

**COMPANY SNAPSHOT**

**COMPANY NAME**

Duxton Broadacre Farms Limited

**INVESTMENT MANAGER**

Duxton Capital (Australia)

**PORTFOLIO**

4 broadacre aggregations

**LOCATIONS**

Forbes and West Wyalong, NSW  
Naracoorte, SA  
(settled 7th March)

**HECTARES**

19,465 owned  
1,980 settled 7th March

**WATER ENTITLEMENTS (ML)**

8,573 owned  
6,798 leased



Duxton Broadacre Farms Limited ("DBF") presents investors with a unique opportunity to participate directly in the Australian grain industry and the possibility to provide shareholders with both ongoing annual operational yield and longer-term capital growth. DBF intends to achieve this through the acquisition and aggregation of land rich parcels into its existing portfolio of diversified high-quality farms, to improve operational efficiencies and the diversification of commodities produced to satisfy the long-term growth in global grain demand.

**INVESTMENT AND OPERATIONAL UPDATE**

**ACQUISITION SETTLED**

The Boorala acquisition was settled on the 7th of March. The Company would like to extend a warm welcome to Martin Flower as Farm Manager of the Boorala property.

**SHARE BUY-BACK**

The share buy-back continued this month with the on-market acquisition of 27,000 shares. This brings the total number of shares purchased under the buyback to 620,172. The Company can acquire up to 839,928 additional shares. The buyback enables DBF to acquire shares based on the Board's determination that shares are trading at a discount to intrinsic value.

**IRRIGATION**

The ongoing rollout of the irrigation development program continued over March. The infrastructure development projects are aligned with the Company's broader risk mitigation strategy by seeking to

increase water security, visibility and operational flexibility. The construction of a second storage facility which commenced at Walla Wallah last month is progressing well, with the next key milestone being the installation of a distributor barrel anticipated to occur in mid-April. WaterNSW's hydrological assessment of the production bore at Walla Wallah has been delayed and is anticipated for mid-April. Once the assessment is complete, WaterNSW will determine the allocation for the bore which has the capacity to yield up to 20ML/day. The drilling of additional test bores at Timberscombe scheduled for late March were postponed due to heavy rainfall. The drilling will recommence in April.

**SUMMER CROPS**

The irrigation of cotton was completed in early March and the crop benefited from warm conditions. Defoliation of the earlier crops took place this month, removing the crops leaves and cracking the bolls open to prepare for picking. Cotton picking is anticipated to commence in mid-April.

First defoliation at Walla Wallah

## WINTER CROPS

The sowing of winter wheat for grazing commenced in March.

## LIVESTOCK

Livestock operations are progressing well despite the ongoing drought, with feed security underpinned through irrigated pasture and conservative feed reserves.

## LOCAL WEATHER

Central west New South Wales (NSW) recorded March rainfall of 25.2mm. The historic average for March is 49.7mm. Over half of this rainfall was concentrated in two days as ex-tropical cyclone Trevor, the then low-pressure system, crossed NSW. The mean temperature for March was 29.6°C, slightly above the long-term average of 29.5°C. Both day and night-time temperatures were warmer than average. In south-east South Australia (SA), the March rainfall recorded 12.4mm compared to the historic average of 24mm. The mean temperature for March was 26.2°C, in line with the long-term average. Nationally,

the country faced the warmest March on record. In NSW and SA it ranked sixth-warmest on record. Northern Australia experienced extreme weather conditions. Two severe tropical cyclones caused rainfall totals in excess of 200mm.

The Bureau of Meteorology's (BoM) climate outlook for April has predicted a 75% chance of rainfall between 5-10mm and a 60-65% chance of temperatures exceeding the long-term median of 21-24°C in both central west NSW and south-east SA. For April to June, BoM predicts that rainfall for south-east SA and central-west NSW will be below average. Nationally, BoM predicts warmer temperatures both day and night from April through to June. The main climate drivers for Australia, including El Niño, are considered neutral, preventing BoM from coming to a clear prediction of whether rainfall is likely to be above or below average for the rest of the year.

## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

Domestic wheat and barley prices have decreased slightly since February, both experiencing a low for 2019 in March. Analysts accredit weather as the main driver for domestic grain prices; looking forward, if the weather outlook is not revised domestic grain prices will face upward pressure<sup>1</sup>. Rainfall late in March was a welcome step in the right direction for Australian agriculture, however it would be a lot to expect the first of autumn rainfall to reverse the effect of the drought<sup>2</sup>.

### COTTON PRICES

Cotton prices have lifted since last month. Cotlook cites strong international demand as the driver of cotton prices; future settlements increased over March. As the cotton season draws to a close, the market appears skeptical of domestic yields given the dry conditions early in 2019<sup>3</sup>. Australian cotton prices are also being affected by the fragmentation of the cotton market. Global cotton prices are divided into markets that can trade with China and those that cannot. This is evident as Australia prices have increased while US cotton futures have fallen 2% YTD<sup>4</sup>. Rabobank project Brazil cotton expansion to account for a 33% increase in planted areas, with access to the Chinese market, this may threaten global prices<sup>5</sup>.

### CROP PRODUCTION

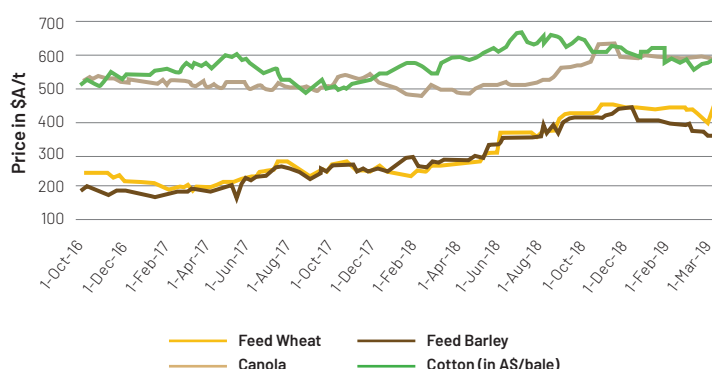
The International Grains Council (IGC) have maintained their forecast for Australia's total grain production at 28.4 million (m) tonnes for the 2018/19 season. ABARES estimate that Australian cotton for the 2018/19 season has fallen by 42% because of an estimated 44% fall in planted area. Cotton planting was constrained by low water levels in irrigation dams and low soil moisture levels. ABARES also

#### DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS\*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Feed Wheat	\$405	\$278	46%
Feed Barley	\$360	\$279	29%
Canola	\$597	\$492	21%
Cotton	\$607/bale	\$596/bale	2%

\* data retrieved from ABARES weekly commodity reports

#### DOMESTIC CROP INDICATOR PRICES



1. Coore, C. (2019). Weather remains key grain price driver. Agfarm.

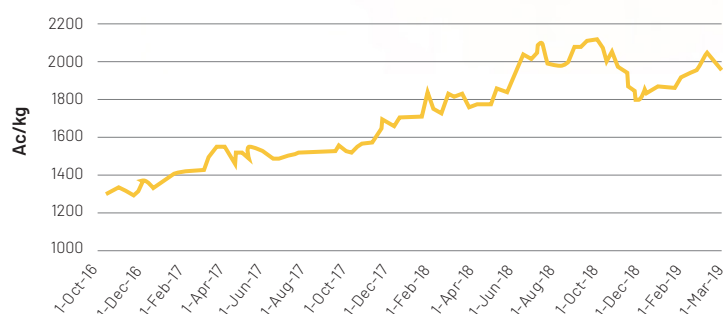
2. George, L. (2019). Local grain focus. The Land.

3. Clack, C. (2019). Cotton Outlook, Agribusiness Monthly March 2019. Rabobank.

4. See note 3.

5. See note 3.

### WOOL EASTERN MARKET INDICATOR



revised its 2018/19 winter crop production estimates down; wheat by 19% to 17.3m tonnes, barley by 7% to 8.3m tonnes and canola by 41% to 2.2m tonnes. Primarily, the sustained hot temperatures and dry conditions caused reduction in yields and planting, threatening Australian crop supply.

### WOOL PRICES

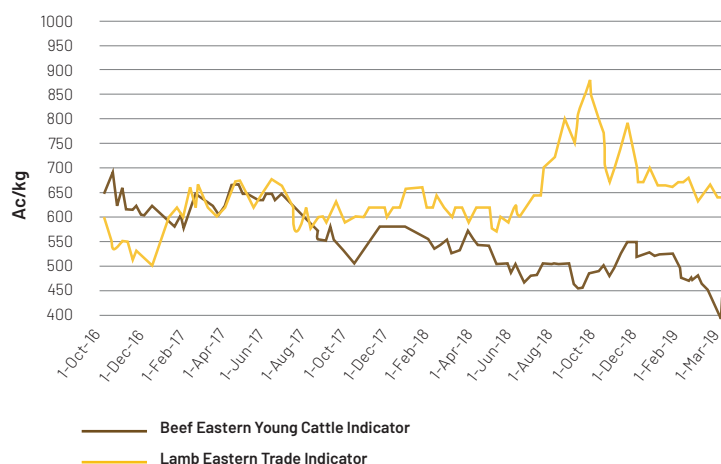
Wool prices have adjusted from the 2019 high at the end of February, decreasing slightly, but remain comparable to March 2018. The downward pressure on domestic prices through March is reflective of the impact of relentless drought as, unfortunately, a significant amount of wool entering the market through the month was lower quality<sup>6</sup>. The ongoing ban of South African wool exports to China has contributed to strong international wool prices<sup>7</sup>.

### DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS\*

LIVESTOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Beef	\$4.41	\$5.44	-19%
Lamb	\$6.47	\$6.19	5%
Wool	\$19.63	\$17.72	11%

\* data retrieved from ABARES weekly commodity reports

### AUSTRALIAN LIVESTOCK PRICES



### LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (EYCI) continued to decrease through March, recovering slightly to end the month at \$4.41/kg. Meat and Livestock Australia (MLA) data shows that through March supply of cattle decreased significantly from the high in February. However, prices continued to decrease, MLA attribute this to high levels of supply already in the market and the quality of cattle. Weaners entered the market in March, earlier in the year and lighter than usual due to drought<sup>8</sup>. The subsequent recovery in prices at the end of March is likely related to the anticipation of rainfall. MLA relate the recovery to a supplier price shock; they suggest suppliers perceived a price floor to be \$4.00/kg. The EYCI fell to \$3.93/kg in the week ended 23rd of March. The expected supply constraints from the severe flooding in the previous month do not appear to be reflected in prices yet. DBF maintained feed supplies to ensure livestock continued to be fattened over summer. Mutton prices are also strong, reaching a 2019 high in the last week of March despite supply which is up 22% on 2018. According to MLA data, lamb slaughters are at similar levels to March last year and long-term averages. MLA predict that the high culling of ewes due to dry conditions will result in a 7% decline in lamb slaughter in 2019. Livestock prices were likely dependent on the weather outlook from BoM; this explains the recovery of the Lamb Eastern Trade Indicator late in the month when rainfall increased.

6. Australian Wool Innovation Limited. (2019). Wool Market Weekly Report.

7. Gidley-Baird, A. (2019). Wool Outlook. Agribusiness Monthly March 2019. Rabobank.

8. Bailey, K, Burns, S & Griggs, M. (2019) Pleasing result for weaner sell off. The Land.

9. Agricultural Market Information System (AMIS). (2019). Market Monitor March 2019.

## GLOBAL MARKET INSIGHTS

### WEATHER

Weather during March has been favourable to global crop production<sup>9</sup>. The exceptions to this are flooding delaying planting in key grain producing US states, dry conditions affecting rice yields in the Philippines and Thailand as well as dry conditions affecting maize production in South Africa. Conditions are favourable over most of the northern hemisphere for wheat. The southern parts of the Russian Federation are experiencing exceptional conditions, warmer than average weather is favourable for the Ukraine and China, and India is experiencing favourable conditions as wheat progresses towards maturity. The only exceptions to northern hemisphere wheat production is a deficit in rainfall in southern Europe and delays in sowing in the southern Prairies of Canada. Conditions for maize are also looking favourable overall, including Mexico, India and the US as well as for harvest in Brazil and Argentina.

### PRODUCTION

IGC's forecast for total grains production in 2018/19 was raised by 4m tonnes month on month in their March report. This brings the total grain production estimate for 2018/19 to 2125m tonnes from 2121m tonnes. Most of this revision was driven by a forecasted increase in maize production. The forecast for rice also increased while wheat and soybeans remain steady. IGC also project an increase in total grains production in 2019/20, up 50m t from 2018/19.

### GRAIN PRICES

Global grain prices are influenced by several factors including but not limited to supply and demand, political risk, global economic conditions and weather. Grain prices are facing depression, which could be due to strong supply outlooks for the international 2018/19 harvest. The IGC global grain and oilseed index decreased 3.14% over March, closely tracking the wheat sub-index which decreased by 2.78%. The maize sub-index decreased 5.4% over the month. The wheat index and barley indexes are both down on last year, 1.74% and 7.01% respectively.



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