



Welcome to the May 2021 Edition of In A Capsule!

The PGT Negotiating Committee met with Extractas Bioscience Management on Monday 17th May 2021 in respect of contracting arrangements for the 2021/2022 season.

In a wide-ranging and very informative discussion, Ms Peta Dolan, Executive General Manager, Alkaloid Raw Material (ARM) Business advised:

- Continuing volatile market conditions occasioned by a combination of reduced market demand due to continued focus in the United States in respect of overuse of prescription opioids together with the impact of Covid 19 on elective surgery and pain management medicines;
- Extractas had, in view of the above, taken a proactive approach last season to reduce stock intake in the strong belief that the company would be in a positive position as restrictions on Covid 19 eased and with that an increase in elective surgery and greater use of pain management medicines.
- That while Extractas (formerly trading as Tasmanian Alkaloids) area requirements had ebbed and flowed over the past 45 years they had always endeavoured to support their traditional growing regions with some area albeit small at times.
- When asked about split up of area requirements for 21/22, Noel Beven, Field Operations Manager advised Extractas' priority was to ensure their loyal growers were given contracts that recognised their long term growing areas.
- Extractas would however endeavour to assist growers in the South who were left without poppy contracts owing to Sun's withdrawal from the South for season 2021/2022.
- Seasonal Conditions:
 - Winter very dry in North West;
 - High rainfall in Spring in South;
 - Cool moist conditions which favoured crop yield at the expense of assay;
 - Difficult season for harvest, crop did not dry off;
 - Cool Summer.
 - Harvest difficult in North West where they had up to 300 mm in places, in conjunction with strong winds, causing some lodging;
 - Heavy dew, late starts, early finishes;
 - Assay lower than budget;
 - Yield higher than budget;
 - Ideal season for Red/Wild poppies, especially as a result of summer rains.

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- Spread Payment System to remain in place. Almost half of all growers were paid 50% of Total Crop Payment prior to harvest.
- PGT mentioned the new system placed additional administrative burden on growers. Payment advice should arrive earlier preferably with or before the actual payment. This was acknowledged and Extractas after experiencing initial technical complications with the new payment system is implementing procedures to remedy the problem.
- Phos-Acid – same prohibition will apply to the application of Phos-Acid as it did in season 2020/2021. The \$100.00 per/ha payment will continue and testing will continue. Testing of seed samples last season did not find any presence of Phos-Acid above the limit of detection. – **A GREAT RESULT – WELL DONE GROWERS!**

Systemic Downy Mildew (SDM)

A comprehensive management program for SDM was provided, as was recommended last season. Complete program available from your Field Officer.

Red/Wild Poppies

This issue is of concern and all agreed it was state-wide and greater than in previous years. Strong belief that cool seasonal conditions had been conducive to the spread. Extractas provided a detailed management regime including, plant breeding, rigorous seed testing, paddock selection/hygiene, weed burden and chemical program.

Extractas continuing to explore new chemistry to manage Red/Wild Poppies.

Complete Management Program available from your field officer.

Global Market Environment – INCB Statistics Review for 2019

- Codeine Manufacture decreased since 2012;
- It has increased a little since 2017;
- Global stock holdings in general across all alkaloid raw materials remain high;
- Reduced codeine manufacture in US. This impacts Extractas;
- Thebaine – Australia still dominant manufacturer;
- Australia was only producer in 2019.
- Decrease in use of Thebaine in the US to produce other active pharmaceutical ingredients;
- Largest consumption of opioids for pain management is the US;
- Codeine is under the most pressure due to northern hemisphere suppliers offering low cost CPS Morphine;
- Hopeful demand will increase as Covid restrictions ease;
- All opiates are traded in US dollars. Over the last 12 months the Australian dollar has strengthened against the US dollar from 0.65 cents to 0.78 cents. This represents over a 16% decrease in Revenue for every sale made in US dollars.

Area for 2021/2022 Season

The total contracted area will be 5150 hectares. This will be used to fill customer orders in 2022 and replenish stocks due to an increase in demand from an affiliated customer in 2021.

We were advised that all things being equal this area could be a little less in 2022/23 as some of the 5150 Ha is being used to replenish stock.

Payment Structure

Thebaine – The payment scale will remain the same as for season 2020/2021.

Codeine – The payment scale will remain the same as for season 2020/2021.

Oripavine/Thebaine – The payment scale will remain the same as for season 2020/2021.

Noscapine – The payment scale will remain the same for season 2020/2021.

The two \$550.00 per ha advance payments as assistance with crop treatment costs will continue.

SunPharma

– Contract Negotiations for 2021/2022 Season

Further to our meeting with SunPharma on the 14th April 2021, members of the PGT Negotiating Committee met with SunPharma Management on the 28th 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.
- Sun detailed a comprehensive Management Program for Systemic Downy Mildew and Red/Wild Poppies. Full details are available from your Sun Field Officer.

Area for 2021/22

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

They will offer a small area of approximately 200 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.

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 per 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.

Thebaine/Oripavine - 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 \$1,071.00 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.

Growers License 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.

Annual General Meeting

Following discussion with Sun Pharma and the importance we place on growing in the southern regions, a decision has been made to hold the 2021 Annual General Meeting at Bothwell on Wednesday 23rd June 2021 at the Ratho Farm Function Centre, 2122 Highland Lakes Road, commencing at 2:00 pm.

Representatives from Sun Pharma including Mr Urvish Bhavsar, Head of Australian Operations, will provide an overview of the global opiate industry and the impact current market conditions are having on their raw material business.

Refreshments will be provided.

Elections – Committee of Management 2021/2022

Please find attached a Nomination Form for election to the 2021/2022 Committee of Management of Poppy Growers Tasmania Inc.

The Committee of Management has 15 members drawn from all growing regions who are charged with developing policy on behalf of growers, oversight of PGT Inc and the interaction between growers and poppy companies, governing bodies at State, National and International level.

Please give consideration to nominating for a position on the Committee of Management for your grower organisation.

We wish one and all a successful 2021/2022 season and extend a very warm invitation to attend the PGT Annual General Meeting.



Kind regards,
Philip Loane
President, PGT

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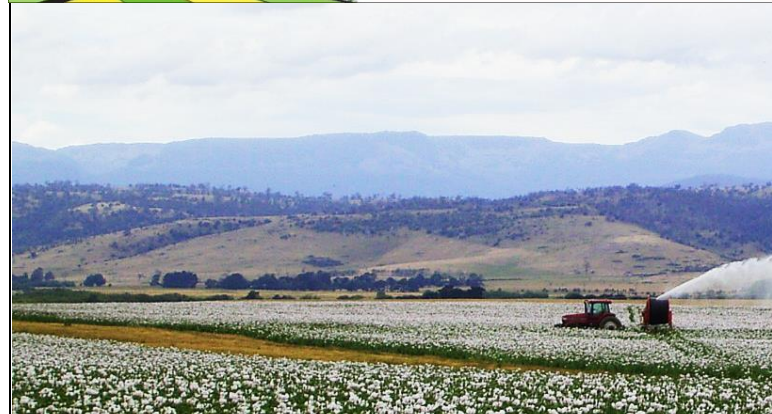
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