



## Welcome to the 2<sup>nd</sup> Edition of In A Capsule for April 2021

### SunPharma – Contract Negotiations for 2021/2022 Season

Further to our meeting with SunPharma on the 14<sup>th</sup> April 2021, members of the PGT Negotiating Committee met with SunPharma Management on the 28<sup>th</sup> April 2021 to continue discussions in respect of contract arrangements for 21/22.

Sun again emphasised the challenging global market conditions.

Mr Urvish Bhavsar, Head of Australian Operations advised:

As a result of Covid19:

- Prescriptions down worldwide;
- No elective surgery globally for past 12 months;
- Pharmaceutical companies still carrying stock from 18/19;
- Very slim margins if at all for pain management medications;
- Hopefully market will return to 18/19 conditions, later this year or in the first half of 22/23;
- Sun taking a cautious approach and owners remain engaged with Australian opiate raw material business;
- Sun is continuing to invest significant funds into crop research and development.

Once again Mr Bhavsar was at pains to emphasise that Sun was not abandoning the southern growing regions and would return as soon as economically viable;

We spoke about paddock regrowth which appears to be on the increase and likewise Red/Wild Poppies.

It was determined that PGT should encourage an industry approach to the above and Sun committed to actively participate in any research and development proposals.

### Area for 21/22

Sun will be looking to contract sufficient area which will enable them to harvest approximately 1500 hectares, this will consist of morphine and codeine only – Sun will not contract any Thebaine/Orapavine or Noscapine.

They will offer a small area of approximately 100 Ha for white seed.

As previously advised the growing regions will not include the Southern regions, i.e. those regions South of Woodbury.

The remaining regions will share the 1500 ha on an equitable basis between the 7 field officers who in turn will offer each grower from 20/21 a contract to grow.

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It is expected some growers will choose not to grow given the extent of the reduction in area and taking into consideration their paddock size, rotation and individual circumstances.

We must be careful not to give or provide false hope, however in discussions with Sun they advised that if market conditions improved over the coming months which required additional growing area, provided it was economically viable they would give serious consideration to offering such additional area to Southern growers.

### Payment Structure

**Morphine** – The payment scale will revert back to the 2019/2020 scale. This will result in a reduction of approximately 15% throughout the scale.

The base price will also revert back to the 19/20 scale, i.e. for assays up to 1.5% a minimum payment of \$1,047.25 per dry tonne.

This will be a non-PGR crop and as such should attract an input saving of \$100.00 ha from the removal of two sprays associated with the PGR program.

**Codeine** – The payment scale will remain the same as it was for season 2020/21 with a base price for assays up to 1.5% a minimum payment of \$1,376.00 per dry tonne (PGR rate). This will be a PGR crop.

### Advance Payment – “Risk Sharing”

Sun advised there was not a great deal of “take-up” of the additional \$200.00 ha for growers who completed a pre-planting soil nutrient analysis and nitrate test, therefore that additional advance will no longer be available.

The advance payment for 21/22 will be an amount of either \$800.00 or \$0.00 per hectare (Advance “Risk Sharing” Payment) determined by paddock assessments made by Sun field officers against a defined payment criteria.

### Annual General Meeting

Following discussions with Sun Pharma and the importance we place on growing in the southern regions, the 2021 Annual General Meeting will be held at Bothwell in June, date to be advised.

Representatives from Sun including Mr Urvish Bhavsar, Covid19 travel restrictions permitting will also be attending.

### Grower Licence to grow a Narcotic Crop

Growers should have already received notification from the PACB regarding their licence renewal.

As this is the first renewal of the five (5) year licence period, we encourage growers to commence the renewal process sooner rather than leaving it to the last minute.

Up to 300 licences are due for renewal and the National Police check takes some time to be processed.

Your Notice to Grow will not be approved until such time as your license has been renewed.

In conclusion, we hope to meet with Extractas Bioscience in the very near future to discuss their contract arrangements for 2021/2022 season.



Kind regards,  
*Philip Loane*  
President, PGT

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