

# Monthly Update



MARCH 2022



## INVESTMENT NAME

Duxton Farms Ltd  
ASX Code: DBF

## INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

## PORTFOLIO

1 Aggregation of 8 Properties  
22,882 Hectares Owned

## FAIR MARKET VALUE NAV PER SHARE

\$2.63 (31 December 2021)

## STATUTORY NAV PER SHARE

\$2.51 (31 December 2021)

## WATER ENTITLEMENTS (ML)

10,035 owned  
6,798 leased



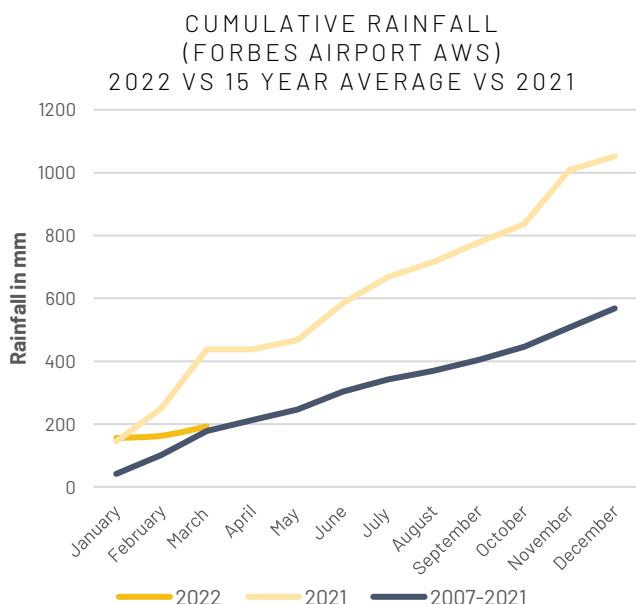
Duxton Farms Limited ("Duxton Farms" / "Company") is an Australian agricultural enterprise that directly invests in and operates a diversified portfolio of efficient, high-quality farmland assets. As a significant landowner and an active producer of key agricultural commodities, the Company seeks to provide investors with returns through ongoing operational yields and sustainable long-term capital appreciation. Duxton Farms seeks to achieve this objective by implementing best-in-class farm management techniques at scale to produce a diverse range of commodities in an efficient manner, all with the goal of satisfying increasing global demand for key agricultural staples.



## OPERATIONAL UPDATE

### LOCAL WEATHER

March saw dry conditions across the farms, with intermittent rainfall. Central-west New South Wales recorded 30.2mm of rainfall for the month, compared to the monthly long-term average of 54.6mm. For 2021, central-west New South Wales (Forbes Airport AWS) recorded 1,052mm of rainfall, over double the previous 15-year average. The year has also started out slightly cooler than the long-term average for the area, with January and February recording below average temperatures for the area. March was slightly warmer than the long-term average, with an average mean temperature of 29.6°C compared with the long-term average of 29.3°C.



### WINTER CROPS

Duxton Farms' winter crop harvest was completed in February, with wheat and barley now held in storage to be sold over the coming months. Low rainfall has allowed areas that were previously wet to dry out, allowing land preparations for the next season to continue. Land preparations have dried out the surface of some cropping areas but it is pleasing to note that subsoil moisture has been retained. Offset discing has progressed further than would usually be expected at this stage in the season given the increased presence of weeds and high chemical input costs, which has made discing the most effective option.

### SUMMER CROPS

Following a cooler end of the month in February, warm weather over March was beneficial for cotton growth. Flood damage earlier in the season has led to the abandonment of 23 hectares of the Company's cotton, with 242 hectares remaining. Cotton has been irrigated as required, with on-farm water storages being drawn down as a result. This follows reduced irrigation requirements earlier this season due to above average rainfall. The crops are at a stage that they will not need further irrigation before harvest. Drier conditions have allowed land preparation to commence on the fields to be used for the upcoming cotton season.

### LIVESTOCK

Pasture growth over March progressed well, with lucerne crops being irrigated as required given the drier conditions. Livestock continue to be shifted between properties to best utilise available feed and take advantage of favourable field conditions. Livestock continue to be sold as they meet market specifications at good to exceptional prices. Additional purchases will be made as and when attractive pricing opportunities arise.





## IRRIGATION

As at the end of March, the Lachlan River's Wyangala Dam is 96.4% full, with the Company's Lachlan River water allocation as at end of the month finishing at 121% following a technical spill of Wyangala Dam in late March. A second hand 80-hectare irrigation pivot was purchased over the month to be used at West Plains for cereal and fodder production. The drilling of test bores at Yarranlea did not commence in March following some delays, and is now expected to be completed late April to early May, conditions allowing. Due to the previous wet field conditions, test drilling at Timberscombe is unlikely to occur this season.

## SHARE BUYBACK

During the month 47,500 shares were bought back. The total number of shares bought under the buyback is 1,135,956 with the Company being able to acquire up to 4,285,598 additional shares.

## AUSTRALIAN MARKET INSIGHTS

### CROP PRICES

Grain prices across Australia often vary by port of export, with Duxton Farms historically delivering to the Port Kembla Zone. Port Kembla Zone APW1 wheat prices rose by 1% over March, finishing the month at \$365/tonne at port. Port Kembla barley prices saw substantial gains, with a 24% price increase compared to the end of February, finishing at \$322/tonne at port.<sup>1</sup> Global prices over March continued to be driven by the conflict in Eastern Europe, with US CBOT May wheat futures ending March at US\$10.27/bushel, an 11% increase compared to March contracts as at the end of February, and approximately 66% up compared to the same time last year.

#### GRAIN PRICES CHANGES PAST 12 MONTHS\*

Crop	Current Price (per tonne)	Price 12 Months Ago (March 2021)	Percentage Change
Port Kembla Zone Wheat (APW1)	\$365/tonne	\$270/tonne	35%
CBOT Wheat Futures	1,027 USc/bushel	618 USc/bushel	66%
Cotton	\$1,043/bale	\$599/bale	74%

<sup>1</sup> Profarmer Australia.

<sup>2</sup> Gordon, C; Voznesenski, D, 2022. April 2022 Australia Agribusiness Monthly - Grains & Oilseeds, Rabobank.

<sup>3</sup> Rural Bank, 2022. Monthly Insights Update April 2022 | Cropping.

<sup>4</sup> Cotlook, 2022. March 2022 Market Summary.

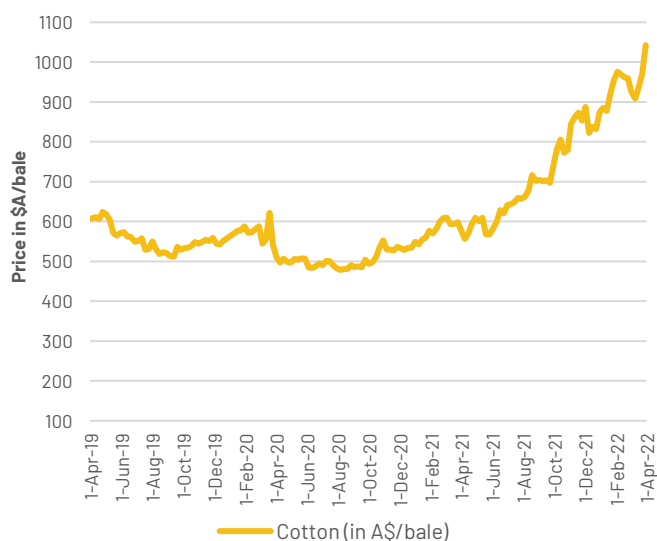
<sup>5</sup> Gordon, C. 2022. April 2022 Australia Agribusiness Monthly - Cotton, Rabobank.

Crop price volatility continues, depending on the tone of Russia-Ukraine peace talk headlines, with conflicting news and tight global stocks expected to result in continued volatility in the coming months. Russia has continued wheat exports to countries including Egypt and Tunisia, somewhat easing global supply concerns, however Ukraine's ports remain shut, with rail exports moving but only in small volumes.<sup>2</sup> Australian grain prices have lagged global price increases, with Rural Bank noting that high global prices are encouraging strong export demand for Australian grains. Supply chain constraints however are limiting Australia's ability to meet the demand, preventing local prices from gaining the full upside benefit of the rising international prices. Looking ahead, this makes Australian grain amongst the cheapest in the world, which is expected to see both local prices and export demand continue to remain elevated in the coming months.<sup>3</sup>

## COTTON PRICES

Cotton prices recorded substantial gains over March, ending the month 16% higher compared to the end of February at 156USc/lb, its highest level since June 2011. In Australian dollar terms, current prices of \$1,043/bale are 11% up compared to the end of February and 74% higher than the same time last year. Price increases over the month are attributed to a tightening of US cotton stocks, continued drought in the major West Texas growing region and continued freight disruptions.<sup>4</sup> Looking ahead, Rabobank note that cotton demand typically follows overall economic growth with demand also typically falling in the wake of international crises. As a result, conflict in Eastern Europe alongside a lackluster outlook for global economic growth may result in softening global cotton demand and downward pressure on prices.<sup>5</sup>

#### AUSTRALIAN COTTON PRICES





*Pulling up hills for wheat at Yarranlea (March 2022)*

## CROP PRODUCTION

The latest ABARES Australian crop report estimates that winter crop production for the 2021/22 season reached an all-time record, 61.9 million tonnes.<sup>6</sup> Increased production volume forecasts are largely driven by record production in Western Australia and near record production in New South Wales. Production in other states is also expected to be well above average. Most winter crops were in good condition at the end of winter, followed by generally favourable conditions during spring which further increased yield expectations nationally. Rainfall during November 2021 in many cropping areas throughout Queensland and New South Wales however led to widespread flooding, weather damage and delays to harvests. As a result, downgrades of wheat quality in New South Wales are widespread, while grain qualities in other states are mostly average and as expected. In Western Australia, despite high yields, lower than average qualities of wheat have been observed. Summer crop production in 2021/22 is expected to be the fourth highest on record at 5.3 million tonnes. Area planted to summer crops this season is estimated to have increased by 48% compared to the prior year at 1.5 million hectares. Above average rainfall between October 2021 and January 2022 is forecast to be beneficial for crops, despite record November rainfall resulting in some crop losses.

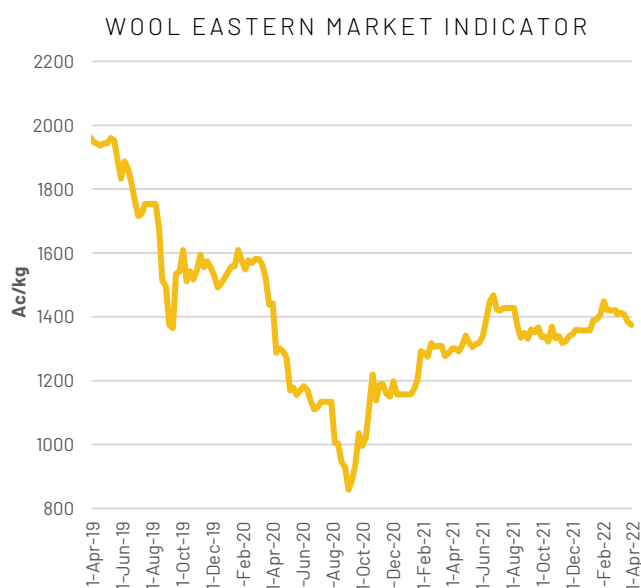
<sup>6</sup> ABARES, *Australian Crop Report: March 2022 No.201*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

<sup>7</sup> Wool.com, *Weekly Price Report Week 39 – March 2022*.

<sup>8</sup> Rural Bank, 2022. *Monthly Insights Update April 2022 | Wool*.

## WOOL PRICES

Wool prices faced downwards pressure over March, ending the month at \$13.75/kg. This represents a 3% decrease compared to the end of February. Foreign exchange rates were a significant driver of Australian wool price declines over the month. This is shown by wool prices in US dollar terms, which strengthened by 6USc over the month, finishing at \$10.29 USc/Kg.<sup>7</sup> Australia has concluded negotiations with India for an interim free trade agreement which includes the removal of a 2.5% tariff on Indian wool imports from Australia. India accounts for approximately 7% of Australia's wool exports, however this may rise once the agreement is implemented.<sup>8</sup>





## LIVESTOCK PRICES

During March, the Australian Eastern Young Cattle Indicator (EYCI) fell by 2%, finishing the month at \$10.93/kg. The EYCI is approximately 23% higher than at the same time last year. Young cattle prices may come under further downwards pressure as recent dry conditions in northern Queensland and the Northern Territory have reduced pasture growth and so have resulted in increased numbers of younger and lighter cattle put up for sale. Heavier cattle however may see less price movement given low supply currently in the system, as reflected by low production and export figures. In March 2022, export volumes of 74,348 metric tonnes were 11% down compared to the prior year and east coast weekly slaughter numbers in the low 90,000s are around 20% below the five-year average for this time of year.<sup>9</sup>

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

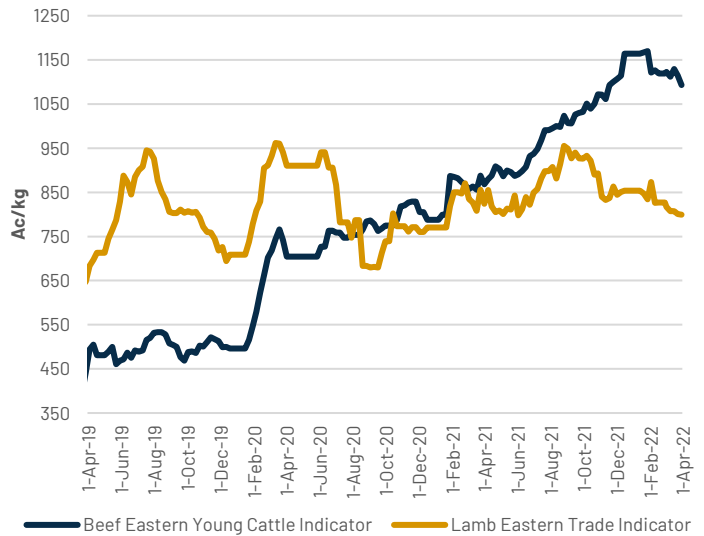
Stock	Current Price (per kg)	Price 12 Months Ago (March 2021)	Percentage Change
Beef	\$10.93	\$8.88	23%
Lamb	\$7.99	\$8.56	(7%)
Wool	\$13.75	12.85	7%

<sup>9</sup> Gidley-Baird, A, 2022. April 2022 Australia Agribusiness Monthly - Beef, Rabobank.

<sup>10</sup> Meat & Livestock Australia, 2022. Autumn flush of lambs hits the market. MLA.

<sup>11</sup> Rural Bank, 2022. Monthly Insights Update April 2022 | Sheep & Lambs.

### AUSTRALIAN LIVESTOCK PRICES



The Australian Eastern States Trade Lamb Indicator (ESTLI) over March fell by 7%, finishing the month at \$7.99/kg. The ESTLI is approximately 7% lower than at the same time last year. New lamb supply is flowing onto the market providing downwards pressure on lamb prices, with 2022 weekly slaughter volumes in the first week of March 10% above the corresponding week in 2021, and above corresponding 2020 levels for the first time this year.<sup>10</sup> Increased lamb supply is also showing in export figures, which in March were 18% above February and 8% higher than at the same time last year, with strong demand from the US. Looking ahead, Rural Bank expect lamb prices to continue to fall as supply trends higher, however continued strong export demand and a favourable weather outlook means the longer-term outlook remains favourable.<sup>11</sup>



Cotton at Walla Wallah (February 2022)





## NATIONAL WEATHER

Rainfall during March was 27% below average for Australia as a whole, with average area rainfall of 46.2mm. Below average rainfall was recorded for most of the Northern Territory, western and central parts of Queensland and across large areas of South Australia's Eyre Peninsula. Above average rainfall was recorded in eastern New South Wales and parts of the Riverina and Lower Western districts. South-east Queensland, much of Victoria and parts of eastern Australia also recorded above average rainfall. Early during the month, persistent heavy rainfall in coastal New South Wales fell upon already wet soils, full rivers and water storages. This resulted in major flooding across parts of Sydney including the Hawkesbury-Nepean River at North Richmond and Windsor. Later in the month, stormy weather in the Gold Coast saw more than 300mm recorded in 24 hours across a number of weather stations.

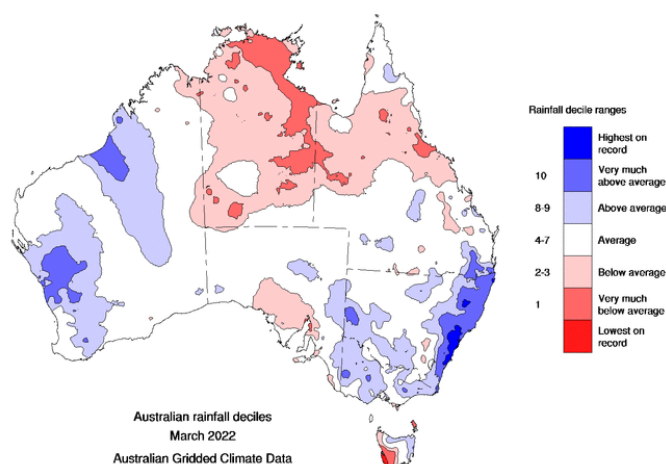
Mean temperatures for March were 1.68°C warmer than the 1961-1990 average for Australia as a whole. Mean maximum temperatures for the month were warmer than average for a number of sites across parts of the East Central Coast, adjacent inland areas of Queensland. Large areas of inland Northern Territory recorded their highest mean maximum temperatures on record for March. Cooler than average temperatures were for the most part only recorded in coastal New South Wales and adjacent areas including Victoria's East Gippsland.<sup>12</sup>

<sup>12</sup> Bureau of Meteorology, 2022. *Australia in March 2022*, Australian Government.

<sup>13</sup> Bureau of Meteorology, 2022. *Climate Driver Update 1 March 2022*, Australian Government.

The BoM's latest climate driver update reports that a La Niña event remains active in the tropical Pacific however is weakening, with a return to neutral conditions in late autumn. Even as La Niña weakens, it can continue to influence global climate and weather events. These typically include an increased likelihood of tropical cyclones in Australia, as well as increasing the probability of above average rainfall across eastern Australia during autumn.<sup>13</sup> Australia's weather is also impacted by climate change and has warmed by 1.47°C for the 1910 - 2020 period, with recent decades showing a trend towards a greater proportion of rainfall from high intensity, short duration rainfall events, especially across northern Australia.

### RAINFALL DECILE CHART MARCH 2022



Source: Bureau of Meteorology



*Pulling up hills for cotton at Yarranlea (March 2022)*



## GLOBAL MARKET INSIGHTS

### WEATHER

As at the end of March, crop conditions for the major crops of wheat, maize, rice and soybeans are mostly favourable, however some areas in North America, South America and Europe are experiencing mixed conditions. Wheat conditions are largely favourable, with no areas experiencing poor conditions however there are some areas of concern. In the EU, western nations have benefitted from recent rainfall however southern and eastern countries are experiencing dry conditions. In China, winter wheat conditions are generally favourable, however areas along the Yellow River experienced flooding during last autumn which has resulted in delays and a reduced total sown area. In the US, long term dryness in the main producing winter wheat areas may impact yields. Maize conditions are mostly favourable, with Brazil's harvest of its spring planted (smaller season) crop halfway completed under mixed conditions due to hot and dry weather, with a slight increase in total sown area compared to last year. Brazil's sowing of its summer-planted crop (larger season) however is wrapping up under favourable conditions. Rice conditions in China, India, Indonesia, Vietnam and Thailand are all favourable. The only area facing poor conditions is Brazil, where reduced yields are expected due to previously noted hot and dry conditions during the crop's reproductive stages. Soybean conditions are mixed, with Brazil and Argentina expecting reduced yields due to the prolonged drought.<sup>14</sup>

### PRODUCTION

With Russia and Ukraine among the world's largest exporters of grains and oilseeds, the ongoing conflict and rising commodity prices has led to rising concerns over food security risks. As a result, the IGC's supply and demand forecasts for the 2021/22 season which are currently placed at a 2,284 million tonnes are tentative and subject to significant uncertainty. If realised, this would represent an all-time high and a 3% increase on the previous season.<sup>15</sup>



*Cotton at Yarranlea (March 2022)*

### GRAIN PRICES

Over March, the IGC Global grain and oilseed index rose by 3% with increases in all sub-index categories but for the soyabeans sub-index which fell by 3% over the month.<sup>16</sup> Concerns over tightening export supplies compounded by shipping disruptions resulting from the Russia-Ukraine conflict contributed to the wheat sub-Index rising by 8% compared to the end of February. The barley sub-index rose by 22% over the month. The maize sub-index rose by 7% over the month, with gains attributed to Ukraine halting exports. The rice sub-index rose by 3% over the month, with support provided from gains in other commodity markets and ideas that rising grain prices could result in increases to future consumption.<sup>17</sup>

<sup>14</sup> Agricultural Market Information System, 2022. *Market Monitor April 2022*, AMIS.

<sup>15</sup> International Grains Council, 2022. *March 2022 Grain Market Report*, IGC.

<sup>16</sup> International Grains Council, 2022. *IGC Grains and Oilseeds Index (GOI)*, IGC

<sup>17</sup> International Grains Council, 2022. *March 2022 Grain Market Report*, IGC.

This factsheet is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("Duxton Capital (Australia)"). Duxton Capital (Australia) is the Investment Manager of Duxton Farms Limited [ACN 129 249 243] ("Duxton Farms"). This factsheet has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in Duxton Farms. Information from this factsheet must not be issued in any jurisdiction where prohibited by law and must not be used in any way that would be contrary to local law or regulation. The forecasts provided are based upon our opinion of the market as at this date and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance. Investments are subject to risks, including possible loss of principal amount invested. The value of shares/ units and their derived income may fall as well as rise. Past performance or any prediction or forecast is not necessarily indicative of future performance. No assurance is given that the investment objective or the targets will be met. This document does not constitute investment, tax, legal or any other form of advice or recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Investors should study all relevant information and consider whether the investment is appropriate for them. If you require investment or financial advice please contact a regulated financial adviser. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in this presentation. The Duxton Group or its affiliates may hold positions in the securities referred. Where stocks are mentioned, it should not be construed that these are recommendations to buy or sell those stocks. You are not authorized to redistribute this document nor qualified to make any offer, representation or contract on behalf of Duxton Capital (Australia) or its affiliates. Photographs and other graphics are included for illustrative purposes only and do not form part of the substantive information upon which any investment decisions should be based. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by Duxton Capital (Australia) or its affiliates or any of their directors or employees. The information and opinions contained may also change. Copyright protection exists in this presentation. To the extent permitted by applicable law, none of the Duxton Group, their affiliates, or any officer or employee of the Duxton Group accepts any liability whatsoever for any direct or consequential loss arising from any use of this factsheet or its contents, including for negligence.

#### Disclaimer for use of ratings only:

The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

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