

**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 5,000 shares. This brings the total number of shares bought under the buyback to 734,623, with the Company being able to acquire up to 4,297,728 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**

During the month the final irrigation of the summer cotton crop was completed. Favourable rainfall across the properties assisted in reducing the amount of water required for irrigation. The successful production bore at Walla Wallah has had an application lodged with State Water, which is awaiting approval. Drilling of test bores to identify irrigation development potential will recommence at Timberscombe once hydrological survey results have been received.

**SUMMER CROPS**

The cotton crop is performing well. Final irrigation of the early cotton crop was completed late in the month. The small trial plot of cotton under a fully biodegradable/dissolvable film is developing well and will continue to be monitored during the season. The film operates by creating a greenhouse effect that assists in retaining heat in the soil, ultimately promoting early development of the cotton seed. This facilitates a longer growing period to maximise yield.

**WINTER CROPS**

Higher levels of rainfall in early February have resulted in improved subsoil moisture ahead of the upcoming winter cropping program. Fertiliser and chemical inputs for the upcoming winter crop have been secured. Sales of new season crops are continuing in accordance with DBF's commodity marketing strategy. Most of the winter harvest has now been sold with the remainder to be sold over the coming months.





## LIVESTOCK

DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. Recent rainfall in the eastern states is improving pasture and the winter grazing crop outlook. The majority of stock is now in the newly developed stock pens to ensure stock welfare during hot conditions. The sale of stock continued over the month with livestock prices rising as restockers have entered the market following recent rainfall. DBF has been accumulating livestock over the last six months. This will allow DBF to enter the market with good quality trade stock. Additional stock is being purchased as opportunities arise.

## BOORALA

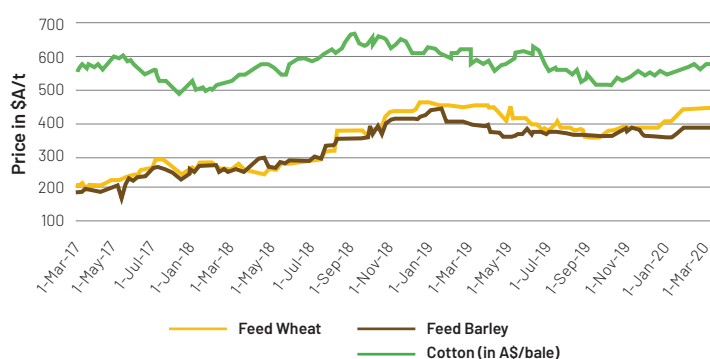
February has continued the focus on the development of livestock at Boorala. Lamb and angus steers that were purchased in mid-2019 reached market weights and were sold during the month. Cereal hay sales are ongoing and further sales of livestock will continue over the coming months consistent with DBF's marketing strategy.

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

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Feed Wheat	\$442	\$420	5%
Feed Barley	\$385	\$370	4%
Cotton	\$574/bale	\$567/bale	1%

\* data retrieved from ABARES weekly commodity reports

### DOMESTIC CROP INDICATOR PRICES



## LOCAL WEATHER

Central-west New South Wales (NSW) recorded February rainfall of 72.6mm compared to the historic average of 49.4mm. The mean temperature for February was 30.9°C, below the long-term average of 32.9°C. In south-east South Australia (SA), February recorded rainfall of 24.6mm compared to the historic average of 18.3mm. The mean temperature for January was 26.7°C. This is below the long-term average for the region by 2.6°C.

February has continued Australia's hot start to the year registering as the tenth hottest on record. Warmer than average temperatures were recorded in all states except SA and Tasmania. Rainfall across Australia was 11% above average with high levels of rainfall in Victoria and NSW. The only state to report lower than average levels of rainfall was Western Australia. The Bureau of Meteorology's (BoM) climate outlook for March has predicted a 60-65% chance of rainfall exceeding the long-term median of 10-25mm and an 55-60% chance of temperatures exceeding the long-term median of 27-33°C for central-west NSW. The south-east of SA has a 60-65% chance of rainfall exceeding the long-term median of 10-25mm and a 50% chance of temperatures exceeding the long-term median of 24-27°C. Nationally, the BoM predicts warmer temperatures both day and night and wetter than average weather for parts of southern Australia from March through to May. The BoM has reported that the positive Indian Ocean Dipole (IOD) and the El Niño-Southern Oscillation (ENSO), are currently neutral and are forecast to remain neutral through autumn. With the IOD and the ENSO currently neutral, Australian rainfall and temperature patterns are likely to be driven by local climate drivers such as ocean temperature patterns and active or break periods of the monsoon.

## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

During February, Australian wheat prices remained steady at \$442/t. Barley prices remained steady at \$385/t. Pricing fluctuations can be attributed to supply and demand dynamics in the market and global economic conditions. Australian grain prices were steady during the month as low Australian crop production forecasts and a falling Australian dollar helped to offset a potential price drop from recent rain in the eastern states that has assisted pasture development. There exists some downside risk to grain prices as like other commodities reduced consumption and trade due to the coronavirus could impact prices in the short term. High global production due to favourable weather conditions could also impact Australian prices.

## COTTON PRICES

International cotton prices fell during February to finish the month at 77.1USc/lb. an initial price drop at the start of February from 79USc/lb to 76USc/lb was followed by a slow rise during the month to 78USc/lb until prices decreased following fears over the spread of the coronavirus<sup>1</sup>. Initially the decline in prices was attributed to China returning from Lunar New Year holidays. Once China started to reopen factories cotton prices started to gradually rise. However, late in the month reports of the coronavirus continuing to spread caused prices to fall with Cotlook reporting that prices would be around 71USc/lb by the start of March. The latest supply outlooks by Cotlook have seen the initial forecast tonnage for the 2020/21 season at 26 million tonnes. This level of production would be in line with the 2019/20 season. The initial global cotton consumption forecast for 2020/21 is 25.9 million tonnes. This would be an increase in consumption compared to 2019/20 and the first increase since 2017/18.

## CROP PRODUCTION

During the month the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) released its February update to the Australian crop report. The report provided an update on the forecast summer crop and estimated winter crop production. Australia's 2019/20 summer crop is forecast to produce 878,000 tonnes. This would represent a drop of 66% from last year's harvest and is 33% below the forecast ABARES made in the December crop report. The fall in crop production is attributed to the adverse conditions that were experienced across the Australia during December. The adverse

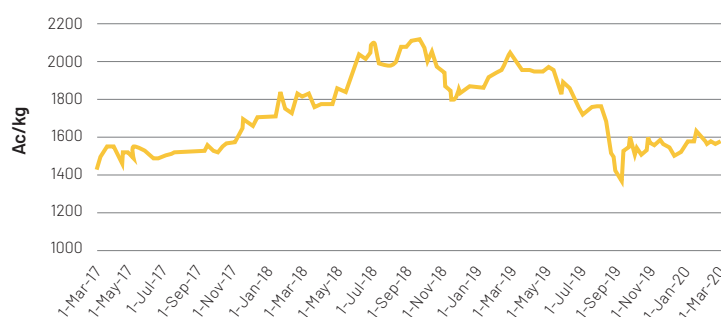
conditions resulted in further depleted soil moisture levels that constrained summer plantings. Cotton plantings are forecast to fall by 82% to 61,000 hectares due to low supplies of irrigation water and a lack of soil moisture. This would be the lowest planted area for cotton since 1978/79. The estimated winter crop production saw a slight decline from the December crop report. ABARES now estimates that in 2019/20 Australia produced 28,990,000 tonnes of grain. This would represent nearly a 5% decline from last year and would be the lowest winter crop production since 2007/08.

## WOOL PRICES

Wool prices traded sideways during the month between \$15.50-15.80/kg and finished February at \$15.81/kg. Prices started the month by declining 2% as growing concerns around the coronavirus affected wool prices<sup>2</sup>. The last week of February no wool auctions occurred as a cyber-attack made it unviable to conduct auctions<sup>3</sup>. Following the initial price drop prices were expected to continue to fall as the virus spread. However, the opposite happened with strong demand from European and Chinese buyers helping to support prices during the month. A reduction in shipping trade between Australia and China could impact transportation costs of wool. Currently wool is loaded onto ships that unload Chinese goods into Australia to reduce the cost of transport. As shipping routes are scaled back and exports delayed there is a chance that the wool supply chain will be disrupted. Due to the large exposure of the wool market to China there exists downside risk in the coming months as the coronavirus situation continues to develop.



## WOOL EASTERN MARKET INDICATOR



1. Cotlook Limited. 2020. February 2020 Market Summary

2. Australian Wool Innovation Limited. 2020. Weekly Price Report

3. Graham, V. 2020. Call to help growers after wool auctions halted by cyber attack. Farm Weekly.



## LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (EYCI) rose by \$1.54/kg during the month to breach the \$7/kg mark and finish at \$7.02/kg. This is first time in the past three years that the EYCI has exceeded \$6.70/kg. The rise in prices for cattle can be partially attributed to the recent rainfall in NSW and QLD which has driven demand for young cattle and a fall in supply<sup>4</sup>. Prices continue to rise as the competition for young cattle between restockers and feeders increases. The supply of cattle to the market is being impacted by some producers holding back cattle to fatten them up and there have been issues accessing cattle due to flooding. Rainfall will continue to have an impact on cattle prices in the coming months as positive conditions will entice buyers to continue buying and sellers could keep stock out of the market as they will have enough pasture to facilitate feed requirements. There exists the potential for further price support as Australia's beef export industry continues to grow supported by a low Australian dollar. In 2019 Australia was the world's most valuable beef exporter with exports totalling \$10.8 billion dollars<sup>5</sup>. A slowdown in beef exports in 2020 or a lack of follow up rain could result in downwards price pressure.

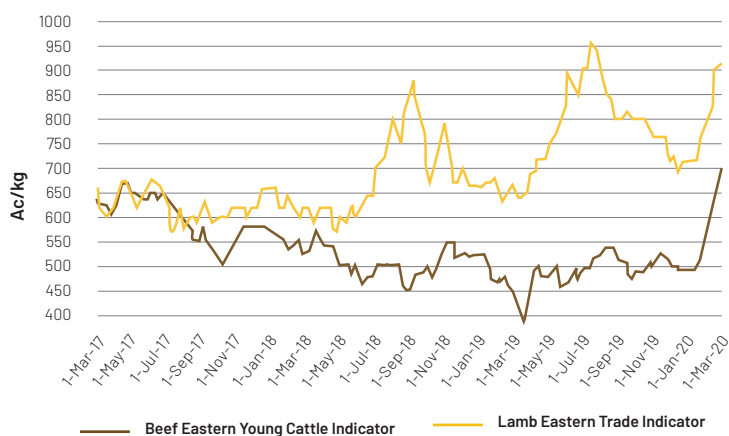
Lamb prices have risen during the month by \$1.32/kg to finish the month at \$9.11/kg. Lamb prices are 37% higher than at the same time last year. Price rises at the start of the year have been attributed to improving market confidence following strong rainfall in eastern Australia and concerns over short-term lamb supply<sup>6</sup>. Prices continued to gain momentum in February despite an increase in supply, as producers looked to take advantage of strong prices. Processors are continuing to be active in the market to try and secure stock before potential supply constraints occur. Historically, lamb prices stay relatively stable for the first three months of the year, but expectations of limited supply and strong international demand has seen prices at elevated levels early in the year.

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

LIVESTOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO	PERCENTAGE CHANGE
Beef	\$7.02	\$4.50	56%
Lamb	\$9.11	\$6.65	37%
Wool	\$15.81	\$20.27	-22%

\* data retrieved from ABARES weekly commodity reports

### AUSTRALIAN LIVESTOCK PRICES



3. Meat and Livestock Australia (MLA). 2020. Eastern Young Cattle Indicator driven by recent rain

4. Meat and Livestock Australia (MLA). 2020. Restocker intent starting to show

5. Meat and Livestock Australia (MLA). 2020. Australia becomes the most valuable beef exporter

6. Meat and Livestock Australia (MLA). 2020. Sheep and lamb market red hot



## GLOBAL MARKET INSIGHTS

### WEATHER

Weather conditions during the month have been predominantly favourable with only limited countries currently tracking potential adverse conditions<sup>7</sup>. Globally, climate conditions for the winter wheat crop are favourable. Favourable conditions could result in improved wheat yield in several major producing countries, including China, India and the US. Northern Europe and the United Kingdom are being impacted by a lack of winter wheat hardening, leaving crops vulnerable to frost damage. Low levels of soil moisture are impacting the wheat crop in the southeast of Russia and Ukraine. Maize conditions are favourable for all countries except for South Africa, which is being impacted by dry conditions in the east. Conditions for rice are mixed with several countries experiencing adverse conditions. This includes a shortage of water for irrigation in Indonesia and Thailand, and a shortage of freshwater in Vietnam due to saline intrusions.

### PRODUCTION

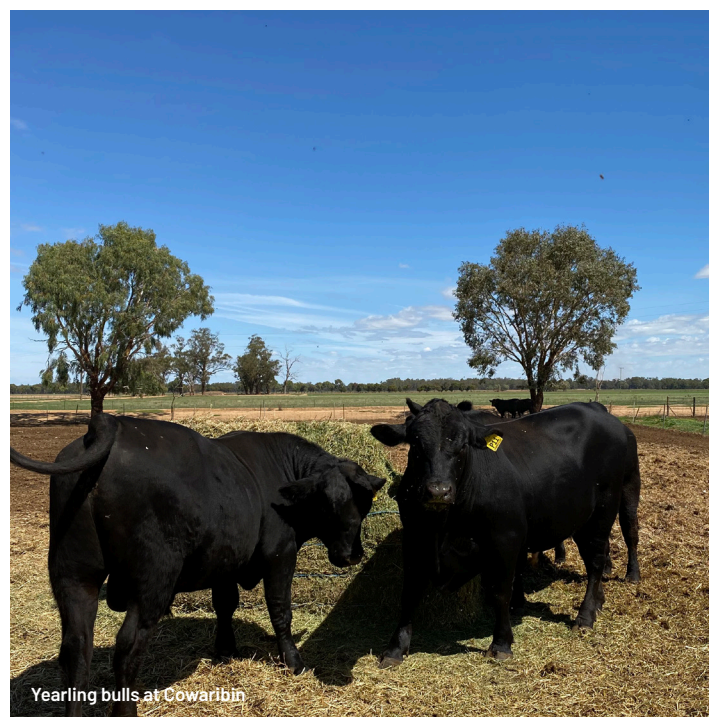
During the month, forecasts for the 2019/20 grain season have risen slightly. The rise in production is attributed to improved production for wheat, maize and barley. The 2019/20 grain season is forecast to produce 2,172 million tonnes of grain. For reference, the average world total annual grain production for the past 10 years has been 1,995 million tonnes. Overall wheat production is projected to be up year-on-year by 30 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 to finish February down by 3%. The weakening of the IGC global grain and oilseed index is attributed to the continued spread of the coronavirus and favourable crop outlooks. The wheat index finished February down by 4.3%. The

wheat index is down 2.0% year on year. The wheat index fell during the month due to a combination of the uncertain impact of the coronavirus on world demand for commodities and expectations of strong levels of supply in the 2020/21 season. The soybean index was 3.5% lower than last month. The maize index fell by 5.1% during the month. Maize price falls during the month are attributed to a favourable production outlook in South America.

7. Agricultural Market Information System (AMIS). 2020. Market Monitor March 2020



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