

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

NAV UPDATE

During the month the Company released its annual report for 2019. The Company is pleased to report a Net Asset Value (NAV) per share as at 30 June 2019 of \$1.7145 (2018: \$1.6989). Independent valuation by CBRE has determined that if the water entitlements that the Company holds were valued at fair value then the NAV per share of the Company would equate to \$1.7575 (2018: \$1.7112). The appreciation in NAV is a testament to the value created through developing existing properties, the water security strategy implemented by the Company and the investment thesis of mispriced Australian farmland, despite extreme domestic conditions.

UNMARKETABLE PARCELS

Pursuant to Listing Rule 4.10.8 the Company confirms that the total number of holders holding less than a marketable parcel as at 31 July 2019 is 23.

SHARE BUY-BACK

The share buy-back continued this month with the on-market acquisition of 10,000 shares. This brings the total number of shares bought under the buyback to 698,672. The Company can acquire up to 761,428 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.

WINTER CROPS

The ongoing rainfall deficit experienced throughout the NSW winter cropping season is resulting in diminishing prospects for the NSW winter crop. Rainfall over the coming weeks will be crucial for achieving positive yields. Crop conditions are being closely monitored during this period with suboptimal areas being opportunistically cut for hay or grazed by livestock to maximise return. Sales of on-farm stored grain continued over August in line with the commodity marketing strategy. Irrigated cereal crops received irrigation in August to assist with early development.

SUMMER CROPS

Preparations have been completed for the planting of next year's cotton crop. The Company is going to trial a small section of cotton planted under a biodegradable film. The film essentially results in a greenhouse effect that assists in retaining heat in the soil promoting early development of the cotton seed. This facilitates a longer growing period to maximise yield.

IRRIGATION

The ongoing rollout of the irrigation development program continued over August. The irrigation development projects are aligned with the Company's broader risk mitigation strategy by seeking to increase water security, visibility and operational flexibility. The second storage facility at Walla Wallah is being filled in preparation for the upcoming cotton crop. The successful production bore at Walla Wallah has had an application lodged with State Water and is awaiting approval. The hydrological survey at Timberscombe has continued during the month to identify areas that may be potential locations for further production bores.

LIVESTOCK

DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. Areas

of wheat that do not look likely to produce grain due to the dry conditions are being utilised for grazing. The sale of stock continued over the month with favourable livestock prices continuing.

BOORALA

A relatively mild and not overly wet winter has resulted in good pasture and crop growth. Between the development of the pasture and a strong crop Boorala has an excess of feed. To take advantage of the excess feed angus steer have been purchased. The angus steers have already started to gain weight and will be sold once they reach appropriate market weights. Young lambs have shown excellent early development due to the quality and quantity of feed on hand.

LOCAL WEATHER

Central-west New South Wales (NSW) recorded August rainfall of 13.0mm, the historic average is 32.7mm. The mean temperature for August was 16.9°C, above the long-term average of 16.5°C. In south-east South Australia (SA), August recorded rainfall of 45.0mm compared to the historic average of 70.8mm. The mean temperature for August was 14.1°C. This is below the long-term average for the region by 1.2°C.

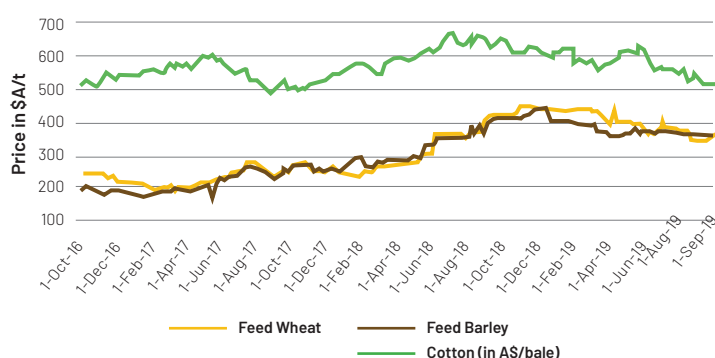
The Bureau of Meteorology's (BoM) climate outlook for September has predicted a 75% chance of rainfall between 10-25mm and an 80% chance of temperatures exceeding the long-term median of 18-21°C for central-west NSW. Comparatively south-east SA has a 75% chance of rainfall between 25-50mm and a 70-75% chance of temperatures exceeding the long-term median of 15-18°C. Nationally, the BoM predicts warmer temperatures both day and night from September through to November. With more cloud free days and nights expected there is an increased risk of frost in susceptible areas. The BoM is predicting that spring weather is likely to be driven by a positive Indian Ocean Dipole (IOD) event as El Niño is expected to remain neutral for spring. Typically, a positive IOD event brings below average winter-spring rainfall and above average temperatures for southern and central Australia.

DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Feed Wheat	\$365	\$430	-15%
Feed Barley	\$360	\$410	-12%
Cotton	\$521/bale	\$635/bale	-18%

* data retrieved from ABARES weekly commodity reports

DOMESTIC CROP INDICATOR PRICES

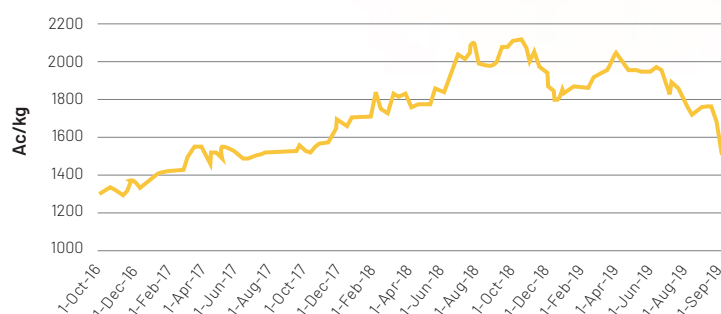


AUSTRALIAN MARKET INSIGHTS

CROP PRICES

During August Australian wheat prices initially fell \$5/t to \$345/t before a late rise saw prices close the month at \$365/t. Barley prices remained steady during July at \$360/t. Pricing fluctuations at this time of year can be attributed to forecast climatic conditions and demand in the market. Recent weather forecasts indicating dry and hot conditions across several major producing regions over spring are likely to impact crop yields. As the lower crop yields start to impact forecast production for next season there could be some appreciation in prices to reflect the anticipation of lower levels of supply.

WOOL EASTERN MARKET INDICATOR

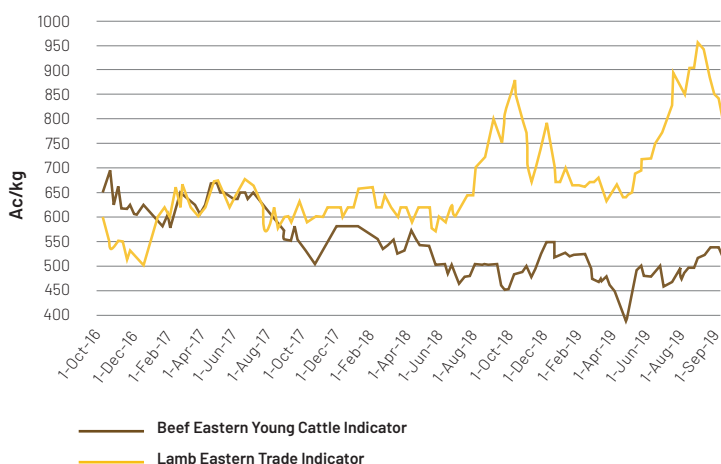


DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

LIVESTOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Beef	\$5.08	\$4.61	10%
Lamb	\$8.06	\$8.43	-4%
Wool	\$14.97	\$20.68	-28%

* data retrieved from ABARES weekly commodity reports

AUSTRALIAN LIVESTOCK PRICES



COTTON PRICES

International cotton prices fell during August to finish the month at 70.1USc/lb. The current cotton price in USc/lb is the lowest it has been in three years. The decline in prices during the month were likely caused by the continued deterioration of trade relations between the USA and China. Following a meeting in Shanghai in July further tariffs of 10% have been levied by the USA on \$300m of Chinese goods¹. The new tariffs will be in effect from the 1st of September. China's Ministry of Commerce has retaliated to the latest round of tariffs by announcing tariff increases on two tranches of US imports. The new tariffs will be implemented on the 1st of September and the 15th of December. The latest supply outlooks by Cotlook have seen forecast tonnage for the 2019/20 season increase by 100,000 tonnes to 26.7 million tonnes. The rise in production was mainly due to a modest increase in planted area and improved yield expectations of cotton in the USA. Global cotton consumption is forecast at 25.7 million tonnes for 2019/20. Stock levels at the end of the year are likely to rise by over 960,000 tonnes. This could result in downwards pressure on prices in the coming months.

CROP PRODUCTION

The International Grains Council (IGC) projection for grain production for the 2019/20 season has been downgraded from 35.9 million tonnes to 34.2 million tonnes. The downgrade in production by the IGC is likely due to the adverse weather forecasts for spring that were released during the month. With hot and dry conditions forecast for spring it is unlikely that Australia will be able to produce a high yielding crop. The current production level would represent the highest production level since 2016/17 but would still be below the ten-year average.

WOOL PRICES

August saw wool prices rapidly decrease as growing talks of increased tariffs, the inversion of the yield curve and indications of slowing economic growth placed downwards pressure on prices². Indications that the global economy is slowing is expected to reduce demand for wool as manufacturers believe consumers could move towards cheaper alternative fibres. The inversion of the yield curve during the month saw talk of a US recession surface and with-it lower consumer confidence. With the rapid fall in prices buyers are holding out on re-entering the market until it stabilises.

LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (EYCI) rose at the start of the month to reach a 2019 high of \$5.33/kg before falling to finish the month at \$5.08/kg. Price rises at the start of the month

1. Cotlook Limited. 2019. August 2019 Market Summary.

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

were attributed to restocker demand increasing as winter rainfall provided improved confidence that there could be sufficient spring feed. Feedlot buyers are paying a premium to acquire the best stock as they try to meet the record export demand for Australian beef. In 2018/19 Australian beef exports reached a record \$9.49 billion. Towards the end of the month climate outlooks for spring were released showing dry conditions throughout spring in major producing regions. The climate outlooks reduced the confidence that buyers had of a break in the dry conditions and contributed to the EYCI softening.

Lamb prices have fallen by 14% during the month to \$8.06/kg. The drop-in lamb prices have been attributed to new season lambs entering the market early and a reduction in the number of processors buying lambs. During winter several processing facilities shut down for maintenance repairs, this can reduce buyer demand and place downward pressure on prices. New season lambs started to enter the market in early August, this resulted in a rise in supply and downward price pressure. Lower volumes of new season lamb are expected this year due to the hot and dry conditions that have been experienced across major producing regions over the past 18-24 months. Lower new season lamb volume could assist in limiting supply and driving competition.

GLOBAL MARKET INSIGHTS

WEATHER

Weather during the month has been mixed with several countries showing favourable growing conditions while others are struggling due to adverse weather patterns. Dry conditions in Russia, Australia, Argentina and the EU and wet conditions in Canada are impacting the wheat crop, delays in plantings in the US and dry conditions in China, Canada, Ukraine and the EU impacting the maize crop and delays in plantings and dry conditions impacting the soybean crop in China and Canada. Globally, the winter wheat crop is developing under generally favourable conditions, but several countries are experiencing dry conditions and Canada is being impacted by hail, tornadoes and wet

weather. The US maize crop is progressing, and conditions have improved but they are behind schedule due to the rain. Final maize yields in the US will be dependent on how the weather is over the next month. The spring and summer maize crops in central China are being impacted by dry conditions. Conditions in South America continue to be exceptional for maize leading to expectations of a bumper crop this year. Like maize, soybeans plantings in the US have been delayed due to the adverse conditions and final yields could be impacted if conditions deteriorate. Conditions for rice are generally favourable with dry conditions impacting northeast Thailand and northern Vietnam.

PRODUCTION

During the month, forecasts for the 2019/20 grain season have been revised upwards. The 2019/20 grain season is forecast to produce 2,159 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 31 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 the USDA released figures showing larger than expected yields and planted area for maize. The wheat index finished August down 4%. The wheat index is down 13.9% year on year. The wheat index fell during the month due to strong levels of global supply and a lack of export demand. The soybean index was 0.5% lower than last month as prices in the US dipped. The maize index was down by 15.6% during the month. The fall was due to new data from the USDA indicated the US planted area and yields for maize will be higher than previous expectations.

3. Meat and Livestock Australia (MLA), 2019. EYCI hits 2019 high
4. Meat and Livestock Australia (MLA), 2019. Export values soar to new highs
5. Meat and Livestock Australia (MLA), 2019. New season lambs emerge
6. Agricultural Market Information System (AMIS), (2019). Market Monitor September 2019.

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