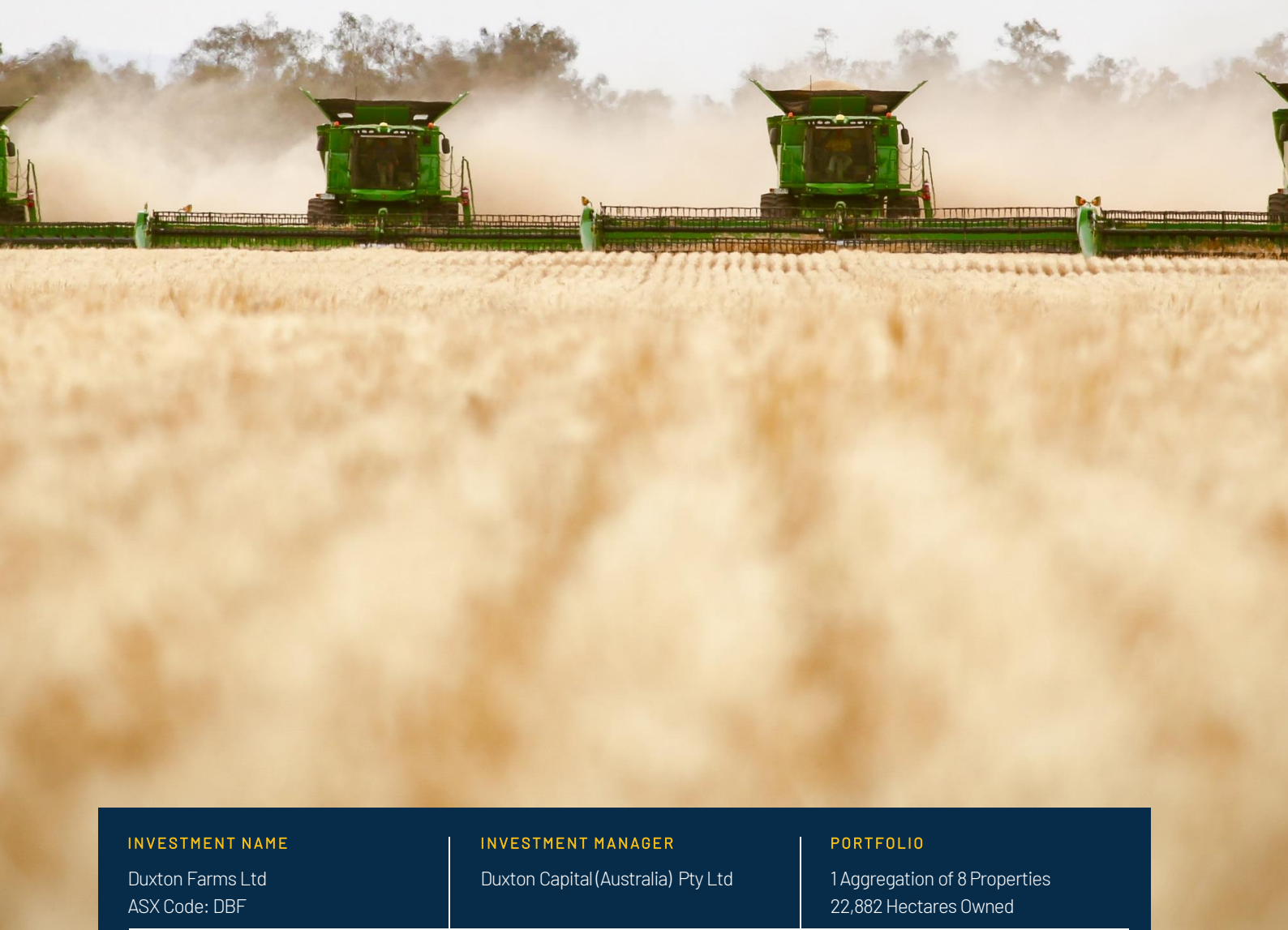


# Monthly Update



JUNE 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



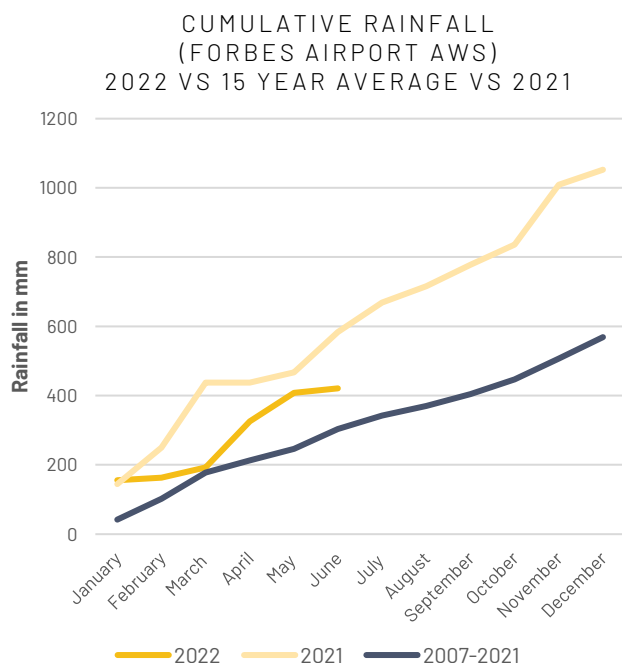
Duxton Farms Limited ("Duxton Farms" / "Company") is an Australian agricultural enterprise that directly invests in and operates a diversified portfolio of efficient, high-quality farmland assets. As a significant landowner and an active producer of key agricultural commodities, the Company seeks to 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

June recorded dry and overcast conditions across the farms for most of the month. Overall, Central West New South Wales recorded 12.6mm of rainfall for the month, compared to the monthly long-term average of 57mm. Year to date rainfall in 2022 is 28% lower than at the same time last year, and 39% higher than the 2007-2021 average. Mean maximum temperatures over the month were 14.2°C, cooler than the long-term average for June, which is 15.5°C.



### WINTER CROP

Duxton Farms' winter crop seeding is ongoing but progressing slowly as wet conditions in the Central West of New South Wales have caused delays to planting across the portfolio. The Company has planted smaller areas where possible, but further dry weather will be required before larger areas can be sown. Further delays caused by wet weather will almost certainly result in significant areas remaining unplanted this winter cropping season. Crops that have been planted are growing well, although some smaller areas of canola were lost to heavy rainfall and water inundation. All chemical and fertiliser requirements for planting have been secured and remain on hand.

### SUMMER CROP

Duxton Farms' cotton crop is ready for harvest and in good condition, although drier field conditions will be required before harvesters can physically get out into the fields. Flood damage earlier in the season has led to the abandonment of 23 hectares of cotton, with 242 hectares remaining. Continued wet conditions have delayed land preparation for the upcoming cotton season, with fertiliser application expected to commence as soon as conditions allow.

### LIVESTOCK

Pasture growth continued to progress well over June in the current weather conditions with plenty of high-biomass feed available on farm. Duxton Farms continues to maintain adequate reserves of fodder to be utilised as needed. Cattle and sheep continue to be moved between the properties to make the best use of available feed and favourable field conditions. Livestock continue to be sold as they meet market specification with strong prices received. Additional livestock will be purchased as attractive pricing opportunities present.



## IRRIGATION

As at the end of June, the Wyangala Dam is at 97.5% capacity with the Company's Lachlan River water allocation finishing at 121%. Water is being released from the dam mainly as airspace for the rainfall inflows. The drilling of test bores at Yarranlea will not commence in the near term due to the continued wet weather, and are unlikely to commence at Timberscombe this season.

## SHARE BUYBACK

During the month 1,393,357 shares were bought back. The total number of shares bought under the buyback is 2,592,620 with the Company able to acquire up to 2,834,171 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 4% over June, finishing the month at \$425/tonne at port.<sup>1</sup> Port Kembla barley prices however fell substantially over June, reversing their substantial gains over April by falling by 17%, finishing at \$318/tonne at port. Global prices over June fell substantially, with US CBOT July wheat futures ending June at US\$9.15/bushel, a 20% decrease compared to July contracts as at the end of May. US CBOT wheat prices however remain elevated, up approximately 35% compared to the same time last year.

GRAIN PRICES CHANGES PAST 12 MONTHS\*

Crop	Current Price (per tonne)	Price 12 Months Ago (June 2021)	Percentage Change
Port Kembla Zone Wheat (APW1)	\$425/tonne	\$283/tonne	50%
CBOT Wheat Futures	US\$9.15 /bushel	US\$6.78 /bushel	35%
Cotton	\$1,002/bale	\$621/bale	61%

\*Data from Profarmer Australia, CBOT, ABARES and Cotlook

<sup>1</sup> Profarmer Australia, 2022.

<sup>2</sup> Rural Bank, 2022. *Insights June 2022 | Cropping.*

<sup>3</sup> Aljazeera, 2022. *Turkey to host talks on Black Sea export of Ukraine grain: Report.*

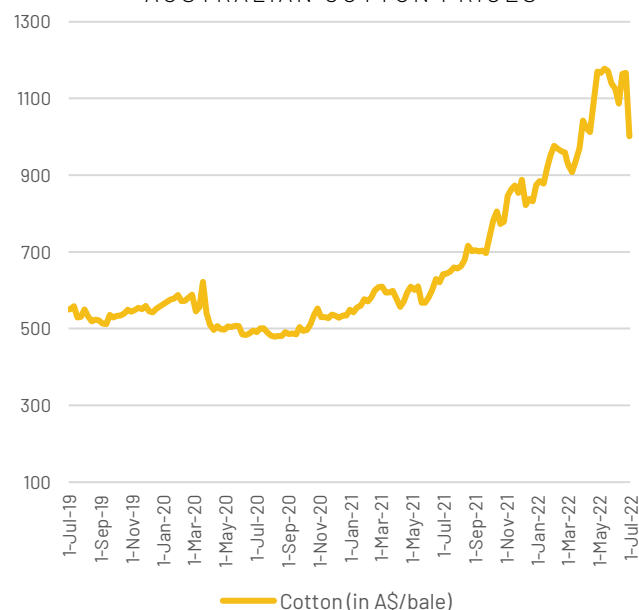
<sup>4</sup> Cotlook, 2022. *June 2022 Market Summary.*

International pricing remains volatile with markets responding to any news impacting potential supply. Australian prices are broadly following the trends of international markets however remain at a discount due to supply chain limitations preventing Australian exporters from matching demand from importers.<sup>2</sup> The fall in international wheat prices may be attributed to markets reacting to reports during the month of Turkey seeking to host negotiation talks between Russian, Ukrainian and United Nations officials for the potential resumption of a safe passage corridor for grain exports through the Black Sea. It is estimated that millions of metric tonnes of wheat and other grains are stuck in Ukrainian ports and so safe passage would allow this supply to enter the market.<sup>3</sup>

## COTTON PRICES

International cotton prices fell by 14% over June, finishing the month at 138USc/lb. This still represents however a 47% increase compared to the same time last year. In Australian dollar terms, this translates to prices of \$1,002/bale, representing a year-on-year 61% increase. The fall in international cotton values over June attributed to several factors, led by a volatile and falling New York futures market. Reasons for the fall included macro-economic headwinds which resulted in investors exiting cotton and other commodity futures markets alongside concerns over future cotton demand. On the back of rising pessimism regarding raw cotton and textile demand, Cotlook expects global stocks to rise by 1,114,000 tonnes in the 2022/23 season.<sup>4</sup>

AUSTRALIAN COTTON PRICES





## LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (“EYCI”) retreated by 7% over June, finishing the month at \$10.32/kg. The EYCI is now 11% higher than at the same time last year. Australian cattle prices have been marginally declining since the start of the year, with Rural Bank expecting this to continue for the remainder of 2022. Falling cattle prices are attributed to an expected increase in Australian cattle supply. Strong demand from restockers however is likely to keep prices supported with a favourable weather outlook over the next three months providing good availability of pasture across most cattle regions.<sup>5</sup>

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

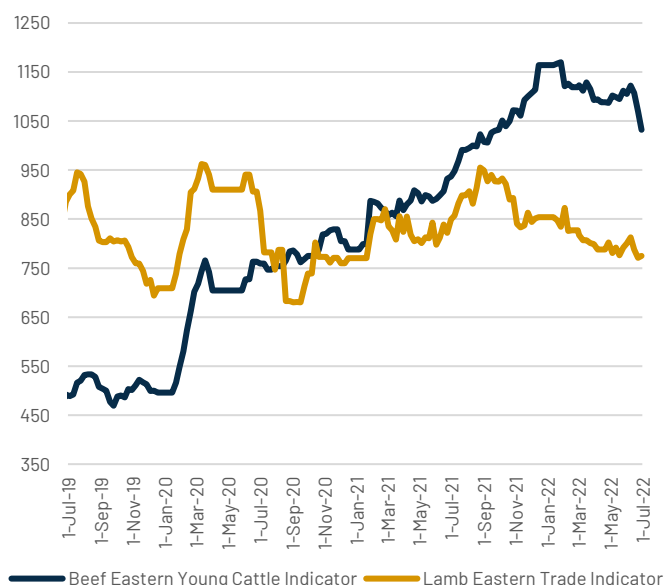
Stock	Current Price (per kg)	Price 12 Months Ago (June 2021)	Percentage Change
Beef	\$10.32	\$9.32	11%
Lamb	\$7.75	\$8.22	(6%)
Wool	\$14.30	\$14.68	(3%)

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

<sup>5</sup> Rural Bank, 2022. *Australian Agriculture Mid-Year Outlook 2022, Cattle.*

<sup>6</sup> Rural Bank, 2022. *Australian Agriculture Mid-Year Outlook 2022, Sheep.*

## AUSTRALIAN LIVESTOCK PRICES



The Australian Eastern States Trade Lamb Indicator (“ESTLI”) over the month fell by 2%, ending June at \$7.75/kg. The ESTLI is now 6% lower than at the same time last year. Australian lamb prices similarly are expected to face downwards pressure on the back of increased supply. A larger national sheep flock and favourable weather conditions is expected to produce a larger crop of lambs this spring. Despite expected price falls, Rural Bank sees producers as well positioned overall. Strong export demand from both international and domestic markets is expected to absorb the increase in production. Australian lamb exports are set for a record year, with export values reaching over \$1 billion for the year-to-April, up 38% compared to 2021.<sup>6</sup>



Cattle grazing at Yarranlea (June 2022)





Canola at Kentucky (June 2022)

## WOOL PRICES

Wool prices rose by 1% over June, with the Eastern Market Indicator ("EMI") ending the month, and with it the 2021/22 season at \$14.30/kg. A combination of strong demand and favourable exchange rate movements during the month saw the EMI reach up to \$14.74/kg however the final week of trade saw prices fall back. Falling prices in the final week of trade were attributed to large volumes listed for sale over the week and coming weeks, alongside a fire at a large Chinese processor and shipping delays limiting demand.<sup>7</sup> Rural Bank is forecasting the EMI to remain steady over the coming 12 months however note that price discrepancies between wool qualities has become significant. The price for 17-micron wool is now more than double the price of 22-micron. As a result, a steady EMI is likely to see the price of medium-lower quality wools come under further downwards pressure compared to fine wools.<sup>8</sup>

### WOOL EASTERN MARKET INDICATOR



## CROP PRODUCTION

Total planted area for the 2022/23 winter cropping season is estimated by ABARES in its latest Australian crop report at 23.4 million hectares. This represents a slight decline from last year's record levels, although it is still estimated to be the second-highest on record. Total production is forecast at 50.9 million tonnes. Whilst this is down from last season's record production of 61.9 million tonnes, if realised, this would still be the fourth highest production year on record. Yield prospects are forecast to be well above 10 year averages in New South Wales and Queensland, attributed to favourable rainfall in the eastern states and Western Australia between February and April 2022. Heavy rainfall during May across Queensland and large parts of New South Wales has caused challenges for some growers with waterlogged soils limiting field access<sup>9</sup> and some wheat and canola farmers in New South Wales only being able to plant 50% of their crop.<sup>10</sup> Summer crop production estimates for 2021/22 have been revised upwards and are now placed at 5.5 million tonnes representing a new record. The gross value of Australian crop production for 2022/23 is forecast by ABARES to reach \$45 billion, the second highest on record following last year's record high of \$48 billion. This reflects near-record winter crop production coupled with expectations of high world grain and oilseed prices. Total wheat production value is forecast at \$12.7 billion, barley production at \$3.6 billion and canola at \$5.1 billion representing the second highest on record for each commodity.<sup>11</sup>

<sup>7</sup> Wool.com, 2022. Weekly Price Report Week 51 – June 2022; Weekly Price Report Week 52 – June 2022.

<sup>8</sup> Rural Bank, 2022. 2022 Australian Agriculture Mid-Year Outlook 2022, Wool.

<sup>9</sup> ABARES, 2022. Australian Crop Report: June 2022 No.202, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

<sup>10</sup> Cole, H. 2022, NSW wheat and canola farmers face 50% yield loss after record rainfall, ABC Rural.

<sup>11</sup> Dahl et al., 2022. Outlook for crops: June quarter 2022, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.



## NATIONAL WEATHER

Rainfall during June was 22% below the 1961-1990 average for Australia as a whole, with average area rainfall of 17.6mm. June rainfall was below average for almost all of New South Wales, much of South Australia and large areas of eastern coastal Queensland. For New South Wales, June average area rainfall was 58% below the long-term mean, the lowest recorded for the month since 1986 and the 8th lowest on record. This marks a significant departure for New South Wales which until this month had experienced seven consecutive months of above average rainfall. Above average rainfall was recorded across the Cape York Peninsula in Queensland. Most of the Northern Territory also recorded above average rainfall. It should be noted however that during the dry season (May to September) large areas of tropical northern Australia typically receive less than 25mm of cumulative rainfall across the entire season. As a result, average area rainfall in the Northern Territory of 10.8mm represented a 71% increase from the long-term mean.

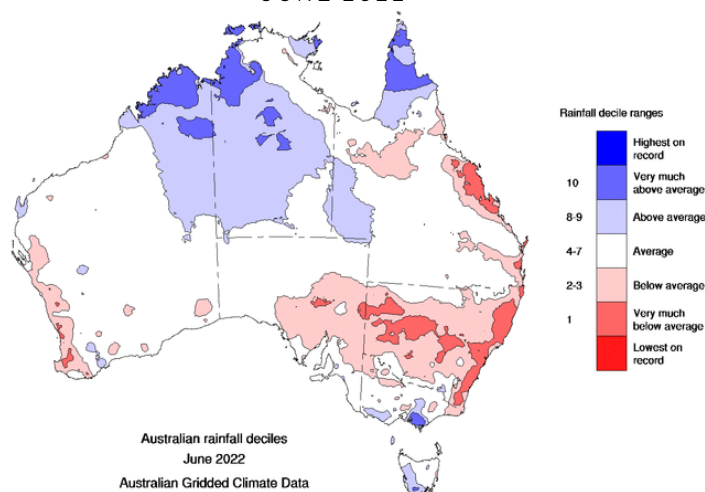
National mean temperatures for June were 0.51°C warmer than the 1961-1990 average for Australia as a whole. Mean maximum temperatures for June were cooler than average for large parts of the eastern mainland but excluding its coastal areas. Mean maximum temperatures were warmer than average for the northern tropics and large areas of Western Australia away from the coast. A number of weather stations across northern Australia set new records for their highest daily maximum temperature on record for June early in the month. At Bradshaw in the Northern Territory, temperatures reached up to 37.8°C on the 5th day of the month.<sup>12</sup>

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

<sup>13</sup> Bureau of Meteorology, 2022. *Climate Driver Update 21 June 2022*, Australian Government.

The BoM's latest climate driver update is reporting that the Indian Ocean Dipole ("IOD") is currently neutral. Many climate models however are indicating a negative IOD may develop in the coming months which typically increases the chances of above average winter-spring rainfall across much of Australia. The 2021-22 La Niña event is maintaining its strength, with most climate models indicating a return to neutral conditions during the southern hemisphere winter. Even as La Niña weakens, forecast warmer sea surface temperatures in the tropical Pacific still favours above average winter rainfall for eastern Australia. Climate change also continues to impact Australia's weather, with national temperatures warming by around 1.47°C for the 1910 – 2020 period. Recent decades are also showing a trend towards a greater proportion of rainfall from high intensity, short duration rainfall events, especially across northern Australia.<sup>13</sup>

### RAINFALL DECILE CHART JUNE 2022



Source: Bureau of Meteorology



Wheat at West Plains Lenborough (June 2022)



## GLOBAL MARKET INSIGHTS

### WEATHER

As at the end of June the winter wheat harvest is underway in the northern hemisphere, with yields expected to be restricted across several regions due to hot and dry conditions. Conditions for wheat are mixed in Europe, with France, Spain, Portugal and Romania all facing excessive hot and dry weather. Dry weather is also being felt in Ukraine, compounded by the ongoing conflict reducing the area that can be harvested. In the United States, prolonged dryness in the central and southern Great Plains region is impacting winter wheat yields, however spring wheat conditions remain favourable. Maize production prospects improved over June; however, Brazil and Argentina's harvest continues to be challenged as a result of drought during December 2021 – January 2022. Northern hemisphere maize crops are in their early vegetative stages and are generally developing favourably except for parts of northern China. The United States maize crop is currently progressing under favourable conditions across the country despite earlier sowing delays in the northern Corn Belt region. Global rice conditions are broadly favourable, with China's single season rice progressing positively. However, excess rainfall in China's south is impacting early-season rice in some growing areas. Indonesia's harvest of wet season rice is nearing completion under favourable conditions. Soybean harvests are nearing completion in Argentina under generally favourable weather and in the United States sowing is wrapping up positively despite some earlier delays in Minnesota and North Dakota.<sup>14</sup>

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

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

### PRODUCTION

Total grains (wheat and coarse grains) production for the 2021/22 season is currently forecast at a record 2,290 million tonnes. If realised, this represents a 3% increase on the estimated 2020/21 season production of 2,225 million tonnes. With the increase in global supply outpacing expected increases in consumption, global inventories are expected to increase in 2021/22 by 1% to 607 million tonnes. In 2022/23, led by smaller wheat and maize harvests, total grains production is forecast to drop to 2,251 million tonnes, down by 2% compared to 2021/22.<sup>15</sup>

### GRAIN PRICES

After reaching a record high mid last month, the IGC Global grain and oilseed index fell by 8% over June, predominantly due to falling wheat prices. Weighed by speculation over Black Sea export corridors, broader economic concerns and improved weather across some northern hemisphere producers, the wheat sub-index fell by 14% over June.<sup>16</sup> The maize sub-index fell by 7% over the month, influenced by waning concerns about the slow start to the US planting season. The soybeans sub-index also slumped by 5% amid weakness in soya product values and good US planting progress. The rice sub-index fell by 2% over the month, attributed to currency movements and softer international demand.<sup>17</sup>



Cattle grazing at West Plains (June 2022)

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