MARKET INSIGHT · FOOD SECURITY

The Next Food Shock Will Start in the Grain Bin. It Will End on the Protein Shelf.

Luke Ferguson, Chief Executive Officer | Ferguson Hyams Investment Management

General information only. This commentary does not constitute financial product advice.

ON THE PLATFORM *Irrigated forage country across the fund's integrated NSW properties.*

JPMorgan's global economics team has just put a date on the next food crisis. In a note titled *Food Security Is National Security: A Compounding Storm*, senior economist Nora Szentivanyi argues the shocks that have hit food systems since COVID have not washed through; they have compounded, and the pressure now runs into the first half of 2027. Global food inflation, on her numbers, roughly doubles from around 2.8% in the first half of this year to about 5% in the first half of next. Her phrase for it: this is not a short-lived shock.

The drivers are what JPMorgan calls the Five Ws: war, weather, warehousing, water and waste. Disruption around the Strait of Hormuz has hit fertiliser flows. A potentially historic El Niño is building, and crop effects lag the ocean peak by six to twelve months, so the worst of the yield damage is still ahead. The FAO food price index hit a three-year high in July. China has been quietly stockpiling food and fertiliser; the West has strategic oil reserves but no meaningful fertiliser buffer.

Most of the commentary around this note is about grains, rice, sugar and cocoa. That is where the first leg of a food shock always shows up. But it is not where it ends.

Grain today, protein tomorrow

Feed grain is the largest input into animal protein. When grain and fertiliser prices move, meat prices follow with a lag (typically a season or two) because herds and flocks cannot be rebuilt or liquidated on a spot basis. The market is currently pricing the crop leg. The protein leg is still in front of us.

For a lamb finishing platform, that has two faces. The demand face is straightforward: red meat becomes more valuable in a food-inflationary world, and Australian lamb sells into exactly the markets JPMorgan flags as most exposed: South and Southeast Asia and the Middle East. The cost face is real too, and I would rather name it here than have an analyst raise it in a due diligence session. We buy grain. We buy fertiliser. A platform that ignores that is not being straight with its investors.

OWNED WATER, ON-FARM FEED *Lambs finished on irrigated forage grown on-platform, insulated from the dryland feed scramble.*

How the Opportunities Fund is built for this

Three structural features matter here, and none of them are new; they are the reasons the platform was designed the way it was.

We own the water. Of JPMorgan's Five Ws, water is the one that cannot be shipped in or substituted. Across ten integrated NSW properties covering some 4,890 hectares of high-productivity irrigated country, the platform holds water licences totalling 6,800 megalitres on full allocation, including three-sided Lachlan River frontage at its flagship asset. That water grows forage and finishes lambs on-farm regardless of what a super El Niño does to dryland pasture across the eastern states. In a drought year, that is the difference between a controlled feed cost and a spot-market scramble.

Sell price is locked at procurement. Every lamb is bought under contract with its exit price locked to a major processor at procurement. We are not a bet on where the lamb price goes; we are a margin operator that gets paid the spread between purchase weight and finished weight. Higher protein prices are a tailwind, but the fund does not need them to perform, and it does not suffer when they retrace.

Short cycle, high turnover. Lambs are on-farm for 80 to 100 day weight-gain cycles. Feed cost assumptions get re-struck with every intake, so an input shock is a repricing event across a few cycles rather than a multi-year exposure.

10	4,890 ha	6,800 ML	80–100
INTEGRATED NSW PROPERTIES	HIGH-PRODUCTIVITY IRRIGATED COUNTRY	WATER LICENCES ON FULL ALLOCATION	DAY WEIGHT-GAIN CYCLES

The bigger frame

JPMorgan titled its note *Food Security Is National Security*. Australia is one of a handful of net protein exporters sitting next to the most food-insecure region on earth. That is a strategic position, not a marketing line, and it is exactly the position that superannuation and sovereign capital are now trying to access. Institutional allocators have historically reached food security exposure through farmland, an inflation hedge that carries land price risk and low yield. A vertically integrated protein operator with owned water and forward-priced processor offtake offers a different profile: quarterly cash distributions, short duration, and a direct line to the demand shift JPMorgan is describing without adding to listed-market or residential-property exposure.

> "The grocery aisle is where the next inflation shock will be felt. The protein shelf is where it will be priced. We think the platform is on the right side of that."
>
> LUKE FERGUSON · CHIEF EXECUTIVE OFFICER

SHORT CYCLE, HIGH TURNOVER *Lambs move onto fresh forage across 80–100 day weight-gain cycles.*

Ferguson Hyams

INVESTMENT MANAGEMENT · AFSL 490023 · FERGUSONHYAMS.COM.AU