

## 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

### SHARE BUY-BACK

The share buy-back continued this month with the on-market acquisition of 12,000 shares. This brings the total number of shares bought under the buyback to 720,672. The Company can acquire up to 739,428 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 rollout of the irrigation development program continued over October. 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 newly built storage and channel systems have been utilised this month to water the cotton crop. The new irrigation infrastructure will ensure that the cotton crop is watered with improved efficiency this season. A new bore motor will be installed to ensure the bore is functioning efficiently for the cotton season. 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.

### SUMMER CROPS

Cotton planting that was scheduled to occur at the end of September was delayed due to cold weather. The planting occurred in October and has established well. The small trial plot of cotton under a fully biodegradable/dissolvable film is developing well and will be monitored during the season. The film essentially results in a greenhouse effect that assists in retaining heat in the soil promoting early development of the cotton seed. This is intended to facilitate a longer growing period to maximise yield.

### WINTER CROPS

The irrigated cereal crops are finishing well despite the difficult conditions throughout the year. Harvest of the earlier planted barley is expected to commence in early November. Crop conditions are continuing to be closely monitored with suboptimal areas being opportunistically cut for hay or grazed by livestock to maximise return.



## LIVESTOCK

DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. Areas of wheat that were anticipated to produce suboptimal yields due to the dry conditions have been utilised for grazing. New pasture planting areas have benefited from intermittent rain events. The sale of stock continued over the month with favourable livestock prices continuing. Additional stock are being purchased as opportunities arise.

## BOORALA

Despite lower rainfall in October along with hot and windy conditions, crops are still expected to achieve forecasted yields. In some areas pasture growth has been adversely impacted by hot conditions. Cutting hay and canola will take place in early November. Due to the hot conditions harvest is expected to be two weeks ahead of schedule. Despite the hot conditions, cattle and lambs have developed well throughout the season and are in exceptional condition. Marketing of lambs commenced during October and will continue over the coming months.

## LOCAL WEATHER

Central-west New South Wales (NSW) recorded October rainfall of 2.8mm. The historic average is 39.1mm. The mean temperature for October was 27.7°C, above the long-term average of 25.1°C. In south-east South Australia (SA), October recorded rainfall of 42.6mm compared to the historic average of 52.1mm. The mean temperature for October was 21.8°C. This is above the long-term average for the region by 1.0°C.

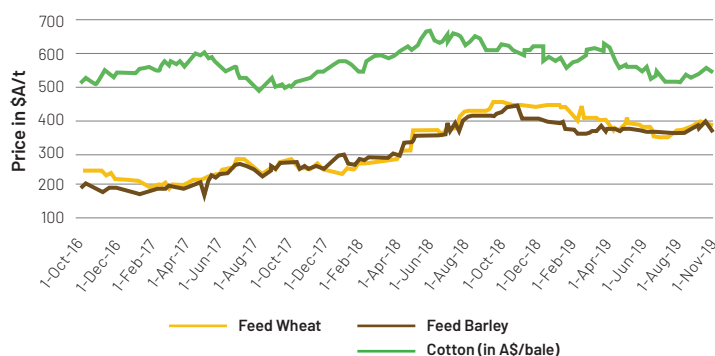
October continued the recent hot and dry conditions that have been experienced throughout Australia this year. October was the third warmest on record for Australia and the equal fifth driest. It has been the second warmest and second driest January to October on record for Australia as a whole. The Bureau of Meteorology's (BoM) climate outlook for November has predicted a 25% chance of rainfall exceeding the long term median of 50-100mm and a 70% chance of temperatures exceeding the long-term median of 24-27°C for central-west NSW. Comparatively south-east SA has a 40% chance of rainfall exceeding the long-term median of 25-50mm and an 35% chance of temperatures exceeding the long-term median of 21-24°C. Nationally, the BoM predicts warmer temperatures both day and night from November through to January. The BoM is predicting that spring weather is likely to continue to be driven by a positive Indian Ocean Dipole (IOD) event as El Niño is expected to remain neutral until at least early 2020. Typically, a positive IOD event brings below average winter-spring rainfall and above average temperatures for southern and central Australia. Typically, IOD events start to subside in early summer meaning its contribution to the dry weather should begin to reduce towards the end of the year. In addition to the IOD a prolonged negative phase of the Southern Annular Mode (SAM) is expected in November. A negative SAM during spring typically results in drier conditions across eastern Australia and doubles the chance of spring heatwaves occurring across southern and eastern Australia.

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

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Feed Wheat	\$380	\$455	-16%
Feed Barley	\$360	\$435	-17%
Cotton	\$544/bale	\$609/bale	-11%

\* data retrieved from ABARES weekly commodity reports

### DOMESTIC CROP INDICATOR PRICES



## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

During October Australian wheat prices initially rose \$15/t before falling \$10/t to close the month at \$370/t. Barley prices fell \$20/t during October to \$360/t. Pricing fluctuations at this time of year can be attributed to forecast climatic conditions and demand in the market. Weather forecasts continue to predict hot and dry conditions for the remainder of spring and into early summer which could impact this year's production. With the hot and dry conditions, several farmers are making the decision to cut crops for hay instead of finishing them. The warm weather is expected to result in downgrades to the national wheat and barley crop. Low levels of production this year could result in upwards price pressure. There exists some downside risk to grain

prices that could be attributed to lower barley exports due to the Chinese anti-dumping investigations earlier in the year and the recent supply of Canadian grain to the Australian market. In both cases the impact this has on local supply could affect prices.

## COTTON PRICES

International cotton prices rose during October to finish the month at 75.4USc/lb. The rise in prices during the month could be attributed to news of a partial agreement between China and the US which would signify a de-escalation of recent trade tensions<sup>1</sup>. During October the Chinese State Reserve entered the cotton market purchasing approximately 200,000 tonnes from Brazil. Chinese State Reserves have been progressively reduced over recent years.

There is an expectation that if an agreement between China and the US is agreed then the Chinese State Reserve would become a major buyer of US cotton. The latest supply outlooks by Cotlook have seen forecast tonnage for the 2019/20 season decrease by 40,000 tonnes to 26.5 million tonnes. The reduction in production was mainly due to crops being impacted by weather and pest related issues in Pakistan. Pakistan is expected to produce 1.48 million tonnes, this would be the lowest production in over twenty years. Global cotton consumption is forecast at 25.6 million tonnes for 2019/20. Stock levels at the end of the year are likely to rise by over 845,000 tonnes.

## CROP PRODUCTION

During the month Rabobank released its latest winter crop outlook. Rabobank is forecasting for the winter crop to produce 27.7 million tonnes. This level of production would be the lowest since 2007/08 and is 31% below the five-year-average for Australia's winter crop. The low level of production is attributed to the ongoing drought conditions that have impacted the major Australian grain growing regions. The International Grains Council (IGC) projection for grain production for the 2019/20 season has been downgraded from 31.0 million tonnes to 27.6 million tonnes.

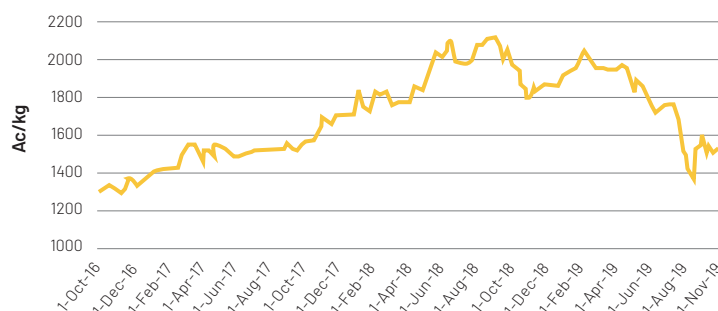
## WOOL PRICES

October saw wool prices initially rise before declining at the end of the month to finish at a similar level to September. Price declines during the month were attributed to immediate needs being met at last month's sales and buyers being more controlled in their purchasing behaviour<sup>2</sup>. Price rises during the month were attributed to an improved global outlook and an expectation for strong retail figures in the early autumn sales. To assist in protecting prices wool



Loading lambs for sale at Boorala

## WOOL EASTERN MARKET INDICATOR



1. Cotlook Limited. 2019, October 2019 Market Summary

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



growers have been utilising the ability to pass in their wool if prices do not meet their reserve. This assists in reducing the supply of wool available for sale and helps to stabilise prices. If not correctly managed passing in wool for an extended period can result in a large stockpile that can result in suppressed prices.

## LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (EYCI) has risen during the month to finish at \$5.01/kg. The rise in prices is attributed to strong export demand for well finished cattle<sup>3</sup>. The recent price rise could indicate that finished cattle supplies might start to tighten before the end of the year. Prices are being supported by surging demand for Australian beef as African Swine Fever continues to impact Asia and an Australian dollar that is at 10-year lows. Prices for heavy cows continue to attract a premium in the market as export demand is strong and supply is relatively low.

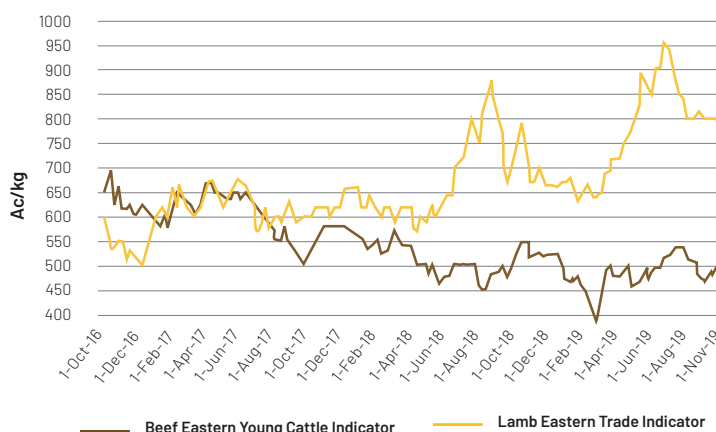
Lamb prices have fallen slightly during the month by \$0.32/kg to finish the month at \$7.72/kg. The reduction in price is attributed to new season lambs entering the market in greater numbers towards the end of the month<sup>4</sup>. The downward trend is not surprising as October and November see the highest levels of lamb supply for the year. Typically lamb supply increases by 14% from the yearly average in October and by 29% in November. Prices during the coming months will be driven by the level of supply from the southern states.

## DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS\*

LIVESTOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Beef	\$5.01	\$5.41	-7%
Lamb	\$7.72	\$7.88	-2%
Wool	\$15.45	\$18.74	-18%

\* data retrieved from ABARES weekly commodity reports

## AUSTRALIAN LIVESTOCK PRICES



3. Meat and Livestock Australia (MLA). 2019. Over-the-hook cattle indicators strengthen

4. Meat and Livestock Australia (MLA). 2019. Lamb prices ease as yarding's lift



## GLOBAL MARKET INSIGHTS

### WEATHER

Weather conditions during the month have improved compared to September but several countries are still displaying signs of deteriorating crops due to dry conditions in the EU and continued wet weather in North America. Dry conditions in Australia, Argentina, the United States and Ukraine and wet conditions in Canada are impacting the wheat crop. Wet weather in the US and dry conditions in Canada and the EU are impacting the maize crop. Delays in plantings and wet conditions are impacting the soybean crop in Canada<sup>5</sup>. Globally, the winter wheat crop continues to be impacted by dry conditions in several countries. This could reduce yield in several major producing countries including Ukraine and Canada. Currently conditions in the EU, China and Russia are favourable. Harvest of the US maize crop is underway, and conditions have improved but they remain behind schedule due to rain during planting. There is rising concern for fields that have yet to be harvested as winter approaches. The EU maize crop is being impacted by heatwaves in Poland and France which could result in reduced yields. Sowing of the spring crop is proceeding under favourable conditions. Like maize, soybeans plantings in the US were delayed due to the adverse conditions and final production is likely to be impacted as a lower number of hectares were sown. Conditions for rice are generally favourable with a couple of notable exceptions including flooding in Thailand and the Philippines. The two largest rice producing nations, China and India, are currently experiencing favourable conditions.

### PRODUCTION

During the month, forecasts for the 2019/20 grain season have been stable. The 2019/20 grain season is forecast to produce 2,157 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 29 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 rose during the month to a three-month high, as average export prices for maize, soybeans and wheat strengthened. The wheat index finished October up 3.5%. The wheat index is down 7.3% year on year. The wheat index rose during the month due to rising export demand and deteriorating crop prospects in some major producing regions. The soybean index was 5.6% higher than last month as trade talks between the US and China improved and the production outlook deteriorated. The maize index rose by 4.3% during the month. The rise was due to low levels of supply in the US and uncertainty around the size of the Midwest harvest.

5. Agricultural Market Information System (AMIS). (2019). *Market Monitor November 2019*



Trial of cotton planted under film 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.