

Ag & Vet Weekly



Monday June 5 - Friday June 9, 2023

All the news on ASX-listed agriculture and veterinary companies

- * **ASX UP, AVW-42 DOWN: MEMPHASYS UP 20%; CANN GROUP DOWN 7%**
- * **ABARES: 14% AGRICULTURE DROP DUE TO LOWER RAINFALL; EL NIÑO**
- * **BUREAU OF METEOROLOGY ISSUES EL NIÑO ALERT**
- * **TERRAGEN RAISES \$3.7m; PLAN FOR \$1m MORE**
- * **SYNLAIT, A2 INFANT FORMULA RE-REGISTERED IN CHINA**
- * **MEMPHASYS: 'FELIX BEATS OTHERS FOR FROZEN SPERM'**
- * **PHARMAUST MONEPANTEL 'SAFE' FOR MND; STARTS COHORT 3**
- * **AVECHO COMPLETES TPM MARIJUANA GUMMIES DEVELOPMENT**
- * **ANATARA PLANS STAGE II GARP IBS TRIAL**
- * **CRESO TO IMPORT SWISS MDMA, PSILOCYBIN**
- * **ROOTS TELLS ASX: ISRAEL 35-DAY RULE DELAYED EGM 7 MONTHS**
- * **ELDERS KEEPS M-D MARK ALLISON, LOSES DIRECTOR MATTHEW QUINN**
- * **AUSTRALIAN AGRICULTURAL LOSES CO SEC BRUCE BENNETT**

MARKET REPORT

The Australian stock market was up 0.32 percent on Friday June 9, 2023, with the ASX200 up 22.8 points to 7,122.5 points. Nine of the AVW-42 stocks were up, 13 fell, 15 traded unchanged and five were untraded.

Memphasys was the best, up 0.3 cents or 20 percent to 1.8 cents, with 610,000 shares traded. Epsilon climbed 11.1 percent; Rare Foods rose 6.1 percent; Nanollose improved five percent; Botanix was up 3.2 percent; Cobram, Pharmaust and Ridley were up more than one percent; with Apiam up by 0.9 percent.

Cann Group led the falls, down one cent or 6.7 percent to 14 cents, with 878.068 shares traded. Original Juice lost 6.1 percent; Bubs fell 5.6 percent; Next Science was down 4.6 percent; Australian Agricultural, Bega, Clover, Ecofibre, Elders and Synlait were down more than one percent; with A2, Nufarm and Select Harvests down less than one percent.

BUREAU OF AGRICULTURE AND RESOURCE ECONOMICS AND SCIENCES

Abares says winter crop production will fall from “record highs” due to below average rainfall, and the El Niño weather pattern will lead to a 14 percent fall in agriculture value. Abares executive director Dr Jared Greenville said the reduced winter crop output and fall in the total value of the industry was expected after the records broken in the past three years.

Dr Greenville said agricultural production would be \$79 billion in 2023-'24, due to drier conditions as Australia moves from three years of exceptional La Niña weather patterns. “We are also expected to see a positive Indian Ocean Dipole which may suppress winter and spring rainfall over much of Australia and potentially exacerbate the drying effect of an El Niño event,” Dr Greenville said.

Dr Greenville said the Australian Crop Report forecast a total winter crop production to fall by 34 percent to 44.9 million tonnes for the year due to mixed soil moisture levels and unfavorable planting conditions in the northern cropping regions of most states.

“On a more positive note, high crop prices, good seasons and record farm cash incomes over the last three years meaning many growers will stay in a strong financial position despite the fall in production,” Dr Greenville said.

Dr Greenville said the reduction was not the same story across all industries, with horticulture production expected to increase by \$1.5 billion to reach a record \$18 billion due to strong growth in nut production and increasing fruit and vegetable consumption.

“The wine industry will also rebound from a challenging 2022-'23, as the expected drier conditions [this year] should reduce the occurrence of disease”, Dr Greenville said.

Dr Greenville said livestock would see slight increases in production across beef, sheep and milk, but a drop in the value of production to \$35 billion due to lower prices.

Abares said the reduced value of the agriculture sector was also due to an increased supply in overseas markets as exports are expected to fall by 17 percent to \$65 billion in 2023-'24, still the third highest result on record.

“Despite the decline in production and weather events, national planting to winter crops in 2023-'24 is set to remain historically high ... at 23.3 million hectares, six percent above the 10-year average to 2022-'23,” Dr Greenville said.

BUREAU OF METEOROLOGY

Separately, on Tuesday June 6, 2023 the Bureau of Meteorology moved from an El Niño Watch to El Niño Alert.

The Bureau said that an Alert meant there was a 70 percent chance of an El Niño weather event developing this year.

Bureau of Meteorology senior climatologist Catherine Ganter said it was “very likely the tropical Pacific Ocean temperatures will reach El Niño levels during winter, [and] we have seen some movement in the atmosphere towards El Niño conditions”.

“While our El Niño Alert criteria have been met, these changes will need to strengthen and sustain themselves over a longer period for us to consider an El Niño event,” Ms Ganter said.

The Bureau of Meteorology said that El Niño “describes changes in the tropical Pacific Ocean that affect global weather and it occurs on average every three to five years”.

The Bureau said that an El Niño weather pattern could include reduced rainfall for eastern Australia; warmer daytime temperatures for the southern two-thirds of the continent; increased risk of extreme heat; increased bushfire danger in south-eastern Australia; increased frost risk linked to clear skies at night; decreased alpine snow depths; a later start to the northern wet season; and reduced tropical cyclone numbers.

TERRAGEN HOLDINGS

Terragen says it has commitments for \$3.7 million through a two-tranche placement at 2.4 cents a share, and hopes a share plan will raise a further \$1.0 million.

Terragen said the placement price was an 8.2 percent to the 15-day volume weighted average price, and was “strongly supported” by substantial shareholder Scobie Ward and Terragen directors Sam Brougham and Travis Dillon.

The company said that the record date for the non-underwritten share purchase plan was June 7, it would open June 9 and close June 30, 2023.

Terragen said it expected Mr Ward to join the board following the issue of the second tranche of the placement which was estimated to be about August 23, 2023.

The company said Bell Potter Securities was the lead manager for the raising.

Terragen was unchanged at 2.4 cents.

A2 MILK, SYNLAIT MILK

Synlait says China’s State Administration for Market Regulation has re-approved registration of its A2 Milk Chinese-labeled Infant Formula.

In February, Synlait said China’s State Administration for Market Regulation would conduct an on-site audit for re-registration of A2 Milk’s infant formula product from February 26, 2023 (AVW: Feb 17, 2023).

At that time, the company said it manufactured A2 Milk’s Chinese labelled infant milk formula product and reregistration of the formula product was required under China’s Guobiao (GB), or food safety legislation standards.

This week, the company said that having received reregistration in line with China’s GB standards, it expected production to commence by July with product transition into the market by the end of 2023.

Synlait said the approval allowed it to manufacture the milk formula until September 2027.

Synlait chief executive officer Grant Watson said the company was “thrilled to have achieved this significant milestone, which is pivotal to the long-term success of our advanced nutrition business”.

“Our shareholders, staff, customers, and farmer suppliers all benefit from the certainty of today’s re-registration and continued China market access,” Mr Watson said.

“Synlait and the A2 Milk Company have a long-standing and complementary partnership, and we look forward to continuing to support their China growth ambitions,” Mr Watson said.

“The re-registration is a very important milestone and we have worked hard together to ensure its success,” Mr Watson said.

A2 Milk managing-director David Bortolussi said the company was pleased to confirm that its product re-registration had been approved.

“We look forward to making our upgraded new China label [infant milk formula] available to parents and their infants and young children in China, building on the strong brand loyalty we have developed with Chinese families over the past decade,” Mr Bortolussi said.

“The approval provides A2 Milk China with continued access to China’s substantial registered domestic infant milk formula market which remains the key focus of our refreshed growth strategy,” Mr Bortolussi said.

A2 Milk fell three cents or 0.6 percent to \$5.21 with 2.7 million shares traded.

Synlait fell two cents or 1.2 percent to \$1.61.

MEMPHASYS

Memphasys says its Felix electro-phoretic separation system is “the best separation technique for recovering high quality [human] sperm post cryo-preservation”.

Memphasys said that a study compared its Felix automated, electro-phoretic, single-use cartridge, sperm separator for in-vitro fertilization to the current density gradient centrifugation (DGC) and ‘Swim-up’ technologies found that Felix had “significantly lowered the levels of DNA fragmentation ... while maintaining relatively high levels of motility and sperm recovery”.

The company said the study, titled ‘Analysis of sperm separation protocols for isolating cryopreserved human spermatozoa’ was released at the 2023 Fertility Society of Australia and New Zealand conference, and published in the journal Reproduction and Fertility, with the article available at <https://raf.bioscientifica.com/view/journals/raf/4/2/RAF-22-0133.xml>.

Memphasys said the study also showed its Felix device did not reduce the levels of motility and vitality in cryopreserved sperm as much as standard-of-care treatments.

Memphasys was up 0.3 cents or 20 percent to 1.8 cents.

PHARMAUST

Pharmaust says interim results from its trial of monepantel for motor neuron disease show that tablets were well-tolerated and reached bloodstream therapeutic levels.

Pharmaust said the 24-hour pharmacokinetic data of cohort 1 and 2 patients taking 2mg/kg and 4mg/kg doses of monepantel, respectively, showed it had been absorbed, distributed and metabolized into monepantel sulphone in the patients’ plasma.

The company said the trial safety committee observed no serious adverse events and had approved the dose escalation of cohort 1 patients to cohort 3 at 6.0mg/kg.

Pharmaust executive chairman Dr Roger Aston said the interim trial outcome was “excellent news”.

Dr Aston said the company would “eagerly await the analysis of the biomarkers”.

Pharmaust was up 0.1 cents or 1.3 percent to 7.6 cents.

AVECHO BIOTECHNOLOGY

Avecho says it has developed its tocopheryl phosphate mixture (TPM)-based edible marijuana gummies for medicinal patients and consumers.

Avecho said its TPM-cannabinoid gummies “out-perform standard products with faster onset and greater magnitude of effect”.

The company said marijuana gummies were chewable, jelly-like preparations made from a mixture of glycerin and gelatin and “increasingly popular dosage forms ... as they provide an alternative method to consumption to smoking and vaping without the associated respiratory issues”.

Avecho chief executive officer Dr Paul Gavin said TPM enhanced drug absorption through the cheeks and into the bloodstream which improved the dosage onset.

“We have always suspected TPM had the appropriate chemistry to promote buccal absorption but have not previously worked with a dosage form appropriate for this route of administration,” Dr Gavin said.

“While the pharmaceutical market is our priority, the value of recreational gummies with better absorption for the North American market cannot be underestimated or ignored [...and] while we won’t step into this space ourselves, we are already in discussions with third parties”, Dr Gavin said.

Avecho was unchanged at 0.6 cents with 1.6 million shares traded.

ANATARA LIFE SCIENCES

Anatara says preliminary results from 31 patients in its phase I/IIa gastrointestinal reprogramming (Garp) irritable bowel syndrome trial support progressing the trial.

Earlier this year, Anatara said it had revised the study protocol in its phase I/IIa irritable bowel syndrome trial and had enrolled 50 of 90 patients (AVW: Mar 10, 2023).

Today, the company said the “small data set” of patients treated in its trial of complementary medicine had been reviewed by the data safety monitoring board, with no safety concerns reported and supported continuing the trial.

Anatara said it expected to enrol more than 70 patients to complete stage I of the phase I/IIa trial, with interim analysis expected by October 2023.

Anatara was unchanged at 2.8 cents.

CRESO PHARMA

Creso Pharma says it has a letter of intent to import 3,4-methylene-dioxy-meth-amphetamine and psilocybin from Switzerland’s Apotheke Dr Hysek AG.

Creso said the commercial terms had not been decided but both parties would enter into a detailed agreement on or before August 31, 2023, unless the deal fell through.

The company the letter of intent proposed it would provide the infrastructure to import, warehouse and distribute the products through its wholly-owned subsidiary Health House International.

Creso was unchanged at 0.9 cents with 2.8 million shares traded.

ROOTS SUSTAINABLE AGRICULTURAL TECHNOLOGIES

Roots has told the ASX that an Israeli 35-day requirement delayed shareholder approval for director Adam Blumenthal’s participation in a placement for seven months.

In response to an ASX query in March, Roots said it could fund its operations through a placement and a potential share purchase plan (AVW: Mar 10, 2023).

At that time, the company said that Mr Blumenthal’s Everblu Capital would act as lead manager and receive six percent of the funds raised, and that Mr Blumenthal would provide an interest free loan of \$50,000.

This week, Roots said it had left out the resolution to approve Mr Blumenthal’s participation in the placement from its general meeting on March 20, 2023 to avoid delaying shareholder approval of urgent funding initiatives.

Roots said Israeli law required a 35-day notice period to obtain shareholder approval for any related party matter and that it did not want to delay seeking approval for the resolutions of refreshing its placement capacity, consolidating the issued capital and approving a future placement.

The company said it intended to seek shareholder approval for Mr Blumenthal’s participation in the placement and had prepared a notice of meeting which was in the process of being finalized for ASX review, with the meeting expected in August, 2023.

Roots said that with “a significant pipeline of pending orders at various stages with 30 to 40 percent profit margins” and a “significantly reduced” cash expenditure it believes its financial condition is sufficient to warrant its continued listing as a going concern.

Roots said that the notice had been prepared, was being finalized and approved by the board and would be sent to ASX for review, shortly.

Roots was unchanged at half a cent.

ELDERS

Elders says Mark Allison will continue as managing director and chief executive officer, and Matthew Quinn resigned as a non-executive director effective from June 4, 2023. The company said, “that after a comprehensive domestic and international search, the board of directors of Elders has agreed with Mr Mark Allison that he continue in the role of managing director and chief executive officer”.

Last year, Elders annual general meeting voted to issue 107,000 performance rights to Mr Allison, who was expected to retire by November this year (AVW: Nov 18, 2022).

Elders fell eight cents or 1.25 percent to \$6.32 with 1.3 million shares traded.

AUSTRALIAN AGRICULTURAL CO

Australian Agricultural says its company secretary and general counsel Bruce Bennett intends to resign.

Australian Agricultural said Mr Bennet would “remain with the company to enable a seamless transition” and it had begun the process to fill his position.

Australian Agricultural fell 2.5 cents or 1.6 percent to \$1.515.