

**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**

**LOCAL WEATHER**

Central-west New South Wales (NSW) recorded July rainfall of 58.2mm which is 19.6mm above the long-term average. As shown in the below graph, Forbes has now received 113% more rain than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for July was 14.8°C, above the long-term average of 14.7°C. In south-east South Australia (SA), July recorded rainfall of 49.4mm compared to the historic average of 60.7mm. The mean temperature for July was 13.9°C. This is below the long-term average for the region by 0.2°C.

**WINTER CROPS**

During July, the winter crops have continued to develop well in the wet conditions. The above average rainfall over recent months has delivered a full soil moisture profile, providing favourable conditions for the upcoming season. Most crops have received an 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. Livestock have completed grazing on dual-purpose wheat (grazing and grain) and oats. At DBF's South Australian property crop and pasture growth were strong at the start of the month as warmer temperatures promoted growth. Later in July dry weather and early morning frost hampered growth.

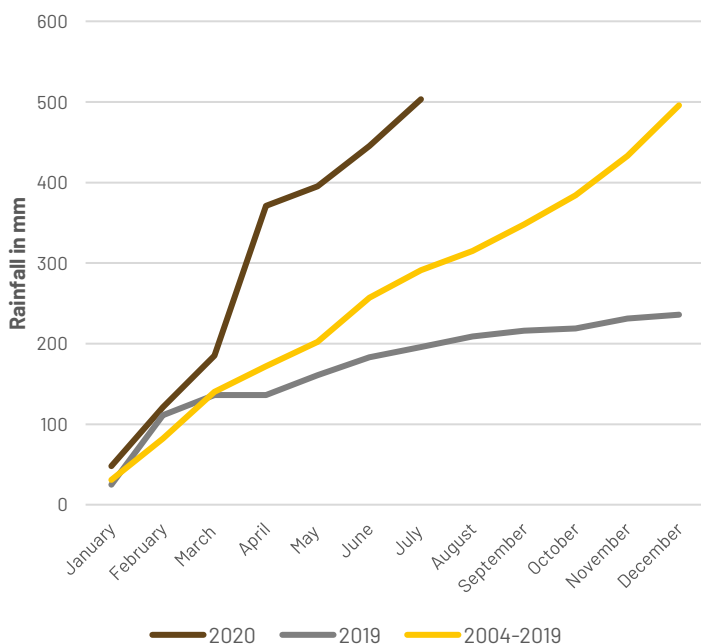
**SUMMER CROPS**

Picking continues to be delayed this year due to wet soil conditions as the farms received an additional 58.2mm of rainfall in July. By the end of July, 88% of the cotton crop has been picked with the remaining field being delayed due to continued wet soil conditions. All cotton that has been picked has been processed. Preparations are beginning for next seasons cotton fields as conditions allow. The small trial plot of cotton that developed under a fully biodegradable/dissolvable film has been picked. Once processing is completed the results of the trial area will be analysed.

**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. At Boorala, good pasture growth has contributed to both ewes and lambs being in very good condition. The ample supply of pasture is promoting early development in lambs. Steers purchased recently are benefiting from the high quality of paddock feed.

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



## IRRIGATION

Upgrades to the water meters are being undertaken in anticipation of new meter requirements at the end of the year. The application lodged with State Water for an additional production bore has been accepted and is now just 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

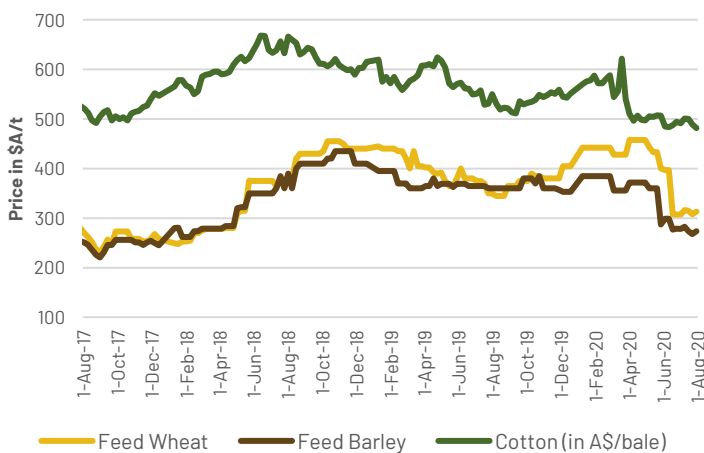
During the month 2,228 shares were bought back. The total number of shares bought under the buyback is 761,851, with the Company being able to acquire up to 4,270,500 additional shares. The intent of the buyback is to enable DBF to acquire shares in the event the Board determines they are trading at a discount to intrinsic value.

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

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (July 2019)	PERCENTAGE CHANGE
Feed Wheat	\$313	\$343	(9%)
Feed Barley	\$274	\$348	(21%)
Cotton	\$482/bale	\$531/bale	(9%)

\* Data from ABARES weekly commodity reports and Cotlook

### DOMESTIC CROP INDICATOR PRICES



## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

During July, Australian wheat prices rose to finish the month at \$313/t. Barley prices decreased slightly during the month to \$274/t. The rise in wheat prices during the month is attributed to crop production downgrades in multiple major producing regions (North America, Europe and the Black Sea) which confirmed that recent production issues could have a material impact<sup>1</sup>. The latest United States Department of Agriculture (USDA) world supply and demand estimates released midway through July confirmed that production declines were expected. 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 but the USDA is reporting that stock levels are only expected to rise in China and India, which account for 62% of all stocks, with other wheat trading countries remaining flat<sup>2</sup>. The continuing rise of the Australian dollar could make exports more expensive and hence reduce demand for Australian grains placing 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 traded sideways during July to finish the month up 1.0USc/lb at 69.0USc/lb. Prices continue to be impacted by the effects of COVID-19 on the global cotton yarn and textiles markets<sup>3</sup>. The latest production outlook by Cotlook has seen the forecast tonnage for the 2020/21 season at 24.4 million tonnes. Cotlook revised its production forecast down by 190,000 tonnes this month due to a reduction in planted area and hot weather in the USA. This level of production would be the lowest level since the 2016/17 season. The global cotton consumption forecast for 2020/21 is 23.5 million tonnes. Cotlook has revised its consumption forecast down by 50,000 tonnes this month.

### CROP PRODUCTION

During the month, the International Grains Council (IGC) projection for grain production for the 2020/21 season has increased by 4.6 million tonnes to 40.1 million tonnes. If the IGC's projected production is correct it will result in 56% 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 range from 25 to 27 million tonnes.

<sup>1</sup> Bartholomaeus, M. 2020. *Production issues taking toll*. Farm Online.

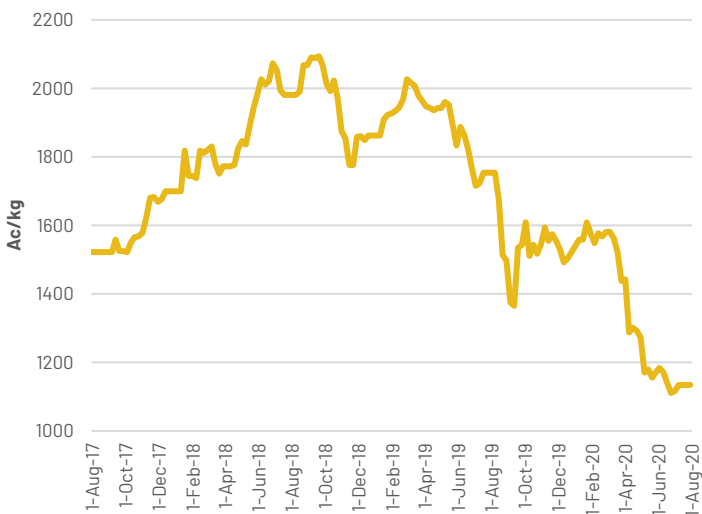
<sup>2</sup> George, L. 2020. *USDA forecasts tip a probable cap on global wheat prices*. Queensland Country Life.

<sup>3</sup> Cotlook Limited. 2020. *July 2020 Market Summary*.

## WOOL PRICES

Wool prices rose during the month from \$11.10/kg to \$11.34/kg. There were only two weeks of auctions during July before the wool market entered a three week recess. Wool market auctions will restart at the start of August. After recording a five year low at the end of the last financial year this year has started more positively, with buyers beginning to re-enter the market. Price rises at the start of the month were attributed to European buyers that had previously been out of the market returning and an increase in interest coming into the three week recess<sup>4</sup>. Any wool that was required for export orders during the three week recess had to be purchased by the second week of July which helped to drive demand and prices<sup>5</sup>. Demand for wool products is likely to be lower in the coming months as people stay home, the northern hemisphere enters summer and consumers scale back on luxury purchases such as woollen jumpers.

### Wool Eastern Market Indicator



## NATIONAL WEATHER

July recorded national mean temperatures of 1°C above historical means. National temperatures were especially high during the day with the maximum temperature 1.54°C above average which is the seventh highest on record. Western Australia (WA) recorded the largest temperature anomaly. WA recorded its second highest daily average maximum temperature on record. During July rainfall across Australia was 43% below average with below average levels of rainfall recorded in all states but NSW. SA and the Northern Territory (NT) recorded the largest drops in rainfall compared to historic means with rainfall during the month 67% and 88% respectively below long-term means.

The Bureau of Meteorology's (BoM) climate outlook for August has predicted a 65-70% 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 55-60% chance of rainfall below the long-term median of 50-100mm and an 80% chance of temperatures being above the long-term median of 12-15°C. Nationally, the BoM predicts warmer temperatures during both day and night for August. Wetter than average weather is likely for northwest NSW, central NT, and northern SA. The BoM has reported that the Indian Ocean Dipole (IOD) and the El Niño-Southern Oscillation (ENSO) are currently neutral, but there is a chance that La Niña thresholds may be exceeded by the end of spring. On the BoM's ENSO Outlook La Niña is currently at watch indicating that the chance of La Niña developing in the coming months is 50%. The BoM's modelling indicates that a neutral IOD is most likely for the coming months. The Southern Annular Mode (SAM) is forecast to become positive in early August. A positive SAM during winter typically results in lower rainfall in southern Australia but increased rainfall in eastern NSW and QLD. The positive SAM is expected to be the dominant climate influence during August.



Young lamb at Boorala

<sup>4</sup> Frost, K. 2020. *Positive start for wool as buyers return to market.* Farm Online

<sup>5</sup> Bailey, K. 2020. *Wool market hits mid-year recess on a high.* The Land



**DUXTON**  
BROADACRE FARMS

**\$1.7575**

Fair market value NAV per share (30 June 2019)

Statutory NAV per share: \$1.7145 (30 June 2019)

Market Cap (31 July 2020) \$44,627,955 (at \$1.04 per share)

Monthly Update

**31 July 2020**

## LIVESTOCK PRICES

During July, the Australian Eastern Young Cattle Indicator (EYCI) saw a slight decline of \$0.08/kg to finish the month at \$7.55/kg. The EYCI has come back slightly from the recent highs of June but is still trading at a historically high level. Supply in the market continues to remain tight as restocker demand and stock retention are elevated<sup>6</sup>. Border restrictions due to COVID-19 is increasing pressure on supply chains. The EYCI is currently 42% higher than last year. Weather outlooks continue to be positive for the major producing regions in Australia, which could entice producers to continue holding onto stock which would result in supply remaining tight. Continued tight supply could result in sustained price support. The beef export market will be variable over the coming months as global production is impacted by COVID-19 related disruptions. The US has rapidly responded to recent processing shutdowns and is now operating above last years level. The return of the US as an export competitor will likely impact Australia's export operations. Despite a rapid rise in COVID-19 cases Brazil is yet to see an impact on its meat industry, although this could change as the virus continues to spread. India has experienced heavy disruptions due to COVID-19, with the lockdown impacting livestock supply chains. If Brazil's beef industry is impacted by COVID-19 and India continues to be disrupted it could create opportunities for Australian beef exports.

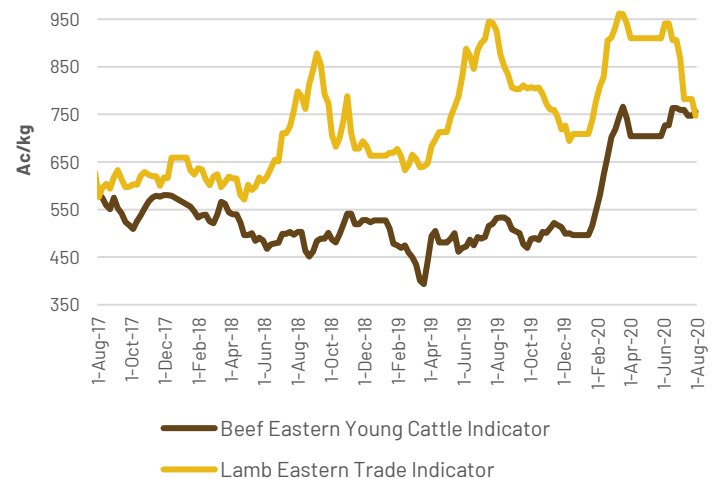
During July, the Australian Eastern States Trade Lamb Indicator (ESTLI) saw a decline of \$1.59/kg to finish the month at \$7.47/kg. In recent years prices have risen coming into winter before declining during spring as supply levels begin to rise. This year price declines are attributed to supply levels increasing earlier than usual, the shutdown of processing facilities in Victoria and subdued export demand<sup>7</sup>. There is potential downside for prices in the coming months due to uncertainty in global markets and a decrease in demand due to a reduction in the global restaurant trade. Prices could find support though as restocker demand is expected to increase due to improved weather conditions and lamb supply is expected to remain constrained.

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

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (July 2019)	PERCENTAGE CHANGE
Beef	\$7.55	\$5.20	45%
Lamb	\$7.47	\$9.42	(21%)
Wool	\$11.34	\$17.54	(35%)

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

**Australian Livestock Prices**



<sup>6</sup> Meat and Livestock Australia (MLA). 2020. *Tightening cattle supply supports strong prices.*

<sup>7</sup> Meat and Livestock Australia (MLA). 2020. *Lamb market takes a hit.*



Wheat crop emerging at Kentucky (July 2020)



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## GLOBAL MARKET INSIGHTS

### WEATHER

Weather conditions during the month have been mixed with several countries currently being impacted by adverse conditions<sup>8</sup>. Globally, climate conditions for the wheat crop are mixed with adverse weather conditions beginning to impact several producing countries. In southern Europe heavy rainfall during development is expected to reduce yields. Dry conditions early in the season are likely to result in inconsistent wheat yields in southern Ukraine. In Russia, winter wheat conditions are mixed with the south being affected by dry conditions while in the north conditions are favourable to exceptional. Maize conditions are favourable for most of the major producing countries expect for some areas in Brazil, China, Ukraine and the USA. Despite being impacted by dry conditions in the south, the area planted to maize in Brazil has increased this year and yields are currently above average. In China, some flooding along the Yangtze River is likely to affect summer planted maize in the Sichuan and Yunnan provinces. Conditions for rice are mixed with China and India currently experiencing favourable conditions while several smaller producing countries are experiencing adverse conditions. In Indonesia, prolonged drought conditions are expected to impact yields and delay the planting of dry season crops. Drought conditions have affected wet season rice in southern Vietnam with yield expected to be below last year.

<sup>8</sup> Agricultural Market Information System (AMIS). 2020. *Market Monitor August 2020*

### PRODUCTION

Forecasts for the 2020/21 grain season decreased during the month by 12 million tonnes. Production decreases were attributed to downgrades in wheat and maize. The 2020/21 grain season is now projected at 2,225 million tonnes of grain production. 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 July up by 2.9%. The wheat index finished July up by 3.2%. The wheat index is up 3.9% year on year. The wheat index found support during the month as harvest results in parts of Europe and the Black Sea region were below analyst estimates. The maize index rose by 3.8% during the month. Maize price rises during the month are attributed to rising export premiums.

### Barley emerged and growing well in good conditions at Yarranlea (July 2020)

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This announcement has been authorised for release by the Directors of Duxton Broadacre Farms Ltd.

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