

Ag & Vet Weekly



Monday June 27 – Friday July 1, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX DOWN, AVW-42 UP: ALTHEA UP 20%; APIAM, FOOD REVOLUTION DOWN 5%**
- * **SELECT HARVESTS: BEES' VARROA MITE 'EXTREMELY SERIOUS' RISK**
- * **US TARGET ORDERS 30k BUBS TINS**
- * **CANADA'S COOKE AQUACULTURE BIDS \$1b FOR TASSAL**
- * **MEMPHASYS, MONASH IVF ENROL 1st FELIX STUDY COUPLE**
- * **FONTERRA: NZX, EEX PAY \$31.7m FOR 67% OF GDT**
- * **COBRAM HARVEST YIELDS 9.5mL OLIVE OIL**
- * **WELLNEX: UNAUDITED REVENUE UP 6.6% TO \$19.5m**
- * **ECOFIBRE TAKES \$14.5m NUBRIDGE LOAN**
- * **CANN GROUP MILDURA MARIJUANA MANUFACTURING LICENCE**
- * **CRESO, CHINA CHEMICAL & PHARMA TAIWAN ANIMAL HEALTH DEAL**
- * **CRESO: WEED POOL CANNABIS ORDERS \$12.4k MARIJUANA VAPES**
- * **MGC, SOUTH FLORIDA UNI CIMETRA COVID-19 TRIAL**
- * **SUSTAINABLE NUTRITION 2nd 'LOST CUSTOMER' SUSPENSION EXTENSION**
- * **REGAL TAKES 9.35% OF APIAM**
- * **BEGA APPOINTS CFO PETE FINDLAY COO; NEW CFO WANTED**

MARKET REPORT

The Australian stock market fell 0.43 percent on Friday July 1, 2022, with the ASX200 down 28.2 points to 6,539.9 points. Twenty-two of the AVW-42 stocks were up, 10 fell, five traded unchanged and five were untraded.

Althea was the best, up 1.2 cents or 20.3 percent to 7.1 cents, with 1.7 million shares traded. Epsilon climbed 18.5 percent; Cann Group was up 16.4 percent; Elixinol improved 15 percent; Wide Open was up 10 percent; Clean Seas, Next Science and Seafarms were up more than nine percent; MGC climbed 6.25 percent; Auscann, Creso, Ecofibre and Murray Cod were up five percent or more; Clover was up four percent; Bubs rose 2.5 percent; Botanix, Pharmaust and Tassal were up more than one percent; with Cobram, Costa, Nufarm and Wellnex up by less than one percent.

Apiam led the falls, down 3.5 cents or 5.1 percent to 65 cents, with 21,606 shares traded. Food Revolution lost five percent; Nanollose and Ridley shed more than two percent; Australian Agricultural, Bega and Synlait were down more than one percent, with A2, Fonterra and Select Harvests down by less than one percent.

SELECT HARVESTS

Select Harvests says the current Varroa mite outbreak in New South Wales is “an extremely serious issue”, affecting up to 44 percent of its almond orchards.

Select Harvests said that 29 percent of its orchards were in New South Wales, with a further 11 percent and four percent reliant on pollination from hives in New South Wales and Queensland, respectively.

The company said that almond orchards were “100 percent dependent on European bee pollination services to produce a commercial crop”, meaning that the Varroa mite outbreak posed a significant risk to its 2023 crop pollination, which was due to occur in the last three weeks of August.

The New South Wales Department of Primary Industries said that detected varroa mite, which was confirmed as Varroa destructor, in biosecurity surveillance hives at the Port of Newcastle and was “working to protect the [New South Wales] honey industry by ensuring we eradicate the parasite”.

“In the initial stages of this outbreak, and until the varroa mite is contained, a total standstill of hive movement within NSW across all zones will remain in place,” the Department said.

Select Harvests said that to mitigate this risk, it was sourcing additional hives within state borders, reallocating hives to avoid the need for interstate movements, and reviewing each orchard’s hive density requirements.

Select Harvests managing-director Paul Thompson said this was “an extremely serious issue for Select Harvests and Australia’s food security”.

“We have every confidence that the national eradication program will contain the incursion and pollination services will be provided from [New South Wales] hives,” Mr Thompson said.

“Both the government and industry understand the need to support pollination services as they did during Covid,” he said.

“In the event the incursion does not get contained, it will impact Select’s 2023 crop pollination,” Mr Thompson said.

Select Harvests fell three cents or 0.6 percent to \$4.67 with 1.1 million shares traded.

BUBS AUSTRALIA

Bubs says Target will purchase 30,000 tins of infant formula to be distributed through an initial 280 US shops.

Bubs said that the expansion to more of Target’s 1,934 stores in the US would “be supported as required from ongoing deliveries”.

Last week, US President Joe Biden said the US would transport 320,000lbs (145,150kg) of Bubs formula to Los Angeles on June 26 and to Philadelphia on July 5, 2022, to be available at Target, Albertsons, Kroger, Walmart and other retailers (AVW: Jun 24, 2022).

Bubs said it would supply at least 1.25 million tins of formula to the US, with 500,000 tins ready for export and 750,000 to be sent in the coming months (AVW: Jun 3, 2022).

This week, the company said Target’s initial order would be filled through part of the June 26 Operation Fly Formula shipment, with the remainder to be used “to replenish Walmart and banner stores in the Kroger group” with the shipment worth about \$3.2 million.

Bubs chief executive officer Kristy Carr said that since receiving the US Food and Drug Administration Enforcement Discretion order to import Bubs products less than a month ago “our products will be ranged in all four top retailers for infant formula in the US,” Ms Carr said.

Bubs was up 1.5 cents or 2.5 percent to 62 cents with 2.5 million shares traded.

TASSAL GROUP

Tassal says that the Blacks Harbour, New Brunswick, Canada-based Cooke Aquaculture has bid \$4.85 a share for Tassal, valuing it at \$1,041,882,728.

The bid was a 22.28 percent premium to Monday night's closing price of \$3.97, prior to the Tassal announcement, but a 41.6 percent premium to the \$3.425 a share price when Cooke started buying Tassal shares on June 17, 2022.

Last year, Cooke said it was interested in taking over Huon Aquaculture, which was eventually sold to the Brazil beef farming company JBS (AVW: Aug 20, Nov 5, 2021).

This week, Tassal said that it had "received a non-binding, indicative, incomplete and conditional proposal from Cooke Inc ... to acquire 100 percent of Tassal's ordinary shares by scheme of arrangement for cash consideration of \$4.85 per Tassal share".

The company said that the proposal was subject to conditions including Cooke's board approval, Tassal board approval, arrangements for key management and entry into a scheme implementation deed including exclusivity provisions.

Tassal said that Cooke had "indicated that it [had] obtained Foreign Investment Review Board approval".

The company said that previous indicative non-binding confidential proposals had been received from Cooke for \$4.67 and \$4.80 per Tassal share, the board "evaluated those proposals and chose not to engage in relation to them".

Tassal said it had evaluated the proposal with the assistance of its financial advisor Goldman Sachs and determined that the proposal "does not reflect the fundamental value of the business and is not in the best interests of shareholders".

"Accordingly, the company's board has determined not to engage with Cooke regarding the indicative proposal," Tassal said.

Tassal said it believed it had "an attractive independent future and is well positioned to deliver growth in shareholder value".

Separately, Cooke Inc and related parties said they had acquired 11,596,555 shares or a 5.398 percent of Tassal.

Cooke named the registered holder of the shares Amore Foods Pty Ltd, care of Kidder Williams of Collins Street, Melbourne.

Kidder Williams managing-director David Williams is the former chair of Tassal and is the adviser to Cooke Inc.

Tassal was up six cents or 1.25 percent to \$4.85 with 2.75 million shares traded.

MEMPHASYS

Memphasys says with Monash IVF (in-vitro fertilization) Group, it has enrolled and treated the first couple in its 104-couple study of its Felix sperm separation device.

In December, Memphasys said with Monash IVF, it would conduct the trial at four sites in New South Wales and Victoria, with Mobius Medical as its contract research organization, to "statistically prove the Felix system is not inferior to either of the current commercial sperm separation techniques" (AVW: Dec 10, 2021).

Today, the company said that the couples would be enrolled at seven Monash IVF sites, with the three additional sites joining the program by August 1, 2022, and that the study was expected to be completed by the end of December 2022.

Memphasys managing-director Alison Coutts said "the first patient enrolments into this clinical study are exciting".

"Memphasys, along with Monash IVF, are confident recruitment and treatment rates will increase especially with the additional three ... sites," Ms Coutts said.

Memphasys was untraded at four cents.

FONTERRA SHAREHOLDERS' FUND

Fonterra says it has sold two-thirds of its Global Dairy Trade for \$NZ35 million (\$A31,654,562) to New Zealand's Exchange and the European Energy Exchange. In February, Fonterra said it would sell 66.66 percent of its dairy auction platform Global Dairy Trade (GDT) to the New Zealand Exchange (NZX) and the Leipzig, Germany-based European Energy Exchange (EEX) (AVW: Feb 18, 2022). This week, the company said it had the relevant approvals for the partnership and from June 30, 2022, the three parties each held an equal one-third share of GDT. Fonterra chief financial officer Marc Rivers said the confirmation of the strategic partnership was "an important milestone for Fonterra and global dairy participants". "The move to a broader ownership structure marks the next step in the evolution of GDT - giving it a presence in prominent international dairy producing regions, with greater participation expected at GDT events," Mr Rivers said. "This creates opportunities for the growth of financial tools to better manage price volatility - which is something many industry participants, from farmers through to customers, are exposed to," Mr Rivers said. Global Dairy Trade chief executive officer Dr Eric Hansen said that "the GDT team is looking forward to working with EEX and NZX as strategic partners with strong interests in dairy and established reputations as regulated exchanges to enhance GDT's role as an independent, neutral and transparent price discovery platform". Fonterra fell one cent or 0.35 percent to \$2.81.

COBRAM ESTATE OLIVES

Cobram says it has completed its 2022 olive harvest, yielding 9.5 million litres of olive oil and exceeding its forecasts by about 15 percent. Cobram said the yield was 53 percent higher than 2020 its previous low-yield crop, which yielded 6.2 million litres. The company said that olive trees had a "natural biennial cycle" which meant crop yields for its olive oil alternate between high-yield and low-yield years. Cobram said the increase on the previous low yield year was due to the maturity of the trees, improvements in efficiency of growing and milling techniques, favorable growing conditions, and the positive impact of investments in risk mitigation, including frost fans. The company said it experienced more rainfall than normal at its Australian groves during harvest, resulting in "operational challenges" but not materially impacting the harvest timeline or quality of product. Cobram said that while it had experience cost pressures in fertilizer, electricity, diesel, packaging and freight costs, these had been offset by lower-than-average water costs. The company said its US olive oil sales had improved over the past six months, but the company continued to be "substantially supply constrained". Cobram said it had been unable to secure a materially higher volume of third-party oil, but expected that position to change over the next 18 months. The company said that as a result of supply challenges, it expected US sales for the year to June 30 would be lower than the previous year and it was likely to report a full-year loss for its US business. Cobram said that two independent evaluations of its carbon footprint had shown that its groves were significant carbon sinks, entirely offsetting the emissions associated with growing and marketing the olive oil leading to a net removal of about 4.0kg of carbon dioxide per litre of olive oil produced and sold. Cobram was up half a cent or 0.3 percent to \$1.465.

WELLNEX LIFE

Wellnex says that unaudited revenue for the year to June 30, 2022 was up 6.56 percent to \$19.5 million compared to the prior corresponding period.

Wellnex said its previous projected figure of \$21 million in unaudited revenue for its infant formula, skin care products and slow release iron gummies fell due to a product planned for delivery in June being delayed to July and August, as a result of global supply chain issues and longer lead times to produce and receive products.

The company said it had received about \$3 million in confirmed purchase orders for contract manufacturing products, which would be recorded in its next reporting period.

Wellnex said it projected revenue for the year to June 30, 2023 to be \$29 million, an increase of 48.7 percent on its current unaudited revenue.

Wellnex chief executive officer George Karafotias said that “despite global supply chain issues delaying the delivery and revenue recognition of a significant amount of product in [the year to June 30, 2022], Wellnex has made strong progress throughout the year”.

“We have successfully launched several new products, signed a supply agreement with pharmaceutical giant Glaxosmithkline and have key distribution agreements in place with all major pharmacy and grocery retail channels,” Mr Karafotias said.

Wellnex was up 0.05 cents or 0.75 percent to 6.75 cents.

ECOFIBRE

Ecofibre says it has a two-year, \$US10 million (\$A14.5 million) loan from the Los Angeles-based Nubridge Commercial Lending LLC, at 8.49 percent per annum.

Ecofibre said the “origination fee” would be \$US200,000 and about \$US15,000 costs upfront with security against properties in Kentucky and North Carolina.

The company said it had the right to fully or partially repay the loan without penalty during the final six months of the term.

Ecofibre chief executive officer Eric Wang said the company had “strengthened its balance sheet to provide the flexibility to continue its organic growth strategy across its three business units”.

“In addition to this loan, Ecofibre is awaiting receipt of \$US4.8 million from the US Federal Government in relation to Employment Retention Credits, which are being paid progressively, and prior period income tax refunds,” Mr Wang said.

Ecofibre was up one cent or five percent to 21 cents.

CANN GROUP

Cann Group says the Australian Therapeutic Goods Administration has granted its Mildura Marijuana factory a good manufacturing practice (GMP) licence.

Cann said the licence would allow it to produce active pharmaceutical ingredients at the factory, manufacture Satipharm capsules and conduct chemical, physical and microbiological tests to show that products met regulatory requirements.

The company also said the licence would allow it to distribute its products through the TGA’s approved access pathways.

Cann chief executive officer Peter Crock said that “GMP licencing is the regulatory capstone of the Mildura facility, allowing us to cultivate, extract, manufacture, test, and supply finished products entirely in-house”.

“With the licence in place, we can now add additional GMP capabilities in response to market demands,” Mr Crock said.

Cann Group was up 4.5 cents or 16.4 percent to 32 cents with 1.7 million shares traded.

CRESO PHARMA

Creso says it has a non-binding, non-exclusive deal with Taiwan's China Chemical & Pharmaceutical Co to launch animal healthcare products in Taiwan.

Creso said it would work with China Chemical would work towards a binding agreement by August 31, 2022, under which China Chemical to introduce products made by its target acquisition company Sierra Sage Herbs LLC to the Taiwanese market.

Creso was up 0.2 cents or 5.7 percent to 3.7 cents with 4.4 million shares traded.

CRESO PHARMA

Creso says it has received its first order worth \$CA11,088 (\$A12,439) for its Ritual Gold vaporizer products from Weed Pool Cannabis Cooperative.

Creso said that its Windsor, Nova Scotia-based, subsidiary Mernova Medicinal would provide the Saskatoon, Saskatchewan Weed Pool Cannabis with 40 cases of one gram Lemon Haze vaporizers, which used marijuana 'trim' and other biomass not suitable for retail sale.

MGC PHARMA

MGC says it is in talks with the University of South Florida to begin a US trial of its Cimetra for Covid-19.

Last year, MGC said it had Israeli approval for a 252-patient, phase III trial of Cimetra, formerly Artemic, which included Curcuma longa, or turmeric, and Boswellia serrata, or Indian frankincense; to be investigated for Covid-19 (AVW: Mar 26, 2021).

The company said the talks, with its US distributor, the Tampa, Florida-based AMC Holdings "confirmed the timing, commitment and logistics for MGC Pharma and AMC in undertaking clinical trials based at [University of South Florida]".

MGC said the trial would add to the clinical research on Cimetra already underway in Israel and India.

MGC managing-director Roby Zomer said the company was "excited to start the trials in collaboration with [University of South Florida] at the earliest opportunity this year, particularly with Covid-19 spikes and new variants emerging every few months".

In a separate announcement, the company said that an in-vitro study showed that Cimetra had "a wide-ranging application as an anti-inflammatory treatment, through the modulation of the production of pro-inflammatory cytokines" beyond the treatment of the symptoms of Covid-19.

"Specifically, this study has demonstrated the effective blocking of the mRNA expression of [interleukin-32], the pro-inflammatory cytokine related to rheumatoid arthritis, inflammatory bowel disease, asthma, psoriasis and chronic obstructive pulmonary disease," MGC claimed.

MGC was up 0.1 cents or 6.25 percent to 1.7 cents with 2.9 million shares traded.

SUSTAINABLE NUTRITION GROUP (FORMERLY AUSTRALIAN PRIMARY HEMP)

Sustainable Nutrition has requested a second extension to its suspension for a "strategic review... following the loss of a customer supply agreement" until July 29, 2022.

In May, Sustainable Nutrition requested a voluntary suspension relating to "the termination of a ... customer supply agreement" and in June requested an extension to the suspension (AVW: May 20, Jun 3, 2022).

Sustainable Nutrition last traded at 14 cents.

APIAM ANIMAL HEALTH

Regal Funds Management says it has increased its substantial share-holding in Apiam from 7,989,417 shares (5.13%) to 15,803,149 shares (9.35%).

The Sydney-based Regal said that on June 24, 2022, it bought 7,813,732 shares in Apiam for \$5,469,612 or 70 cents a share.

Last week, Apiam said it raised \$20.25 million in a combined institutional and retail rights offer at 70 cents a share (AVW: Jun 24; 2022).

Apiam fell 3.5 cents or 5.1 percent to 65 cents.

BEGA CHEESE

Bega says it has appointed Pete Findlay chief operating officer, to commence after the release of its 2022 Annual Report.

Bega said Mr Findlay joined the company in 2019 as chief financial officer, and previously held chief financial officer roles in manufacturing, retail, information technology and distribution industries.

Bega said recruitment for a new chief financial officer had begun.

Bega fell four cents or 1.05 percent to \$3.78 with 1.1 million shares traded.