

**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)**

8,670 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**

**2019 LAND & WATER VALUATIONS**

During August DBF was pleased to release its annual revaluation of land, water and structures. Independent valuer CBRE determined the fair value of these assets was \$89,575,000 as at June 2019. This represents a 31% increase on the prior year valuation (\$68,200,000). This increase was largely driven by the acquisition of Boorala and additional water entitlements along with uplift from the irrigation development program.

**SHARE BUY-BACK**

The share buy-back continued this month with the on-market acquisition of 25,000 shares. This brings the total number of shares bought under the buyback to 688,672. The Company can acquire up to 771,428 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 July. The infrastructure development projects are aligned with the Company's broader risk mitigation strategy by seeking to increase water security, visibility and operational flexibility. Storage pumps have been installed during the month and water has started to be pumped into the second storage facility at Walla Wallah. The successful production bore at Walla Wallah has had an application lodged with State Water and is expected to be processed prior to August. A hydrological survey at Timberscombe was started during the month to identify areas that may be potential locations for further production bores.

**SUMMER CROPS**

Preparations continued for the planting of next year's cotton crop with fertilizer being applied during the month.

**WINTER CROPS**

Sales of on-farm stored grain continued over July in line with the commodity marketing strategy. Irrigated cereal crops are showing good early growth and are scheduled to receive irrigation in August.



Barley beginning to emerge at Kentucky



## LIVESTOCK

DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. Areas of grazing wheat have now been grazed and are now locked up for grain/hay production. The sale of stock continued over the month with lamb fetching a strong price in the market and beef prices improving.

## BOORALA

Rainfall (46mm) at Boorala during July has ensured that moisture levels are holding steady. Current moisture levels are assisting in the strong development of the winter crops. The good rainfall coupled with mild weather has resulted in an excess of feed. To take advantage of the excess feed young cattle are currently being sourced. Young lambs are developing well and younger ewes that were mated later are just finishing lambing.

## LOCAL WEATHER

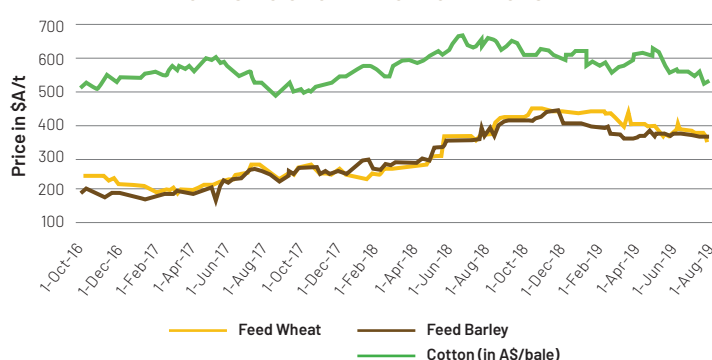
Central-west New South Wales (NSW) recorded July rainfall of 12.6mm. The historic average is 37.8mm. The mean temperature for July was 16.3°C, above the long-term average of 14.7°C. In south-east South Australia (SA), July recorded rainfall of 59.0mm compared to the historic average of 65.6mm. The mean temperature for July was 14.6°C. This is slightly above the long-term average for the region.

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

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Feed Wheat	\$350	\$375	-7%
Feed Barley	\$366	\$360	0%
Cotton	\$531/bale	\$633/bale	-16%

\* data retrieved from ABARES weekly commodity reports

### DOMESTIC CROP INDICATOR PRICES



The Bureau of Meteorology's (BoM) climate outlook for August has predicted a 75% chance of rainfall between 10-25mm and a 75-80% 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 45-55% chance of temperatures exceeding the long-term median of 15-18°C. Nationally, the BoM predicts warmer temperatures both day and night from August through to October. With more cloud free days and nights expected there is an increased risk of frost in susceptible areas. The BoM is predicting that winter weather is likely to be driven by a positive Indian Ocean Dipole (IOD) event as El Niño is expected to remain neutral for the remainder of winter and spring. Typically, a positive IOD event brings below average winter-spring rainfall and above average temperatures for southern and central Australia.

## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

During July domestic wheat prices continued their recent trend by falling from \$380/t to \$350/t. Barley prices slightly declined during July to \$360/t. Pricing fluctuations at this time of year can be attributed to forecast climatic conditions and demand in the market. Domestic grain markets were impacted by rains across Western Australia and south eastern Australia and a selloff in US markets as climate conditions began to improve. If conditions continue to improve and confidence rises for higher production levels of new season crops prices are likely to recede.

### COTTON PRICES

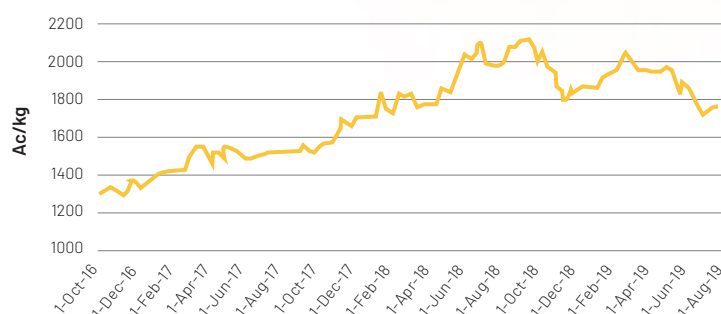
International cotton prices fell during July to finish the month at 74USc/lb. The decline in prices during the month were likely caused by the continued deterioration of trade relations between the USA and China. Due to the perceived lack of progress to resolve the impasse prices are continuing to be impacted<sup>1</sup>. The latest supply outlooks by Cotlook have seen forecast tonnage for the 2019/20 season decrease by 300,000 tonnes to 26.6 million tonnes. The drop-in production was mainly due to the late rainfall that occurred in the US planting season and the expected drop in planted area that would cause. Global cotton consumption is forecast at 25.9 million tonnes for 2019/20. Stock levels at the end of the year are likely to rise by over 680,000 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 IGC's projection for grain production for the 2019/20 season is similar to ABARES, with a projected increase to 35.9

1. Cotlook Limited. 2019. July 2019 Market Summary.

### WOOL EASTERN MARKET INDICATOR



million tonnes. The large rise in expected production is largely due to the adverse conditions that were experienced across Australia in 2018/19. This would represent the highest production level since 2016/17 but would still be below the ten-year average.

### WOOL PRICES

July was the start of the new wool season with only two weeks of sales before a three-week recess. The two weeks of sales were generally positive with prices rising in both sessions. Price rises were attributed to renewed confidence in the wool market, expectations of reduced supply in the coming season and increased buying competition between traders<sup>2</sup>. Supply concerns are reflected in the first sales of the year with just 60,969 bales sold compared to 74,113 bales last season.

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

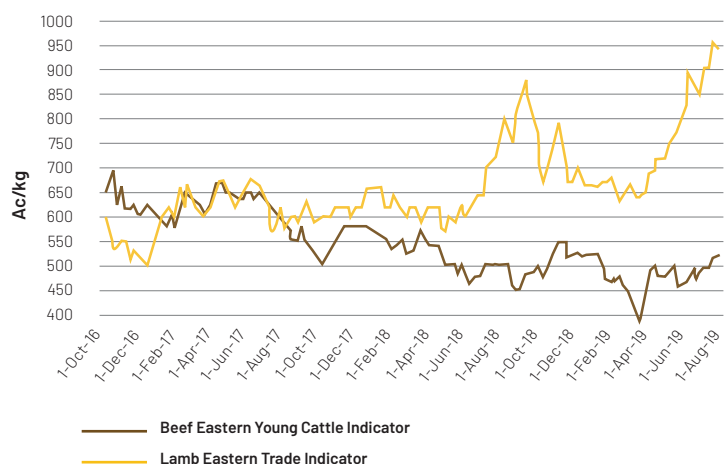
LIVESTOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Beef	\$5.20	\$4.97	5%
Lamb	\$9.42	\$7.58	24%
Wool	\$17.54	\$19.81	-11%

\* data retrieved from ABARES weekly commodity reports

### LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (EYCI) showed strong growth during the month breaching the \$5/kg mark before finishing at \$5.20/kg. The EYCI is currently the highest it has been since mid-January 2019. Recent price rises are being supported by rainfall in the southeast of Australia which has improved confidence of restockers leading up to spring and improved competition between buyers<sup>3</sup>. EYCI prices are expected to remain relatively stable until widespread rain is received. Strong demand from export markets and limited supplies due to continued drought conditions are providing support to finished cattle prices. Exports to China of Australian beef has grown by 61 percent for year-to-May. Meat and Livestock Australia (MLA) believes that there remains more untapped potential in the Chinese export market with their targeted consumer segment expected to double between now and 2030.

### AUSTRALIAN LIVESTOCK PRICES



Lamb prices have continued to rise during the month to reach \$9.42/kg. Lamb prices continue to exceed records breaching \$9.50/kg during July. The rise in lamb prices are being driven by a lack of supply before new season lambs hit the market, lower supply from New Zealand and record exports to China and the USA<sup>4</sup>. Due to difficult conditions and high grain prices lamb slaughter numbers are down by 13% compared to last year. New Zealand is Australia's main global competitor in lamb exports and their lamb production is expected to be down by 6% compared to last year. With significant volumes of new season lambs not arriving until spring and New Zealand not looking likely to increase production, price pressure is expected to be maintained.

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

3. Meat and Livestock Australia (MLA). 2019. Southern rain supports restocker intent

4. Meat and Livestock Australia (MLA). 2019. Prices hinge on new season lambs



## GLOBAL MARKET INSIGHTS

### WEATHER

Weather during the month has been generally favourable with some exceptions, including dry conditions in Canada, Australia and the EU impacting the wheat crop, wet conditions in the US and dry conditions in China, the EU and Russia impacting the maize crop and wet conditions impacting the soybean crop in the US and Canada<sup>5</sup>. Globally, the winter wheat crop is developing under favourable conditions, but several countries are experiencing dry conditions and Russia is being impacted by wet weather and frost. The conditions for maize continue to be impacted by cold and wet conditions in the US through the northern Corn Belt. The US crop is progressing, and conditions have improved but they are behind schedule due to the rain. The Chinese crop is beginning to be affected by dry conditions in central China. Conditions in South America continue to be exceptional for maize leading to expectations of a bumper crop this year. Like maize, soybeans are being impacted by cold and wet conditions in the US which has resulted in delays to plantings. The delay in planting and excess moisture from the rain is impacting quality projections with 54% expected to be good or better. At this time last year it was 70%. Conditions for rice are generally favourable with dry conditions impacting northeast of Thailand and wet conditions impacting southern China.

### PRODUCTION

During the month, forecasts for the 2019/20 grain season have been revised downwards. The 2019/20 grain season is forecast to produce 2,148 million tonnes of grain. For reference, the average world total annual grain production for the past 10 years has been 1,994 million tonnes. Overall wheat production is projected to be up year-on-year by 33 million tonnes.

### 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 weakened during the month, as supply began to rise and competition for export markets increased. The wheat index finished July down 5%. The wheat index is down 6.6% year on year. The wheat index fell during the month due to new season wheat entering the market and lacklustre demand. The soybean index was 0.9% lower than last month due to the perception that there will be excess supply to the anticipated demand. The maize index was down by 3.8% during the month. The fall was due to reduced buying interest and excess supply in South America.

5. Agricultural Market Information System (AMIS). (2019). Market Monitor August 2019.



First water going into the new storage cell at Walla Wallah

**This factsheet is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("Duxton Capital (Australia)"). Duxton Capital (Australia) is the Investment Manager of Duxton Broadacre Farms Limited [ACN 129 249 243] ("Duxton Broadacre Farms").** This factsheet has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in Duxton Broadacre Farms. Information from this factsheet must not be issued in any jurisdiction where prohibited by law and must not be used in any way that would be contrary to local law or regulation. The forecasts provided are based upon our opinion of the market as at this date and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance. Investments are subject to risks, including possible loss of principal amount invested. The value of shares/units and their derived income may fall as well as rise. Past performance or any prediction or forecast is not necessarily indicative of future performance. No assurance is given that the investment objective or the targets will be met. This document does not constitute investment, tax, legal or any other form of advice or recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Investors should study all relevant information and consider whether the investment is appropriate for them. If you require investment or financial advice please contact a regulated financial adviser. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in this presentation. The Duxton Group or its affiliates may hold positions in the securities referred. Where stocks are mentioned, it should not be construed that these are recommendations to buy or sell those stocks. You are not authorized to redistribute this document nor qualified to make any offer, representation or contract on behalf of Duxton Capital (Australia) or its affiliates. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by Duxton Capital (Australia) or its affiliates or any of their directors or employees. The information and opinions contained may also change. Copyright protection exists in this presentation. To the extent permitted by applicable law, none of the Duxton Group, their affiliates, or any officer or employee of the Duxton Group accepts any liability whatsoever for any direct or consequential loss arising from any use of this factsheet or its contents, including for negligence.

#### Disclaimer for use of ratings only:

The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.