

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

LOCAL WEATHER

Central-west New South Wales (NSW) recorded January rainfall of 144mm which is 110.7mm above the long-term average. Forbes received 237% more rain in 2020 than the region did for all of 2019 and was significantly above the 15-year average. The mean temperature for January was 32.3°C, below the long-term average of 34.6°C. In south-east South Australia (SA), January rainfall of 12.6mm compared to the historic average of 21.8mm. The mean temperature for January was 29.6°C. This is slightly below the long-term average for the region by 0.2°C.

WINTER CROPS

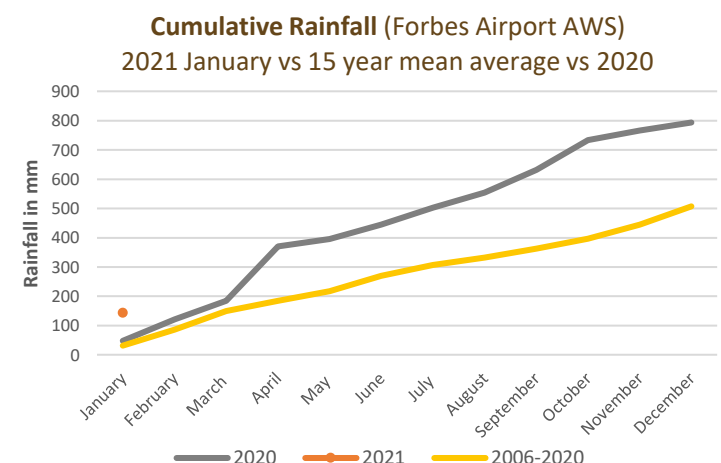
Winter harvest was completed late in December with full harvest results to be released after reconciliation. Sales of grain and straw were undertaken during January with a rise in pricing post-harvest. Good rains over the month have started to build a soil moisture profile however this has also led to the germination of weeds. To control weeds, herbicide sprays are being applied as required. Preparations for the next winter crop are well underway with fertiliser and chemical supplies secured.

SUMMER CROPS

Cotton continued to grow well throughout January. Due to the high rainfall, overall water usage has been lower than expected. The required nitrogen fertiliser has been applied with additional foliar potassium fertiliser also applied to optimise crop development. Field preparation is continuing for this year's cotton production as conditions allow.

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. Pasture is growing well with the high summer rainfall. DBF continues to maintain adequate reserves of fodder for livestock. Barley straw that was baled for feedstock is being fed to cattle as required. Breeding cattle are returning to the farm from agistment in anticipation of Autumn calving. A limited number of young cattle remain away on agistment for cost effective feeding. At Boorala, preparations have begun for the clearing sale which is expected to take place mid-March.



IRRIGATION

The Lachlan river water allocation is currently at 38% YTD. No additional allocations were announced over January. Drilling of test bores to identify irrigation development potential are expected to be completed at Yarranlea and Timberscombe 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, no 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.

AUSTRALIAN MARKET INSIGHTS

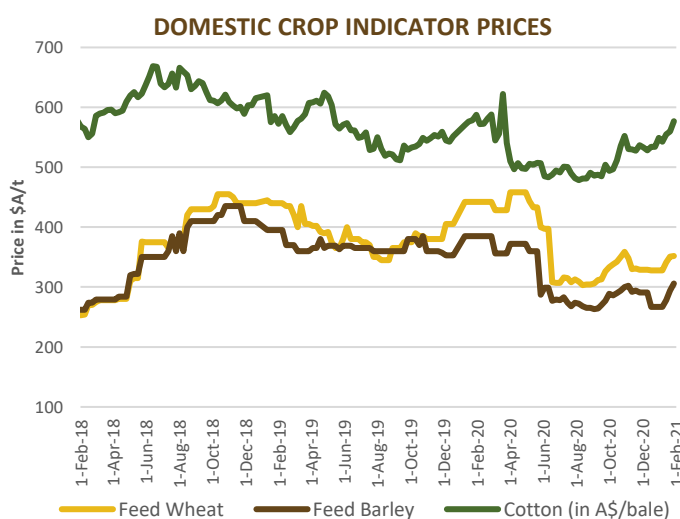
CROP PRICES

During January, Australian wheat prices rose finishing the month at \$352/t. Barley prices also rose over the month finishing at \$306/t. Price rises are attributed to a combination of international supply concerns over Russia implementing a wheat export tax and a report from the US Department of Agriculture (USDA) cutting estimates of global corn stocks and yields which in turn increased wheat demand.¹ Australian wheat prices are 28% below the drought-impacted prices of January 2020 however current prices are 33% higher than the last time in January 2017 when Australia had a harvest of a similar magnitude. Due to Australia's large winter harvest, Australian wheat prices are likely to become more affected by global supply and demand forces. However due to global supply and demand uncertainty, Rabobank expects Australian wheat prices to remain firm during 2021.² 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.

International cotton prices increased during January ending the month \$3.4USc/lb higher at 88USc/lb. Price support was provided by a combination of factors. The USDA for the second consecutive month downgraded production estimates to just under 15 million bales from the United States. The USDA's estimate of area harvested was also reduced from 3.8 million acres in the prior month to 3.6 million acres implying an abandonment of almost 47% of the total area planted. The USDA also increased its forecasts of exports during the season by 250,000 bales to 5.25 million bales which when combined with falling production reduced the season's projected ending stocks. A recent revival in textile supply chains also assisted the mood of the global cotton market with an increase in purchasing demand. The latest Cotlook global production estimates for the 2020/21 season saw raw cotton production increase slightly over January.³ While US production estimates declined, this was more than offset by increases in China where yields have been strong. Collectively, world stocks are now projected to fall by 466,000 tonnes however this remains modest in comparison to the almost 4 million tonne increase in stocks during 2019/20 resulting from COVID-19 related supply chain disruptions.

CROP PRODUCTION

The latest update by 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. The anticipated rise in production in 2020/21 is attributed to an increase in area planted and an improvement in climatic conditions. In most areas harvest is wrapping up, with many receival sites setting new records after four or more years of drought. Bulk grain handler, GrainCorp exceeded their previous record of grain receivals from 12.6 million tonnes in 2016/17 to this season receiving over 13 million tonnes.⁵ ABARES forecasts a 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.⁶



DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (January 2020)	PERCENTAGE CHANGE
Feed Wheat	\$352	\$442	(20%)
Feed Barley	\$306	\$385	(21%)
Cotton	\$577/bale	\$588/bale	(2%)

* Data from ABARES weekly commodity reports and Cotlook

¹ Heard, G. 2021, Russian wheat tax, USDA report bolster grain prices, Farm Online.

² Voznesenski, D. 2021. Agribusiness Outlook 2021, Australia - Wheat, Rabobank.

³ Cotlook, 2021. January 2021 Market Summary.

⁴ Department of Agriculture, Water and the Environment, 2020. Australian Crop Report: December edition, ABARES.

⁵ Foley, M. 2021. 'Skip in their step': Bin-busting grain harvest reviving rural towns, The Sydney Morning Herald.

⁶ Department of Agriculture, Water and the Environment, 2020. Australian Crop Report: December edition, ABARES.

WOOL PRICES

Wool prices rose by \$1.35/kg during the month from \$11.57/kg to \$12.92/kg. Since the start of the new year positive market sentiment and competition have escalated. In the last week of January trade, a total of 39,841 bales were offered to the market with only 5.8% not being sold.⁷ Demand for Australian wool continues to primarily come from Chinese buyers. While many other Australian commodities are facing tariffs, wool currently remains unaffected. Over the month the Department of Foreign Affairs and Trade confirmed that as expected under the Chinese Australian Free Trade Agreement, China's tariff free quota for Australian wool imports will increase in 2021 by 5% to 38,000 tonnes.⁸ Whilst China meeting its trade commitments is positive, it likely should not be seen as the beginning of an improvement in overall trade relations as Australia is China's largest wool supplier and the only producer capable of supplying the quality and quantity that its manufacturing industry requires.⁹



Cotton at Walla (January 2021)

NATIONAL WEATHER

January recorded national mean temperatures 0.26°C above historical means for Australia as a whole. Mean maximum temperatures were below average across large areas of Western Australia however mid-January a heatwave occurred in Western Australia's north, with many coastal weather stations observing their highest January mean maximum temperatures on record. South Australia faced severe fire weather conditions at several times during the month, with widespread fires occurring in the state's south-east near Lucindale and Cherry Gardens in the Adelaide Hills. January rainfall was below average for Australia overall by 10%. All states and territories except for Victoria experienced below average rainfall. South Australia saw the largest decrease from the mean with 21% less rainfall compared to historical means while the Northern Territory rainfall was below historical means by 20%. Victoria experienced total January rainfall 69% higher than historical means where both early and late in the month many weather stations reported their highest total January rainfalls on record.

The BoM's latest outlook reports that La Niña remains active and has likely reached its peak in terms of sea surface temperatures. Most models expect that La Niña will break down through autumn with a return to neutral conditions in winter. While expected to weaken, weather events associated with La Niña such as higher rainfall are expected to persist across eastern and northern Australia into early autumn. From February to April, the BoM expects wetter than average conditions for North-east Queensland, Western Australia and parts of south-east Australia. The Southern Annular Mode is positive but is expected to trend towards neutral over the first half of February. A positive Southern Annular Mode during summer typically increases rainfall across 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.

⁷ Australian Wool Innovation Limited, 2021. *Week 31 – January 2021 Eastern Market Indicator (EMI)*, Wool.com.

⁸ Webster, L. 2021, *China lifts import quota on Australian wool by 5 percent*, ABC Rural.

⁹ Frost, K. 2021, *Wool leaps into 2021 with a positive vibe*, Farm Online; Frost, K. 2020. *Nervous times for woolgrowers as trade war continues*, Farm Weekly.

LIVESTOCK PRICES

During January, the Australian Eastern Young Cattle Indicator (EYCI) rose by 99 cents, finishing the month at \$8.87/kg. Diminishing cattle supply and an improved weather outlook continues to push the EYCI to record highs with prices now 62% higher than at the same time last year. Rainfall in Queensland has also started to increase which has led many producers to hold onto their stock providing further upwards pressure on the market.¹⁰ Demand for female cattle over the month was of note with prices for pregnant cattle reaching up to \$3,400/head in some areas. Due to the drought recovery, the herd rebuild is expected to take years and so price support may continue for a long time.¹¹

DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (January 2021)	PERCENTAGE CHANGE
Beef	\$8.87	\$5.48	62%
Lamb	\$8.19	\$7.79	5%
Wool	\$12.92	\$15.76	(18%)

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

¹⁰ Goodwin, S. 2021, *EYCI headed for the stars*, Farm Online.

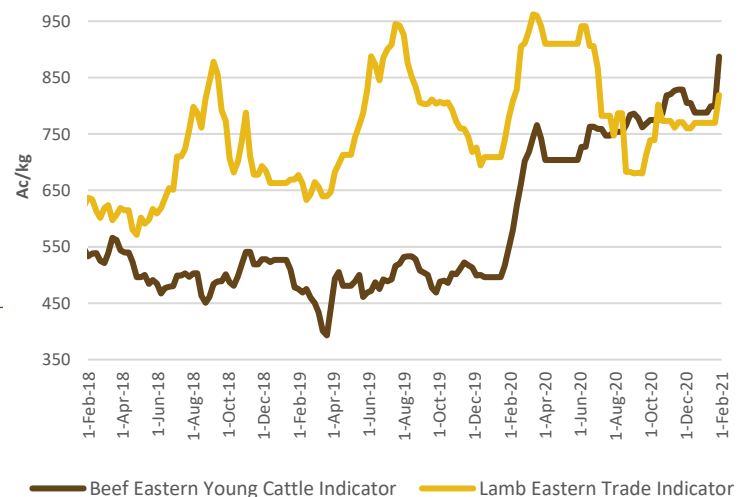
¹¹ Goodwin, S. 2021, *Scarce females command big price tags*, Farm Online.

¹² Frost, K. 2021, *Lamb exports are expected to make a recovery in 2021, albeit with some challenges*, Farm Online.

¹³ Williams, T. 2021. *Australian Agriculture Outlook 2021 - Sheep*, Rural Bank.

During January, the Australian Eastern States Trade Lamb Indicator (ESTLI) rose, ending the month 49 cents higher at \$8.19/kg. The Australian lamb market is expected to continue its recovery, with an increase in production as producers can continue restocking their flocks. Total lamb exports for 2021 are expected to increase 5% to 295,000 tonnes however overall sheep meat exports are likely to fall by 9% due to a 33% decline in mutton exports.¹² Rural Bank's Australian Agriculture Outlook for 2021 reports that Australian sheep producers are well placed in 2021 with good weather conditions allowing for producers to continue rebuilding their flocks. The report also highlights that export demand is expected to remain steady and so the increase in supply may cause lamb prices over the year to trend lower.¹³

Australian Livestock Prices



GLOBAL MARKET INSIGHTS

WEATHER

Recent weather conditions have been mostly favourable. Wheat conditions are positive in most areas for the major producing countries. In the EU, winter wheat conditions are generally favourable except for some minor areas of concern in southern and south-eastern areas due to excess rainfall. In China, winter wheat is in dormancy under favourable conditions and in India sowing has been completed in most areas with total area sown above average. In Ukraine, snow cover has been adequate in most areas to protect crops against severe frosts while in Russia dry conditions last winter may impact crops once they emerge from dormancy. Maize conditions are mostly favourable with Mexico's harvest of their spring-summer crop mostly complete. In Brazil, conditions are mixed with low rainfall in the south during October-November reducing yields. Other regions in Brazil have been mostly unaffected by the low rainfall and have only experienced delayed sowing. In Argentina, maize conditions have been mixed with prolonged drought in the central agricultural regions. In South Africa, maize conditions have been exceptional due to above-average rainfall and normal temperatures since the start of the season. Conditions for rice are mostly favourable with India's planting of Rabi rice ongoing in the east and finishing up in the south. In Indonesia, the harvest of dry-season rice is wrapping up under favourable conditions with a large increase in total area harvested compared to last year. In the Philippines wet-season rice harvest is finishing under favourable conditions except in northern and southern Luzon which has been impacted by flooding from three typhoons.

PRODUCTION

Forecasts for the 2020/21 grain season are currently placed at 2,210 million tonnes. Compared to previous estimates, production decreases of 9 million tonnes are largely attributed to maize downgrades from the USA, Argentina and Brazil. These decreases were only partially offset by a 3 million tonne upgrade in forecast wheat production 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 an all-time global 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. Over January the IGC global grain and oilseed index rose to finish the month up 3.6%. Price rises are likely attributed to a combination of international concern over an increase in Russia's wheat export tax and a USDA announcement reducing global corn stocks and cutting estimated US corn yields. The wheat sub-index posted 4.1% gains over the month and is now 18.7% higher than at the same time last year. The barley sub-index rose by 9.4% over the month with the maize sub-index rising by 6.6%.

¹⁴ Agricultural Market Information System (AMIS). 2021. *Market Monitor February 2021*, AMIS.

¹⁵ International Grains Council, 2021. *January 2021 Grain Market Report*, IGC.

¹⁶ Heard, G. 2021, *Russian wheat tax, USDA report bolster grain prices*, Farm Online; George, L, 2021. *Global prices soar on back of Russian export tax*, Queensland Country Life.

Cotton-Greens at Walla (January 2021)

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