

Australian Food & Farming Investor Update - June and July 2019



RAINFALL
NSW: above average
WA: below average

Marabou: 62mm
Echidna Ridge: 9mm
Rockwater: 8mm
Kulin: 4mm

1. AFF IN A SNAPSHOT

NSW

WA

Land

Owned: 1,790ha
 Under Contract: 0
 Leased: 0
 Total: 1,790ha

Owned: 14,000ha
 Leased: 3,490ha
 Total: 17,287ha

Livestock

Total Breeders (Dorpers)

- Commercial Ewes: 1823;
 - 547 with lambs at foot
 - 1276 scanned in lamb
- lambs: 526 drop
 - 0 lambs (Autumn drop)
 - 526 lambs (May/June drop)
- Losses: 10 commercial ewes and 14 lambs

Total Breeders (Dorpers and merinos)

- Stud ewes: 1,000
- Commercial ewes: 3,457
 - Lambs (2019 drop) to be counted at lamb marking.
- Losses: 30 commercial ewes from weeds, Rockwater and rain event Echidna Ridge.

Water

652ML of water remaining until June

- 300ML temporary water being sold
- 385ML of water will be carried over to 2019/20 water year

We have no water in Western Australia

2. MANAGEMENT COMMENTARY

We are pleased to confirm that we completed the purchase of Duckworths (1,500ha) adjoining Echidna Ridge at the end of June and Rockwater (7,500ha) at the end of July. This adds 9,000ha to our WA operations and brings our total land holding to almost 16,000ha.

Our operations team has been primarily focussed on spraying and seeding both cereal crops and pastures in NSW and Western Australia. In NSW rainfall has been good and the crops there have benefited. In Western Australia rainfall is below average (although August was above average). In both WA and in NSW the cereal crops have come through, particularly in NSW which has benefited from 80mm of rain over the last two months. The pastures, which are slower to sprout (generally requiring 100 days) are only just starting to show. More rain is scheduled for the end of August in WA.

NSW

- Temperatures in June and July were lower. Marabou has had decent rain, but after the long dry spell it took a while to produce results.
- Seeding was completed at the end of May and spraying has also been completed to clean up the paddocks for the cereal crops. A small area (around 30ha) had to be seeded twice as a result of the large rain event in May).
- 687 lambs were sold to the Colac abattoir for \$8.30 per kilogram in June. This is the highest pricing that we have achieved for lambs to date by more than 10%.
- Lamb marking was completed in June with 526 lambs from 631 ewes. This is a lambing rate of 83% and is disappointing (but is only from a small herd). We have culled all ewes that did not produce lambs.
- The culled ewes sold for \$137 per head at the local sale yards. This is double pricing earlier this year for culled ewes and reflects the stronger market following the rain on the east coast.

Western Australia

- Kulin and Rockwater received rain in mid June with Echidna Ridge receiving less. The season is proving to be a drier one in WA and our hope is there will be more rain in August and September.
- The acquisition of Duckworths was completed in June. Following this acquisition, Echidna Ridge (which incorporates Duckworths and Gavins Place) comes to almost 6,000ha.
- The acquisition of Rockwater was completed at the end of July. This is 7,500ha of land.
- Seeding was completed in WA at the end of May which was on schedule. This meant the crops and pastures were in place to benefit from the mid June rain events. July has been a little drier, but August has been above average.
- Through August and September the main focus will be on spraying and urea spreading to protect the investments into the crops/pastures. We may also cut the oats for hay.

3. NEW PROPERTIES

Duckworths

We have purchased Duckworths and Rockwater.

Duckworths adjoins Echidna Ridge and so adds a further 1500 ha to Echidna Ridge to bring it up to almost 6,000ha. It has sandier, non wetting soils that are lighter than Rockwater and Kulin. This should benefit from the biserulla pasture mix which is good in these soils, however, care will need to be taken not to over-graze as this soil can blow away if there is no pasture coverage. Key statistics for Duckworths are:

- Total area: 1,162ha
- Average rainfall: 342mm
- Growing season: 150mm
- Lowest 10% decile rainfall: 247mm
- Settled: End June 2019
- Price: Around \$550 per arable acre



Fig 1 - Echidna Ridge (incorporating Duckworths and Gavin's Place)

Rockwater

Rockwater is one of our core WA properties adding 7,500ha to our WA operations. It is reasonably remote in the Hyden area and has a mix of sandier and heavier soils with some gravel. The area is in the center of WA's wheat belt and we will be growing a range of cereals on the prime cropping land with cereals on the poorer areas. Key statistics for Rockwater are:

- Total area: 7,500ha
- Average rainfall: 335mm
- Lowest 10% decile rainfall: 247mm
- Price: Around \$545 per arable acre



Fig 2 - Rockwater

4. BREEDING & STOCKING - EWES

Ewes

- In NSW, the breeding ewes are on the dryland area, where there is ample feed at this time. No sheep are being fed (except for the rams).
- In NSW we plan to move to a dual lambing season with 1/3 lambing in autumn and 2/3 lambing in Spring.
- In NSW we sold 448 lambs and 207 cull ewes.
- In NSW lambing has been proceeding for the last two months.
- In WA, our breeders are spread across Mallee Hill, Rockwater and Echidna Ridge.
- 1,000 stud ewes are on the Cadiz pastures that were sown last year at Mallee Hill.
- 2,000 head of commercial breeders are at Rockwater, Little Italy.
- 1,496 merinos are at Echidna Ridge.
- Ewes have lambed but we haven't completed lamb marking and so do not currently have numbers.

5. FEED, CROPPING & PASTURES

NSW

Seeding proceeded at Marabou in April. The paddock plan has been prepared jointly by Greg Ingram, Keith Wilson and our agronomist, Stacey Doolan from Elders.

Our concerns about drought appear to be unfounded and NSW has benefited from a reasonable May and June. As a result the cereal crops are starting to show. We have also put in place a small trial for a range of pastures.

Western Australia

In Western Australia our seed mix incorporates a larger amount of pasture. Unfortunately WA has suffered from a lack of rain this year and May was particularly dry. We are looking forward to rain in July to support the pastures to ensure that they can come through and set a seed mix, put nitrogen back into the soil and ensure we have strong pastures going forward in 2020.

As the seeding progressed we put marginally more into cereals, given the drier start to the season.

Echidna Ridge (5,936 ha)

Wheat	391
Barley	1,713
Oats	690
Pasture (baiserrula, margarita and serradella)	949

Rockwater (7,558 ha)

Wheat	2,418
Barley	736
Oats	715
Pasture (baiserrula, margarita and serradella)	3,406

Kulin (3,490 ha)

Wheat	600
Barley	2,074
Oats	570

6. CAPITAL WORKS & MAINTENANCE

Fencing

At Marabou the large majority of our fencing has been finished. We have worked on the boundary fence with Woperana.

In Western Australia, at Rockwater, we have completed a large portion of the fencing required, although we have done this at minimal cost and as a result permanent fencing will be required in the future.

Echidna Ridge fencing is in decent shape but will need a fair amount of work to make it dorper proof. This is not required immediately as we have merinos and cropping in place at Echidna Ridge.

7. TECHNOLOGY UPDATE

One of our shareholders visited Nofence in Norway (at their own cost). The Nofence technology is interesting for AFF and Nofence is possibly the closest to commercialisation of all of the operations on the market. At present there are four developers of virtual fence systems, Nofence in Norway, Vence in the US, Agersens in Australia and a fourth vendor in New Zealand.

The Nofence technology is interesting because:

1. It has been developed for goats (which are similar to dorpers) and uses sound and then a small electric shock to control the animals;
2. Once implemented it will not only reduce the cost of fencing but also enable cell grazing which better utilises feed in the paddock;
3. It provides real time information as to the location of the sheep/goats;
4. It is already, in part, commercialised, with 7,000 collars already in use.

Key issues for the technology are:

1. For sheep there is little competition (Vence and Agersens are focussing on cattle);
2. Cost: the collars are currently EUR300 each. Our estimates are that they need to come down to AUD50 before they are cost effective
3. Battery: at present they are solar powered, however, the life of the panels needs to be understood.
4. Effective: whether they are effective on dorpers
5. Adapted for Australia: they need to be adapted for wifi in Australia.

AFF does not want to have to pick a technology so at the moment, we are looking at all options.

Other capex

In Western Australia we have cleaned out the dams at Echidna Ridge and Minni Downs.

Over the longer term, we will need to invest in fencing at Echidna and Rockwater, although this is not high on the agenda at the moment (this will likely be in 2020).

8. SALES UPDATE

Sales

Pricing for sheep meat has strengthened with record pricing achieved during May. We expect pricing should continue to be reasonably strong as the east coast restocks following the drought. However, following that, pricing should pull back.

- In NSW we sold 470 lambs at an \$8.30 per kilogram (average weights were just below 30 kg).
- In NSW we also sold 312 culled ewes into the sale yards at \$137.00 per head.

9. ACTIVITY PLAN

August and September 2019

August and September will be slightly less busy, with the main part of the spraying complete. We will be lamb marking, spreading urea and fertilizer to protect the investments in the crop and pastures. We may look to cut the oats for hay in WA. We will look to hire a stockman.

10. OUTLOOK

We continue to focus on our ultimate aim, to be a year round producer of quality, branded sheep meat while maintaining a reliable cropping operation. To achieve this, we need a quality team, we need land, we need to develop pastures on the land, we need a brand, we need quality sheep and we need a service kill in place with an abattoir. Each piece is being put in place in according to the plan over a two to three year period.

On the land side we may look to acquiring land adjoining Rockwater and Echidna Ridge and also we may look at land in a higher rainfall zone in the south of Western Australia, however, that will be over the longer term. We will continue to update you on progress there separately.

GLOSSARY AND EXPLANATION AS TO KEY TERMS

Bathurst Burr

Bathurst burr is spiny weed that appears annually in summer. It is prevalent throughout NSW and is difficult to control. Once sprayed it is important to continue to monitor to ensure that the seed does not set.

Bannister (oats)

Bannister is a high quality, high yielding oat with potential for milling. Part of the oats we will put in will be Bannister oats.

Biserrula

A persistent, self-regenerating pasture legume that originated in the Mediterranean. It is suited to low and medium rainfall areas. Because it is self-regenerating it does not need planting each year. Biserrula forms part of our seed mix in Western Australia.

Cadiz

A variety of French Seradella. It is a mid-season maturing variety, maturing around 125 days after planting. Cadiz forms an important part of our pasture mix in Western Australia.

Drenching

Worming and other treatment for our dorpers that is done on a regular basis, in accordance with standard practice in Australia.

Fleabane

Fleabane germinates in spring and becomes a major weed during summer. Fleabane needs to be controlled by a mix of spraying and other techniques. Fleabane requires ongoing monitoring. We have fleabane at Marabou.

Heliotrope

Heliotrope is also known as potato weed or blue weed. Consumed in large amounts it can cause copper poisoning and so can be toxic to sheep. It is a summer weed common in southern parts of Australia. Controlling Heliotrope requires a mix of pasture management, avoiding over grazing of land and spraying. Rotational grazing can also be effective reduction method, provided sheep are not over exposed to it. We have heliotrope at Marabou.

Lab lab

A fast growing, annual summer forage legume. Lab lab is in particular used for fattening our dorpers. It also puts nitrogen back into the soil. Lab lab is an important part of our forage crop in NSW.

Mace (Wheat)

Mace is the most common variety of wheat used in Western Australia. It consistently produces a high yield in a wide range of conditions and is well suited to the Western Australia Wheat Belt. The majority of the wheat we will be planting in WA will be Mace.

Margarita

Developed by the Department of Agriculture in Western Australia from Cadiz. Margarita forms an important part of our pasture mix in Western Australia.

Millet

A summer forage crop with similar characteristics to Sorghum. Millet is an important part of our forage crop in NSW. Millet tends to perform during the early part of summer but tails off during the later part of summer.

Scepter (Wheat)

Scepter is a variety of wheat used in Western Australia and in NSW. It is derived from Mace, but offers a higher yield than Mace. We will be planting sceptre wheat in NSW and in WA.

Seradella

Also known as French Seradella, is an annual legume native to the Mediterranean region but which was introduced into Australia in 1997. It is suited to sandier soils like those in Western Australia and also unreliable rainfall. Studies have shown that it performs well against more traditional pastures like clover. During droughts it produces around 3 times more herbage than clover, while performing similarly during wetter seasons.

Sorghum

Sorghum is a summer forage crop. Sorghum is quick growing, flowering sixty days after sowing and is suitable for fattening. Sorghum is an important part of our forage crop in NSW. Sorghum tends to mature in the later part of summer, meaning it can complement Millet well which deteriorates in late summer.

Spartacus (Barley)

Spartacus is a high yielding, malt barley. Barley tends to handle frost better than wheat and hence a large part of our Western Australia crop is barley. Barley also tends to produce higher yields than wheat. A key risk for barley which may impact pricing is the potential for an anti dumping investigation by China against Australian barley.

GALLERY, all taken in June/July 2019



Fig 3 - Dropers at Rockwater



Fig 4 - Dropers at Echidna Ridge



Fig 5 - Nofence technology on a goat in Norway. The collar beeps as the goat comes close to the virtual fence and then sends a shock when the goat gets too close. The goats that we viewed all turned as soon as they heard the warning beep. The units are powered by solar. The technology is interesting from a fencing perspective, but also from a data perspective as it is possible to have heat maps showing where the goats are grazing.



Fig 6 - WA cereal crops



Fig 7 - Seeding in WA at Echinda Ridge



Fig 8 - Seeding in WA, a 24 hour operation. Here the seeder is being re-filled with seed.



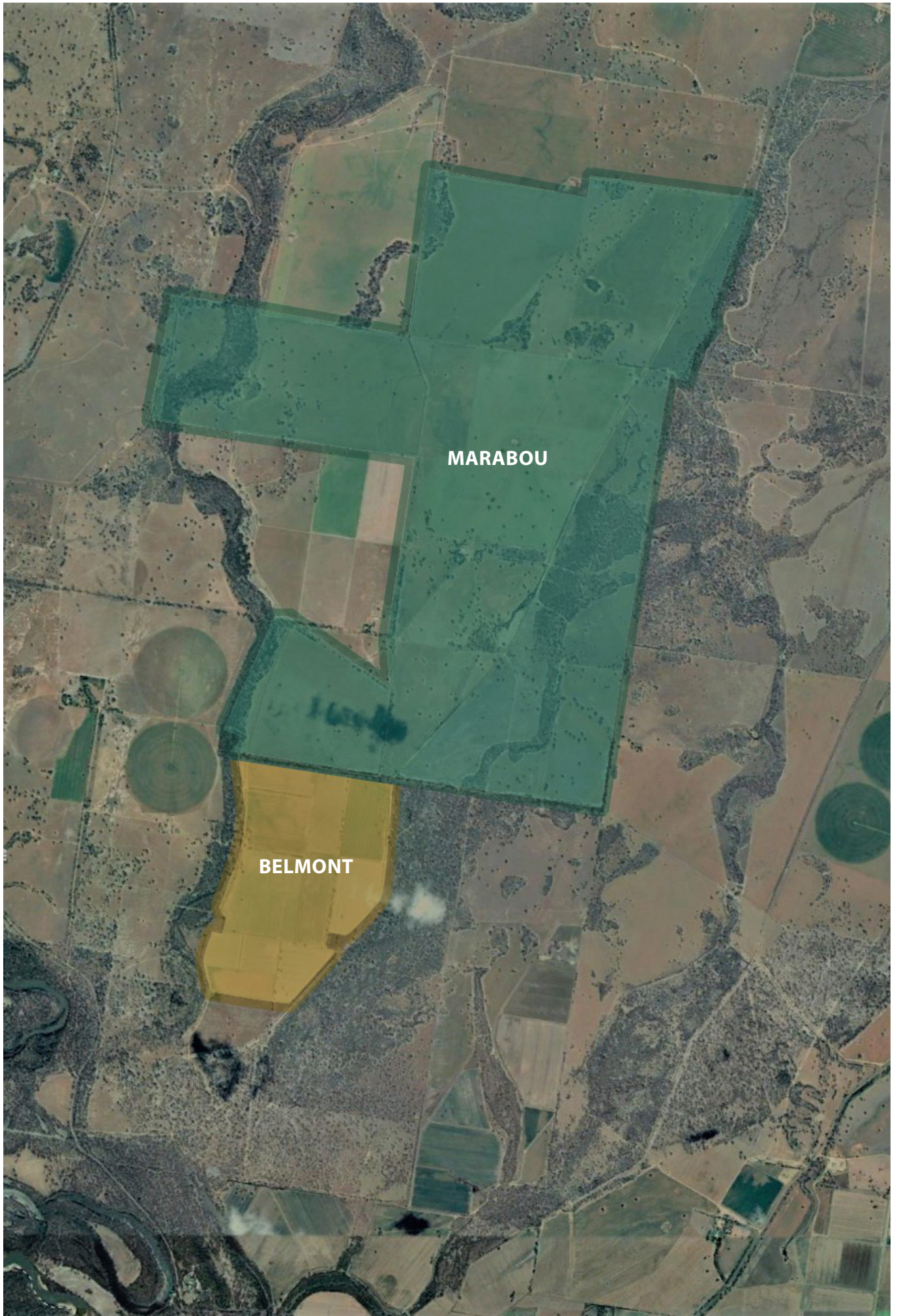
Fig 9 - Echidna Ridge

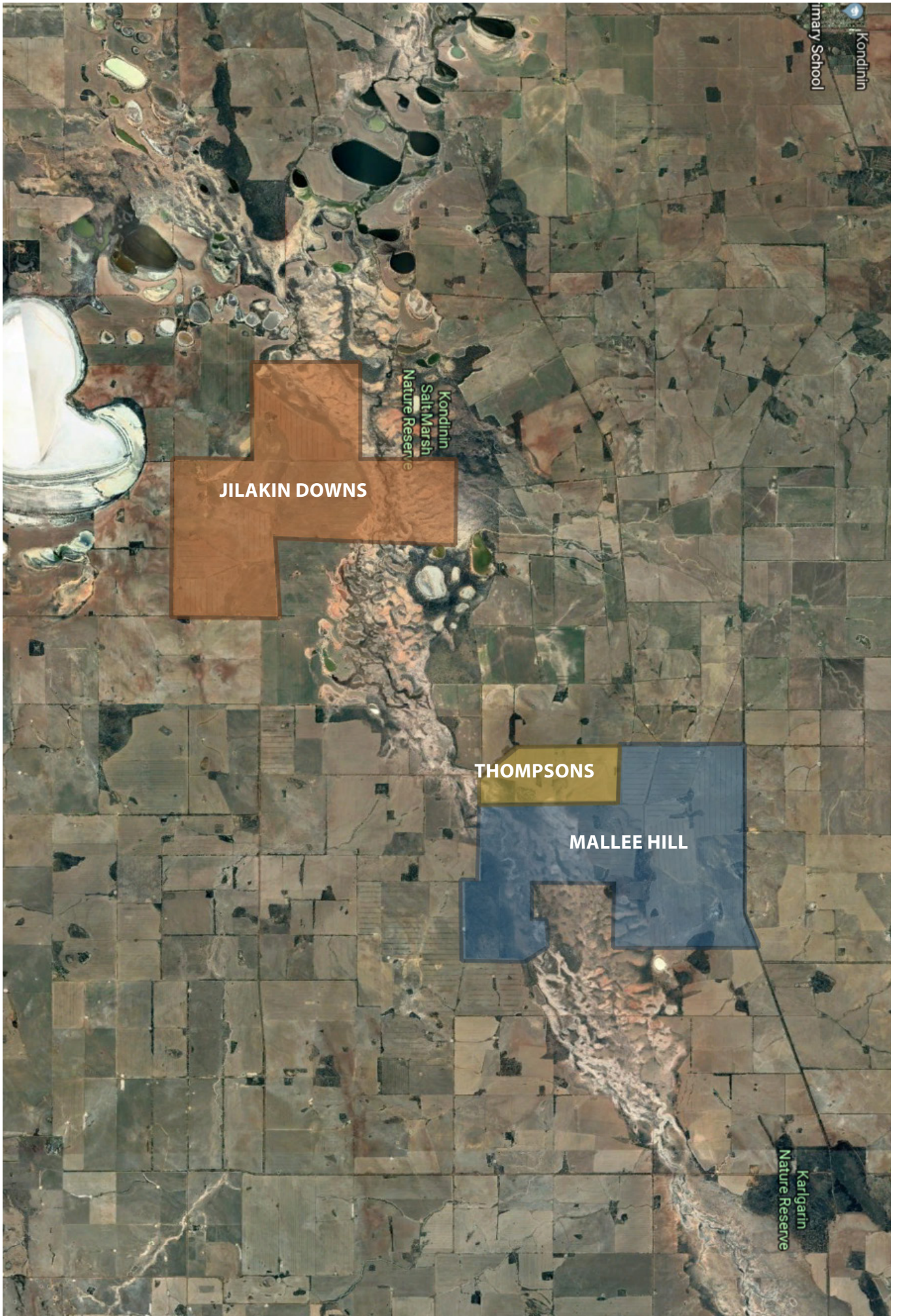


Fig 10 - Echidna Ridge sunset

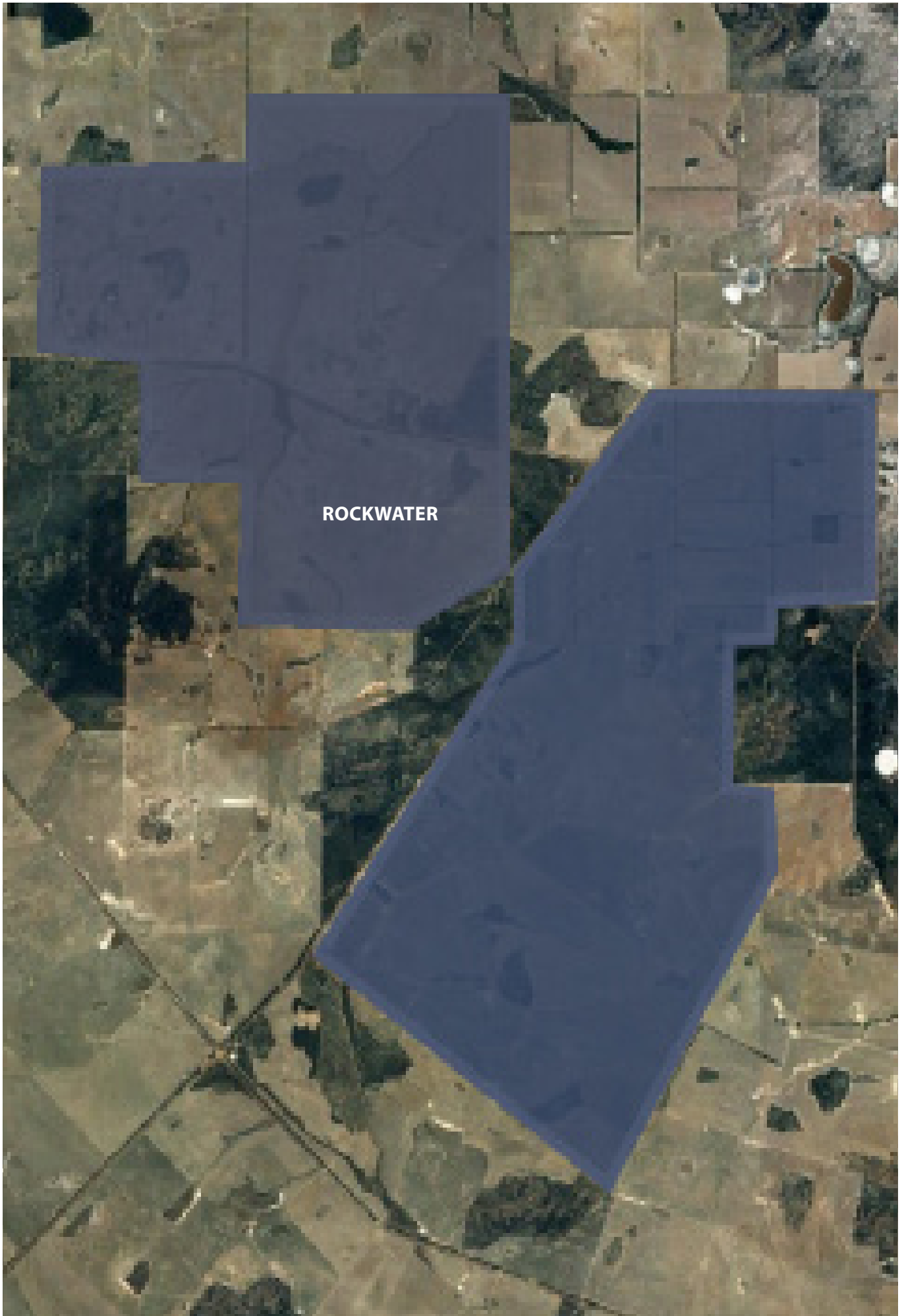


Fig 11 - Good feed reserves coming into spring.











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