



PGT

POPPY GROWERS
TASMANIA INC

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POPPY GROWERS TASMANIA INC ANNUAL GENERAL MEETING

Thursday 21st June 2018

PRESIDENT'S REPORT

Presented by

Philip Loane

PRESIDENT'S REPORT
Annual General Meeting
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Ladies and Gentlemen,

It is somewhat subdued pleasure to present my President's Report for 2017/18.

Seasonal Conditions

Last season was quite challenging for quite a few growers, with cold conditions up until early November, then abnormally hot conditions followed by good rains for many in early December, however for some who received 200 – 300mm overnight it was very difficult.

In a number of growing regions the seasonal conditions resulted in a two-tiered crop with the lower tier being left in the paddock at harvest.

Following discussion and investigation it was determined this two-tiered affect was most likely a seasonal phenomenon rather than a particular seed line or region problem.

However, as always, our growers delivered and the processing companies received raw material as per their budget forecasts.

Productivity Workshops

In August 2017, PGT held seven productivity workshops throughout growing regions. We were joined by the Tasmanian Institute of Agriculture, Sun Pharma and Tasmanian Alkaloids in what were very informative and well supported productivity sessions.

Systemic Mildew Research

The industry coalition of UTas/TIA, Sun Pharma, Tas Alk and PGT together with a major research grant from the Australian Research Council is continuing its research into Systemic Mildew.

The ARC grant is a four-year research project and is now into its second year. PGT has committed \$50,000 of grower levies to this project.

Once again a most sincere thank you to UTas/TIA, the State Government, Tas Alk and Sun Pharma for their ongoing support for this important research project.

UN Commission on Narcotic Drugs

I feel privileged to have attended my second UN Commission on Narcotic Drugs meeting in March of this year.

The purpose of PGT representatives attending this meeting is to gain an understanding of the key drivers that impact the supply and demand for opiates for medical and scientific purposes on a global basis.

To gain that understanding we attend the supply and demand sessions of the plenary and attend as many side events as possible.

We also seek to meet with as many industry representatives as possible including the regulatory body of the UNCND, the International Narcotics Control Board (INCB).

Our meeting with the INCB was quite memorable. It is difficult to overstate how impressed they are with Tasmania. Its professional growers, strong government regulation and globally recognised poppy companies.

They were clearly very impressed with how the growers were unified under a strong voluntary organisation and in such a professional manner.

What did we learn?

- All industry participants are very concerned with continuing bleak market conditions;
- Codeine price the lowest in 20 years. Usually \$400 US plus per kg, Indian tender \$290.00 US per kg;
- Market is that tight contracts are being won and lost over 50c US per kg;
- Spain – Alcaliber sale nearing completion. Rumoured private equity group new owners;
- Mac Smith no longer grows poppies – UK – Portugal;
- Turkey has had to reduce its price for morphine into its 80/20 rule protected US market by 40%;
- An important side discussion is that codeine CPS-C is becoming the preferred starter material for codeine phosphate;
- This will be good for Tasmania as all three companies claim to produce CPS-C which is not restricted by the US 80/20 import rule;

- We should not get ahead of ourselves though, because it could be a race to the bottom with Turkey's State owned producer reducing its Morphine price by 40% to try and compete with the flow of CPS-C which is not restricted by the 80/20 rule;

Another consideration is it appears the focus on prescription drug abuse is moving away from oxycodone (thebaine) to the illegal highly dangerous Fentanyl and its analogues.

Fentanyl is a laboratory opioid 100 times more powerful than Morphine. It does not belong to the poppy family of opiates. Again, this could prove positive for Tasmania.

Time does not permit a full discussion of the UNCND meeting, except to say there is overcapacity of extraction facilities globally with capacity being 1100 – 1200 tonnes and demand being approximately 750 tonnes. This is why processors are reducing prices to capture orders to maintain factory throughout.

A personal perspective is that top flight industry gurus got it wrong. These are people at the tablet/dosage end of the market – the retail end.

In 2012 or thereabouts they totally overestimated the future industry demand for raw material and totally underestimated the impact of the US now global crisis of over use of prescription pain management.

While the above may appear doom and gloom, we get the very strong impression that the slowdown in demand and heavily reduced prices has bottomed out and the industry will over the next 2-3 years complete its' restructure and recover. The recovery we believe will be centred on genuine demand for pain management opiates for medical and scientific purposes.

Gone will be the impetus for unrealistic demand projections.

Contract Negotiations

You may have wondered why I opened with "it is somewhat a subdued pleasure to present my report"...

In a few words "the continuing erosion of growers ability to make a fair and reasonable return from growing poppies".

Much has been said and written over the past few weeks about the respective offers from the three poppy companies for the coming season.

While we live in the real world and recognise the very challenging global market conditions for the purchasers of our product we cannot sit idly by and continue to absorb these price decreases and cost of growing increases.

Poppies are an important industry for Tasmania and as growers we want to provide our genuine support and enthusiasm for the poppy crop, but growers need to be recognised for their research and development inputs.

They take the new cultivars and nurture them so that they reach their full potential.

Growers are an essential element in this research and development equation.

Just recently we let the whole supply chain – the global market - know that the prices being offered for the raw material are becoming unsustainably low and the whole industry needs to be aware of that situation.

If you as growers are not happy with the current contract arrangements you must tell your company field officer. If you do nothing else, please do that!

New Members

We are delighted to welcome TPI growers as members of Poppy Growers Tasmania and we thank TPI for facilitating the collection of grower membership levies.

In closing, I have a couple of thank-you's...

I would particularly like to thank all the company field officers and contractors for their valuable advice, assistance and professionalism in the manner in which they go about their respective businesses and deliver their services.

Also the PACB field offices for their diligence and cooperation when administering our world class security procedures.

All are an essential part of this vanguard global industry.

To the Committee of Management for their commitment and support over the past 12 months, it's not always an easy or pleasant task, particularly when there is a need for a frank and robust discussion on behalf of our members.

And last but not least to our growers, thank you for your ongoing support.

Our best wishes for whatever your decision in respect of the 2018/19 season.

Finally, I feel it is important to state that despite these challenging times, I am confident better times are ahead and I remain totally committed to this world class industry and firmly believe Tasmania will continue to be the provider of choice for alkaloid based pain management material to the global pharmaceutical industry, for many-many years to come.

With that, I would like to Move that my report be accepted.