

Ag & Vet Weekly



Monday September 20 – Friday September 24, 2021

All the news on ASX-listed agriculture and veterinary companies

- * **ASX, AVW-42 DOWN: FOOD REVOLUTION UP 3.85%; AVECHO DOWN 5%**
- * **NSW FARMERS: 'PLANTS ARE NOT MEAT OR MILK'**
- * **FONTERRA REVENUE DOWN 1% TO \$20b, PROFIT DOWN 9% TO \$580m**
- * **CLOVER REVENUE DOWN 31.5% TO \$60.5m, PROFIT DOWN 52% TO \$6m**
- * **HUON: COURT OKAYS JBS SCHEME MEETINGS; BOOKLET; AGM**
- * **AUSCANN APPOINTS CANNVALATE FOR CLINICAL REVIEW**
- * **MEMPHASYS ON-TRACK FOR SAMSON HORSE SEMEN TEST**
- * **FOOD REVOLUTION: 'INCREASING JUICE LAB DISTRIBUTION'**
- * **EPSILON: VALENS 1st MARIJUANA ORDER FOR \$540k**
- * **CRESO, HALUCENEX, ACADIA UNI WORK ON GEL CAPSULES**
- * **APIAM RELEASES 2.9m VOLUNTARY ESCROW SHARES**
- * **PERPETUAL TAKES (REDUCES TO) 5% OF CLOVER**

MARKET REPORT

The Australian stock market fell 0.37 percent on Friday September 24, 2021, with the ASX200 down 27.6 points to 7,342.6 points. Ten of the AVW-42 stocks were up, 19 fell, 11 traded unchanged and two were untraded.

Food Revolution was the best, up 0.1 cents or 3.85 percent to 2.7 cents, with 2.4 million shares traded. AP Hemp, Cann Group and Memphasys climbed three percent or more; Auscann rose 2.2 percent; Murray Cod, Nanollose and Ridley were up more than one percent; with A2 Milk and Cobram up by less than one percent.

Avecho led the falls, down 0.1 cents or 5.3 percent to 1.8 cents, with 1.3 million shares traded. Creso fell 4.35 percent; Ecofibre, Next Science, Palla and Synlait lost more than three percent; Apiam, Costa, MGC, Nufarm, Pharmaust, Seafarms, Select Harvests and Tassal were down more than one percent; with Bega, Clean Seas, Clover, Elders and Fonterra down by less than one percent.

NEW SOUTH WALES FARMERS

New South Wales Farmers says “plant-based proteins should be banned from using words like ‘meat’, ‘beef’, ‘lamb’ and ‘milk’”.

NSW Farmers told the Senate ‘Inquiry into Definitions of Meat and other Animal Products’ that plant proteins were “part of our future, but the word ‘meat’ needs to be protected”.

The industry organization said clear labelling was required for alternative plant-based protein products to show that they are plant-based, and any environmental or health claims should be supported by “sound evidence” to justify their inclusion.

NSW Farmers said that “images of animals should be prohibited on alternative protein labels” and that those labels should bear a clear statement declaring the product does not contain meat or milk and that those terms should only be used in reference to flavoring, such as “beef flavored plant-based burgers”.

NSW Farmers president James Jackson said there was a place for the alternative and plant-based protein sector, but clear labelling was needed to protect existing industries.

"When you hear the word 'meat', you think cow or sheep or chicken," Mr Jackson said.

"There is a growing demand for non-meat alternatives and NSW Farmers supports further research and development into agricultural products including alternative proteins, but at the end of the day 'meat' means 'meat'," Mr Jackson said.

"We believe there is room in the marketplace for both animal and plant-based proteins, but there needs to be clear labelling," Mr Jackson said.

"We're committed to growing our agriculture sector to \$30 billion by 2030 and this will involve new opportunities such as alternative proteins," Mr Jackson said.

NSW Farmers said research from Sydney's Australian Farm Institute showed that by 2050, animal agriculture would not meet the demand for protein, and alternative proteins would be complimentary, rather than competitors, to traditional industries.

The organization said that in 2018-'19 the red meat and livestock industry contributed \$17.6 billion to GDP, employing about 434,000 people, and during the same period, the Australian alternative protein sector generated \$150 million in Australian retail sales and supported 265 jobs.

An NSW Farmers spokesperson told Ag & Vet Weekly that “we’re not anti-soy, oat or almond”.

“We represent all farmers, so of course we want to see soy used in a variety of products, but we’re drawing the line under ‘meat’ and ‘milk’ because those terms have a reputation that has been built on by the [research and development] and marketing that industry and government has paid for,” the spokesperson said.

The organization told Ag & Vet Weekly that last year’s annual conference voted to restrict the term ‘milk’ to “the mammary secretions of milking animals”.

NSW Farmers said that the Australian Dairy Farmers and Dairy Connect also called for “truth in labelling” for plant-based products, with NSW Farmers’ dairy committee chair Colin Thompson saying the problem was worsening.

“We have seen a growing number of plant-based products on supermarket shelves during the past decade achieving consumer marketing leverage using the name ‘milk’,” Mr Thompson said. “There is a place for the products, but they are hijacking the look and feel of dairy, while claiming to have the nutritional values of fresh cows’ milk.”

NSW Farmers said that non-dairy drinks marketed as milk in Australian supermarkets included soy, cashew, almond, oat, hemp, rice and coconut extracts.

The organization said that in 2017, the European Court of Justice mandated that dairy terms could not be used on plant-sourced products, even if clarifying terms were used and the following year France legislated to protect dairy terms; and under Australian laws, only milk from cows can be labelled milk - without an added qualifier.

FONTERRA CO-OPERATIVE GROUP

Fonterra says revenue for the year to July 31, 2021, was down 1.4 percent to \$NZ20,565,000,000 (\$A19,919,259,000) with net profit after tax down 9.1 percent to NZ\$599,000,000 (\$A580,191,400).

The company said revenue was mainly derived from the sale of its milk products, with \$NZ7,110,000,000 from Asia Pacific, \$NZ7,304,000,000 from Africa the Middle East and the Americas and \$6,312,000,000 from Greater China.

Fonterra chief executive officer Miles Hurrell said the last three years was about "resetting the business".

"We've stuck to our strategy of maximizing the value of our New Zealand milk, moved to a customer-led operating model and strengthened our balance sheet," Mr Hurrell said.

"The results and total pay-out we've announced today show what we can achieve when we focus on quality execution and an aligned Co-op," Mr Hurrell said.

"I want to thank our farmer owners and employees for their hard work and commitment over the last few years that has got us to this position," Mr Hurrell said.

"Together, we've shored up foundations and done this despite the challenges of operating in a Covid-19 world," Mr Hurrell said.

Fonterra said it would pay a 15.0 NZ cents dividend for shareholders on the record date of September 30 to be paid on October 15, 2021.

The company said that diluted earnings per share was down 16.3 percent to 36 NZ cents a share.

Fonterra said that net tangible asset backing per share was up 3.6 percent to \$NZ2.87.

The company said that it had cash and cash equivalents of \$NZ985,000,000 at July 31, 2021, compared to \$NZ788,000,000 at July 31, 2020 and net debt was down \$NZ872 million to \$NZ3.8 billion.

Fonterra fell two cents or 0.5 percent to \$3.85.

CLOVER CORP

Clover Corp says revenue for the year to July 31, 2021, was down 31.46 percent to \$60,505,000 with net profit after tax down 51.92 percent to \$6,004,000.

Clover said revenue came primarily from sales of its Omega 3 infant formula with \$21,667,000 from Australia and New Zealand, \$24,317,000 from Asia, \$10,444,000 from Europe and \$4,077,000 from the Americas.

The company said its customers had delayed projects and reduced their orders due to lower consumer demand with the challenges in China's market, with markets in Asia, Australia and New Zealand "impacted by Covid-19 and trading conditions into China".

Clover said it faced a loss of \$700,000 from its 41.91 percent holding in New Zealand-based Melody Dairies which "struggled to get government regulatory and customer acceptance testing because of Covid-19".

The company said it would pay a fully franked dividend of 0.5 cents for the record date of October 26 and payable on November 16, 2021.

Clover said diluted earnings per share was down 51.54 percent to 3.61 cents.

The company said that its net tangible assets per share were up 2.41 percent to 33.98 cents.

Clover said that it had cash and cash equivalents of \$9,091,000 on July 31, 2021 compared to \$9,241,000 on July 31, 2020.

Clover fell half a cent or 0.3 percent to \$1.475.

HUON AQUACULTURE

Huon says the Federal Court of Australia has approved shareholder scheme meetings to vote on the \$3.85 a share bid by Brazil's JBS SA to acquire the company.

In August, Huon said the São Paulo-based beef farmer JBS had made an offer to buy the company through a scheme of arrangement, requiring a 75 percent majority vote, prompting Dr Andrew Forrest's Tattarang to increase its holding to 18.5 percent, and was followed by JBS then making a takeover bid requiring a simple 50 percent majority vote (AVW: Aug 13, 20, 2021).

At that time, Dr Forrest and the Tasmanian Alliance for Marine Protection strongly criticized JBS track record on environmental and animal husbandry matters, as well as the company's corporate governance record.

The Tasmanian Alliance for Marine Protection called on the Federal Treasurer Joshua Frydenberg and the Foreign Investment Review Board to block the deal.

The Blacks Harbour, New Brunswick-based Cooke Aquaculture said it was "interested in exploring future opportunities in Tasmanian salmon farming".

Today, Huon said its share acquisition booklet for the meetings had been registered with the Australian Securities and Investments Commission and was on its ASX page.

The company said that the booklet included the explanatory memorandum, bidder's statement, target's statement, independent expert's report and the scheme notices of meeting, as well as the annual general meeting notice of meeting.

The Booklet is also available at: <https://investors.huonaqua.com.au> and will be sent to shareholders on September 28, 2021.

All three meetings will be held virtually on October 29, 2021 at 10am (AEDT).

Huon was unchanged at \$3.60.

AUSCANN

Auscann says it has appointed Melbourne's Cannvalate Pty Ltd to review its animal data and research to develop drugs for human traumatic injury and neurological disorders.

Auscann said Cannvalate was a marijuana-focussed company with a contract research organisation arm.

The company said that Cannvalate would review its research to address US Food and Drug Administration "regulatory pathways, commercial feasibility, clinical trial mapping and the pathology and symptoms for target indications with a high likelihood of response to cannabinoid therapy".

The company said the market for human traumatic injury and neurological disorders was worth more than \$US2 billion (\$A2.75 billion) a year.

Auscann said Cannvalate would review its marijuana-based CPAT-01 "canine investigational formulation" and existing animal safety, toxicology, pharmacokinetic and biomarker data to accelerate FDA registration pathways for its human drug candidates.

Earlier this year, Auscann acquired Cannpal which was developing marijuana-based treatments for dog osteoarthritis in collaboration with the Commonwealth Scientific and Industrial Research Organisation (AVW: Nov 20, 2020; Mar 12, 2021).

In April, Auscann said that a trial of 46 dogs with osteoarthritis showed that its liquid, oral formulation of tetrahydrocannabinol (THC) and cannabidiol (CBD) based CPAT-01 was safe, effective and improved lameness, pain and quality of life (AVW: Apr 30, 2021).

Auscann was up 0.2 cents or 2.2 percent to 9.2 cents.

MEMPHASYS

Memphasys says its Samson stallion dismount fertility diagnostic is on-track to be field tested during the September to November Australian horse-breeding season.

In May, Memphasys executive chair Allison Coots told Ag & Vet Weekly that the test sampled the remnant of "dismount" semen left on a horse's penis after natural mating with a mare (AVW: May 7, 2021).

Ms Coutts said in May that the test detected the probability of the stallion being able to fertilize a mare based on the level of mitochondrial activity in the sperm, with the result known almost instantly.

Today, Memphasys said it was on-track to conduct a field trial of its Samson prototype "during the Australian horse breeding season, September to December".

The company said a thoroughbred and standard stud farm had been arranged and testing would begin as New South Wales Covid-19 lockdown constraints lift.

Memphasys said it had identified a potential field site in the US where testing could take place during the US horse breeding season "should researchers not be able to access the [Australian] sites during the breeding season due to Covid-19 restrictions".

Memphasys was up 0.2 cents or three percent to 6.9 cents.

FOOD REVOLUTION GROUP

Food Revolution says it has increased its Juice Lab shots distribution network with Coles to more than 1,000 shops in Australia.

Food Revolution said it had agreements with both Coles and Woolworths for the distribution of all three of its Juice Lab carbonated beverage range.

The company also said that it had begun an expansion of its Original Juice Black Label range at both Coles and Woolworths.

Food Revolution chief executive Steven Cail said the company was "delighted with the strong growth and consumer demand we have seen for our Juice Lab Wellness Shots".

"Wellness and functional beverages are a growing segment in the Australian beverage sector and our Juice Lab range continues to grow market share," Mr Cail said.

"The increased distribution network through major retailers, such as Coles and Woolworths, is a reflection of consumer demand and our continued focus on product quality," Mr Cail said.

Food Revolution rose 0.1 cents or 3.85 percent to 2.7 cents with 2.4 million shares traded.

EPSILON HEALTHCARE

Epsilon says it has its first order, worth \$540,000, under its agreement with Valens to use its Southport Queensland marijuana manufacturing plant (BD: Sep 9, 2021).

The company said the orders were for white-labelled cannabis products produced at the Southport facility, to be sold in Australia and New Zealand.

Epsilon said it expected to complete delivery of the first two pallets of products "within the coming week" with further deliveries expected to be completed early next year, primarily for New Zealand.

The company said it expected payment for about 65 percent of the order this month, with the remainder at the time of final product delivery.

Epsilon chief executive officer Jarrod White said the order was "a significant milestone".

"Pleasingly, the receipt of our maiden order has been achieved within a week of announcing our partnership," Mr White said.

Epsilon was unchanged at 13 cents.

CRESO PHARMA

Creso says that subsidiary Halucenex has a collaboration with Acadia University to develop psilocybin and cannabidiol gel capsules as a vehicle for drug delivery. Creso said that the agreement between wholly-owned Canadian subsidiary Halucenex Life Sciences and the Wolfville, Nova Scotia-based Acadia University would use Halucenex technology and experiment with novel formulations based on nano-emulsion and nano-encapsulation.

The company said that Halucenex and Acadia would work to develop drug delivery vehicles in the form of gel capsules containing cannabidiol (CBD) and psilocybin, aiming for “a quick release effect, good bio-availability of the active ingredients and rapid action”. Creso said the project was “a key milestone” for it and Halucenex and was expected to be completed by July 2022.

Creso fell half a cent or 4.35 percent to 11 cents with 6.8 million shares traded.

APIAM ANIMAL HEALTH

Apiam Animal Health says that 2,894,060 shares will be released from voluntary escrow on October 1, 2021.

According to the company’s most recent Appendix 2A, application for quotation of securities, Apiam had 132,055,497 shares on issue on ASX.

Apiam managing-director Dr Chris Richards told Ag & Vet Weekly that the shares in escrow related to the recent series of acquisitions, with about five million continuing under voluntary escrow arrangements.

Apiam fell 1.5 cents or 1.5 percent to 97.5 cents.

CLOVER CORPORATION

The Sydney-based Perpetual Limited says it has become a substantial shareholder in Clover Corp with 8,377,746 shares (5.04%).

Perpetual said it bought and sold shares between June 4 and September 21, 2021, at prices ranging from \$1.38 to \$1.85, with a net decrease of 5,227,993 shares.

In February, Perpetual said it had increased its substantial shareholding in Clover Corp from 11,022,174 shares (6.63%) to 12,708,968 shares (7.64%) (AVW: Feb 5, 2021).