

## 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 February rainfall of 106mm which is 54.5mm above the long-term average. As shown in the below graph, Forbes received 237% more rain in 2020 than the region did for all of 2019 and so far in 2021 is significantly above the 15-year average. The mean temperature for February was 30.9°C, below the long-term average of 32.8°C. In south-east South Australia (SA), February rainfall of 33.4mm compared to the historic average of 19.9mm. The mean temperature for February was 28.0°C. This is below the long-term average for the region by 1.2°C.

### WINTER CROPS

Sales of grain from the winter harvest continued during the month with steady prices. Preparations for the coming winter crop are well underway with fertiliser and chemical supplies secured. A couple of weeks without rain over the month has allowed land preparation to begin for the coming crops. Fallow sprays are being completed as required as high rainfall post-harvest continues to lead to the germination of weeds.

### SUMMER CROPS

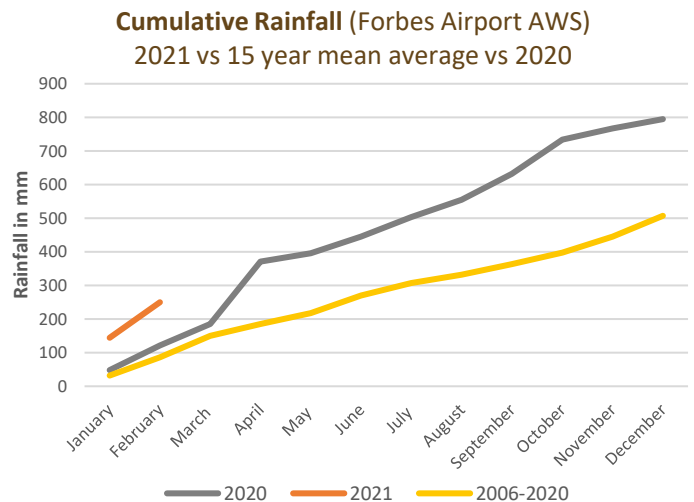
Cotton continued to grow well throughout February and is expected to receive its final irrigation during the first week of March. Overall water usage has been lower than normal with above average rainfall reducing the requirements. Field preparations continue for next year's cotton production as field conditions allow.

### IRRIGATION

The Lachlan river water allocation is currently at 38% YTD. A small increase in allocation is expected in March. Drilling of test bores at Yarranlea and Timberscombe to identify irrigation development potential was delayed over summer due to above average rainfall and is expected to be completed over autumn. The application lodged with State Water for an additional production bore at Walla Wallah has been accepted and DBF is now awaiting final completion.

### LIVESTOCK

DBF continues to take advantage of the recent high livestock prices by selling livestock that meet market requirements while also acquiring additional stock if favourable opportunities arise. Pasture is growing well with above average summer rainfall. DBF continues to maintain adequate reserves of fodder for livestock. Barley straw that was baled for feedstock continues to be 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.



### BOORALA

Preparations are ongoing for the clearing sale ahead of the expected sale of the property. Shearing took place in the first week of February. Three hundred and sixty older cull ewes were sold at a pleasing \$160/head while most younger ewes have been transported to Merrimant, NSW. The remaining 1600 ewes are expected to be sold in the March clearing sale.

### SHARE BUYBACK

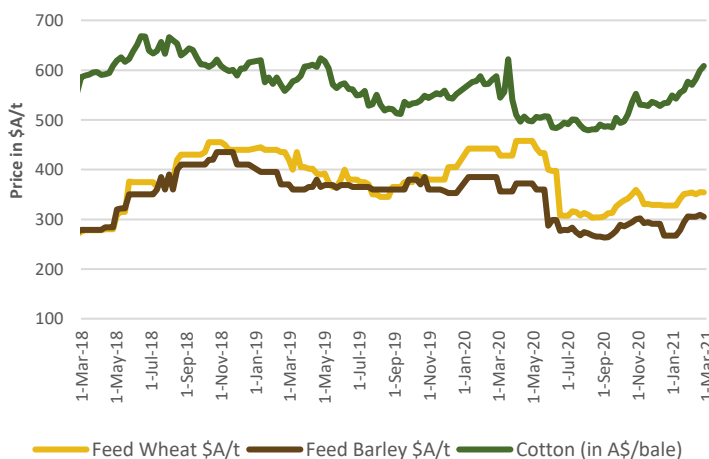
During the month 12,041 shares were bought back. The total number of shares bought under the buyback is 791,664 with the Company being able to acquire up to 4,240,687 additional shares.

### AUSTRALIAN MARKET INSIGHTS

#### CROP PRICES

During February, Australian wheat prices remained flat finishing the month at \$354/t. Barley prices also rose over the month finishing at \$305/t. Global wheat prices are currently high, but not seen as excessive in comparison to alternative crops.<sup>1</sup> Price support over the month was provided by Russia implementing a wheat export tax which came into effect over the month and news that the tax is expected to be doubled to around \$78/tonne from the start of March in an effort to stop Russia's domestic food prices from rising.<sup>2</sup> Russia is the world's largest exporter of wheat and with the tax reducing its competitiveness, Australian wheat may face increased demand.<sup>3</sup> Looking forward in the near term, Rural Bank expect that prices will remain supported but relatively flat. Many growers have finished selling from the harvest and exporters have mostly purchased stock to fill near term international demand. Potential upsides for Australian grain prices include a reduction in global production if weather conditions start to worsen, a removal or reduction of the Chinese tariffs on Australian barley, and supply chain disruptions due to COVID-19.

#### DOMESTIC CROP INDICATOR PRICES



### COTTON PRICES

International cotton prices increased during February ending the month \$9USc/lb higher at 97USc/lb. In Australian dollar terms, current prices of \$608/bale are the highest since they briefly reaching over \$600/bale in March 2020. Prior to this brief period, the last time Australian cotton prices were over \$600/bale was in May 2019. Cotton prices continued to rise over February since April 2020 when the impacts of COVID-19 on the cotton textiles supply chain was the most severe.<sup>4</sup> Cotton prices have shared in the rise in commodities generally due to financial stimulus and economic optimism resulting from progressing COVID-19 vaccination programs. Cotton prices also saw support from global supply and demand fundamentals, with a tightening in the balance sheet of US cotton supplies amid rising exports and falling production estimates. Cotlook's latest estimates placed global production at just over 2.52 million tonnes and consumption at just over 25.5 million indicating a second consecutive season where a moderate reduction in global stocks will occur.

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

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (February 2020)	PERCENTAGE CHANGE
Feed Wheat	\$354	\$442	(20%)
Feed Barley	\$305	\$385	(21%)
Cotton	\$609/bale	\$588/bale	3%

\* Data from ABARES weekly commodity reports and Cotlook

### CROP PRODUCTION

The latest ABARES update indicates that Australia's winter crop harvest is now mostly complete, with total production estimated to have increased by 89% in 2021/21 to 55.2 million tonnes.<sup>5</sup> Compared to the previous ABARES update, total winter crop harvest expectations have increased by a further 7.4% largely due to upward revisions in the yield estimates from New South Wales and Western Australia. National wheat production is estimated to have increased by 120% to 33.3 million tonnes while barley production is estimated to have increased by 45% to 13.1 million tonnes. Planting of the 2020/21 summer crop is largely complete with total area planted of 1.04 million hectares nearly three times larger than the previous drought affected 2019/20 season. Despite the increase, total area planted remains below average and so total production is estimated at 3.3 million tonnes or 13% below the 10-year average.

<sup>1</sup> Bartholomaeus, M. 2021, *Futures prices holding despite high dollar value*, Farm Online.

<sup>2</sup> Heard, G. 2021, *Grain markets surge on Russia and China news*, Farm Online.

<sup>3</sup> Brann, M. 2021, *Russia's wheat export tax expected to deliver big pay day for Australian farmers*, ABC News.

<sup>4</sup> Cotlook, 2021. *February 2021 Market Summary*.

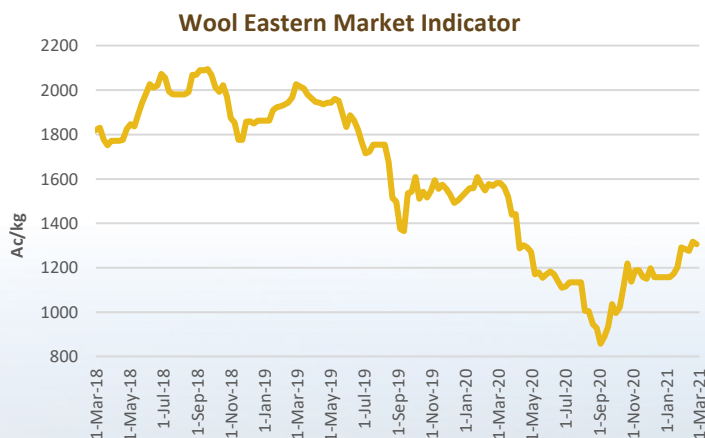
<sup>5</sup> Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), 2021. *Australian Crop Report - February 2021*, ABARES.

### WOOL PRICES

Wool prices remained mostly flat over February, rising by \$0.14/kg over the month from \$12.92/kg to \$13.06/kg. A looming supply shortage of finer wools continues to provide support for Australian wool prices, with prices during the month touching briefly touching \$13.18/kg, their highest level in almost a year.<sup>6</sup> Demand for Australian wool continues to primarily come from Chinese buyers. While many other Australian commodities are facing tariffs, wool currently remains unaffected. As prices have risen from their previous lows, volumes offered at auctions have been steadily rising with many growers now willing to accept the prices on offer.<sup>7</sup> The final week of auctions in February saw just over 50,000 bales offered compared to offerings of only around 20,000 bales over September 2020.



Young Ewes Transported to Merrimant from Boorala (February 2021)



### NATIONAL WEATHER

February recorded national mean temperatures -0.22°C cooler than historical means for Australia as a whole. Mean maximum temperatures were cooler than average for most of Western Australia, the inland north-west of the Northern Territory, most of southern and eastern New South Wales and central to eastern Victoria. In southern Queensland, mean maximum temperatures were above average. Heatwaves late in February across Queensland saw some stations observe their highest February daily maximum temperatures on record. February rainfall was above average for Australia as a whole. Rainfall was above average for much of Western Australia, New South Wales except for the west and southern coastal areas and much of Tasmania. All states and territories except for Queensland and Victoria experienced above average rainfall. Tasmania saw the largest increase from the mean with 45% higher rainfall compared to historical averages while New South Wales was above historical averages by 34%. Victoria experienced total February rainfall 16% lower than historical means.

The BoM's latest outlook reports that La Niña remains active but is past its peak. Most models indicate that La Niña will break down with a return to neutral conditions during autumn. While expected to weaken, weather events associated with La Niña such as higher rainfall are expected to persist across eastern Australia during early autumn. From March to May, the BoM expects wetter than average conditions for large parts of eastern Australia. The Southern Annular Mode is neutral and expected to remain close to neutral over early March. A neutral Southern Annular Mode has little influence on Australian climate. Australia's climate 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>8</sup>

<sup>6</sup> McLennan, C. 2021, *Wool prices the best for almost a year*, Farm Online.

<sup>7</sup> Australian Wool Innovation Limited, 2021. *Week 35 – February 2021 Eastern Market Indicator (EMI)*, Wool.com.

<sup>8</sup> Bureau of Meteorology, 2021. *Climate Outlook Overview – Climate Influences*, Australian Government.

### LIVESTOCK PRICES

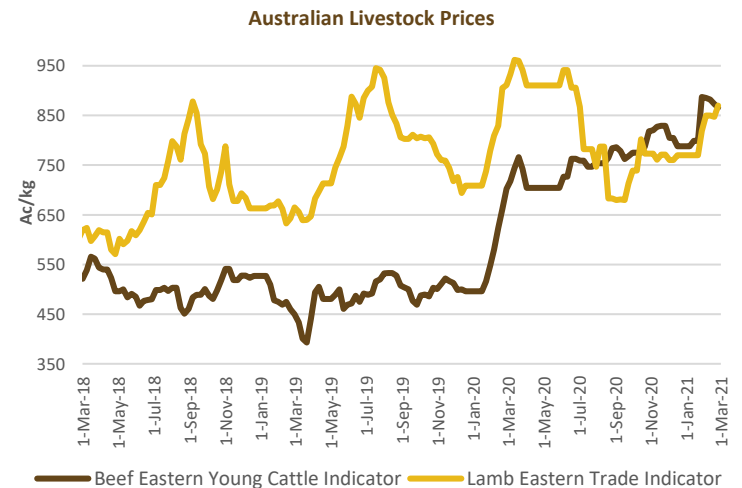
During February, the Australian Eastern Young Cattle Indicator (EYCI) fell slightly by 21 cents, finishing the month at \$8.66/kg. The EYCI is now 23% higher than at the same time last year. Restocker demand continues to provide price support for young cattle and while it is expected that over this year cattle supplies will continue to tighten, some producers have been capitalising on the high prices. Throughput of young cattle in the first week of February reached its highest levels in over 12 months with 18,592 EYCI-eligible cattle sold, well above levels in January 2020 which averaged 10,545 head.<sup>9</sup>

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

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (February 2021)	PERCENTAGE CHANGE
Beef	\$8.66	\$7.02	23%
Lamb	\$8.70	\$9.11	(5%)
Wool	\$13.06	\$15.81	(17%)

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

During February, the Australian Eastern States Trade Lamb Indicator (ESTLI) rose and ended the month 51 cents higher at \$8.70/kg. Australian lamb prices rose substantially over 2020 and have so far maintained their elevated status in 2021. When compared internationally, Australian lamb remains relatively competitive in Australian dollar terms. For example, Irish lamb prices are currently trading at \$9.50/kg while France trades at \$11.00/kg. Compared to New Zealand, Australian lamb has typically traded at a 10% premium however is currently trading around 30% higher which may reduce Australian export market share or lead to a price correction if it continues long term.<sup>10</sup> Looking forward, low wool prices relative to lamb may see producers finish off their lambs early to capitalise on the high prices. As such, continued high lamb prices relative to wool may bring about an increase in lamb supplies placing downwards pressure on prices.<sup>11</sup>



<sup>9</sup> Meat & Livestock Australia (MLA), 2021. *EYCI loses momentum but still at eye watering high*, MLA.

<sup>10</sup> Ladaniwskyj, A, 2021. *International Lamb Prices*, Mercado.

<sup>11</sup> Meat & Livestock Australia (MLA), 2021. *Are high heavy lamb prices here to stay?*, MLA.

## GLOBAL MARKET INSIGHTS

### WEATHER

Recent weather conditions have been mostly favourable.<sup>12</sup> Wheat conditions for the major producing countries are positive in most areas but for some areas of uncertainty. In the EU, conditions are generally favourable but for minor concern in south-eastern parts due to recent cold weather which may reduce yields. In China, conditions for winter wheat are mixed with below average rainfall in the east reducing crop growth. In Russia, conditions are mixed due to dry conditions since last autumn in Southern and North Caucasus. For the major maize producers, the United States and China are currently out of season. In Mexico, sowing of the smaller sized autumn-winter maize crop is ongoing under favourable conditions. In Brazil, maize conditions are mixed for the spring-planted crop as harvest begins. Low rainfall in Brazil's major producing southern region has reduced yields however other regions are growing well under favourable conditions with an expected increase in total sown area compared to last year. Conditions for rice are mostly favourable with India's Rabi rice growing under favourable conditions as transplanting wraps up in the eastern states. In Indonesia, harvest of wet season rice is ongoing under mixed conditions due to flooding in South Kalimantan. In Brazil, soybean harvesting is ongoing under favourable conditions despite a late start to the season causing some delays. In Argentina, conditions are mixed due to a combination of low rainfall and high temperatures over February.

### PRODUCTION

Forecasts for the 2020/21 grain season rose by 6 million tonnes over the month and are currently placed at 2,216 million tonnes.<sup>13</sup> If realised, this would represent an all-time global production record. For reference, the average world total annual grain production for the past 10 years has been 2,032 million tonnes. Compared to previous estimates, production increases of 6 million tonnes are largely attributed to upgrades to wheat crops in Australia, Kazakhstan and Russia. Total wheat production is estimated to increase by 2% compared to last year, with estimates of 790 million tonnes representing an all-time record.<sup>14</sup>

### 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 February, the IGC global grain and oilseed index was relatively unchanged with price increases to wheat and barley being offset by lower prices for maize and soyabeans. The wheat sub-index rose 2% over the month with price rises attributed to a concern over northern hemisphere 2021/22 production prospects. The barley index rose 7.4% over the month and is now 33.7% higher than at the same time last year. The maize index fell by 1% over the month however remains up by almost 50% compared to the same time last year.

<sup>12</sup> Agricultural Market Information System (AMIS). 2021. *Market Monitor March 2021*.

<sup>13</sup> International Grains Council, 2021. *February 2021 Grain Market Report*, IGC.

<sup>14</sup> International Grains Council, 2021. *February 2021 Grain Market Report*, IGC.

Cotton Hills Pulled Up Ready for Next Season at Walla (February 2021)

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