

Ag & Vet Weekly



Monday March 13 - Friday March 17, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-41 UP: MGC UP 14%; SYNLAIT DOWN 8%**
- * **FONTERRA H1 REVENUE UP 23% TO \$12b; PROFIT UP 50% TO \$507m**
- * **CLOVER H1 REVENUE UP 49% TO \$44m, PROFIT UP 81% TO \$3.6m**
- * **SYNLAIT PROFIT WARNING, RECOVERY EXTENDED TO 3 YEARS**
- * **FEDERAL \$6m FOR METHANE EMISSION REDUCTION PROJECTS**
- * **RLF \$8.8m TAIWAN PHILIPPINES CROP NUTRITION 'TARGET'**
- * **ASX CENSURES CRESO; CRESO RESPONDS**
- * **BOTANIX PLEADS 'SCHULTZ, FDA, WEBINAR' TO ASX 28% PRICE QUERY**
- * **MGC ENROLS 1ST PATIENT IN ZAM CANNEPIL USERS TRIAL**
- * **NANOLLOSE WINS US NULLABOR FIBRE PATENT**
- * **WELLNEX: CHEMIST WAREHOUSE JOINS MARIJUANA J-V**
- * **L1 CAPITAL TAKES 5.25% IN NUFARM**
- * **CITIGROUP REDUCES TO 6.8% OF COSTA GROUP**
- * **SCHRODER REDUCES TO 5.2% OF RIDLEY**
- * **JOSHUA FLETCHER REPLACES TASFOODS CO SEC SHONA CROUCHER**

MARKET REPORT

The Australian stock market was up 0.42 percent on Friday March 17, 2023, with the ASX200 up 29.3 points to 6,994.8 points. Fifteen of the AVW-41 stocks were up, eight fell, eight traded unchanged and 10 were untraded.

MGC was the best, up 0.1 cents or 14.3 percent to 0.8 cents, with 1.7 million shares traded. Althea climbed 12.2 percent; Pharmaust was up six percent; Food Revolution improved 5.3 percent; Ridley was up 4.3 percent; Australian Agricultural, Select Harvests and Wide Open were up three percent or more; Bubs rose 2.3 percent; Cobram, Fonterra, Next Science and Nufarm were up one percent or more; with Bega and Clean Seas up by less than one percent.

Synlait led the falls, down 23 cents or 7.9 percent to \$2.67, with 57,644 shares traded. Murray Cod lost 6.7 percent; Wellnex was down 5.5 percent; Elixinol and Nanollose fell four percent or more; Clover was down 1.2 percent; with A2 and Elders down by less than one percent.

FONTERRA SHAREHOLDERS FUND

Fonterra says Co-operative Group revenue for the six months to January 31, 2023 was up 22.7 percent to \$NZ13,249 million (\$A12,300 million), with net profit after tax up 50.0 percent to \$NZ546 million (\$A507 million).

The company said that revenue came from its milk and dairy products.

Fonterra chief executive officer Miles Hurrell said that results from the first half of the year showed that the co-op was “performing well, with profit up 50 percent, against a backdrop of ongoing market volatility”.

“While milk powder prices have softened recently, impacting our forecast Farmgate Milk Price range, protein prices have been high, and this is reflected in the lift in earnings we’re reporting today,” Mr Hurrell said.

Fonterra said that it would pay shareholders an interim dividend of 10 NZ cents, at the record date of March 23, to be paid on April 14, 2023.

Fonterra said that its diluted earnings per share was up 50.0 percent to 33 NZ cents, with net tangible assets up 33.8 percent to \$NZ3.64.

The company said that it had cash and cash equivalents of \$NZ319 million at January 31, 2023 compared to \$NZ479 million at January 31, 2022.

Fonterra said it had an up-to \$300 million transitional buyback which would begin on March 28, 2023 and replace its current \$50 million buyback program.

Fonterra said that it was able to buy back up to 75 million shares, which was no more than five percent of the total shares on issue.

Fonterra was up three cents or one percent to \$3.13.

CLOVER CORPORATION

Clover Corp says revenue for the six months to January 31, 2023 was up 49.4 percent to \$44,425,000, with net profit after tax up 81.1 percent to \$3,638,000.

Clover said its revenue rose 76 percent in Europe, the Middle East, Australia and New Zealand and 36 percent in Asia, from sales of its infant formula and food additives, including omega 3 and probiotics.

The company said its six months’ revenue increase was “strengthened by winning new customers and existing customers building inventory in preparation for the new China GB [Guobiao standards] standard”

Clover said the new standard required infant formula manufacturers to hold a licence to sell through retail stores since February 2023, and many manufacturers were still in “the process of achieving a licence and therefore have built inventory to maintain sales during this period”.

Clover said it expected full year revenue between \$80 and 90 million, but remained cautious “with ongoing Covid-19 infections, geopolitical issues effecting freight supply and the outcome of the introduction of the Chinese infant formula GB licence”.

Clover said it would pay a fully franked interim dividend of 0.75 cents a share for investors at the record date of April 6, to be paid on April 27, 2023.

Clover said diluted earnings per share were up 80.8 percent from 1.20 cents in the previous year to 2.17 cents, with net tangible asset backing per share up 6.4 percent to 38.0 cents compared to 36.7 cents in the prior corresponding period.

Clover said it had net cash and cash equivalents of \$6,507,000 at January 31, 2023, compared to \$7,979,000 at January 31, 2022.

Clover fell 1.5 cents or 1.2 percent to \$1.22.

SYNLAIT MILK

Synlait says net profit after tax guidance for the year to July 31, 2023 is \$NZ15 million to \$NZ20 million and its expected recovery will take three years rather than two years. In December, Synlait said its net profit after tax for the six months to January 31, 2023 would be lower than the prior corresponding period “due to the impact of delayed sales on cash flows” (AGW: Dec 22, 2022).

Last year, the company said that net profit after tax for the year to July 31, 2022 was \$NZ38,523,000 (\$A33,678,833) and for the six months to January 31, 2022 net profit after tax was \$NZ27,905,000 (\$A25,824,000) (AVW: Apr 1, Sep 30, 2022).

Today, Synlait said its lower profit guidance was due to forecast changes from its largest customer for its milk and dairy related products, “a reduction in milk processed, raw material supply challenges, carbon dioxide shortages, an extremely tight labor market, extreme weather events and high inflationary cost pressures”.

Synlait chief executive officer Grant Watson said it had become clear that the two-year recovery plan would take three years, and that “full financial recovery will take longer than planned”.

“The focus of our leadership team remains on stabilizing Synlait to ensure we have strong foundations to deliver sustainable and diversified growth across our customers, channels, categories, and geographies,” Mr Watson said.

The company said it would release its full year guidance statement with its half year results, to be announced on March 27, 2023.

Synlait fell 23 cents or 7.9 percent to \$2.67.

FEDERAL GOVERNMENT

The Federal Government says it will provide up to \$5,962,729 for three livestock methane emission reduction research projects, under a \$29 million methane reduction program.

A media release from the Federal Minister for Climate Change and Energy Chris Bowen and the Minister for Agriculture, Fisheries and Forestry Senator Murray Watt said the three projects would receive between \$1 million and \$3 million each to conduct trials on technologies to deliver methane-reducing feed supplements to grazing livestock.

The media release said that Sydney’s Graincorp would receive \$2,932,438 to “undertake large-scale dairy and beef livestock grazing trials to demonstrate the use of the seaweed *Asparagopsis* as a low-emission feed supplement”; the University of Adelaide was granted \$1,075,601 to “investigate feeding seaweed supplements to pregnant cows and its long-term effect on methane production in their progeny”; and the University of New England in Armidale had \$1,954,690 in funding to “evaluate two automated feeders for methane-reducing supplements - *Asparagopsis*, *Bovaer* and *Agolin* - to sheep”.

The Federal Government said research had shown some feed supplements could reduce methane emissions from livestock by “more than 80 percent under ideal conditions”.

Mr Bowen said supporting technologies to lower emissions in livestock was “crucial to achieving Australia’s emissions reduction targets”.

“Overcoming barriers to uptake new technologies in our grazing systems will deliver significant abatement in the livestock industry,” Mr Bowen said.

Senator Watt said that the Government was “backing new technologies to help farmers tackle the emissions challenge and respond to increasing global interest in sustainable agricultural production”.

The media release said that the next stage of funding would provide \$15 million for trials to validate supplement delivery technologies and demonstrate the emissions reduction and productivity impacts, and would be launched in “early 2024”.

RLF (RURAL LIQUID FERTILISERS) AGTECH

RLF says it has an \$8.78 million crop nutrition sales and distribution “target” with Taipan Brand Farms for the Philippines.

RLF said the contract with the Jardine Distribution Inc subsidiary, was for the next five years and included an option to extend the agreement.

The company said that the exclusive distribution agreement set an initial sales and purchase target on the distributor of \$8.78 million across the five year term.

“This target is not a purchase commitment and each party can elect to review it annually depending on conditions such as market demand, this sales and purchase target can be changed by mutual agreement during the term,” RLF said.

The company said it would collaborate with Jardine on field trials, including the use of the Veridium seed priming technology and its foliar range of products

RLF was unchanged at 20 cents.

AUSTRALIAN STOCK EXCHANGE, CRESO PHARMA

ASX says it has formerly censured Creso Pharma for breaching ASX listing rule 10.11, prohibiting companies from issuing shares to related parties without shareholder approval. Last year, Creso said it breached Listing Rule 10.11 by not saying that Alvin Blumenthal’s Suburban Holdings was a related party to a placement (AVW: Feb 25, Oct 28, 2022).

In December, the company said the breach was not uncovered earlier because Everblu, controlled by Alvin Blumenthal’s son Adam Blumenthal, had “managed many placements for the company prior to this, without concern or error, and therefore there was no reason for the company to question the participants in this placement” (AVW: Dec 9, 2022).

This week, the ASX told Ag & Vet Weekly that Suburban had “agreed to dispose of all [14,492,755] shares it received in the placement within six weeks” and it had directed Creso not to issue related options to Suburban, and that “any profit made on the disposal of the holding will be donated to an entity that is listed with the Australian Charities and Non-For-Profits Commission as a charity”.

The ASX told Ag & Vet Weekly that Suburban would not incur any pecuniary penalty, “the censure itself is the enforcement action”.

In a separate announcement, Creso said it did “not consider a formal censure appropriate ... [as it had provided, among other reasons] seven examples of other listed companies breaching Listing Rule 10.11 in the last three years which did not result in a censure”.

Creso was unchanged at one cent with 20.0 million shares traded.

BOTANIX PHARMACEUTICALS

Botanix has told the ASX it is not aware of any information it has not announced which, if known, could explain recent trading, but noted its upcoming FDA review and webinar.

The ASX said Botanix’ share price rose 2.3 cents, or 28.05 percent from 8.2 cents to 10.5 cents on March 10, 2023, and noted a “significant increase” in trading volume.

Botanix said the previously announced US Food and Drug Administration (FDA) review of its sofipironium bromide topical gel for excessive underarm sweating was scheduled for completion by March 31, 2023 and was considered to be a “significant milestone event” (AVW: Dec 9, 2022).

The company said it conducted a webinar on March 8 that provided “new insights into the competitive and market situation and opportunities to access patients through digital outreach” which could also explain the recent trading in its shares.

Botanix was unchanged at 10 cents with 2.4 million shares traded.

MGC PHARMACEUTICALS

MGC says it has enrolled its first patient for its Zam data collection and machine learning software application to monitor the effects of its Cannepil marijuana epilepsy drug. MGC said the Zam application would record daily metrics, symptoms and impact of treatment to establish baselines and provide medical practitioners and the company with detailed records of the study and “an enhanced understanding of the effect of Cannepil”. The company said the application would remind patients to take their medication, measure treatment progress and allow practitioners to prescribe alternate medication.

MGC said the trial was supported by the UK-based ‘I am Billy’ foundation for parents and families with children prescribed National Health Service-funded medical cannabis.

MGC managing-director Roby Zomer said enrolment of the first patient on the software enabled the company “to fully record the impact and efficacy of our products undergoing trials”.

“Consolidation of data is of paramount importance in ensuring the safety and efficiency of MGC’s proprietary products, and we see the integration of both pharma and tech as a revolution in the clinical trial process,” Roby Zomer said.

MGC was up 0.1 cents or 14.3 percent to 0.8 cents with 1.7 million shares traded.

NANOLLOSE

Nanollose says the US Patent and Trademark Office has allowed a patent relating to the production of its tree-free Nullabor fibre from waste cellulose.

Nanollose said the patent, titled ‘Methods for producing a viscose dope from microbial cellulose’, would protect its intellectual property until November 2038.

The company said this was the first patent granted in the US and third globally, and the first relating specifically to its fibre technology.

Nanollose fell 0.2 cents or four percent to 4.8 cents.

WELLNEX LIFE LIMITED

Wellnex says Chemist Warehouse will join its joint venture with One Life Botanicals to sell medicinal marijuana through the special access scheme category-B.

Wellnex said the Australian Therapeutic Goods Administration special access scheme category-B allowed doctors to prescribe medicinal marijuana products to patients not included in the Australian register of therapeutic goods.

The company said Chemist Warehouse would receive a 10 percent interest in the existing joint venture and sell five new medicinal marijuana products under a new brand.

Wellnex said it hoped to sell the new products by June 30, 2023.

The company said it also had an agreement with the Sydney-based Ontracka to launch a telehealth application to connect patients with prescribers and medicinal marijuana products.

Wellnex fell 0.4 cents or 5.5 percent to 6.9 cents.

NUFARM

Melbourne’s L1 Capital Pty Ltd says it has become a substantial share-holder in Nufarm with of 19,961,836 shares or 5.25 percent.

L1 Capital said that it bought shares between November 17, 2022 and March 15, 2023, with the single largest purchase 2,403,037 shares for \$14,670,541, or \$6.105 a share.

Nufarm was up nine cents or 1.7 percent to \$5.43 with 864,644 shares traded.

COSTA GROUP HOLDINGS

Citigroup Global Markets says it has reduced its substantial shareholding in Costa from 37,468,761 shares (8.0628%) to 31,601,201 shares (6.8002%).

The Sydney-based Citigroup said that it acquired and disposed of shares under lending agreements, but did not disclose the consideration, as required by the Corporations Act 2001.

Costa was unchanged at \$2.36 with 1.6 million shares traded.

RIDLEY CORP

Sydney's Schroder Investment Management Australia says it has reduced its substantial holding in Ridley, from 19,888,828 shares (6.235%) to 16,643,934 shares (5.21%).

Schroder said that it bought and sold shares between May 24, 2022 and March 9, 2023, selling 4,714,862 shares for \$8,946,487 or \$1.90 a share.

Ridley was up nine cents or 4.3 percent to \$2.18 with 9.1 million shares traded.

TASFOODS

Tasfoods says incoming chief financial officer Joshua Fletcher will replace Shona Croucher as company secretary, effective from March 17, 2023.

In 2022, Tasfoods said that Mr Fletcher had been appointed as its chief financial officer and company secretary to replace Ms Croucher from April 3, 2023, and that Ms Croucher would continue until March 17 (AVW: Dec 9, 2022).

Tasfoods was unchanged at 3.1 cents.