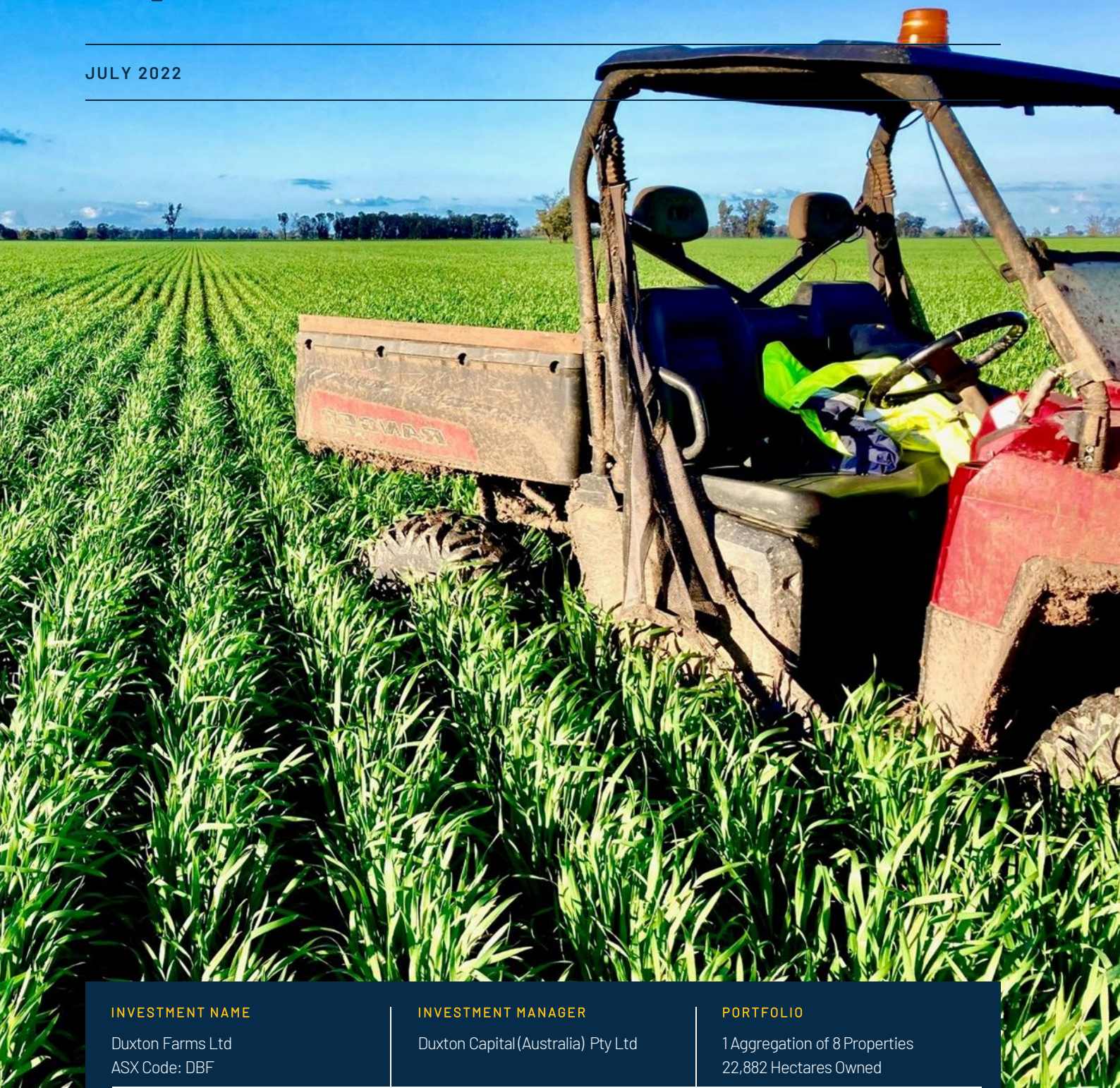


# Monthly Update



JULY 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





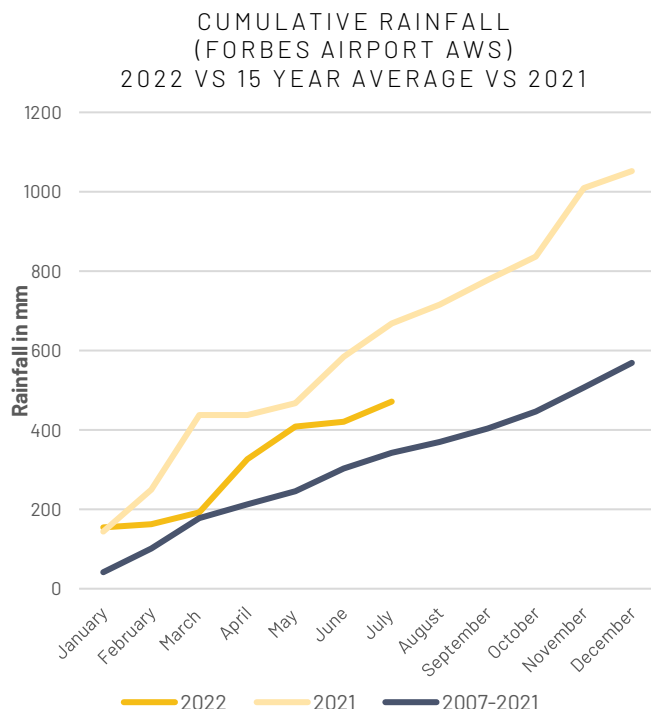
Duxton Farms Limited ("Duxton Farms" / "Company") is an Australian agricultural enterprise that directly invests in and operates a diversified portfolio of efficient, high-quality farmland assets. As a significant landowner and an active producer of key agricultural commodities, the Company seeks to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

Duxton Farms' remains wet with Central West New South Wales (Forbes Airport AWS) recording 50.4mm of rainfall for the month, compared to the July long-term average of 40.7mm. Year to date rainfall for 2022 is 38% higher than the 2007-2021 average and 29% lower than at the same time last year. Mean maximum temperatures over the month were 14.9°C, slightly above the long-term average for July of 14.7°C.



### WINTER CROP

Duxton Farms' winter crop seeding is ongoing but progressing slowly. Wet conditions in the Central West of New South Wales continue to cause planting delays across the portfolio. Drier weather over July allowed for some additional planting to take place, 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. Canola and cereal crops that have been planted are growing well in the wet conditions. Chemical and fertiliser requirements for planting have been secured and remain on hand.

### SUMMER CROP

The majority of Duxton Farms' cotton crop was harvested late July in wet conditions. Approximately 50 hectares of cotton remains unharvested due to wet field conditions preventing harvesters from accessing the fields. Drier field conditions will be required before harvest can recommence. The continued wet soils have delayed land preparation for the upcoming cotton season. Fertiliser applications are expected to commence once conditions allow.

### LIVESTOCK

The wet weather conditions continue to assist pasture development. Duxton Farms continues to maintain adequate reserves of fodder for livestock, 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 sales are ongoing with strong prices received. Additional livestock will be purchased as attractive pricing opportunities present.



## IRRIGATION

As at the end of July, 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, primarily as airspace for flood mitigation due to rainfall inflows. The drilling of test bores at Yarranlea will not commence in the near term due to the continued wet weather and is unlikely to commence at Timberscombe this season.

## SHARE BUYBACK

During the month 10,739 shares were bought back. The total number of shares bought under the buyback is 2,603,534 with the Company able to acquire up to 2,823,432 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 2022/23 season APW1 wheat prices fell by 8% over July, finishing the month at \$390/tonne at port.<sup>1</sup> Port Kembla 2022/23 season barley prices also fell over July, dropping by 6% and finishing the month at \$340/tonne at port. Local price falls were outpaced by international price falls over July. US CBOT September wheat futures ended July at US\$7.90/bushel, a 14% decrease compared to July contracts as at the end of June.

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

Crop	Current Price (per tonne)	Price 12 Months Ago (July 2021)	Percentage Change
Port Kembla Zone Wheat (APW1)	\$390/tonne	\$302/tonne	29%
CBOT Wheat Futures	US\$7.90 /bushel	US\$6.89 /bushel	15%
Cotton	\$908/bale	\$657/bale	38%

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

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

<sup>2</sup> Voznesenski, D. 2022, *Australia Agribusiness Monthly Grains & Oilseeds*, Rabobank.

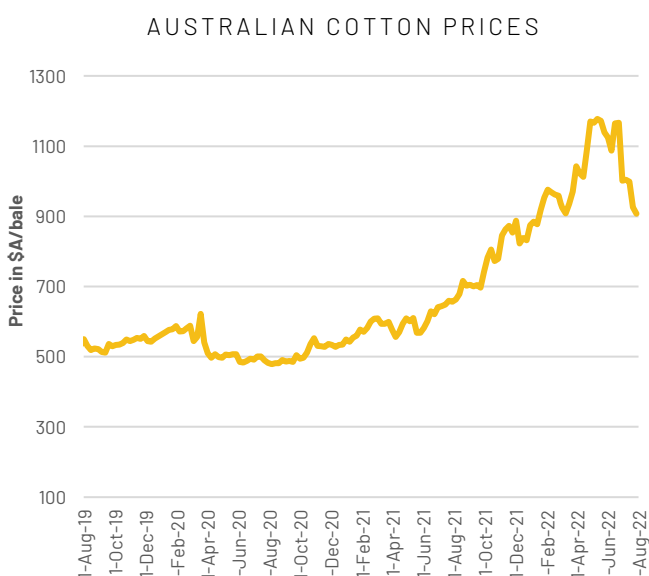
<sup>3</sup> Rural Bank, 2022. *Insights August 2022 | Cropping*.

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

International grain price volatility over July came on the back of reports relating to the ongoing conflict in Eastern Europe. A deal allowing for the export of Ukrainian grain from Black Sea ports was signed, only for Russia less than 24 hours later to bomb the port of Odessa (this was then followed by a ship leaving safely in early August).<sup>2</sup> Australian prices have been somewhat insulated from international price movements with strong demand for Australian grain amidst reduced supply providing some price support. Once the Australian winter harvest commences, local prices are expected to face some downwards seasonal pressure. However, due to tight global supplies and continued export demand, Rural Bank expects local grain prices to remain elevated through the 2022/23 season.<sup>3</sup>

## COTTON PRICES

International cotton prices fell by 8% over July, continuing their decline since peaking in May. Prices finished the month at 127USc/lb. Despite the fall, prices remain 31% higher compared to the same time last year. In Australian dollar terms, this translates to prices of \$908/bale, representing a year-on-year 38% increase. Cotton prices over July were influenced by broader trends in agricultural and other commodity markets, macro-economic developments and supply demand fundamentals arising from the United States. West Texas, the largest United States cotton growing region is facing chronic drought, exceptionally high temperatures and high winds. With conditions continuing to worsen, estimates of abandonment in the region are mounting. Despite the deteriorating production outlook, inflation concerns, rising interest rates and growing fears of economic recession are weighing on the demand outlook, overall placing downwards pressure on prices.<sup>4</sup>





## LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator ("EYCI") fell by 9% over July, finishing the month at \$9.36/kg. The EYCI is now 6% lower than at the same time last year, the first year-on-year decline in over three years.<sup>5</sup> A favourable weather outlook continues to see restocker demand remaining firm.<sup>6</sup> However, increased cattle supply is impacting prices, together with the comparatively wet and cold winter contributing to the cattle up for sale being of a mixed quality. Constraints in the processing sector are also restricting demand. COVID-19 and influenza related absenteeism, alongside labour shortages more broadly for the processing sector are placing a dampener on buyer activity.<sup>7</sup>

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

Stock	Current Price (per kg)	Price 12 Months Ago (July 2021)	Percentage Change
Beef	\$9.36	\$9.91	(6%)
Lamb	\$7.10	\$8.98	(21%)
Wool	\$13.88	\$14.28	(3%)

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

<sup>5</sup> Gidley-Baird, A, 2022. *Australia Agribusiness Monthly – Beef*, Rabobank.

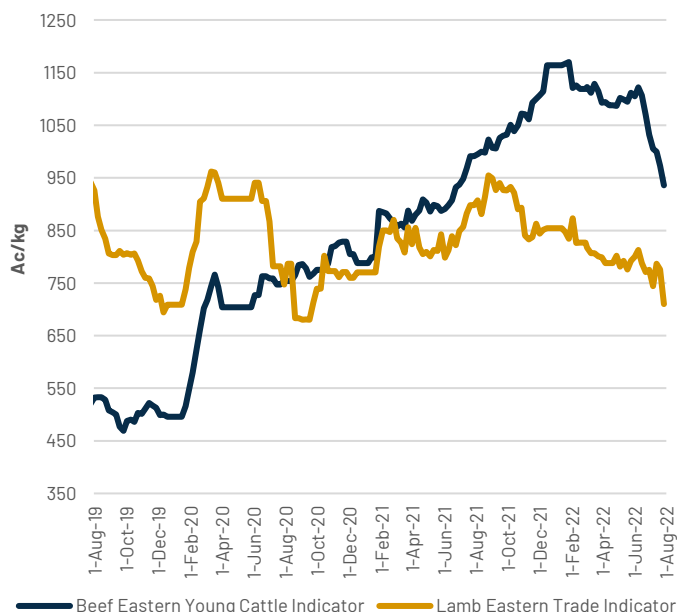
<sup>6</sup> Rural Bank, 2022. *Insights August 2022 | Cattle*.

<sup>7</sup> Meat & Livestock Australia, 2022. *Multiple drivers influence cattle price performance*, MLA.

<sup>8</sup> Rural Bank, 2022. *Insights August 2022 | Sheep & lambs*.

<sup>9</sup> Gidley-Baird, A, 2022. *Australia Agribusiness Monthly – Sheepmeat*, Rabobank.

## AUSTRALIAN LIVESTOCK PRICES



The Australian Eastern States Trade Lamb Indicator ("ESTLI") also recorded falls over July. The ESTLI ended the month 8% lower at \$7.10/kg. The ESTLI is now 21% lower than at the same time last year. Lamb prices have come under pressure in recent weeks primarily due to reduced competition at saleyards. Some processors have been absent from sales in recent weeks due to winter maintenance closures or due to having already reached their processing capacity due to labour shortages.<sup>8</sup> For June 2022, Australian lamb exports were down 8% compared to the prior year. However, year to date exports are up by 2%. Looking forward, demand from China may increase after year to date being down by 30%. COVID-19 lockdowns are beginning to lift across China, which may support increased demand for Australian lamb from the Chinese foodservice sector.<sup>9</sup>



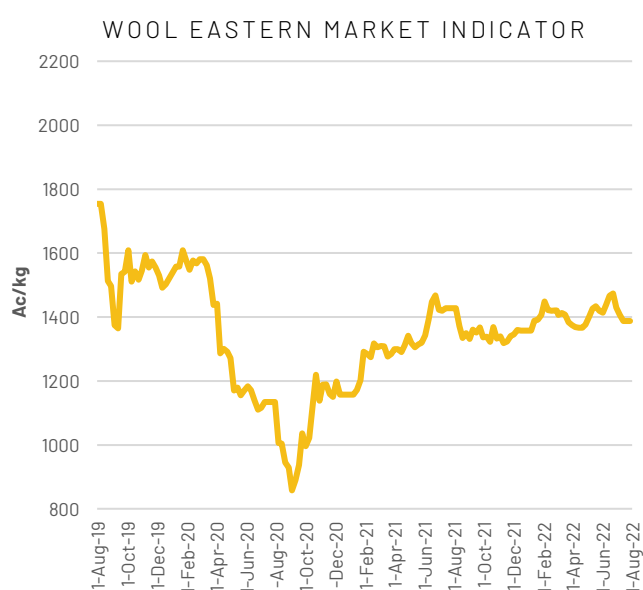
Canola at Yarranlea (July 2022)



Wheat at Kentucky(July 2022)

## WOOL PRICES

With only two sale weeks in July, Australian wool auctions have entered winter recess and will resume in the second week of August. The Eastern Market Indicator (“EMI”) ended the final 15 July auction before the recess at \$13.88/kg, a 3% fall compared to the end of June.<sup>10</sup> Price declines were recorded across most micron ranges over the month. Declines are attributed to declining global economic conditions weighing on buyer sentiment. There are mixed reports of demand for wool with US woollen suit import data for May 2022 positive, reaching within 12% of its pre-pandemic 2019 levels. However, woollen suit imports for both Japan and France remain at one-third and two-thirds of their pre-pandemic levels respectively.<sup>11</sup>



## CROP PRODUCTION

In its June 2022 Australian Crop Report, ABARES estimate total planted area for the 2022/23 winter cropping season at 23.4 million hectares. This represents a slight decline from last year's record, however would still be the second highest in Australian history. Total production is forecast at 50.9 million tonnes. Whilst 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.<sup>12</sup> The Bureau of Meteorology's weather outlook estimates a very high likelihood of above median rainfall between August and November on the east coast. This may result in good crop production prospects during growth stages however may also result in quality issues during harvest.<sup>13</sup> Rural Bank notes that its unknown to what extent New South Wales cropping areas remain unplanted, with wet soils making it difficult for some growers to plant crops.<sup>14</sup> ABARES estimates for summer crop production for 2021/22 are placed at 5.5 million tonnes which if achieved would represent a new record. On the back of near-record production and expectations of elevated world grain and oilseed prices, the gross value of Australian crop production for 2022/23 is forecast to reach \$45 billion. If accomplished, this would be the second highest on record following last year's \$48 billion. Total wheat production value is forecast at \$12.7 billion, barley production at \$3.6 billion and canola at \$5.1 billion. For each commodity, this would be the second highest year on record.<sup>15</sup>

<sup>10</sup> Wool.com, 2022. *Weekly Price Report Week 2 – July 2022*.

<sup>11</sup> Voznesenski, D. 2022. *Australia Agribusiness Monthly – Wool*, Rabobank.

<sup>12</sup> ABARES 2022, *Australian Crop Report: June 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

<sup>13</sup> Voznesenski, D et al., *Rabobank Australia Agribusiness Monthly August 2022*.

<sup>14</sup> Rural Bank, 2022. *Cropping Insights August 2022*.

<sup>15</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 July was 2.5% above the 1961-1990 average for Australia as a whole. For Queensland, average area rainfall of 45.3mm for July was 146% above the long term mean and the 9th wettest July on record. For New South Wales, average area rainfall of 42.8mm was 14% above the long-term mean. Early in the month, significant rainfall was recorded around Sydney, resulting in flooding of the Hawkesbury-Nepean River, extending along the New South Wales coast. Rainfall was below average for large parts of Western Australia, and the majority Victoria and South Australia. In South Australia, average area rainfall of 5.6mm was 71% below the long term mean and the 5th driest July in recorded history.

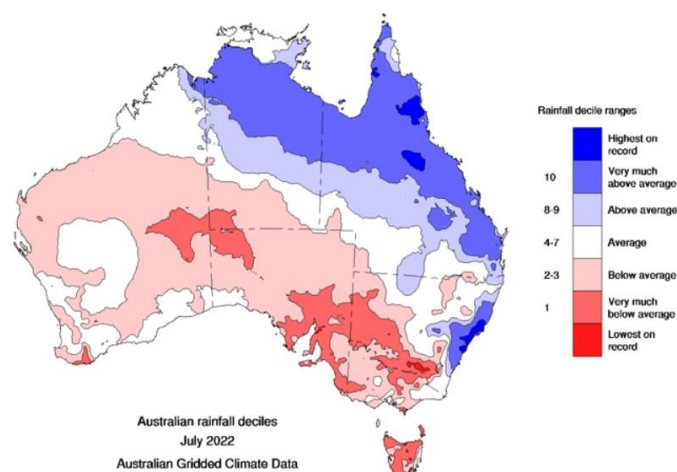
National mean temperatures for July were 0.16°C cooler than the 1961-1990 average for Australia as a whole. Mean maximum temperatures were cooler than average for the northern two thirds of the Northern Territory, all of Queensland except for Cape York and inland parts of the Kimberley. Mean maximum temperatures were warmer than average in Western Australia, 1.37°C warmer than the long-term average for the month. The northern tip of Queensland's Cape York, central and northeast Victoria, the Riverina District of New South Wales and southern Western Australia recorded warmer than average mean maximum temperatures for July.<sup>16</sup>

<sup>16</sup> Bureau of Meteorology, 2022. *Australia in July 2022*, Australian Government.

<sup>17</sup> Bureau of Meteorology, 2022. *Climate Driver Update 2 August 2022*, Australian Government.

The BoM's 2 August 2022 climate driver update is reporting that a negative Indian Ocean Dipole ("IOD") is underway. A negative IOD event is typically associated with increased chances of above average winter-spring rainfall across much of Australia. The Bureau's El Niño-Southern Oscillation outlook status is indicating approximately a 50% chance of a La Niña forming later in 2022. A La Niña event increases the chance of above average rainfall across large areas of northern and eastern Australia during winter and spring. Climate change also continues to impact Australia's weather. National temperatures have warmed by around 1.47°C for the 1910 – 2020 period. Southern Australia has seen a reduction of 10-20% in cool season (April-October) rainfall in recent decades. There has also been a trend towards a greater proportion of rainfall from high intensity, short duration rainfall events, especially across northern Australia.<sup>17</sup>

## RAINFALL DECILE CHART JULY 2022



Source: Bureau of Meteorology



Wheat at West Plains Lenborough (July 2022)



## GLOBAL MARKET INSIGHTS

### WEATHER

International weather conditions for rice and soybeans generally remain favourable as at the end of July.<sup>18</sup> For wheat and maize crops however, several countries are facing mixed conditions. In the EU, winter wheat harvest is progressing under varied conditions due to hot and dry weather. In the United Kingdom, timely rain has benefitted wheat crops. In Ukraine, harvest is progressing however the ability to access crops near conflict zones remains difficult. Russia's harvest of winter wheat is ongoing under favourable conditions. In the southern hemisphere, dry weather is impacting wheat plantings in Argentina. Maize production prospects are largely positive albeit with some areas facing hot and dry weather. In the United States, conditions are generally beneficial for maize crops however rainfall deficits and high temperatures along the western and southern corn belt may impact yields. In China, recent rainfall has improved production prospects whilst in Brazil, reduced harvests are expected due to a lack of rain earlier in the season. Rice conditions globally are almost entirely positive but for some southern areas of China where the early-season rice harvest is being impacted by hot and dry weather. India's Kharif rice is progressing well and in Indonesia, recent rainfall has assisted the sowing of the dry season crop. International weather conditions for soybeans are also largely favourable. In the United States, total sown area has slightly increased compared to last year.



*Canola at Kentucky (July 2022)*

### PRODUCTION

Total grains (wheat and coarse grains) production for the 2022/23 season is currently forecast at 2,252 million tonnes. If realised, this would be the first contraction in global grains production in the last five seasons. The expected 2% decrease compared to the 2021/22 season, which was estimated to have reached 2,292 million tonnes, is attributed principally due to drops in maize and wheat production. Amid tighter supply and elevated prices, total consumption is expected to reduce in 2022/23 however not to the same extent as production declines. As a result, carryover stocks are expected to tighten by 4% to an eight year low of 583 million tonnes.<sup>19</sup>

<sup>18</sup> GEOGLAM, 2022. *Crop Monitor for AMIS – August 2022*.

<sup>19</sup> International Grains Council, 2022. *July 2022 Grain Market Report*, IGC.

<sup>20</sup> Ibid.

<sup>21</sup> International Grains Council, 2022. *IGC Grains and Oilseeds Index (GOI)*, IGC.

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