

## 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

### BOORALA SALE CONTRACT

DBF is pleased to announce the successful execution and exchange of a contract for the sale of Boorala, Gap Road, Frances SA. The key terms of the contract are the sale price of \$22m excluding plant, equipment, the 2020 winter crop harvest and livestock. The contract is conditional on the purchaser being satisfied with its due diligence investigations and successfully obtaining FIRB approval. Settlement is expected to occur on the latter of 1 March 2021, or 10 business days after FIRB approval has been received.

### LOCAL WEATHER

Central-west New South Wales (NSW) recorded December rainfall of 27.8mm which is 23.5mm below the long-term average. As shown in the below graph, Forbes has received 237% more rain in 2020 than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for December was 31.1°C, below the long-term average of 31.9°C. In south-east South Australia (SA), December rainfall of 24.2mm compared to the historic average of 36.0mm. The mean temperature for December was 25.1°C. This is below the long-term average for the region by 2.4°C.

### WINTER CROPS

Winter harvest was completed late in December. There were some delays due to hot windy weather and storms, but overall harvest progressed well. Yields at Forbes and Boorala are well above average and are of a reasonable quality. 98% of all wheat harvested was above the base grade of ASW1 suitable for milling and blending purposes. Preparations are now well underway for the next winter crop with both fertiliser and necessary chemicals secured.

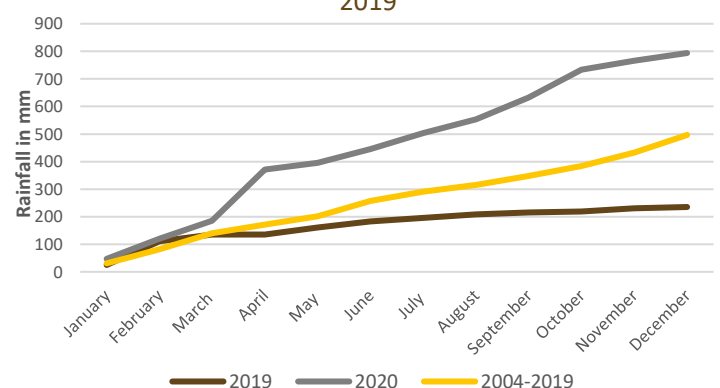
### SUMMER CROPS

All cotton planted is growing well however cloudy weather and cooler conditions have slowed growth by around one week. Nitrogen fertiliser was applied over the month and additional fertiliser will be applied as needed to optimise crop development. Field preparations are continuing for cotton production in 2021.

## LIVESTOCK

DBF continues 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. All pasture is going to seed to extend the life of the crop and will be grazed as conditions allow. DBF is maintaining adequate reserves of fodder for livestock. 1,350 tonnes of silage is currently stored at Cowaribin and 4,000 tonnes at Kentucky. Breeding cattle have begun to return to the farm from agistment in anticipation of autumn calving. The younger cattle remain away on agistment for cost effective feeding while DBF's pastures grow out and seed.

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



## IRRIGATION

The Lachlan river water allocation is currently at 36% YTD. The next allocation announcement is expected in January 2021. Upgrades to the water meters on the Walla Wallah river pump and bore pump have been completed and are compliant with the new meter requirements. Drilling of test bores to identify irrigation development potential will recommence at Timberscombe once hydrological survey results have been received. Test bores are expected to be completed at Yarranlea over the summer months. The application lodged with State Water for an additional production bore at Walla Wallah has been accepted and DBF is now awaiting final completion.

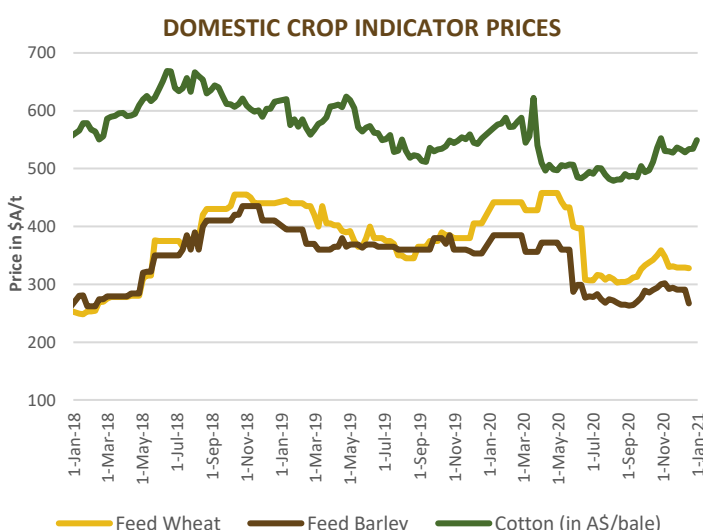
### SHARE BUYBACK

During the month 10,000 shares were bought back. The total number of shares bought under the buyback is 779,623 with the Company being able to acquire up to 4,252,728 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.

### AUSTRALIAN MARKET INSIGHTS

#### CROP PRICES

During December, Australian wheat prices remained flat and finished the month at \$328/t. Barley prices fell by 24 cents during the month to finish at \$267/t. While wheat prices are below the high drought induced prices seen in 2018/19 and 2019/20, they remain in the top 30% historically and so when combining prices with the large winter harvest tonnage, it is expected to be a profitable year for many growers.<sup>1</sup> In recent years of low production, domestic demand has been the main driver of Australian cereal prices however with improved supply this year, Australian wheat prices will more closely align with world markets. Being a staple food product, global demand for cereals have been relatively unaffected by COVID-19. Export demand for wheat is strong and is expected to remain strong through to July 2021 when crops in the northern hemisphere are harvested.<sup>2</sup> 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 December ending the month \$4.80USc/lb higher at 84.6USc/lb. In USD terms, this is the highest prices have been for the 2020 calendar year.<sup>3</sup> Due to a strengthening Australian dollar however, these gains have not been fully seen in Australia dollar terms, with prices ending the month at \$549/bale. Price increases are attributed to active demand of United States cotton from China together with international production downgrades from the United States and India. The latest Cotlook production and consumption estimates for the 2020/21 season for the first time indicated that world stocks of cotton would reduce by 325,000 tonnes. While the previous 2019/20 season saw global cotton stocks increase by almost 4 million tonnes, the net decrease in stocks for the first time nonetheless contributed to market sentiment and price increases over the month.

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

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (December 2019)	PERCENTAGE CHANGE
Feed Wheat	\$328	\$405	(19%)
Feed Barley	\$267	\$353	(24%)
Cotton	\$549/bale	\$551/bale	(0.4%)

### CROP PRODUCTION

The latest update published by ABARES forecasts Australia's winter crop production to come in at 51.5 million tonnes, a 76% increase on the previous year and second only to the record high 56.7 million tonnes in 2016/17.<sup>4</sup> Wheat estimates vary, with reports from the United States Department of Agriculture estimating Australia's wheat production at 30 million tonnes, up more than double the previous year's harvest.<sup>5</sup> ABARES forecasts an even higher wheat harvest of 31.2 million tonnes, up 106% compared to the previous year with barley production also expected to increase by 33% to 12 million tonnes. For both crops this would be the second highest year on record. The anticipated rise in production in 2020/21 is attributed to an increase in area planted and an improvement in climatic conditions. While production estimates are positive, above average rainfalls or extreme heat during harvesting could delay harvesting and potentially reduce the quality of crop produced. Some areas in New South Wales have had harvests delayed due to heavy rainfall and tornados however overall harvests are doing well.<sup>6</sup>

<sup>1</sup> Heard G. 2020. *Grain sector likely to record most profitable season ever*, Farm Online.

<sup>2</sup> RuralBank, 2020. *Australian Agricultural Outlook 2021*, Cropping.

<sup>3</sup> Cotlook, 2020. *December 2020 Market Summary*.

<sup>4</sup> Department of Agriculture, Water and the Environment, 2020. *Australian Crop Report: December edition*, ABARES.

<sup>5</sup> Jennifer Bond, Todd Hubbs and Dana Golden. 2020, *Wheat Outlook: December 2020*, United States Department of Agriculture (USDA).

<sup>6</sup> Heard G, 2020. *Wind and showers cause harvest delays but little damage at this stage*, Farm Online.



## WOOL PRICES

Wool prices rose slightly during the month from \$11.50/kg to \$11.57/kg. With many Chinese purchasers stocking up before the three-week Christmas trading recess, 36,609 bales were sold in the final December 18th trading week, which was the highest amount sold in nine months. At the same time, growers also put up their biggest offering in nine months with 44,835 bales offered for sale.<sup>7</sup> While Chinese purchasers were looking to stock up to tide themselves over the Christmas trading recess, it is possible that wool purchased in the last trading week will not get to China until the new year. As such, Chinese processors that have not already acquired sufficient supplies to last until late January may face difficulty ahead of Chinese new year holiday shutdowns which begin on 11 February 2021.<sup>8</sup> Demand for Australian wool is concentrated in China and while this is of potential concern, concentration risks are partly offset due to Australia being the only possible wool supplier of the quality and volume appropriate for the Chinese wool processing industry.<sup>9</sup>



**Barley straw at Walla (December 2020)**

## NATIONAL WEATHER

December recorded national mean temperatures 0.14°C above historical means for Australia as a whole. Mean maximum temperatures were below average for the month for all States and territories except Queensland. Maximum temperatures for many areas of Australia stretching from the Pilbara and Kimberly into South Australia were below average as tropical lows during the middle of the month brought heavy rain and cooler temperatures. December rainfall was the fourth highest on record with Australia's average area rainfall experiencing a 94% increase compared to historical means. All states and territories received above average rainfall except for Victoria which saw a 24% decrease in rainfall compared to historical averages. A slow-moving pressure system and trough near the southern Queensland coast saw widespread heavy rainfall, damaging winds and dangerous surf affect northern coastal New South Wales and southern Queensland. New South Wales saw a 64% increase from the mean while Western Australia had the largest increase with rainfall 194% higher than historical averages and the 4th highest on record.

The BoM is reporting that La Niña remains active and has likely reached its peak in terms of sea surface temperatures. However, weather events associated with La Niña such as higher rainfall are expected to persist across eastern and northern Australia through the summer months. Climate outlooks particularly indicate that above average rainfall is likely across the eastern third of the country.<sup>10</sup> The Southern Annular Mode is strongly positive and is expected to remain so for most of January which typically enhances rainfall in parts of eastern Australia. Weather variability is also influenced by global warming. Australia's climate has warmed by around 1.44°C since 1910 with more recent decades seeing increased rainfall during the northern wet season (October-April), and more high intensity short duration rainfall events.

<sup>7</sup>Australian Wool Innovation Limited, 2020. *Week 25 – December 2020 Eastern Market Indicator (EMI)*, Wool.com.

<sup>8</sup>Gill, M. 2020. *Big bale offering likely to miss the boat*, Farm Weekly.

<sup>9</sup>Frost, K. 2020. *Nervous times for woolgrowers as trade war continues*, Farm Weekly.

<sup>10</sup>Australian Government Bureau of Meteorology, 2021. *Climate Driver Update 5 January 2021*.

### LIVESTOCK PRICES

During December, the Australian Eastern Young Cattle Indicator (EYCI) fell by 41 cents, finishing the month at \$7.88/kg. Despite the fall, the EYCI remains currently 59% higher than at the same time last year. High prices are driven by a combination of factors, primarily a tight supply of cattle and strong demand from producers looking to rebuild their herds given the improvement in weather conditions.<sup>11</sup> Due to the tight supply, export volumes are down almost 70,000 tonnes relative to 2019, however in terms of value exports year-to-August remain at \$6.8 billion with no change since 2019.<sup>12</sup> Tightening supply and strong demand sentiment is expected to continue into 2021, with high prices expected to persist.<sup>13</sup>

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

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (December 2019)	PERCENTAGE CHANGE
Beef	\$7.88	\$4.96	59%
Lamb	\$7.70	\$7.09	9%
Wool	\$11.57	\$15.03	(23%)

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

<sup>11</sup> Meat & Livestock Australia, 2020. *Australian live exports competitive across markets*, MLA.

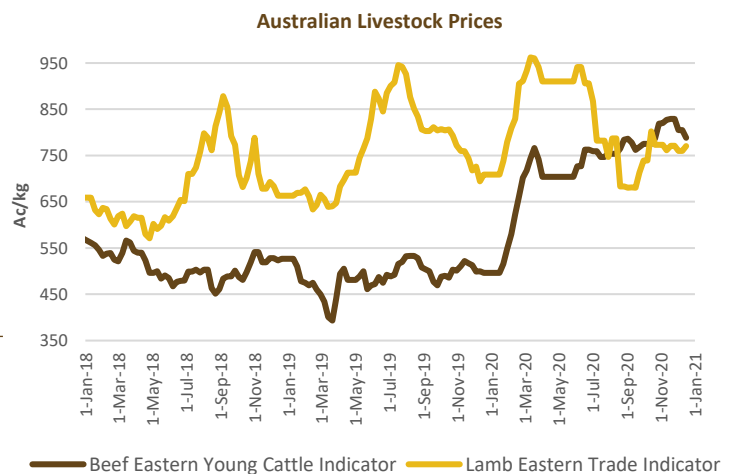
<sup>12</sup> Goodwin, Shan. 2020. *Beef exports hold value through 2020 volatility*, Farm Weekly.

<sup>13</sup> Meat & Livestock Australia, 2020. *Australian cattle resilient throughout 2020*, MLA.

<sup>14</sup> Agricultural Market Information System (AMIS). 2020. *Market Monitor December 2020*, AMIS.

<sup>15</sup> Meat & Livestock Australia, 2020. *Producers indicate intentions for flock recovery*, MLA.

During December, the Australian Eastern States Trade Lamb Indicator (ESTLI) remained flat, ending the month at \$7.70/kg. While international demand continues to waiver, confidence among many sheep producers is high, with both lamb and mutton prices higher than 12 months ago and slaughter rates at a five-year low due to a big push from producers to rebuild their flocks.<sup>14</sup> Survey results from Meat and Livestock Australia show that 42% of sheep producers are looking to increase the size of their flock over the next twelve months compared to only 26% last year. 52% of producers also intend maintaining their flock size meaning that over 90% of producers are looking to either increase or maintain the size of their flock.<sup>15</sup> Looking forward, with more producers looking to increase or maintain flock sizes, restocking is expected to gain momentum in 2021.



Cotton Fields at Walla (December 2020)



## GLOBAL MARKET INSIGHTS

### WEATHER

Recent weather conditions have been mixed.<sup>16</sup> Wheat conditions are mostly mixed for the major producing countries. In the southern hemisphere, harvest is ongoing in Argentina with dry conditions in the north but favourable conditions in Buenos Aires and La Pampa provinces. In the EU, winter wheat sowing has been completed under generally favourable conditions however excessive October rainfall in some Eastern European countries has slowed crop development. In the Ukraine, warmer weather has extended the growth of crops going into winter however dryness in the east remains of some concern. Maize conditions are mostly favourable, with the United States harvest nearing completion under favourable conditions and above average yields expected from Minnesota and Illinois. In Brazil, conditions are generally favourable for the spring planted crop however some dryness in the southern regions is affecting yields. In the EU, conditions are favourable but for France, Bulgaria and Romania where summer drought is reducing yields. Conditions for rice in almost all regions globally are favourable except for the Philippines where tropical cyclones have damaged parts of northern and southern Luzon. In China, the late season rice harvest is nearing completion under favourable conditions. In India, Kharif rice harvest is wrapping up in northern states and beginning in the southern and eastern states under favourable conditions. Soybean conditions are mostly favourable, with recent rainfall in Brazil's main producing central-west region increasing crop development. In Canada and India harvests are wrapping up under favourable conditions.

### PRODUCTION

Forecasts for the 2020/21 grain season during the month lowered by 9 million tonnes to 2,210 million tonnes.<sup>17</sup> Production decreases were largely attributed to maize downgrades from the USA, Argentina and Brazil. These decreases were only partially offset by a 3 million tonne increase in forecast wheat production due to upgrades from Australia, Canada and Russia. Total production of 2,210 million tonnes if realised would represent an increase of 23 million tonnes from the previous year and be all time production record. 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 December up 10% and its highest level since July 2013. The wheat sub-index posted 9% gains over the month and the maize sub-index rose by 13% due to reduced production estimates from South America and tightening supply in the United States. The rice sub-index also rose by 6% during the month, while the soybeans index increased by 11% due to concerns over production in Argentina and Brazil and falling US supplies.<sup>18</sup>

<sup>16</sup> Agricultural Market Information System (AMIS). 2020. *Market Monitor December 2020*, AMIS

<sup>17</sup> International Grains Council, 2020. *January 2021 Grain Market Report*, IGC.

<sup>18</sup> International Grains Council, 2020. *January 2021 Grain Market Report*, IGC.

Cattle Grazing Stubble at Yarranlea (December 2020)

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