

Ag & Vet Weekly



Monday July 11 – Friday July 15, 2022

All the news on ASX-listed agriculture and veterinary companies

- * **ASX DOWN, AVW-42 UP: ALTHEA UP 45%; SEAFARMS DOWN 13%**
- * **FEDERAL \$29.3m FOR \$88.5m INDUSTRIAL TRANSFORMATION CENTRES**
- * **AUSTRALIAN \$1.5m FOR INDONESIA FOOT & MOUTH DISEASE**
- * **ALTHEA MARIJUANA RECEIPTS UP 113% TO \$22m**
- * **NERA: PHARMAUST'S EPICHEM TO RECYCLE SHELL'S PLASTIC**
- * **BEGA: STRONG MILK PRICES; FY 2022 EBITDA CONSTANT, FY 2023 WIDER**
- * **SELECT HARVESTS: BEE SHORTAGES LIKELY**
- * **COSTA PLEADS SCHULTZ TO ASX 9% FALL QUERY; CITRUS WARNING**
- * **PROVIDENCE TO SELL CRESO ANIBIDIOL IN SOUTH KOREA**
- * **CRESO EGM TO VOTE ON SIERRA SAGE TO TAKE UP 70.4%**
- * **MGC CLAIMS 'STATISTICAL SIGNIFICANCE' OF ARTEMIC FOR LONG COVID**
- * **COOKE TAKES 8.9% OF TASSAL**
- * **VASILIOS VOTSARIS TAKES 8.3% OF FOOD REVOLUTION**
- * **FONTERRA TO LOSE DIRECTOR DONNA SMIT**

MARKET REPORT

The Australian stock market fell 0.68 percent on Friday July 15, 2022, with the ASX200 down 45.0 points to 6,605.6 points. Seventeen of the AVW-42 stocks were up, 14 fell, eight traded unchanged and three were untraded.

Althea was the best, up 4.5 cents or 45.0 percent to 14.5 cents, with 4.9 million shares traded. Elixinol and MGC climbed more than 10 percent; Creso was up 7.3 percent; Memphasys improved 5.4 percent; Auscann, Botanix and RLF were up more than four percent; Wellnex was up three percent; Ecofibre and Ridley rose more than two percent; Apiam, Bubs and Cann Group were up one percent or more; with Australian Agricultural, Clean Seas and Fonterra up by less than one percent.

Seafarms led the falls, down 0.2 cents or 13.3 percent to 1.3 cents, with 1.2 million shares traded. Wide Open lost 5.7 percent; Murray Cod fell 4.65 percent; Pharmaust was down 3.3 percent; Costa, Epsilon and Nufarm shed more than two percent; Elders, Nanollose, Next Science, Select Harvests and Tasfoods were down more than one percent, with A2 and Synlait down by less than one percent.

FEDERAL GOVERNMENT, THE AUSTRALIAN RESEARCH COUNCIL

The Australian Research Council says the Federal Minister for Education Jason Clare has approved \$29.3 million for six new Industrial Transformation Training Centres.

The Australian Research Council said that industry and universities would provide an additional \$57.2 million “to increase collaboration between innovative researchers and industries vital to Australia's social and economic future ... [to train] “Australia’s next generation of research professionals” at the Industrial Transformation Training Centres.

The ARC said that the contributions would “allow researchers and students access to the latest live-use technologies and facilities and leading industry experts”.

ARC chief executive officer Judi Zielke said the funding under the Industrial Transformation Research Program would provide training for research students and post-doctoral researchers “in a range of sectors that improve service delivery in Australia and increase access to global markets”.

“The Centres will develop new architectural manufacturing, improving agriculture, creating sustainable mining equipment, improving air quality, better defence industry manufacturing, and using chemistry to solve real life problems,” Ms Zielke said.

The ARC said the grants included \$4.5 million for the University of Queensland for the ARC Training Centre for Environmental and Agricultural Solutions to Anti-microbial Resistance to develop “industry-led solutions to fight against the global threat of anti-microbial resistance, which reduces the effectiveness of current antibiotics, in agriculture and the environment, which affects people, animals and plants”.

The Council media release said that grants of about \$5 million would go to each of the University of New South Wales, University of Wollongong, University of Tasmania, Queensland University of Technology and Flinders University, for architectural manufacturing, composites for sustainable mining equipment, analytical separation technologies, reducing airborne infections through better air quality and biofilm research and innovation, respectively.

FEDERAL GOVERNMENT

The Federal Government says it will provide \$1.5 million to Indonesia to support its response to the recent outbreak of foot and mouth disease.

A media release from the Minister for Foreign Affairs Senator Penny Wong and the Minister for Agriculture Senator Murray Watt said the funds would provide at least one million foot and mouth disease vaccination doses following a formal request from the Indonesian Government.

The Federal Government said it had committed an initial \$500,000 to Meat and Livestock Australia, the organization responsible for coordinating support from Australian industry for the Indonesian feedlot sector’s emergency response to foot and mouth disease.

The media release said Senator Watt met the Indonesian Minister for Agriculture Syahrul Yasin Limpo, as well as the Indonesian National Disasters Management Authority head and chief of the foot and mouth disease task force, Lieutenant-General Suharyanto. Senator Wong said that “safeguarding the biosecurity of our region is a shared concern for Australia and Indonesia”.

“The provision of one million vaccine doses to combat foot and mouth disease underscores Australia’s commitment to supporting Indonesia’s response to the outbreak,” Senator Wong said.

Senator Watt said the Government was “taking a two-pronged approach to preventing the incursion of foot and mouth disease, first by strengthening biosecurity measures at the Australian border, and also by supporting efforts to curb the spread overseas”.

ALTHEA GROUP HOLDINGS

Althea says its customer receipts for the year to June 30, 2022 were up 113 percent to \$21,954,000 compared to the previous corresponding period.

Althea said it had \$10.8 million from the sale of recreational marijuana products, while pharmaceutical marijuana products accounted for \$11.2 million of its receipts.

The company said for the three months to June 30 it had a "record" \$3.6 million in recreational marijuana sales and \$2.9 million from pharmaceutical marijuana products.

Althea said it had \$6,569,000 in cash and equivalent at June 30, enough for 5.81 quarters.

Althea climbed 4.5 cents or 45.0 percent to 14.5 cents with 4.9 million shares traded.

NATIONAL ENERGY RESOURCES AUSTRALIA, PHARMAUST, EPICHEM

National Energy Resources Australia (NERA) says it has introduced Pharmaust subsidiary Epichem to Shell Australia for a pilot program to improve plastic recycling.

NERA said its Generater program, in partnership with the Western Australia State Government, connected small and medium-sized businesses to larger companies.

The organization said Epichem would use its recycling capabilities to reduce plastic waste from Shell's operations and supply chains in Western Australia, Queensland and the Northern Territory, but did not disclose the value of the program.

In February, Pharmaust said Epichem used oxidative hydrothermal dissolution to separate electronic waste, removing plastics and concentrating metals at its electronic-waste processing project funded by the Western Australia Government (AVW: Feb 18, 2022).

This week, the company said Epichem would use a process which liquefied plastic, changing its chemical structure to make it bio-degradable or able to be repurposed into another product.

NERA said the pilot program was expected to completed in early October 2022.

Epichem production head Dr James Rixson said the Generater process provided "invaluable access to a global business such as Shell".

"Generater enables us to demonstrate our technology on a real-world industry challenge," Dr Rixson said. "It is a vital stepping stone ...[to] commercialization."

Pharmaust fell 0.3 cents or 3.3 percent to 8.8 cents.

BEGA CHEESE

Bega says competition amongst milk processors is pushing farm gate milk prices higher, widening the forecast 2022-'23 Ebitda to \$160 million to \$190 million.

Bega said that "particularly strong competition amongst milk processors during June and July" pushed farm gate prices for the year to June 30, 2023 about 30 percent higher than the year to June 30, 2022.

The company said forecast earnings before interest, taxation, depreciation and amortization (Ebitda) for the year to June 30, 2022 "remains current" at \$175 million to \$190 million but the coming year forecast was widened to \$160 million to \$190 million.

Bega said its performance for the year to June 30, 2023 would be "impacted by the delay in timing of some of these higher product prices and the finalisation of secured milk volumes during July".

The company said that its "strong brand portfolio, extensive chilled distribution network, Australian and international product mix, and customer profile positions it well to recover the higher costs associated with the increase in farm gate milk prices through both the global commodity market and the retail and food service markets".

Bega was unchanged at \$3.25 with 3.1 million shares traded.

SELECT HARVESTS

Select Harvests says that beehive movement restrictions due to the Varroa mite are likely to coincide with the pollination of its 2023 crop.

Select Harvests said that with 50 percent of the pollinating industry's hives in New South Wales "a potential shortage in Victoria and South Australia is looking like a reality".

The company said that effective almond pollination was determined by flower density, synchronization of flowering and bee flight hours.

Select Harvests said that it had historically been able to produce good crops even with one of these factors being negatively impacted by nature, and that it had taken steps to assure all of the above-mentioned factors.

The company said it had maintained multi-year efforts to minimize stress for flower density during the pre and post-harvest period and expected "no issues with synchronization" and that in the event of a bee shortage, it would attempt to mitigate the impact "through more forensic hive placement".

The company said that besides complications caused by steps taken to eradicate the Varroa mite in New South Wales, the 2023 crop was progressing well, with good tree health and chill hours moving towards pollination in August.

Select Harvests managing-director Paul Thompson said that "the current Varroa mite incursion has been contained [Select Harvests] is actively managing the situation and has put in place mitigation strategies to support our 2023 crop pollination".

"Global demand for almonds continues to remain strong, with the potential for tighter supply following the lower-than-expected objective forecast for the 2022 Californian almond crop and continued strong shipment numbers," Mr Thompson said.

"Select Harvests is focused on processing the remainder of our 2022 crop and delivering another record crop in 2023," Mr Thompson said.

Select Harvests fell nine cents or 1.7 percent to \$5.18.

COSTA GROUP

Costa has told the ASX that it "is not aware of any information that its earnings for the first half year of 2022 are likely to come as a surprise to the market".

On Tuesday, the ASX said Costa's share price fell 8.9 percent from \$2.80 to \$2.55 on July 11, and noted a significant increase in trading volume between July 8 and July 11, 2022.

On Monday, Costa said it had performed well in its half year results but had encountered "some quality issues...due to weather events ... over recent weeks" in its citrus crop.

In its Monday 'Market update' the company said that "the full impact of these quality issues across the citrus portfolio on final pricing outcomes and second half earnings cannot be determined until the citrus season is further progressed" with a detailed update to be provided at the half year results release on August 26, 2022.

Costa said its operations "performed well" in the six months to June 30, 2022 and unaudited results were expected "to be in line with the ... expectations" with produce segments expected to finish the half year ahead of the corresponding prior period.

Costa told the ASX the "vast majority of analysts" covering the company did not provide specific forecasts for the six months to June 30, 2022, "so the company does not believe that there is any meaningful analyst consensus for this period".

The company said that a report issued on July 8 by a broker included a revision to the earnings and this was "the subjective view of one particular analyst ... [that] would not materially impact on analyst consensus" and that analyst had "provided a further update, clarifying their initial comments in light of the recent share price movements".

Costa fell seven cents or 2.7 percent to \$2.54 with 1.7 million shares traded.

CRESO PHARMA

Creso says it has a letter of intent with Providence Animal Health Korea for the registration and commercialization of its marijuana Anibidiol products in South Korea.

Creso said the letter of intent with the Seoul, South Korea-based Providence Animal Health was non-binding and non-exclusive, and would see it work towards the registration, importation and commercialization of Creso's Anibidiol animal health products.

The company said it would enter a formal commercialization agreement with Providence following the completion of the initial terms under the letter of intent.

Creso said that subject to relevant approvals, it expected Providence Animal Health to begin commercializing its range in South Korea by April 2023.

Creso was up 0.3 cents or 7.3 percent to 4.4 cents with three million shares traded.

CRESO PHARMA

Creso investors will vote on a resolution to issue shares to merger target Sierra Sage Herbs LLC allowing it to take up to 70.4 percent of the company.

In a series of 10 resolutions, Creso proposed to issue 12,965,455 shares and 52,999,945 options to vendors and lenders, as well as 358,069,697 shares to the Lyons, Colorado-based Sierra Sage.

In February, the company said it would buy Sierra Sage for \$US21 million (\$A29.5 million) in shares upfront, with additional milestone payments (AVW: Feb 4, 2022).

At that time, Creso said Sierra Sage was a consumer goods company "focused on plant-based and [marijuana] products under the Green Goo, Southern Butter and Goodgoo brands offering products in the ... first aid, beauty, sexual wellness, women's health and pet categories".

Today, Creso said an extraordinary general meeting would vote to issue 358,069,697 shares to Sierra Sage, worth about \$US21 million based on a 70.66 US cents to \$A1.00 exchange rate, at 8.3 cents a share, as well as up to 1,061,420,889 milestone shares pending sales targets in 2022 at two cents a share, worth about \$US15 million, and up to 1,662,892,726 milestone shares pending sales targets in 2023 at two cents a share worth about \$US23.5 million.

The company said shareholders would vote to issue 4,315,790 options to lenders, Chifley Portfolios Pty Ltd, Jamber Investments Pty Ltd and SBC Global Investment Funds, exercisable at 38 cents within 12 months of issue.

Creso said the meeting would vote to issue 23,684,144 placement options.

The company said investors would vote to issue 1,965,455 shares and 6,000,000 performance shares to the co-founders of Impactive Holdings Ltd, which it acquired in 2021 (AVW: Oct 29, 2021).

Creso said that the issue of performance shares was a special resolution requiring 75 percent of the vote to pass.

The company said that Impactive co-founders Brett Ayers and Kevin Tansey would be employed by Creso and the meeting would vote to issue then 500,000 options each, vesting in three equal tranches, exercisable at 13.75 cents each by October 25, 2024.

Creso said that shareholders would vote to issue 24,000,000 options to nominees of the Odeon Capital Group LLC for advisory services, half exercisable at 15 cents each and the balance exercisable at 18 cents each, by August 1, 2024.

Creso said the meeting would vote to approve 5,000,000 shares to William Lay and Noble House Consulting Ltd as part of a consultancy agreement from September 2021.

Creso said the extraordinary general meeting would be held virtually on August 9, 2022 at 10am (AEST).

MGC PHARMACEUTICALS

MGC says its 150-patient, non-randomized, non-controlled, open-label trial of Artemic Support shows “statistically significant” efficacy for long Covid patients.

MGC did not provide specific data, or p-values, but published graphs showing improvement over a 6-week course of the Boswellia serrata, Curcuma longa and vitamin C-based food supplement.

MGC managing-director Roby Zomer said the results were “a real breakthrough for the company and are another step forward in demonstrating the Artemic range of product’s [sic] efficacy in treating patients suffering from both Covid-19 and long Covid”.

MGC was up 0.2 cents or 10.5 percent to 2.1 cents with 9.7 million shares traded.

TASSAL GROUP

Cooke Inc and associates say they have increased their substantial share-holding in Tassal from 16,324,519 shares (7.599%) to 19,097,085 shares (8.890%).

Earlier this month, the Blacks Harbour, New Brunswick, Canada-based Cooke Aquaculture bid \$4.85 a share for Tassal, valuing it at \$1,041,882,728 and said that it held 11,596,555 Tassal shares (5.398%) (AVW: Jul 1, 2022).

At that time, Cooke said that the registered holder of the shares was Amore Foods Pty Ltd, care of Kidder Williams of Collins Street, Melbourne, whose managing-director was David Williams, the former chair of Tassal and the advisor to Cooke Inc.

This week, Cooke and associates said between July 4 and 12, 2022 they bought 2,772,566 shares for \$13,444,267 or an average of \$4.85 a share.

Tassal was unchanged at \$4.86 with 2.8 million shares traded.

THE FOOD REVOLUTION GROUP

Geelong’s Vasilios Votsaris says he has increased his substantial holdings in Food Revolution from 67,384,184 shares (7.12%) to 78,274,996 shares (8.27%).

Mr Votsaris said that between March 3 and July 6, 2022 he bought and sold shares, but did not specify the prices as required under the Corporations Act 2001.

Food Revolution was unchanged at 2.4 cents.

FONTERRA CO-OPERATIVE GROUP

Fonterra says that non-executive director Donna Smit will retire at the end of her three-year term at its annual meeting on November 10, 2022.

Fonterra said Ms Smit joined the board in 2016 and was currently a director of FSF Management Co, the manager of the Fonterra Shareholders’ Fund, from which she would retire in November.

The company said Ms Smit’s retirement created a vacancy for a farmer-elected director with nominations for the elections to open on August 5, 2022.

Fonterra chair Peter McBride thanked Ms Smit for her contribution “through a period of significant change for the Co-op”.

Fonterra was up one cent or 0.35 percent to \$2.84.