

**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

**HECTARES**

21,445 owned

**WATER ENTITLEMENTS (ML)**

8,573 owned  
6,798 leased



Duxton Broadacre Farms Limited (DBF/Company) presents investors with a unique opportunity to participate directly in the Australian broadacre cropping 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**

**SHARE BUY-BACK**

The share buy-back continued this month with the on-market acquisition of 11,000 shares. This brings the total number of shares bought under the buyback to 639,672. The Company can acquire up to 820,428 additional shares. The intent of the buyback is to enable DBF to acquire shares in the event the Board determines they are trading at a discount to intrinsic value.

**IRRIGATION**

The ongoing rollout of the irrigation development program continued over May. The infrastructure development projects are aligned with the Company's broader risk mitigation strategy by seeking to increase water security, visibility and operational flexibility. Construction of the second storage facility at Walla Wallah that commenced during March is progressing well with installation of the distributor barrel and supply pipes finished, with only the extension of the supply

channel remaining. Lasering of two fields in preparation for irrigation development has been completed, with one more scheduled once the storage facility has been completed. The successful production bore at Walla Wallah has had an application lodged with State Water. This bore has the capacity to yield up to 20ML/day. A hydrological assessment of the bore will be undertaken to determine the size of the allocation. The hydrological assessment is expected to be processed prior to the end of June.

**SUMMER CROPS**

Picking of the cotton crop was completed during the month and all cotton has been transported to the gin for processing. Processing of the cotton crop is expected to be completed by the end of June. Preparations continued for next year's cotton plantings.

**WINTER CROPS**

Sales of on-farm stored grain continued over May in line with the commodity marketing strategy. DBF has continued sowing wheat,



Irrigation infrastructure work continuing at Walla Wallah

chickpeas and barley where adequate moisture for crop emergence can be identified.

## LIVESTOCK

DBF continues to maintain adequate reserves of fodder for livestock which will allow for stock to continue to be fattened. Following recent rainfall, pasture plantings have begun. Pasture will assist in providing feed to livestock and reduce the reliance on fodder for feeding stock. Areas of grazing wheat have been planted for livestock fodder. The sale of stock continued over the month. Angus cows continue to be sourced for herd replacement.

## BOORALA

Sowing of wheat, barley, canola and faba beans commenced on May 21st and is scheduled to be completed in the first week of June. Recent rains and warm soil temperatures have seen crops showing strong early development with soil moisture more than adequate. With the recent rains pasture is showing extremely strong early growth and will assist in providing feed for livestock throughout winter. Lambing has been progressing well with the lambs likely to be marketed during spring.

## LOCAL WEATHER

Central-west New South Wales (NSW) recorded May rainfall of 24.8mm. The historic average is 32.7mm. The mean temperature for May was 20.0°C, above the long-term average of 19.5°C. In south-east South Australia (SA), May recorded rainfall of 70.2mm compared to the historic average of 52.6mm. The mean temperature for May was 17.8°C. This is at the long-term average for the region.

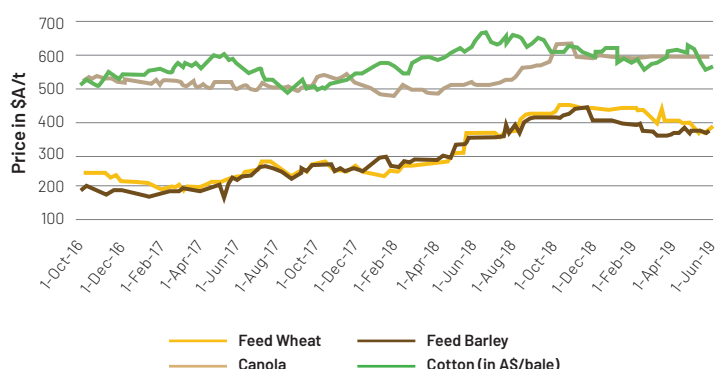
The Bureau of Meteorology's (BoM) climate outlook for June has predicted a 75% chance of rainfall between 10-25mm and a >80% chance of temperatures exceeding the long-term median of 15-18°C for central-west NSW. Comparatively, south-east SA has a 75% chance of rainfall between 25-50mm and a 70-75% chance of temperatures exceeding the long-term median of 12-15°C. Nationally, the BoM predicts warmer temperatures both day and night from June through to August. With more cloud free days and nights expected there is an increased risk of frost in susceptible areas. The BoM's climate model has indicated that a positive Indian Ocean Dipole (IOD) is likely to form during winter. Typically, a positive IOD event brings below average winter-spring rainfall for southern and central Australia. The ENSO outlook has remained at watch for an El Niño event.

## DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS\*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Feed Wheat	\$380	\$375	1%
Feed Barley	\$369	\$350	5%
Canola	\$597	\$524	14%
Cotton	\$570/bale	\$637/bale	(10%)

\* data retrieved from ABARES weekly commodity reports

## DOMESTIC CROP INDICATOR PRICES



## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

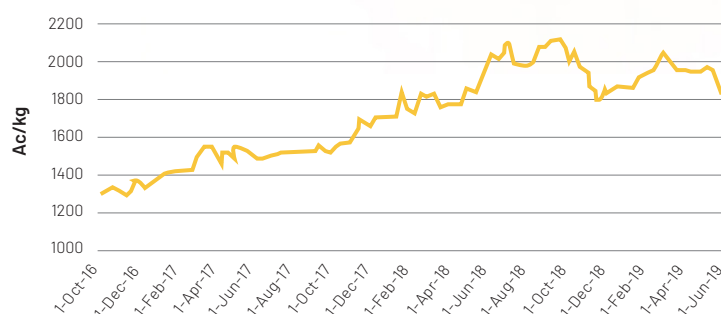
Domestic wheat prices were variable in May. At the start of the month prices decreased before seeing a slight recovery towards the end of the month. Barley prices have remained at a similar level to April. Pricing fluctuations at this time of year can be attributed to forecast climatic conditions and demand in the market. Positive rainfall outlooks increase the likelihood of a larger planted area. The potential for greater supply may dampen prices. If rainfall is lower than expected or it is highly variable, market prices could rise to reflect anticipation of shortages in supply.

### COTTON PRICES

International cotton prices fell nearly 10USc/lb during early May before seeing some recovery to finish the month at 79.1USc/lb. The decline in prices early in the month was likely caused by sell-off's in the US as trade relations between the US and China continue to deteriorate. The truce between the two countries collapsed early in the month and additional tariffs were put in place along with further measures promised in coming months if there is no solution to the situation. The slight reversal of prices at the end of the month is likely the result of improved US weekly export sales<sup>1</sup>. The latest supply outlooks by Cotlook have seen forecast tonnage for the 2019/20 season increased by 300,000 tonnes to 27.38 million tonnes. This would be the second largest output in history. The rise in production was mainly due to timely rainfall in the major growing regions in the US improving crop prospects. Global cotton consumption is forecast at 26.69 million



### WOOL EASTERN MARKET INDICATOR

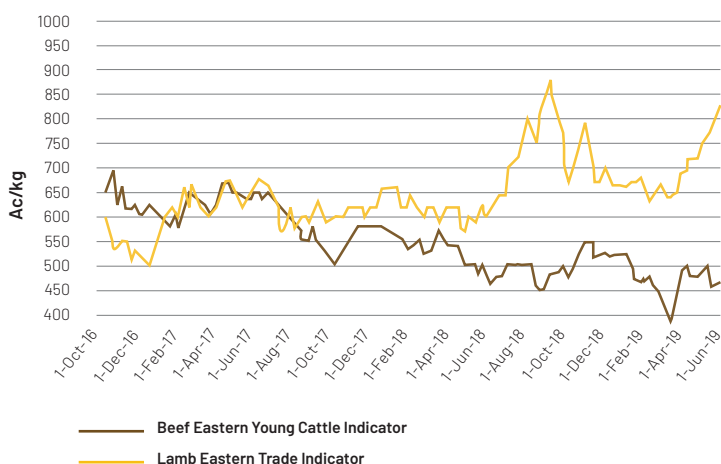


### DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS\*

LIVESTOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Beef	\$4.69	\$4.85	-3%
Lamb	\$8.29	\$6.09	36%
Wool	\$18.33	\$19.83	-8%

\* data retrieved from ABARES weekly commodity reports

### AUSTRALIAN LIVESTOCK PRICES



tonnes for 2019/20. This would be the highest consumption on record and a 3.4% increase from last year. Even with rising consumption stock levels at the end of the year are likely to rise by over 660,000 tonnes. This could result in downwards pressure on prices in the coming months.

### CROP PRODUCTION

The International Grains Council (IGC) has maintained its forecast for Australia's total grain production at 28.4 million tonnes for last season. The 2019/20 season has been projected to see production rise to 35.9 million tonnes. This would represent the highest production level since 2016/17 but would still be below the ten-year average. Over the coming months regular rain is required in the major grain growing regions or production projections could start to decline. With the extensive dry conditions that have been experienced over the past 18 months, the rain that will be required to develop adequate soil moisture levels is higher than in a typical season. Planting area could be above historic levels if conditions recover before planting ceases due to recent reductions in livestock numbers and greater availability of fallow land.

### WOOL PRICES

Wool prices have reduced slightly from last month down 6%. Prices at the start of the month continued to move downward as China lifted the ban on imports of South African wool, concerns around the US-China tariff disputes worsened and constrained retail figures in China and Europe impacted the Australian wool market<sup>2</sup>. The volume of drought affected wool available also continues to have an impact on market prices. Overall wool auction volumes are down by 15.7% compared to last year due to lower wool production and more direct sales which bypass the auction process. The first two weeks of June are scheduled for low volumes and South Africa is two weeks away from taking a two month break from selling. This could result in a supply squeeze and a positive swing in the market in June to early July if there is an upwards shift in demand.

### LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (EYCI) rose briefly during the month to approach \$5/kg before settling back at \$4.69/kg. Recent volatility in EYCI market prices could be attributed to a response to rainfall. When regions are predicted to receive rain, restockers enter the market to begin replenishing their herds. If conditions change or a negative long-term weather forecast is released, then demand in the market is reduced. Additionally, a factor that could impact supply in subsequent months is the rise in

1. Cotlook Limited. 2019. April 2019 Market Summary.

2. Australian Wool Innovation Limited. 2019. Weekly Price Report

the slaughter rate of female cows. The slaughter rate is up 42% year on year. Higher levels of female slaughter results in lower breeding herd sizes and can impact future production.

Lamb prices have risen sharply during the month to reach \$8.29/kg. Prices are currently at their highest point since the all-time highs experienced in September 2018. Prices generally increase coming into winter as the market enters a new season, but this year prices have begun increasing earlier than usual. Typically, winter marks a low point in supply as the market waits for new season spring lambs to reach the market. Due the adverse conditions that were experienced throughout last year the supply of lambs in winter and spring is forecast to be lower than historical averages. Until lamb supply begins to rise prices will likely find support at current levels.

## GLOBAL MARKET INSIGHTS

### WEATHER

Weather during the month has been generally favourable with some exceptions, including dry conditions in Russia, Canada, Australia and the EU impacting the wheat crop, wet conditions in the US and Canada impacting the maize crop, dry conditions in China and Thailand impacting the rice crop and wet conditions impacting the soybean crop in the US, Canada and Argentina<sup>3</sup>. Globally, the winter wheat crop is developing under favourable conditions, but several countries are experiencing low soil moisture levels which could impact crops. Sowing of spring wheat is ongoing under favourable conditions in most countries. The conditions for maize are variable with the US suffering from cold and wet conditions in the northern Corn Belt which is delaying sowing of crops. Due to the conditions the area planted to maize at this point in time is 67%. Last year it was 96%. In contrast the conditions in South America have been

exceptional for maize and it will likely be a very good harvest for both Argentina and Brazil. Similar to maize, soybeans are being impacted by cold and wet conditions in the US which has resulted in delays to plantings. The conditions over the next month will determine the total area planted in the US. Conditions for rice are generally favourable with dry conditions impacting areas in southwest China and the northeast of Thailand.

### PRODUCTION

During the month, forecasts for the 2018/19 grain season have risen slightly. The 2018/19 grain season is forecast to produce 2,138 million tonnes of grain, a two-year low. For reference, the average world total annual grain production for the past 10 years has been 1,960 million tonnes. Overall wheat production is expected to be down year-on-year by 29 million tonnes and barley is forecast to have the smallest harvest in six years. The latest projections from the International Grains Council and the USDA have grain production rising in all major producing regions for the 2019/20 season.

### GRAIN PRICES

Grain prices are influenced by several factors including but not limited to, supply and demand, political risk, global economic conditions and weather. The IGC global grain and oilseed index strengthened during the month, due to wet weather persisting across key US cropping areas. The wheat index finished May up 4%. The wheat index is down 7.5% year on year. The wheat index rose during the month due to concerns on the impact of wet weather on the US crop. The wet weather in the US is impacting planting progress and could affect winter wheat yield and quality. The soybean index was 8.9% higher than last month due to a rise in buying from China and delays in sowing in the US due to wet weather. The maize index was up by 12% during the month. Once again this was due to adverse conditions in the US impacting plantings.

3. Agricultural Market Information System (AMIS). (2019). Market Monitor April 2019.

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