

**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.

**OPERATIONAL UPDATE**

**WINTER CROPS**

During October, winter crops have been finishing well with good levels of soil moisture available. Preparation is underway for harvest which is expected to start mid-November with yields expected to be well above average. Fungicide sprays are continuing as required. Further expected high rainfall may result in a slower harvest due to the wet conditions. In the last week of October some winter crops at Yarranlea and Kentucky were damaged by hail and the damage is being assessed. While DBF does not anticipate material damage, any potential loss we expect to be offset by hail insurance. At Boorala, because of the continuing wet weather conditions, wheat crops originally designated for hay will be taken through as grain stock to reduce risk of producing weather damaged hay.

**SUMMER CROPS**

Planting of cotton was completed in early October and emerged well. Since emergence, the cotton has been growing in reasonably cold and wet conditions, with some of the cotton being damaged by hail in late October. The damaged cotton is insured and will continue to be grown out as it is too late for replanting. Preparation continues for fertiliser applications as the fields dry down. Harvesting of a small area of finished cotton from the previous season continues to be delayed due to wet soil conditions.

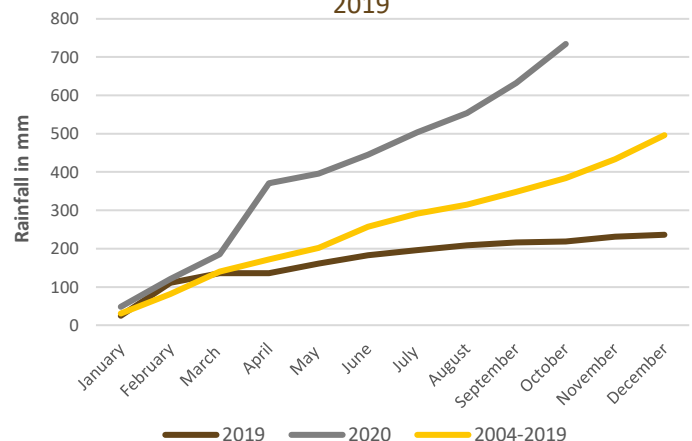
**LOCAL WEATHER**

Central-west New South Wales (NSW) recorded October rainfall of 102.0mm which is 60.4mm above the long-term average. As shown in the below graph, Forbes has now received 235% more rain than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for October was 25.4°C, slightly above the long-term average of 25.1°C. In south-east South Australia (SA), October rainfall of 53.4mm compared to the historic average of 37.4mm. The mean temperature for October was 19.1°C. This is below the long-term average for the region by 1.7°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 is growing very well, with the new pasture planted this year being allowed to go to seed to extend the life of the crop. DBF continues to maintain adequate reserves of fodder for livestock. 1,350 tonnes of additional silage was stored at Cowaribin as fodder during the month. At Boorala, all ewes and lambs were crutched at the start of October. Crutching refers to the removal of wool around the tail and between the rear legs and assists with lamb hygiene. Due to good growth, some lambs were sold two weeks earlier than expected to take advantage of high prices. Most of the remaining lambs are expected to be sold in November.

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



## IRRIGATION

Further rainfall has increased water availability, with an additional 4% allocation being announced in October on the Lachlan river (32% YTD). Upgrades to the water meters on the Walla Wallah river pump and bore pump have been completed and meet the new meter requirements due at the end of the year. Drilling of test bores to identify irrigation development potential will recommence at Timberscombe once hydrological survey results have been received. The application lodged with State Water for an additional production bore at Walla Wallah has been accepted and is now awaiting completed paperwork.

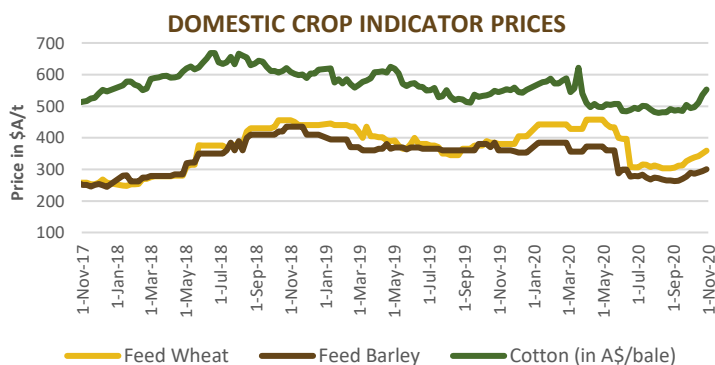
## SHARE BUYBACK

During the month no 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 (October 2019)	PERCENTAGE CHANGE
Feed Wheat	\$359	\$380	(6%)
Feed Barley	\$300	\$360	(17%)
Cotton	\$552/bale	\$544/bale	1%

\* Data from ABARES weekly commodity reports and Cotlook



## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

During October, Australian wheat prices rose to finish the month at \$359/t. Barley prices also rose during the month to \$300/t. Dry conditions in the northern hemisphere supported prices with Russia and Ukraine experiencing poor soil moisture reducing their production estimates.<sup>1</sup> In the United States, drought also continues to worsen with 48% of the crop now drought declared, up from 26% a month ago.<sup>2</sup> Outside of global weather concerns, strong import demand from Algeria buying European wheat, and China purchasing French wheat is providing price support for the wheat market.<sup>3</sup> 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 rose 7.0USc/lb during October beginning the month at 71.0USc/lb and ending at 78.0USc/lb. Increasing demand was seen during the month from a range of consumer markets, including Pakistan where a reduced domestic crop is expected. Import demand also was present from China. The latest production outlook by Cotlook has seen the forecast production for the 2020/21 season reduce by 144,00 tonnes to 24.4 million tonnes. This is the lowest tonnage since the 2016/17 season and over a 5% decline from the 2019/20 production estimate. The largest downgrades over the month came from Pakistan, where poor weather conditions and pests have negatively impacted yields. United States production remained unchanged at slightly below 3.67 million tonnes. In China, despite an outbreak of COVID-19 in Kashgar (a region producing ~20% of China's output) threatening to disrupt cotton transportation routes, optimism for yields were maintained. Cotlook's global cotton consumption forecast for 2020/21 is 24.1 million tonnes, a 10% increase on 2019/20.<sup>4</sup>

### CROP PRODUCTION

Australia's winter crop production estimate remains high, with a substantial recovery year on year. The latest forecast by Rabobank forecasts Australia's winter crop production at 47.4 million tonnes, 12% higher than the 5 year average and a 63% increase on the previous year.<sup>5</sup> A near record year for the New South Wales and Victorian harvest is expected, which if realised will be the largest harvest since the record in 2016/17.<sup>6</sup> The anticipated rise in production in 2020/21 is attributed to an increase in area planted and an improvement in climatic conditions which is expected to improve yields. While production estimates are positive, continued above average rainfalls could act as a potential downside for the quality of crop produced.<sup>7</sup> In some areas, early harvest progress is already being interrupted by rain while ongoing rainfall could lead to quality downgrades and harvest delays.<sup>8</sup>

<sup>1</sup> RuralBank, 2020. Insights October 2020 – Cropping.

<sup>2</sup> Bartholomaeus, M. 2020. Dryness supports prices, Farm Weekly.

<sup>3</sup> Bartholomaeus, M. 2020. Dryness supports prices, Farm Weekly.

<sup>4</sup> Cotlook, 2020. October 2020 Market Summary

<sup>5</sup> Gordon, C. 2020. Agribusiness Monthly & Covid-19 Update – November 2020, Rabobank.

<sup>6</sup> Heard G. 2020. Crop set to be one of the biggest on record as headers start to roll, Farm Online.

<sup>7</sup> Heard, G. 2020. Staggering bounce back in NSW grain production, Farm Online.

<sup>8</sup> Gordon, C. 2020. Agribusiness Monthly & Covid-19 Update – November 2020, Rabobank.

## WOOL PRICES

Wool prices rose during the month from \$10.36/kg to \$11.38/kg. While the first week of October auctions saw prices drop to \$9.96/kg, prices rose to finish the month up by \$1.42/kg. Increasing prices over the month continues the short term rebound in prices after a long-term downtrend following COVID-19 and its lockdown measures leading to reduced demand.<sup>9</sup> Price increases are mostly attributed to demand from the Chinese sweater and uniform manufacturers who are preparing for a colder than expected winter. While wool prices have rebounded and are looking healthier than two months ago, demand is 80% concentrated in China.<sup>10</sup> Outside of China, demand is uncertain, with Indian processors yet to fully re-open and European processors facing a second wave of COVID-19.<sup>11</sup>

**Wool Eastern Market Indicator**



## NATIONAL WEATHER

The BoM is reporting that La Niña is now well established, with most model outlooks suggesting the La Niña is likely to persist until at least the end of the 2020/21 summer. La Niña typically results in above average spring rainfall, particularly across eastern, central and northern regions. The last La Niña event occurred from 2010-2012 and resulted in one of Australia's wettest two-year periods on record. The Indian Ocean Dipole (IOD) is neutral, with most models indicating that the IOD will remain neutral over the coming months. Waters to the north of Australia have warmed, which may also increase rainfall over the continent. The BoM's climate outlook for November to January expects above average rainfall across much of Australia, except west coast Tasmania. Warmer than average daytime temperatures are expected across most of Australia except for coastal New South Wales and south east Western Australia where cooler temperatures are expected.

October recorded national mean temperatures 1.05°C above historical means. Both the mean maximum and mean minimum temperatures were above average for October. For Victoria, the mean minimum temperature for the month was the third highest on record for October. Overall, October national rainfall was substantially above average by 35%. South Australia had the largest increase from the mean, with rainfall 120% higher than historical averages. Rainfall in New South Wales was also 35% higher than historical averages. Western Australia was the only area with below average rainfall with a 20% decline from historical averages.



**Wheat at Kentucky**

<sup>9</sup>Frost, K. 2020. *Wool recovery slowly unfolding as short-term outlook looks positive*, Farm Online.

<sup>10</sup>Jeffrey, C. 2020. *Merino Sisters head marketing campaign as Australian wool trade becomes more reliant on China*, ABC Rural.

<sup>11</sup>McLeish, B. 2020. *Volatility continues in 'October fest' for fiber*, Farm Online.

## LIVESTOCK PRICES

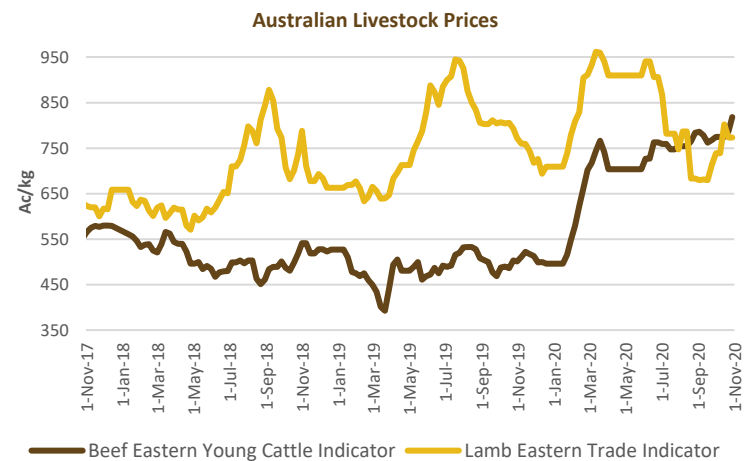
During October, the Australian Eastern Young Cattle Indicator (EYCI) rose to finish the month at an all-time record \$8.19/kg.<sup>12</sup> The EYCI is currently 63% higher than at the same time last year. The EYCI continues to rise throughout 2020 with price rises attributed to buyers continuing to compete over a diminishing young cattle supply while growers retain their herds given the positive rainfall outlook.<sup>13</sup> Given the improvement in seasonal conditions, cattle supply has tightened as producers compete to rebuild their depleted herds following the prolonged drought. As a result of the supply constraints and high prices, export volumes are well below year-ago levels. In September, live cattle exports by total head were 28% down compared to the same month last year and year-to-September are down by 12% compared to last year's same nine-month period.<sup>14</sup> Total slaughter for 2020 is estimated to finish down 17% down from 2019 levels at seven million head.<sup>15</sup>

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

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (October 2019)	PERCENTAGE CHANGE
Beef	\$8.19	\$5.01	63%
Lamb	\$7.73	\$7.72	0.13%
Wool	\$11.38	\$15.45	(26%)

\* Data from ABARES weekly commodity reports, Meat and Livestock Australia and Australian Wool Innovation Ltd

During October, the Australian Eastern States Trade Lamb Indicator (ESTLI) saw an increase of \$0.60/kg to finish the month at \$7.73/kg. Increases in the price of lamb are attributed to the high quality of lambs on offer and increased processing capacity in Victoria.<sup>16</sup> Processing capacity is back up to 90% in regional Victoria, and up to 80% in metropolitan Melbourne which has provided price support as the market has greater certainty that spring lambs will be processed.<sup>17</sup> On the other hand, young lamb supply which is trending upwards together with subdued foodservice demand may provide downwards pressure on pricing.<sup>18</sup> Looking into next year, a recovery in overseas demand amid strong restocker competition could lend support to prices.



<sup>12</sup> Meat & Livestock Australia (MLA), 2020. *National EYCI Market reports & prices*, MLA.

<sup>13</sup> Bailey, K. 2020. *EYCI climbs to a record 801c/kg*. Farm Online.

<sup>14</sup> Meat & Livestock Australia, 2020. *Cattle exports decline as high prices impact demand*, MLA.

<sup>15</sup> Meat & Livestock Australia, 2020. *Industry projections 2020, Australian cattle – October update*, MLA.

<sup>16</sup> Meat & Livestock Australia, 2020. *New season processor lamb prices ease*, MLA.

<sup>17</sup> Frost, K. 2020. *Coronavirus continues to impact lamb market*, Farm Online.

<sup>18</sup> Frost, K. 2020. *Coronavirus continues to impact lamb market*, Farm Online.

## GLOBAL MARKET INSIGHTS

### WEATHER

Weather conditions during the month have been mostly favourable.<sup>19</sup> Wheat conditions are mostly favourable for the major producing countries. In the EU, winter wheat sowing is approaching completion. Some areas in Ukraine are experiencing uncertain conditions due to drought, however the majority of the country's winter wheat sowing has benefitted from recent rainfall. In Russia, spring wheat harvest is wrapping up under favourable conditions however winter wheat sowing is being impacted by low soil moisture and above average temperatures in Volga and southern regions. Maize conditions are largely favourable, with the major producers China and the United States experiencing favourable conditions. In the United States, harvest is progressing in some areas with exceptional conditions, with high yields expected in Minnesota and Illinois. In China, conditions are favourable for both spring and summer planted crops as harvest is nearing completion. Conditions for rice in all regions globally are favourable with China's harvest for both single and late season rice continuing under favourable conditions. India's conditions are favourable for Kharif rice, with an increase in sown area this season compared to last year. Indonesia's harvest of dry season rice is at its peak, with yields expected to be slightly lower than last year due to reduced rainfall during the season. Soybean conditions in all regions are favourable. Soybean harvest in the United States is finishing up under favourable conditions with a higher total sown area and expected yield than last year. In Brazil, sowing is ongoing with favourable conditions despite a delayed start due to low soil moisture levels earlier in the season.

### PRODUCTION

Forecasts for the 2020/21 grain season during the month lowered by 1 million tonnes.<sup>20</sup> Production decreases were attributed to downgrades in maize output from the EU and the Ukraine. The estimates for world wheat production rose by 1 million tonnes during the month and is expected to be close to record highs at 764 million tonnes. The 2020/21 grain season is now projected at 2,226 million tonnes of grain production compared to 2,181 million tonnes 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 October up by 8.0%. The wheat index finished October up by 7% reaching its highest level since January 2015. The maize index surged by 18% during the month with average prices up 38% year-on-year. This month's rally in maize was linked to reduced production estimates from the Ukraine and the United States together with concerns about sowing conditions in South America.<sup>21</sup>

<sup>19</sup> Agricultural Market Information System (AMIS). 2020. *Market Monitor November 2020*.

<sup>20</sup> International Grains Council, 2020. *October 2020 Grain Market Report*.

<sup>21</sup> International Grains Council, 2020. *October 2020 Grain Market Report*.

Wheat Field at Yarranlea (October 2020)

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