

Ag & Vet Weekly



Monday May 29 - Friday June 2, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 DOWN: BOTANIX UP 11%; NANOLLOSE DOWN 7%**
- * **SELECT HARVESTS H1 REVENUE DOWN 11% TO \$61m, PROFIT TO \$96m LOSS**
- * **RABOBANK FORECASTS LOWER WINTER HARVEST**
- * **SYNLAIT TO DIVEST DAIRYWORKS, TALBOT FOREST CHEESE**
- * **SYNLAIT REVISES FORECAST MILK PRICES**
- * **USPTO ALLOWS AVECHO TPM PATENT**
- * **MGC DELIVERS 1st CANNEPIL TO UK PATIENTS IN ZAM TRIAL**
- * **WELLNEX EXTENDS VOLUNTARY SUSPENSION**
- * **BUBS EX CHAIR DENNIS LIN, CEO KRISTY CARR CALL BOARD SPILL**
- * **QBIOTICS LOSES NEVILLE MITCHELL; DR STEVEN OGBOURNE EXECUTIVE**
- * **RIDLEY CEO HILDEBRAND \$1m, 1.5m 'RETENTION' RIGHTS, 50% STI RISE**
- * **MGC BRETT MITCHELL, NATIV SEGEV GO; LAYTON MILLS IN; ADVISER, BROKER**
- * **ANNA PALAIRET REPLACES FONTERRA COO FRASER WHINERAY**
- * **FOOD AGILITY 'Paddock to Profit' CONFERENCE**

MARKET REPORT

The Australian stock market was up 0.48 percent on Friday June 2, 2023, with the ASX200 up 34.3 points to 7,145.1 points. Eleven of the AVW-42 stocks were up, 14 fell, 11 traded unchanged and six were untraded.

Botanix was the best, up 0.9 cents or 11.1 percent to nine cents, with 2.3 million shares traded. Sustainable Nutrition climbed 9.1 percent; Biogene was up 7.7 percent; Next Science improved 6.25 percent; Tasfoods was up five percent; Clean Seas was up 3.1 percent; Ecofibre and Pharmaust rose more than two percent; with A2, Elders and Fonterra up by less than one percent.

Nanollose led the falls, down 0.3 cents or 7.0 percent to four cents, with 64,990 shares traded. Anantara lost 6.7 percent; Althea fell 4.3 percent; Apiam and Bubs shed more than two percent; Australian Agricultural, Clover, Original Juice and Ridley were down more than one percent; with Bega, Cobram, Costa, Nufarm and Select Harvests down by less than one percent.

SELECT HARVESTS

Select Harvests says revenue for the six months to March 31, 2023 fell 11.4 percent to \$60,864,000 with the previous net profit after tax turned to a loss of \$96,229,000.

Select Harvests said: "The result reflects the agricultural risk exposure of almond farming, with poor crop years in 2022 and 2023."

The company said that higher fertilizer costs and record rainfall in 2022 leading to flooding and three years of La Nina weather patterns caused lower yields of its almond crops.

Select Harvests said the 2023 crop was forecast to be below initial expectations.

The company said the crop quality improved compared to 2022 with inshell levels lower, and kernel sizes are larger, insect damage was higher but investments in new sorters will would "lead to the final product quality profile improving from last year".

The company said that "consistent with the requirements of Accounting Standard AASB 141 Agriculture ... the full loss of the 2023 crop has been reflected in the ... accounts".

Select Harvests said that the recognition of the forecast full year loss had a material impact on the six months financial result.

The company said it diluted loss per share for the six months to March 31 was 79.1 cents compared to 1.7 cents diluted earnings per share in the prior period, net tangible asset backing per share was down 16.6 percent to \$3.06, with cash and equivalents of \$2,283,000 at March 31, 2023, compared to \$2,120,000 at March 31, 2022.

Select Harvests fell four cents or 0.9 percent to \$4.49.

RABOBANK

Rabobank says although planted area will increase on previous years it forecasts Australian winter crop yields to be lower in 2023-'24, due to drier conditions.

The Utrecht, Netherlands-based Rabobank said in a report on agribusiness in Australia that the expected lower yield was due to the likely transition to an El Nino climate cycle, and thus drier growing conditions.

Rabobank analyst and report co-author Edward McGeoch said previous favorable weather conditions including high rainfall had resulted in "a streak of strong or record-breaking grains and oilseed production".

The organization said crop plantings were expected to be up in Queensland by 3.5 percent, New South Wales by 3.4 percent and South Australia by 0.3 percent with Western Australia down by 2.1 percent and Victoria down by 0.2 percent.

Rabobank said that assuming normal seasonal rainfall, it expected wheat production for the season to be down 24 percent on the previous year to 29.9 million tonnes, with barley down 24 percent to 10.8 million tonnes and canola down 35 percent to 5.4 million tonnes.

Rabobank said that with continued strong global demand for wheat and the development of a "weak El Nino" in 2023, it had a base forecast of 15.7 million tonnes of exportable wheat from the 2023-'24 crop, not including carryover stock from the 2022-'23 season.

Rabobank said exportable barley and canola surpluses from 2023-'24 production would be expected to reach 3.3 million tonnes and 3.4 million tonnes, respectively.

The agribusiness bank said export opportunities for the season remained positive for Australia's key market in South-East Asia, with freight charges declining back to 2020 levels and Australia's position as a "favorable origin market".

Rabobank said that global wheat prices had collapsed 58 percent from record levels seen in March 2022, but Australian wheat prices had held up comparatively well, dropping just 20 percent in the period, albeit from lower levels.

"We could see production drop lower, potentially to the lowest total crop in four years at 41.2 million tonnes", Mr McGeoch said.

SYNLAIT MILK

Synlait says it intends to divest its Dairyworks and Talbot Forest Cheese businesses as part of an asset review, with proceeds to pay down debt.

Synlait said the divestment would allow it to focus on increasing its highest margin segments of its advanced nutrition and foodservice businesses.

The company said it was undertaking a “strategy and capital structure refresh”.

Synlait said the investment banking firm Jarden would advise it on the divestment.

Synlait was unchanged at \$1.495.

SYNLAIT MILK

Synlait says it has revised its forecast base milk price for 2022-'23 from \$NZ8.30 (\$A7.67) per kilogram of milk solids (/kgMS) to \$NZ8.20 (\$A7.58) per kgMS.

Synlait said the revised forecast was driven by “weaker than expected commodity prices nearing the end of the season, along with the continued high cost of lactose imported into New Zealand” as well as subdued economic activity reducing consumer demand.

The company said it had an opening forecast for the 2023-24' season of \$NZ8.00 per kgMS and reaching this price required increased demand to improve commodity prices from current levels throughout the season.

Synlait chief executive officer Grant Watson said farmers received an average of 28 NZ cents in premiums above the base milk price for the last two seasons.

“Synlait is forecasting to pay similar premiums this season and into 2024,” he said.

AVECHO BIOTECHNOLOGY

Avecho says the US Patent and Trademarks Office has allowed a patent relating to the manufacturing process for its tocopheryl phosphate mixture (TPM).

The company said the patent titled ‘Process’ protected its TPM vitamin E-derived human and animal drug delivery system for increased solubility and oral, dermal and transdermal absorption until December 2037.

Avecho said TPM was patent protected in India, Japan, Mexico, Russia and Singapore, with patents for TPM combined with cannabinoids under review in other territories.

Avecho chief executive officer Dr Paul Gavin said the extended protection was “timely given the new products under development combining TPM ... with cannabinoids”.

Avecho was unchanged at 0.4 cents.

MGC PHARMACEUTICALS

MGC says it has imported its first shipment of its marijuana-based Cannepil to the UK and its first refractory, or drug-resistant, epilepsy patient had been dosed.

In March, MGC said it had enrolled its first patient for its Zam data collection and machine learning software application to monitor the effects of its Cannepil drug, supported by the UK's ‘I am Billy’ foundation (AVW: Mar 17, 2023).

Today, the company said it had provided Cannepil to the ‘I am Billy’ foundation through the National Health Services’ Refractory Epilepsy Specialist Clinical Advisory Service, which was the only UK route for patients to receive publicly-funded cannabis-based treatments for epilepsy.

MGC said Cannepil was provided through a named patient request, which enabled it to be prescribed by clinicians listed on the General Medical Council register.

MGC was unchanged at 0.6 cents with 3.8 million shares traded.

WELLNEX LIFE

Wellnex says it has requested an extension to its voluntary suspension “pending the release of an announcement regarding a capital raising and a material acquisition”. Last week, Wellnex said it would buy Sydney’s Pain Away for \$22 million in cash, funded by two placements and a rights offer at five cents a share (AVW: May 26, 2023). Today, the company said there was “material uncertainty” about the transaction, pending funding and it expected to announce the outcome by July 17, 2023. Wellnex last traded at 5.3 cents.

BUBS AUSTRALIA

Bubs says former chair Dennis Lin and former chief executive officer Kristy Carr have requested an extraordinary general meeting request under 249D of the Corporations Act. Bubs said that the request came from Mr Lin, Carr Family Pty Ltd, Infant Food Business Pty Limited, AZ Global Corporation Pty Ltd and Willis Trading Limited and called for the removal of directors Katrina Rathie, Steven Lin, Paul Jensen and Reg Weine, and the appointment of James Jackson, Peter Nathan and Rupert Soar.

Earlier this week, the company said that Mr Dennis Lin and Ms Carr had resigned, effective from May 30, 2023.

Last month, Bubs said it had “terminated” chief executive officer Ms Carr and executive chair Mr Dennis Lin, effective from May 10, 2023 (AVW: May 12, 2023).

In a separate announcement, the Carr Family, Dennis Lin and other parties say they have become substantial in Bubs with 38,912,083 shares, or 5.18 percent.

In a substantial shareholder announcement, Kristy Carr said the Carr Family Pty Ltd, Hong Kong’s Willis Trading Ltd, Mr Lin, Infant Food Business Pty Ltd, A Z Global Corporation Pty Ltd, Auckland New Zealand’s Rupert Soar, Melbourne’s Peter Nathan and the Federal, New South Wales-based James Jackson held 5.18 percent of Bubs, sufficient to call extraordinary general meetings.

Today, Bubs said that Under the Corporations Act, it must call a general meeting within 21 days after receiving a valid requisition and hold the meeting not later than two months after receipt of the requisition.

The company also released a ‘Trading update’ saying that China revenue fell 56 percent for the three months to March 31, 2023, compared to the previous corresponding period “with significant amounts of finished goods inventory still held in trade, predominantly Bubs Supreme ... [which] was developed for distributor AZ Global and Alice Trading Limited for exclusive distribution into China”.

Bubs said that trade with China was “below expectations” and its exclusive distribution agreement with Willis Trading would conclude on June 30, 2023.

The company said it had hired Jackie Lin to help lead “a strategic review of China operations”.

Bubs fell half a cent or 2.7 percent to 18 cents with 3.4 million shares traded.

QBIOTICS GROUP

Qbiotics says director Neville Mitchell has resigned today and Dr Steven Ogbourne will continue as an executive but not seek re-election at the annual general meeting.

Qbiotics said Mr Mitchell had been “a valuable contributor during his six years as a board member” and chief translational research officer Dr Steven Ogbourne had served two terms as a director and would continue as an executive.

Qbiotics is a public unlisted company.

RIDLEY CORP

Ridley says chief executive officer Quinton Hildebrand will have a “retention” payment of \$1 million, 1.5m performance rights and a 50 percent rise in short term incentives.

Ridley said it had a three-year retention agreement with Mr Hildebrand that included an extended notice period from six to 12 months and a one-off retention payment of \$1,000,000 in cash, payable on July 1, 2023.

The company said that subject to shareholder approval and Mr Hildebrand’s continued employment over a three-year period it would vote at its annual general meeting to issue Mr Hildebrand 1.5 million performance rights.

Ridley said Mr Hildebrand would also receive a short-term incentive up to 150 percent of his fixed remuneration – an increase from 100 percent from July 1, 2023.

In 2019, Ridley said it had appointed Quinten Hildebrand as chief executive officer, starting on \$700,000 a year, effective from August 26, 2019 (AVW: Aug 23, 2019).

Ridley said that 78 percent of the retention arrangements were “at risk” and subject to stringent performance criteria.

Ridley chair Mick McMahon said Mr Hildebrand had done an “outstanding job thus far in reshaping the business and his ongoing commitment demonstrates his belief in the future of Ridley and the opportunity to deliver further value for shareholders”.

Ridley fell two cents or one percent to \$1.90 with 683,613 shares traded.

MGC PHARMACEUTICALS

MGC says chair Brett Mitchell and director Nativ Segev left on June 1, 2023, it has appointed Layton Mills a director, Oberon Capital a broker and IFC an adviser.

Earlier this week, MGC said Mr Mitchell and Mr Segev had resigned “reflecting the changing direction of the company as [it] moves away from the medical cannabis sector toward a more pharma-focused business strategy”.

The company said that director Dr Stephen Parker would replace Mr Mitchell as interim chair and that it would appoint an Australian director.

Yesterday, MGC said that it had appointed Layton Mills as a director from June 1.

The company said that Mr Mills was a founder of Cannpal developing veterinary marijuana products and following the merger with Australia’s first ASX-listed marijuana company Auscann became its chief executive officer.

MGC said that Mr Mills was the founder of Subgenix Lifesciences developing psychedelic compounds for medical use.

MGC said it had appointed London’s Oberon Capital as a joint broker in the UK with Peterhouse Capital, effective immediately.

In March, MGC said that Peterhouse Capital would replace Turner Pope as its lead broker on the London Stock Exchange (AVW: Mar 3, 2023).

This week, the company said it had appointed London’s IFC Advisory as its UK public and investor relations advisers.

FONTERRA SHAREHOLDERS FUND

Fonterra says it has appointed Anna Palaret acting chief operating officer, replacing Fraser Whineray, effective from June 1, 2023 until a permanent appointment is made.

Fonterra said Ms Palaret joined the company in October 2022 as supply chain director and was previously an Air New Zealand executive and chair of Auckland’s Kotahi GP.

The company said Mr Whineray would leave the co-op in July.

Fonterra was up one cent or 0.3 percent to \$3.33.

FOOD AGILITY COOPERATIVE RESEARCH CENTRE

The Food Agility Cooperative Research Centre says, it will host a digital agrifood conference with Charles Sturt University in Wagga Wagga, New South Wales in October. The Food Agility CRC said speakers would include Downforce Technologies chief scientific officer Jacquie McGlade, Telstra executive Jon Flores, Sundown Pastoral co-owner David Statham and ANZ Bank head of agribusiness insights Michael Whitehead. Food Agility said the summit's theme would be "Paddock to Profit" and run from October 11 to 12, 2023.

For more information and to register, go to:

<https://www.digitalagrifoodsummit.com.au/tickets>.