

## COMPANY SNAPSHOT

**COMPANY NAME**  
Duxton Farms Limited

**INVESTMENT MANAGER**  
Duxton Capital (Australia)

**PORTFOLIO**  
1 Aggregation of 8 Properties

**LOCATIONS**  
Forbes and Wyalong, NSW

**HECTARES**  
22,882 owned

**WATER ENTITLEMENTS (ML)**  
10,035 owned  
6,798 leased



Duxton Farms Limited (DF/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. DF 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 UPDATE

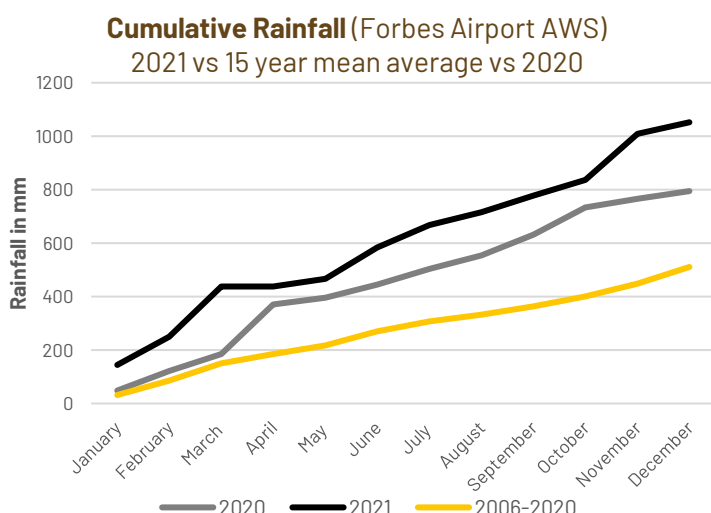
### VALUATION UPDATE

The Company engaged LAWD Pty Ltd ('LAWD') to provide an Indicative Desktop Assessment valuation for the land, water and structures owned by the Company as at 31 December 2021. DF is pleased to share that LAWD's assessment of the value for the Company's land and water assets came in at \$136,425,000 representing a \$28,475,000 or 26.4% increase from 30 June 2021. The Board views this as an affirmation of its original thesis that land and water assets in the central west of New South Wales were systemically mispriced both on a domestic and global scale.

## OPERATIONAL UPDATE

### LOCAL WEATHER

December saw below average rainfall across central-west New South Wales with 43.4mm recorded compared to the December long term average of 51mm. For 2021, central-west New South Wales (Forbes Airport AWS) recorded 1,052mm of rainfall, over double the previous 15-year average and 32% higher than 2020. The months of January to March, June, and November in particular recorded heavy rainfall in 2021 with over 100mm recorded in each of these months. Mean temperatures for December of 30.5°C were cooler than the long-term December average of 31.9°C.



### WINTER CROPS

DF's harvest of its winter crop continued over December, with rainfall delaying work prior to and following Christmas. Above average rainfall has resulted in a slower harvest this season, with soft and boggy soil conditions across much of the cropping area. Some areas of DF's crop have been lost due to water inundation, however the main impact on DF's winter crop from the wet weather will be on grain quality, with downgrades expected across most of the crop. Harvest is expected to continue well into January 2022 given the delayed start and slower harvest conditions. Despite quality downgrades, it is pleasing to note that those areas which have been harvested are recording higher yields relative to last season.

### SUMMER CROPS

With weather conditions warming, the cotton crop grew well over December but given the later planting date and wet conditions, the crop is developing slower than would be considered ideal. Flooding and rainfall continued to be a challenge throughout December, with Yarranlea also impacted by hail damage, currently subject to an insurance claim which may mitigate financial losses. Given the above average rainfall, crops have not required substantial irrigation this season, with on farm water storages that typically would be used to irrigate the crop remaining full.

### LIVESTOCK

Pasture growth over December continued to progress well given the above average rainfall. Only limited areas of pasture remain unsown due to the wet conditions. Wool produced from shearing has been sold with reasonable pricing for the merino wool portion, however lower pricing was received for crossbred wool. Additional fodder previously produced continues to supplement DF's reserves which remain on hand if needed. Reasonable numbers of cattle and sheep remain at the West Plains and Lenborough properties to take advantage of the available feed, although the Company is starting to shift some livestock to Yarranlea and Cowaribin. Sale of livestock is ongoing with good to exceptional pricing with additional livestock to be purchased as attractive pricing opportunities arise.

## IRRIGATION

As at the end of December, the Lachlan River's Wyangala Dam continues to manage its airspace as a flood mitigation strategy through releasing water from the dam. Airspace is the difference between the actual volume of water in storage, and the volume of the dam when full. DF's Lachlan River water allocation as at end of December remains at 116%. Above average rainfall early in 2021 stopped the drilling of test bores at Yarranlea and Timberscombe. Given November 2021's high rainfall this is no longer expected to occur this summer but will be completed when conditions allow.

## SHARE BUYBACK

During the month 27,000 shares were bought back. The total number of shares bought under the buyback is 1,048,456 with the Company being able to acquire up to 3,983,895 additional shares.

## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

Grain prices across Australia often vary by port of export, with DF historically delivering to the Port Kembla Zone. Port Kembla Zone APW1 wheat prices fell over December, unwinding much of the gains from the previous month, finishing the month at \$365/tonne at port, a 12% decrease. Port Kembla barley prices also fell over December, ending 20% lower compared to the prior month at \$245/tonne at port.<sup>1</sup> Local price falls contrasted with global prices which recorded minor increases over December with US CBOT March wheat futures ending at US\$7.88/bushel, a 2% increase compared to December contracts as at the end of November and approximately 23% up compared to the same time last year. The fall in domestic grain prices can be attributed to the size of the national 2021/22 winter crop, which is expected to be as comparable with the previous season. Weather and quality concerns, and a stalling of the New South Wales harvest, resulted in increased uncertainty and reduced grain sales in early December, supporting prices for a short while; however, as harvest resumed in mid-December, domestic pricing fell sharply as supply was able to re-enter the market.<sup>2</sup> Looking ahead, Rural Bank expects that grain prices seen during previous drought years are unlikely to be reached although they expect domestic wheat prices to remain near current levels into late 2022. Barley prices are expected to remain steady, supported by strong global demand for feedstock.<sup>3</sup>

### GRAIN PRICE CHANGES PAST 12 MONTHS\*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (December 2020)	PERCENTAGE CHANGE
CBOT Wheat Futures	\$788USc/bushel	\$641USc/bushel	23%
Cotton	\$875/bale	\$549/bale	59%

\*Data from Profarmer Australia, CBOT and Cotlook

<sup>1</sup> Profarmer Australia.

<sup>2</sup> Bartholomaeus, M. 2021. *Bumper crop drives market*, Farm Online.

<sup>3</sup> Rural Bank, 2022. *Australian Agriculture Outlook 2022 - Cropping*.

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

<sup>5</sup> ABARES, *Australian Crop Report: December 2021 No.200*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

<sup>6</sup> Grain Industry Association of Western Australia, 2021. *17 December 2021 Crop Report*, GIWA.

## COTTON PRICES

International cotton prices continued their upwards trajectory over December, ending the month 3% higher at 127USc/lb. In Australian dollar terms, prices of \$875/bale are 2% up compared to the end of November and 59% higher compared to the same time last year. Import demand for cotton over the month was relatively broad based and focused on shipments available to cover first and second quarter production requirements. Overall trade continues to be impacted by a shortage in global supply and volatility in shipping rates. Cotlook's forecasts of global production and consumption for the 2021/22 season were largely unchanged over December with most harvests in the northern hemisphere finished or nearing completion and weather conditions not causing any major issues.<sup>4</sup>

### Australian Cotton Prices



## CROP PRODUCTION

The latest ABARES Australian crop report forecasts that winter crop production for the 2021/22 season will reach 58.4 million tonnes.<sup>5</sup> If realised, this represents a 5% increase compared to last season and a new national record. Increased production volume forecasts are primarily driven by an expected record production grain year in Western Australia which the Grain Industry Association of WA is expecting to reach over 22 million tonnes (above latest ABARES estimates), approximately 17% more than the previous record set in 2018.<sup>6</sup> ABARES is also expecting it to be the second highest winter crop on record in New South Wales and Queensland. For the major winter crops, national wheat production is forecast by ABARES at a record 34.4 million tonnes, 3% higher than last year's record production. Barley production is forecast to increase marginally year on year, to reach the second highest harvest on record at 13.3 million tonnes, 2% below the previous record set in 2016/17. Canola production is expected to make substantial gains and rise to a record 5.7 million tonnes, 27% higher than the prior record set in last season. Flooding in northern and central areas of New South Wales will result in some production losses, however ABARES is not expecting state production totals to be substantially impacted. Whist overall production prospects are positive, heavy rainfall during November in the eastern states and South Australia has delayed harvests and is likely to result in downgrades in areas.



## WOOL PRICES

Wool prices rose by 1% over December, ending the month at \$13.58/kg and 17% higher than at the same time last year. Wool prices have remained fairly stable over the past weeks which given that most local exporters are reporting 'tough' trading conditions, and retail consumer spending remains difficult the price stability may be looked at positively.<sup>7</sup> Australian wool prices still remain below pre-pandemic levels however 2021 has seen the Australian wool industry undergo a substantial price recovery from the lows of late August 2020. Finer micron wools in particular have performed well during 2021, though higher micron/crossbred wools still faced challenging conditions due to an oversupply worldwide.<sup>8</sup>

**Wool Eastern Market Indicator**



## NATIONAL WEATHER

December recorded below average rainfall for Australia as a whole, with average area rainfall of 47.8mm below historical means by 6%. Rainfall was below average for much of Western Australia, southern and eastern South Australia, western and southern Victoria and parts of Central Australia and the inland north. New South Wales and the Northern Territory were the only states/ territories which recorded above average rainfall. The Northern Territory recorded average area rainfall of 87.1mm which was 19% above the 1961-1990 average while New South Wales recorded 56.6mm which was 13% above. Tasmania in particular saw below average rainfall, recording its lowest average December rainfall since 1994, and the 6th lowest in its recorded history. Mean temperatures for December were 1.04°C warmer than average for Australia as a whole and the equal ninth warmest on record. This contrasts to last month which was the coolest November since 1999. Mean maximum temperatures were very much warmer than average for Western Australia, the Northern Territory, western Queensland and parts of Cape York Peninsula, north-western Victoria and Tasmania. The south-eastern quarter of Queensland away from the coast and parts of New South Wales in the North-West Slopes and Plains and the south coast recorded cooler than average mean maximum temperatures.<sup>9</sup>

The BoM's latest climate driver update reports that La Niña conditions are continuing in the tropical Pacific with sea surface temperatures in the central to eastern tropical Pacific typical of a mature La Niña event. La Niña events typically increase the chance of above average rainfall across much of northern and eastern Australia during summer.<sup>10</sup> The BoM is reporting that the negative Indian Ocean Dipole (IOD) is now neutral, with models indicating that the IOD will remain neutral during the coming months. A neutral IOD has little influence on global climate over December to April. Australia's weather is also impacted by climate change and has warmed by 1.44°C for the 1910 – 2019 period, with recent decades showing a trend towards a greater proportion of rainfall from high intensity, short duration rainfall events, especially across northern Australia.

<sup>7</sup> Australian Wool Innovation Limited, 2021. *Week 24– December 2021 Weekly Price Report*, Wool.com.

<sup>8</sup> Nugent, V. 2021. *Wool industry show resilience in 2021*, Farm Online.

<sup>9</sup> Bureau of Meteorology, 2021. *Australia in December 2021*, Australian Government.

<sup>10</sup> Bureau of Meteorology, 2021. *Climate Driver Update 5 January 2021*, Australian Government.



## LIVESTOCK PRICES

During December, the Australian Eastern Young Cattle Indicator (EYCI) rose substantially, finishing the month 6% higher at \$11.64/kg. The EYCI is approximately 48% higher than at the same time last year. Looking ahead, Rural Bank expects cattle prices to remain relatively stable in early 2022 after two strong years of growth. Increased Australian cattle supply is likely to apply downwards pressure on prices during 2022 however support is likely to be provided by decreasing global supplies and continued restocker demand during the first half of 2022. On the other hand, demand for young cattle may ease in the event of a dry autumn.<sup>11</sup>

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

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (December 2020)	PERCENTAGE CHANGE
Beef	\$11.64	\$7.88	48%
Lamb	\$8.54	\$7.70	11%
Wool	\$13.58	\$11.57	17%

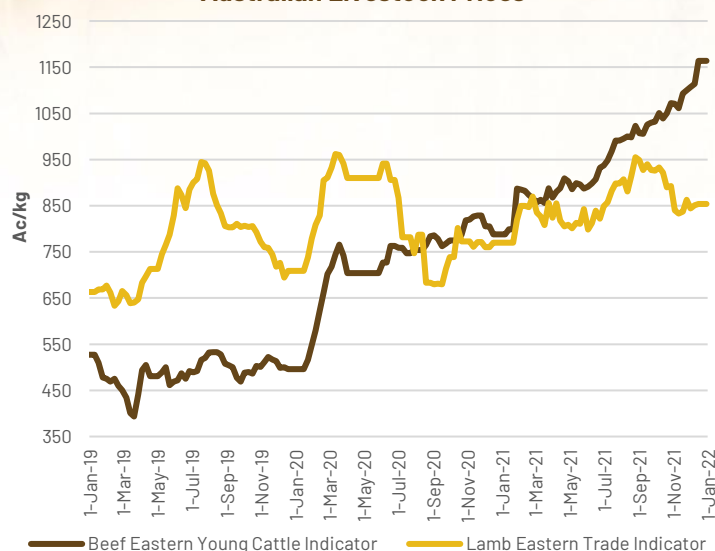
\* Data from ABARES weekly commodity reports and Australian Wool Innovation Ltd

<sup>11</sup> Rural Bank, 2022. *Australian Agriculture Outlook 2022 - Beef*.

<sup>12</sup> Meat & Livestock Australia, 2021. *2021 in review: a record year for Australian markets*, MLA.

<sup>13</sup> Rural Bank, 2022. *Australian Agriculture Outlook 2022 - Sheep*.

### Australian Livestock Prices



The Australian Eastern States Trade Lamb Indicator (ESTLI) over December fell by 1%, finishing the month at \$8.54/kg. The ESTLI is approximately 11% higher than compared to the same time last year. The spring flush of lambs in New South Wales and Victoria arrived later than usual this year meaning that in 2022 there will be more lambs available to the market. Between November 2021 and March 2022, it is expected there will be 2.9 million more sales than the corresponding period 12 months ago.<sup>12</sup> Looking ahead, with an expected increase in supply, further price falls are expected however these may be supported by improving sheep meat demand from foodservice industries.<sup>13</sup>



## GLOBAL MARKET INSIGHTS

### WEATHER

Recent international weather conditions for the major crops of wheat, maize, rice and soybeans have been largely favourable however there are some areas of concern. In the northern hemisphere, winter wheat is entering the colder months under mixed conditions in many places due to a lack of rainfall. In Argentina, harvest is wrapping up in the north under poor conditions while in other production regions is beginning favourably with an increase in total sown area compared to last year. In the EU, winter wheat is well established in the northern countries while in southern areas is suffering from dryness. In the Ukraine and Russia, dry conditions continue to impact some cropping areas. In the US, northern and northwest growing regions are also being impacted by dryness. Global maize conditions are largely favourable but for areas of the US where harvest in the Dakotas has wrapped up with reduced yields due to dry conditions. In Canada, harvest is finishing up favourably in Ontario and Quebec however in Manitoba it is wrapping up under poor conditions. Rice conditions are also mostly favourable, with conditions in China and India positive. Harvest of wet season rice in Thailand and the Philippines is progressing under mixed conditions due to impacts from excess rainfall and flooding. Soybean conditions are mostly positive but for the Prairies in Canada where drought during the growing season is expected to impact yields.<sup>14</sup>

### PRODUCTION

Forecasts for the 2021/22 grain season are currently placed at 2,287 million tonnes, a 3 million tonne reduction compared to the IGC's prior 2021/22 estimate. Reduced production estimates are largely attributed to wheat and barley downgrades for Iran and Algeria, not offset by increased maize production expectations from the US. If realised, 2021/22 production represents a 76 million tonne increase on last year, with increases largely attributed to expected record years for maize and wheat production. World total grains consumption is expected to expand to 2,290 million tonnes, resulting overall in global stocks remaining largely unchanged at 600 million tonnes.<sup>15</sup>

### GRAIN PRICES

Over December, the IGC Global grain and oilseed index rose by 3% with increases in soybeans and maize unable to be offset by falls in wheat and barley. The wheat sub-index fell by 2% over the month, while the maize sub-index rose by 4%. The rice sub-index remained largely flat over the course of December, while the barley sub-index fell by 1%. The soybeans sub-index was the most substantial mover with gains of 8% compared to the end of November.<sup>16</sup>

<sup>14</sup> Agricultural Market Information System, 2021. *Market Monitor December 2021*, AMIS.

<sup>15</sup> International Grains Council, 2021. *November 2021 Grain Market Report*, IGC.

<sup>16</sup> International Grains Council, 2021. *Grains and Oilseeds Index (GOI)*, IGC.

Wheat Harvest at Yarranlea (December 2021)

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