protein for food and beverages.

Wide Open said Western Australia's "vast Australian sweet lupin (*Lupinus angustifolius*) crops [would] be transformed into plant-based proteins for human consumption"

Western Australia Minister for Regional Development; Agriculture and Food Alannah MacTiernan opened the Kewdale factory, in Perth, and said that lupins had been "really important to agronomy in Western Australia for decades".

"We want to rebuild the role they play in [Western Australia's] grain-belt, driving better soil health, reducing reliance on expensive synthetic fertilizers and helping us to diversify our grain products and markets," Ms MacTieran said.

Wide Open said that Western Australia dominated production of Australian sweet lupin, with up to "80 percent of global production being exported from the state", but was mainly used as animal feed and a regenerative crop, as it returned nitrogen to the soil.

Wide Open managing-director Dr Ben Cole, the company had "unlocked lupins potential beyond today's traditional applications [and] previous barriers for lupin to be used in the food sector relate to its taste, texture and its capacity for gelling and thickening".

"Our technology overcomes these challenges ... [and] unfolds the constituent protein in lupin to increase its ability to blend and mix with other food ingredients," Dr Cole said.

Wide Open said the Buntine protein was developed with Perth's Curtin University, had a low carbon footprint and was an integral component of regenerative farming.

Dr Cole said the protein had advantages over other plant-based proteins including a high protein concentration, low fat and was not a genetically modified organism.

Wide Open said the Buntine protein factory was a pilot operation but the company had plans to scale the production process to meet any potential future demand.

The company said that Monde Nissin Australia would buy up to 60 percent of Buntine protein production over two years, with the first shipment expected this month.

Wide Open said its regenerative brand Dirty Clean Food intended to incorporate Buntine protein into "a new line of high protein oat milk and snacking products later this year".

Wide Open was up six cents or 11.1 percent to 60 cents.

SEAFARMS GROUP

Seafarms says it will assess “a number of matters raised” in its Project Sea Dragon Review briefing,” relating to the expansion of its black tiger prawn farming.

In April, the Seafarms review, led by former chair Michael McMahon and the 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).

Also in April, former chair Ian Trahar and Avatar Industries called for the removal of Mr McMahon and replaced him in May, with Rod Dyer later appointed as chief executive officer (AVW: Apr 22, May 6, 20, 2022).

This week, Seafarms chief executive officer Rod Dyer said that “the company continues to believe in the future of Project Sea Dragon” and would undertake a detailed assessment including: the engagement of independent consultants to provide advice on risks, study visits of effective large scale prawn farms, hatcheries and packing plants in central America, engaging with key stakeholders and rebasing the cost structures and financial management for the project.

“Project Sea Dragon is a significant Australian infrastructure project supported by the [Northern Territory, Western Australia] and Federal Governments, and the Northern Land Council,” Mr Dyer said.

“While the final decision is dependent on the outcome of our current assessment process, we believe the project has a future and as the new board and executive, we are looking to manage the risks from the project, maximize the interests of shareholders and work closely with our key stakeholders,” Mr Dyer said.

Seafarms was up 0.1 cents or 10 percent to 1.1 cents with 8.7 million shares traded.

FOOD REVOLUTION GROUP

Food Revolution says it has “continued growth and distribution” of its Juice Lab brand and Original Juice Company.

Food Revolution said that its new range of Juice Lab Calm ‘wellness’ shots would be sold in Woolworths shops and Woolworths would increase the distribution of its current juice shot products.

The company said that its Juice Lab shots would also be exported to Asia through its distribution partner, Melbourne’s Easychef.

Food Revolution said it had launched its Veggie Goodness vegetable-based juices under its Original Juice brand, to be sold by Woolworths from July 6, 2022.

Food Revolution said that Costco Australia would stock its Original Juice Company products, with its initial product launch of a custom four by one litre Goodness Green fruit juice pack.

Food Revolution was up 0.1 cents or 5.3 percent to two cents.

ELDERS

New York’s Blackrock Group says it has become substantial in Elders with 8,013,788 shares or 5.12 percent.

Blackrock said that between February 21 and June 17, 2022 it bought, sold and transferred shares, at prices ranging from \$11.35 to \$14.59 a share, with the single largest purchase on June 17 of 248,718 shares for \$3,213,436 or \$12.92 a share.

Elders fell 18 cents or 1.4 percent to \$12.43 with 593,113 shares traded.

NUFARM

Allan Gray Australia Pty Ltd says it has increased its substantial holdings in Nufarm from 37,232,163 shares (9.80%) to 41,063,068 shares (10.81%).

The Sydney-based Allan Gray Australia said between May 3 and June 20, 2022 it bought 5,849,695 shares for \$30,651,910 or an average of \$5.24 a share and sold 2,018,790 shares for \$11,100,352 or an average of \$5.50 a share.

Nufarm fell eight cents or 1.6 percent to \$4.99 with 2.4 million shares traded.

AUSTRALIAN AGRICULTURAL CO

The Perth-based, Heytesbury Pty Ltd says it has ceased its substantial holdings in Australian Agricultural.

Heytesbury said that on June 16, 2022 it sold 45,481,657 shares for \$96,875,929 or \$2.13 a share.

In February, Heytesbury said it had increased to 42,552,426 shares (7.05%).

Last week, 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 fell three cents or 1.3 percent to \$2.34 with 923,220 shares traded.

TASSAL GROUP

Yarra Capital Management and its associates say they have ceased their substantial holdings in Tassal after disposing of 12,032,051 shares.

The Melbourne-based Yarra Capital said that between October 20, 2021 and June 17, 2022 it bought 1,521,526 shares for \$5,331,204 or an average of \$3.50 a share, and sold 12,032,051 shares for \$42,454,450 or an average of \$3.53 a share.

Last year, Yarra Capital said it held 14,938,704 Tassal shares (6.9935%).

Tassal was up 10 cents or 2.7 percent to \$3.85 with 997,087 shares traded.

AUSTRALIAN AGRICULTURAL COMPANY

Australian Agricultural says managing-director Hugh Killen resigned on June 21, "effective immediately", with Dave Harris appointed acting chief executive officer.

Australian Agricultural said that Mr Killen joined the company in 2017 and was appointed as managing director and chief executive officer in 2018.

The company said that an executive search program had begun.