

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)

8,779 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

INDEPENDENT VALUATION UPDATE

The Company engaged CBRE Valuations Pty Limited ("CBRE") to provide an updated Independent Valuation Report for land, water and structures of the Company as at 30 June 2020. We are pleased to announce that CBRE's fair value of land, water and structures is \$96,850,000 representing a \$7,275,000 or 8.12% uplift in asset values.

UPLIFT FROM JUNE 2019 TO JUNE 2020

Asset	June 2020 Uplift
Land	7.84%
Water	11.91%
Structures	2.64%
Total	8.12%

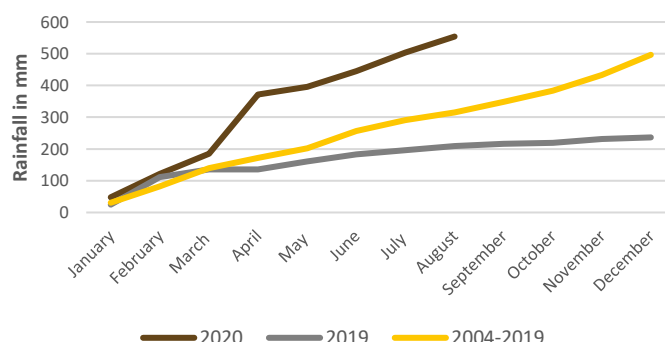
WINTER CROPS

During August, the winter crops continued to develop well responding positively to recent warm sunny weather. The above average rainfall over recent months delivered a full soil moisture profile, providing favourable conditions for the upcoming season. Most crops continued receiving fungicide sprays as required. Some crops also received an additional application of nitrogen-based fertiliser to promote growth. DBF has had no issues securing supplies of fertiliser or chemical inputs for the winter cropping program. Spraying is ongoing, with crops now ready to be ground sprayed.

SUMMER CROPS

Picking continues to be delayed this year due to wet soil conditions. By the end of August, 88% of the cotton crop has been picked with the remaining field being delayed due to continued wet soil conditions. This is unchanged from last month. All cotton that has been picked has been processed. Preparations are beginning for next seasons cotton fields when conditions allow. Yields and quality of cotton picked so far are in line with expectations with the seasonal conditions.

Cumulative Rainfall (Forbes Airport AWS)
2020 Jan-August vs 15 year mean average vs 2019



LOCAL WEATHER

Central-west New South Wales (NSW) recorded August rainfall of 50.6mm which is 17.1mm above the long-term average. As shown in the above graph, Forbes has now received 134% more rain than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for August was 14.8°C, below the long-term average of 16.5°C. In south-east South Australia (SA), August rainfall of 51.6mm was below the long term average of 70.0mm. The mean temperature for August was 14.6°C. This is below the long-term average for the region by 0.7°C.

LIVESTOCK

DBF is continuing to take advantage of the recent high livestock prices by selling livestock that meet market requirements, while also acquiring additional stock as favourable opportunities arise. Pasture that was planted during May has continued to develop well in the wet conditions. The pasture will assist in ensuring adequate feed is maintained over winter. DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. Calving is continuing smoothly. At Boorala, lambs continue to grow well and should be ready for sale towards the end of October. Good pasture growth has contributed to both ewes and lambs being in good condition going into spring. The steers purchased earlier in the year are also growing well with pasture feed being supplemented with some cereal hay.

IRRIGATION

Further rainfall has allowed additional capture of runoff from the irrigation areas. Upgrades to the water meters are being undertaken in anticipation of new meter requirements due at the end of the year. The application lodged with State Water for an additional production bore has been accepted and is now awaiting completed paperwork. Drilling of test bores to identify irrigation development potential will recommence at Timberscombe once hydrological survey results have been received.

SHARE BUYBACK

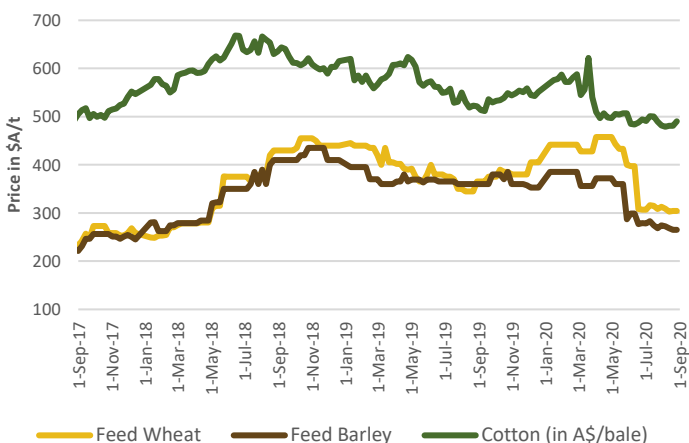
During the month 7,772 shares were bought back. The total number of shares bought under the buyback is 769,623 with the Company being able to acquire up to 4,267,728 additional shares. The intent of the buyback is to enable DBF to acquire shares in the event the Board determines they are trading at a discount to intrinsic value.

DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (August 2019)	PERCENTAGE CHANGE
Feed Wheat	\$304	\$365	(17%)
Feed Barley	\$265	\$360	(26%)
Cotton	\$491/bale	\$521/bale	(6%)

* Data from ABARES weekly commodity reports and Cotlook

DOMESTIC CROP INDICATOR PRICES



AUSTRALIAN MARKET INSIGHTS

CROP PRICES

During August, Australian wheat prices fell by \$9/t to finish the month at \$304/t. Barley prices decreased slightly during the month to \$265/t. Despite falling production from the European Union providing upwards pricing pressure on wheat, these gains were not felt in Australia due to a rising currency value.¹ A rising currency value could make Australian exports more expensive, and hence reduce demand for Australian grains placing downwards pressure on prices. Rising currency values alongside increased yield estimates from Russia and Australia have also kept wheat pricing low.² Production downgrades from initial estimates can cause uncertainty in supply levels which can result in prices rising. Rising stock levels can place downward pressure on prices. Potential upsides for Australian grain prices include a reduction in global production if weather conditions start to worsen, a removal or reduction of the tariffs on Australian barley, and supply chain disruptions due to COVID-19.

COTTON PRICES

International cotton prices increased during August to finish the month up 1.55USc/lb higher at 71.1USc/lb. A report from the USDA on August 12 announcing an additional 600,000 bales in US domestic production sent prices down, however renewed Chinese buying interest in US cotton alongside news of a potential hurricane risk to the Gulf of Mexico led to an overall increase in prices by end of the month.³ The latest production outlook by Cotlook has seen the forecast tonnage for the 2020/21 season increased to 24.6 million tonnes representing a 4.5% reduction from the output in 2019/20. The global cotton consumption forecast for 2020/21 is 23.5 million tonnes.

CROP PRODUCTION

During the month, the International Grains Council (IGC) projection for grain production for the 2020/21 season has increased by 1.5 million tonnes to 41.6 million tonnes. If the IGC's projected production is correct it will result in a 62% rise in production compared to the 2019/20 season. The rise in production in 2020/21 is attributed to an improvement in climatic conditions which should improve yield and increase the number of planted hectares. The majority of Australia's grain production is wheat and estimates for wheat production in 2020/21 are currently 27.5 million tonnes.

¹Bartholomaeus, M. 2020. *Rising currency creating headwinds*. Farm Online.

²RaboResearch Food & Agribusiness, 2020. *Agribusiness Monthly & Covid-19 Update September 2020*. Rabobank

³Cotlook Limited. 2020. *August 2020 Market Summary*.

WOOL PRICES

Wool prices fell during the month from \$11.34/kg to \$9.29/kg. Wool auctions resumed this month after July's three week recess. Due to the break in sales, this caused an accumulation of growers needing to sell, which resulted in offerings pushing over 42,000 bales in the first week post return.⁴ Due to the continued fall in prices, many growers are withdrawing from the market and choosing to hold their stores until prices rise. Despite an increase in the amount of wool being withheld, the market overall has still cleared 12,000 more bales during the selling season than at the same time last year. This increase in supply volume is a contributing factor behind falling prices.⁵ Generally at this point in the wool cycle, industry shifts to using more wool and less polyester leading to increased demand and prices. However, demand for wool products is likely to be lower in the coming months due to the impact of COVID-19 and consumer preferences leading to a reduction in demand for products such as woollen jackets and traditional suits.⁶

Wool Eastern Market Indicator



The Bureau of Meteorology's (BoM) climate outlook for September has predicted a 50% chance of rainfall exceeding the long-term median of 25-50mm and an 80% chance of temperatures being above the long-term median of 15-18°C for central-west NSW. The south-east of SA has a 60-65% change of being below the long-term median of 50-100mm and a 75-80% chance of temperatures being above the long-term median of 15-18°C. Nationally, the BoM predicts warmer temperatures during both day and night for September. Wetter than average weather is likely for the eastern two thirds of mainland Australia and in north-east Tasmania. The BoM has reported that the Indian Ocean Dipole (IOD) has been negative for the past three weeks; with most models anticipating this will continue long enough to be considered an IOD event. The BoM's outlook for La Niña has been raised to El Niña Alert, meaning there is a 70% chance of La Niña occurring. La Niña and a negative IOD typically increase the chance of above average rainfall across much of Australia during the spring months.



Early Flowers on Field Peas at Merriment

NATIONAL WEATHER

August recorded national mean temperatures of 1.38°C above historical means. It was Australia's sixth-warmest August on record. National temperatures were warmer than average for the majority of the country, however, were cooler for most of central NSW and close to average for the remainder of south-east Australia. Overall, average rainfalls were 8% higher than historical means. Across New South Wales, South Australia and Western Australia rainfall was above average, while Victoria, Tasmania and the Northern Territory were below average. Queensland was slightly below average with a -2% decline from historical averages. South Australia had the largest increase from historical averages with an increase of 37%.

⁴Australian Wool Innovation Limited, 2020. Week 06 August Weekly Price Report. Wool.com

⁵McLeish, B. 2020. Bargains in the bin may bring buyers out. Farm Online

⁶McLeish, B. 2020. Bargains in the bin may bring buyers out. Farm Online

LIVESTOCK PRICES

During August, the Australian Eastern Young Cattle Indicator (EYCI) saw a slight increase of \$0.29/kg to finish the month at \$7.84/kg. The EYCI has climbed to further highs on the back of strong restocker and feeder demand driven by a low supply of young cattle and good rainfall across New South Wales and Victoria.⁷ The EYCI is currently 54% higher than last year. Rainfall outlooks continue to be positive for the major producing regions in Australia, which could entice producers to continue holding onto or acquire additional stock which would result in supply remaining tight. Continued tight supply could result in sustained price support. Looking forward, positive rainfall outlooks could sustain pricing, however higher prices and the current strength of the Australian dollar could lead to a slowdown in export volumes unless prices adjust to lower levels.⁸

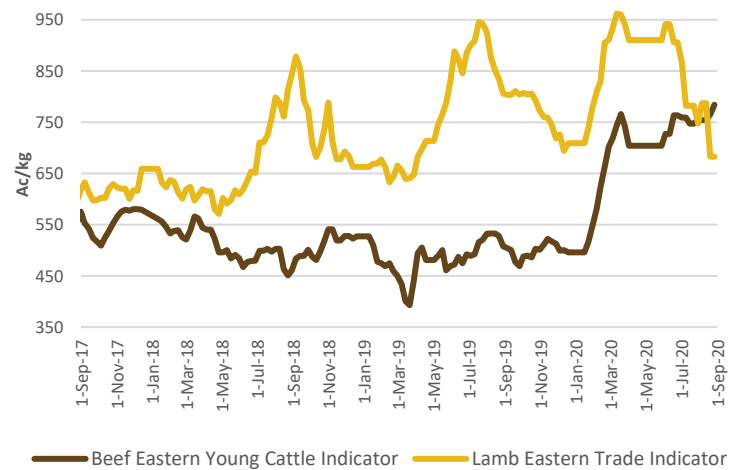
DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (August 2019)	PERCENTAGE CHANGE
Beef	\$7.84	\$5.08	54%
Lamb	\$6.83	\$8.06	(15%)
Wool	\$9.45	\$14.97	(37%)

* Data from ABARES weekly commodity reports and Australian Wool Innovation Ltd

During August, the Australian Eastern States Trade Lamb Indicator (ESTLI) saw a decline of \$0.64/kg to finish the month at \$6.83/kg. This now sits 14% lower than levels a year ago as global demand uncertainty and economic impacts place downwards pressure on prices.⁹ Looking forward, end of year holiday demand may provide some pricing support.

Australian Livestock Prices



⁷ Meat and Livestock Australia (MLA). 2020. *EYCI breaks record as slaughter plummets*

⁸ Meat and Livestock Australia (MLA). 2020. *Robust live export and domestic feeder prices*

⁹ Meat and Livestock Australia (MLA). 2020. *Lamb price gap widens*

GLOBAL MARKET INSIGHTS

WEATHER

Weather conditions during the month have been mostly favourable.¹⁰ In the EU, northern France and Romania are facing poor conditions due to hot and dry conditions from earlier in the season. In the UK harvesting is being completed under dry and wet conditions which is likely to reduce yields. Ukraine's harvest is finishing under favourable conditions, excluding southern regions where dry conditions early in the season led to reduced yields. In Russia, winter wheat conditions are exceptional in the Central and Volga districts however the south being affected by dry conditions has reduced yields. Maize conditions are favourable for most of the major producing countries expect for some areas in the United States. In Brazil, harvest is continuing under good conditions in central-west and southeast regions, while southern regions are facing mixed prospects due to dry conditions. In China conditions are mostly favourable but for some flooding within Sichuan and Chongqing. Conditions for rice are mixed with China and India currently experiencing mostly favourable conditions while several smaller producing countries are experiencing adverse conditions. In Indonesia, sowing of dry-season rice is ongoing after a prolonged wet-season cycle caused delays. Harvest in Vietnam's south is ongoing under favourable conditions, with yields slightly lower than expected due to earlier drought conditions.

PRODUCTION

Forecasts for the 2020/21 grain season increased during the month by 6 million tonnes. Production increases were attributed to upgrades in wheat, maize, sorghum and rye. The 2020/21 grain season is now projected at a record 2,230 million tonnes of grain production compared to 2,181m the year before. For reference, the average world total annual grain production for the past 10 years has been 2,032 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 finish August up by 3.0%. The wheat index finished August up by 1% linked partly to crop concerns and talk of increased Chinese buying interest. The maize index rose by 5% during the month touching a six-month peak. Maize price rises during the month are attributed to busy South American exports while the US output was downgraded due to production uncertainties from unfavourable weather conditions.¹¹

¹⁰Agricultural Market Information System (AMIS). 2020. *Market Monitor September 2020*

¹¹International Grain Council (IGC), 2020. *Grain Market Report August 2020*

Rain runoff going into the Yarranlea storage (August 2020)

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