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...a proud Tasmanian industry.

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Welcome to the July 2021 Edition of In a Capsule

(previous edition – June 2021)

PGT Annual General Meeting

We held our Annual General Meeting at Bothwell on the 23rd June 2021 to demonstrate our support for growers in the Southern region who, because of Sun Pharma’s withdrawal from the South for 2021/22 season, will not be offered Sun contracts for the coming season.

We were very pleased with growers’ attendance which was the best turnout for an AGM in many years.

It only goes to show that growers will attend when there are matters of concern to be discussed.

High on the agenda as one would expect was Sun’s announcement of large reduction in total growing area and complete withdrawal from the Southern region for 2021/22 season.

Dr Tiago Tomaz, Mr Steve Cook and Mr Peter Roberts attended on behalf of Sun Pharma.

Sun Pharma Presentation

The President introduced Dr Tiago Tomaz, Head of Crop, Research and Operations – Tasmania, Sun Pharmaceuticals Industries (Australia) Pty Ltd.

Dr Tomaz apologised on behalf of Mr Urvish Bhavsar, Head of Australian Operations Sun Pharma advising it had been Mr Bhavsar’s firm intention to attend the PGT AGM, however the uncertainty surrounding Victorian travel arrangements and his residency in the metropolitan Melbourne area had made the trip to Tasmania with the very real prospect of a 14 day home isolation, too great a risk.

Dr Tomaz provided a professional and factual presentation for the benefit of those in attendance, whose numbers included most of the Southern poppy growers. He provided factual data from the most recent INCB report:

INCB 2020 Report - Market Analysis

- Overall consumption of pain management drugs decreased in 2019 compared to previous 5 years in N America, Oceania and W Europe
- Global manufacture of oxycodone and hydrocodone decreased in 2019 – lowest levels since 2004.
- Consumption of oxycodone continues to increase – replaces morphine as second most consumed opiate
- Morphine consumption remains steady
 - Total global manufacture of CPS-morphine in 2019 of 379.2 T (historically > 400 T)
 - 87% of CPS-M is being converted to other drugs
 - Morphine poppy straw and CPS-morphine production continues to decrease globally
- Still high level of demand for Thebaine but has been impacted by DEA
- Large increases of poppy growing by Spain, Hungary, Slovakia
- CPS-Codeine straw only grown in Spain (863 ha vs 1990 ha in 2018) and Australia (2300 ha vs 2683 in 2018)
- Spain became largest producer of CPS-M in 2019 (low cost manufacturer)

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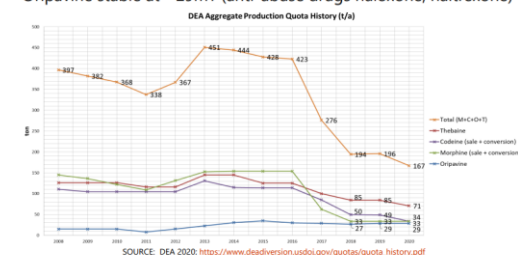
NRM Market – Key Points

- Global NRM production (sum of Morphine, Codeine, Oripavine, and Thebaine) has reduced ~20-25% from 2012-2014 peak levels, across the board all products.
- Main reduction is in Thebaine. Oripavine is least affected.
- Morphine Stock levels are reducing; however still impacting the price of Codeine Phosphate, due to Turkey and Iran Morphine stock.
- US market tightly controlled by DEA quota; 29 MT reductions expected in 2020 across all NRMs except Oripavine and Morphine. 14 MT reduced for Thebaine.
- European market has seen decline in NRM imports ~25% from 2015-2017
- Anti-abuse drugs manufactured from Oripavine (naloxone, naltrexone) and Thebaine (buprenorphine) will partially soften the market downturn.
- To grow NRM volumes Sun Pharma will need to take market share from competitors, in addition to expanding in emerging markets.
- API from NRM to be the Target area for growth.

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US Market Overview

- US market tightly controlled by DEA production quota. DEA quota for Morphine, Codeine & Thebaine est. to be 10-15% lower in 2020 than 2019
- Highest decreases in production quota for Thebaine and Codeine
- Oripavine stable at ~29mT (anti-abuse drugs naloxone, naltrexone)



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Impact to SUN and Tasmanian Operations

- Sales shortfall of >\$30m for EOFY 2021
- EBITDA lowest on record since SUN acquisition in 2015
- Large inventory holdings (>2 years stock of select alkaloids) resulted in reduced area requirement for 21/22
- Difficult decision to reduce Field Officer headcount due to inability to justify numbers for near-mid term future
- Operating budget of low-cost, low-overhead expenses implemented
- All growing districts affected and a growing district was to invariably be lost with inability to offer crop to all districts with total area (1500Ha) requirement to be equitably divided amongst remaining field staff
- Business decision made to make two field officer positions redundant which removed ability to service southern region for 21/22
- Current YTD sales are weakened and potential to again fall short of reduced sales expectations

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Growers asked questions and discussed their feelings in respect of Sun's decision to withdraw from growing in the South for 2021/22 season in a forthright yet respectful manner.

The main themes being:

- Growers felt profoundly disappointed that after being loyal to Sun/GSK, some for 40+ years, that Sun chose to maintain all other growing areas yet withdrew from the South;
- They felt Sun had not given any consideration to their loyalty and commitment to Sun, plus their enormous investment to produce top quality poppy crops for in excess of 40 years.
- While growers were concerned for their own situation, their first concern had been for the welfare of the two field officers whose positions had been made redundant, plus the local contractors who had invested heavily in new/upgraded drilling, spraying, harvesting and transport equipment of recent times.
- Growers expressed their frustration with Sun's decision to make redundant two of the most experienced and highly respected field officers in the State. The impact of losing in excess of 50 years of poppy industry experience from the southern region is enormous and will be felt for many years to come.

- A lifetime of experience and district knowledge gone in one fell swoop. These field officers were recognised for their professionalism, experience and knowledge of the southern growing region especially the variables in soil structure, seasonal conditions and how to get the best out of the differing sub districts within the southern regions.
- Growers believed it would have been far more equitable to maintain a presence in all growing regions, with an overall reduction in growing area of 80/85 instead of withdrawing completely from the south and reducing the remaining areas by 75%.
- As growers have witnessed, many of their fellow growers throughout the State have chosen not to grow when offered heavily reduced growing area for the coming season.
- In addition growers recognise one field officer position in the south may have needed to be made redundant which would have left one field officer with extensive experience of the southern region for when Sun returns to the south.
- They firmly believe Sun could have offered field officers in other regions a voluntary redundancy package and still realised the reduction in field officer head count by two.
- Growers advised Sun did not measure up to the same standard as Tas Alk/Extractas did the previous season when they had a larger reduction in total growing area of 3500 Ha.
- Tas Alk had reduced its total growing area in each region and made its two field officer positions in the south part time. Why hadn't this option been explored?
- Growers were of the view that if the above strategy had been explored and implemented, contractors in the south would have been provided with the opportunity of at least some work for themselves and their equipment.
- Several growers expressed their disappointment about having the news of Sun's withdrawal from the south via the media. They were of the view it could have been managed better with a one on one approach – Sun to grower.

- PGT Chief Executive Keith Rice advised that he took full responsibility for that approach. He recognised some growers were unhappy about hearing the news via media, however in view of the fact many growers throughout the state were in the process of preparing their poppy paddocks, a decision was made to get the news to growers as soon as possible and that was via ABC Rural Report and ABC Country Hour. He provided a timeline from when Sun's decision was conveyed to PGT to when growers were formally advised by PGT's official journal *In A Capsule*. He said PGT had received overwhelming support from growers for delivering the news by the quickest and most effective means possible.

In closing, the President, on behalf of the PGT and those present expressed the collective appreciation of all present to Dr Tomaz, Mr Cook and Mr Roberts for their attendance, presentation and opportunity for southern growers to participate in open, frank and respectful dialog with Sun Pharma.

He said growers greatly valued the opportunity to put a fact to and hear directly from Sun Pharma and also to voice their concerns and points of view with Sun management.

PGT Committee of Management for 2021/2022

Philip Loane was unanimously elected **President**
Michael Nichols was unanimously elected **Vice President**
Tom Edgell was unanimously elected **Treasurer**

Contact	Mobile No.	District
Philip Loane (President)	0418 104 422	Sassafras/Devonport East/Moriarty/Sheffield
Michael Nichols (Vice President)	0409 451 430	Circular Head
Tom Edgell (Treasurer)	0438 595 515	Derwent Valley/Bothwell
Colin Chaplin	0419 380 413	Sassafras/Devonport East/Moriarty/Sheffield
Gavin Clark	0418 576 653	Hagley/Elizabeth Town
Stuart Coles	0437 021 478	Hagley/Elizabeth Town
Andrew Dowling	0407 406 229	Northern Midlands/Cressy/Fingal
Marcus Harris	0407 872 024	Sassafras/Devonport East/Moriarty/Sheffield
Rodney Jones	0418 656 630	Forth/Ulverstone/Penguin/Burnie
Stewart McGee	0417 920 750	Northern Midlands/Cressy/Fingal
Phillip Partridge	0400636836	Scottsdale/North East
Josh Langmaid	0418 329 508	Forth/Ulverstone/Penguin/Burnie
Walter Thompson	0417 552 529	Coal River
Phillipa (Pip) Webster	0438 046 149	Southern Midlands
Glynn Williams	0419 895 332	Forth/Ulverstone/Penguin/Burnie
Keith Rice (Chief Executive)	0418 133 234	Poppy Growers Tasmania Inc

The President said it was pleasing to have a full Committee for the first time in a number of years, with Mr Josh Langmaid being elected to the Devonport West/Forth/Penguin and Burnie region.

Order of Australia – Australia Day Awards

Mr Noel Beven AM, Field Operations Manager, Extractas Bioscience

On behalf of the Committee of Management and staff of Poppy Growers Tasmania Inc, and I am sure the entire poppy industry in Tasmania, I am delighted to extend our warmest congratulations and best wishes to Noel on being recognised as a Member of the Order of Australia (AM) in the recent Queen's Birthday Order of Australia Awards. This AM is a fitting recognition of a lifetime involvement in the community and selfless contribution to assisting those in need. We cannot think of a more worthy recipient of this most prestigious award.

Once again Noel, our most sincere congratulations.

Top Grower Awards for 2020/2021 Season

Sun Pharma held its Top Grower Awards night on the 27th May at the Country Club Tasmania to celebrate the top and runner-up crops from each growing districts in the 2019/20 (the annual event was cancelled in 2020 due to the uncertainties surrounding Covid19) and 2020/21 seasons.

During the evenings' proceedings, Dr Tiago Tomaz highlighted that despite the contrasting conditions of the two growing seasons that were highlighted by:

- Colder than average temperatures and low rainfall conditions in the 19/20 spring and summer with a heavy irrigation requirement and crop maturities generally delayed, pushing back the crop harvesting schedule;
- Strong La Nina season marked by milder temperatures and above average rainfall conditions in which seed quantities were higher than expected, significant crop losses were experienced throughout August-November, and temperature influences on crop/weed growth were evident with variable canopy heights causing assay dilution and challenging wet harvest conditions.

First loads of crop were received by the company within similar timeframes (21st January 2020 vs 22nd January 2021), and last loads were received earlier this growing season than the last (5th March 2021 vs 11th March 2020), with the last paddock harvested in the Northern Midlands district as opposed to the traditional North-West/Circular Head District – a result celebrated by returned NW Field Officer Russell Barker!

Sun Pharma communicated strong crop performance results for both respective seasons (results of the 19/20 season were previously communicated in the PGT's "In a Capsule" August 2020 newsletter) which were particularly apparent across crop types for which its patented Plant Growth Regulator (PGR) program was applied. Despite crop assays for all SUN varieties being below budget in the 20/21 season (with an appreciable seasonal impact underpinning this result), the company was pleased to highlight that its Codeine crop produced kg/Ha alkaloid above budget in what was a challenging season for alkaloid productions.

Across the state, Thebaine and Noscapine crops produced an average assay in excess of 4.00% dry in the 19/20 season and over 3.70% dry in the 20/21 season, while the top assays for those crop types approached 5.00% dry in the 20/21 season. Codeine and traditional Morphine crops for the season averaged over 3.00% dry with top assays within these crop types approaching 3.5% dry.

Pleasingly for Sun Pharma's grower base, average \$/Ha returns for all PGR crop types grown across the state were over \$5,000/Ha in both the 19/20 and 20/21 growing seasons, a testament to the continued investments made in R&D and the hard work of current and past company field staff and contractors in ensuring productivity was maximised in variable seasonal conditions.

The 20/21 top grower and runner up top growers for each growing districts were:

District	Award	Grower, Sub-District	Field Officer	Crop Variety
Central	Top Grower (Northern Top Crop)	BT & PH Stewart & Sons, Moriarty	Nick Cook	Thebaine
	Runner Up Top Grower	Gillac Trading Trust, Wesley Vale	Nick Cook	Thebaine
Circular Head & NW	Top Grower	House Brothers Farms Pty Ltd, Forest	Russell Barker	Codeine
	Runner Up Top Grower	Roaninna Pty Ltd, Somerset	Russell Barker	
Western	Top Grower	DD & J Clark Pty Ltd, Don	Nick Cook	Thebaine
	Runner Up Top Grower	MK & CM McKenna Pty Ltd, Ulverstone	Russell Barker	Thebaine
Eastern	Top Grower	Armidale Pty Ltd, Hagley	Steve Cook	Thebaine
	Runner Up Top Grower	Brooks Family Trust, Hagley	Steve Cook	Thebaine
Northern Midlands	Top Grower	MG Howard, Cressy	Mark Tate	Thebaine
	Runner Up Top Grower	Glenmillton Pty Ltd, Cressy	Mark Tate	Thebaine
Central Midlands	Top Grower	Lowes Park Estate, Tunbridge	Andrew Legro	Thebaine
	Runner Up Top Grower	Lochiel Pastoral Pty Ltd, Campbell Town	Andrew Legro	Morphine
Southern Midlands	Top Grower	MR & LA Johnston, Derwent Valley	James Warner	Thebaine
	Runner Up Top Grower	Curringa Farm, Derwent Valley	James Warner	Thebaine
North-East	Top Grower (North-East/Southern Top Crop)	Nichols Family Trust, Scottsdale	William Byrne	Thebaine
	Runner Up Top Grower	Ratray Agriculture Pty Ltd, Winnaleah	William Byrne	Morphine

The Central District crop of BT & PH Stewart & Sons was the Top Crop statewide with a return of \$10,043 per hectare and production of 95kg/Ha of alkaloid for the company.

Extractas Bioscience hosted 120 growers, contractors and guests in Launceston on Friday to congratulate and thank those growers producing the top crops for the 2020 /21 season. "Top Crop Awards" were presented to the 8 top growers of the last season across the 2 zones created last year, being North and South.

The usual annual event was unable to be held last year due to Covid restrictions, with two small regional events being held in its place.

This year the TasTAFE Drysdale venue was chosen, not only to highlight local produce but also to support and encourage the training of apprentices studying for qualifications in the Hospitality Industry.

Field Operations Manager, Noel Beven summarised the past season highlighting record rainfall in parts, with significant area lost to flooding and wet, low sunlight hours and a later wet harvest, highlighted by falls of up to 100 mm which inevitably caused some lodging and leaching of alkaloid. Despite these features the crop yielded above average tonnes, but slightly lower than budgeted levels of alkaloid, while providing sufficient material for the company to meet all business requirements.

Dr Ross Murdoch, CEO joining the event from Melbourne via Zoom, spoke of the challenges the past year had thrown up across the industry and the steps the company has taken, including a major restructure, to ensure the business could contain costs, remain globally competitive and continue to support farmers today and into the future.

We have invested considerable resources in understanding the long-term effects of market changes and developing strategic approaches to marketing, sales and R&D to ensure we can adapt quickly and drive consistent growth." Dr Murdoch said.

"We are very pleased to be able to significantly increase the area being grown this year" he added.

The guest speaker at this year's event was Dr Bryn Jones, Deputy Director of Cardiology at the Royal Children's Hospital, Melbourne, who also made his presentation via Zoom.

Two babies of members of the Field Operations team at Extractas have required heart surgery during the past twelve months, and a third member experienced the same need just a few years earlier, and so it was decided to invite Dr Jones to present to the guests, some of the details of the fantastic lifesaving work conducted at the Hospital. His address was most informative and extremely well received.

Top Crop Awards are presented to the highest returning crop for each of the four varieties produced in the two zones, 1 being North, west of Bishopsbourne road, and 2 South of that point.

Winners received a \$1000 Mastercard and a frame certificate and this year were:

Zone 1 - North

Zone 2 - South

Ted – 1 st	Bruce Robinson, Don 89.68 kg/ha	Crosby Lyne, Campbell Town 54.83 kg/ha
Ted – 2 nd	Kim Badcock, North Motton 83.63 kg/ha	Jock Hughes, Longford 47.53 kg/ha
Tasman – 1 st	Paul Busby, Wynyard 59.18 kg/ha	Sam Bond, Cressy 46.17 kg/ha
Tasman – 2 nd	Rodney Flowers, Smithton 53.50 kg/ha	Will Bignell, Bothwell 32.33 kg/ha
Eve – 1 st	Max Mckenna, Gawler 46.55 kg/ha	Bill Scott-Young, Cressy 38.53 kg/ha
Eve – 2 nd	Anthony Loane 41.56 kg/ha	Simon Burgess, Conara 32.43 kg/ha
Noscapine – 1 st	Nathan Skirving, Sassafras 52.12 kg/ha	Roger Dudgeon, Pawtella 21.36 kg/ha
Noscapine – 2 nd	Brett Smith, Barrington 50.05 kg/ha	Richard Webster, Woodbury 20.89 kg/ha

The Company's best crop returned \$10,059 per ha.

In conclusion, the Presidents Annual Report and our Audited Financial Statement are available on our website: www.poppygrowers.com

We also take this opportunity to congratulate all growers for producing some first class crops in what the industry recognises as a challenging 2020/2021 season. We particularly congratulate the top growers for the dedication and attention to detail which has been recognised with their Top Crop Award.

We wish all growers all the best for the coming 2021/2022 season!

Kind regards
Philip Loane, President



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