

# Monthly Update



AUGUST 2022



## INVESTMENT NAME

Duxton Farms Ltd  
ASX Code: DBF

## INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

## PORTFOLIO

9 Properties in 2 Localities  
22,882 Hectares Owned, 994 Leased

## FAIR MARKET VALUE NAV PER SHARE

\$2.69 (30 June 2022)

## STATUTORY NAV PER SHARE

\$2.58 (30 June 2022)

## 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.



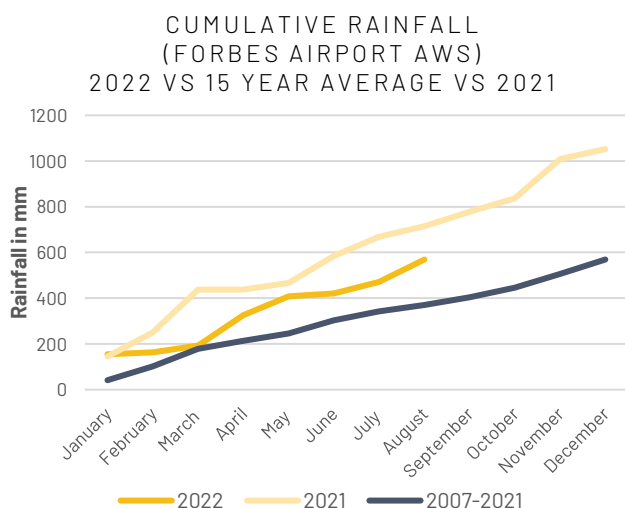
## INVESTMENT UPDATE

Duxton Farms is pleased to have finalised negotiations to purchase the 1,185-hectare, Piambie Farms property for A\$9 million. Located along the Murray River between Swan Hill and Boundary Bend in northern Victoria, the transaction increases the Company's irrigable capacity by approximately one third. The transaction is split into two stages and is currently expected to be finalised in July 2023. Please see the 12 September 2022 ASX announcement for further information.

## OPERATIONAL UPDATE

### LOCAL WEATHER

Duxton Farms' properties continued to experience wet conditions with heavy rainfall and overcast weather recorded across the aggregation over August. Central West New South Wales (Forbes Airport AWS) recorded 97.6mm of rainfall for the month, compared to the August long-term average of 36.3mm. Total rainfall during 2022 has so far been 54% higher than the 2007-2021 average, but still 20% lower than at the same time last year. Mean maximum temperatures over the month were 16.0°C, half a degree cooler than the long-term average for August.



### WINTER CROP

Winter crop seeding has stopped for the season with the planting window for cereals having finished. Due to the wet weather conditions this season, significant areas remain unplanted, although the Operations Team is looking to supplement the reduced winter crop plantings this season with alternatives such as safflower, which will depend on drier conditions. Although wetness on farm has caused issues with the number of hectares planted, those areas which are under crop are progressing well, with the canola having begun flowering and the quality of the winter crop currently looking favourable.

### SUMMER CROP

The majority of Duxton Farms' cotton crop has been harvested, although as of August 2022, around 50 hectares remained unharvested due to wet conditions posing significant challenges for the harvesters with respect to access and maneuverability. Drier field conditions will be required before harvest can recommence. The rain has delayed land preparation for the upcoming cotton season with fertiliser application also expected to commence once conditions allow.

### LIVESTOCK

The wet weather continues to support strong pasture development for Duxton Farms' livestock programme. Sheep and cattle are being moved between the properties to take advantage of the favourable feed and field conditions. Adequate reserves of fodder continue to be maintained and will be utilised as required. Livestock sales are ongoing with strong prices received. Duxton Farms continues to trade livestock, purchasing as attractive pricing opportunities arise.



## IRRIGATION

As at the end of August, 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 14,000 shares were bought back. The total number of shares bought under the buyback is 2,617,359 with the Company able to acquire up to 2,809,432 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 were flat over August, starting and finishing the month at \$390/tonne at port.<sup>1</sup> Port Kembla barley prices however fell over August, dropping by 8% and finishing the month at \$310/tonne at port. US CBOT September wheat futures ended August at US\$8.09/bushel, a 2% increase compared to September contracts as at the end of July.

GRAIN PRICES CHANGES PAST 12 MONTHS\*

Crop	Current Price (per tonne)	Price 12 Months Ago (August 2021)	Percentage Change
Port Kembla Zone Wheat (APW1)	\$390/tonne	\$340/tonne	15%
CBOT Wheat Futures	US\$8.09 /bushel	US\$7.11 /bushel	14%
Cotton	\$956/bale	\$702/bale	36%

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

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

<sup>2</sup> International Grains Council, 2022. *August 2022 Grain Market Report*, IGC.

<sup>3</sup> Voznesenski, D; et al. 2022; *Australia Agribusiness Monthly, September 2022, Grains & Oilseeds*, Rabobank.

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

Increased supply in the market on the back of the northern hemisphere's harvest (despite dryness impacting the United States, European Union and China) together with a strong Russian crop forecast contributed to price movements over August. The Black Sea safe shipping corridor for grain exports, albeit with limited exports to date, also had an impact, placing downwards pressure.<sup>2</sup> Ships stuck in the Black Sea since the beginning of the conflict are continuing to depart, however appear to be limited, and only include vessels chartered by the United Nations. The status of the safe passage corridor continues to be volatile and could shift quickly, having a potential impact on both domestic and international grain prices.<sup>3</sup>

## COTTON PRICES

International cotton prices rose by 5% over August, finishing the month at 133USc/lb. In Australian dollar terms, this translates to prices of \$956/bale, representing a 36% year-on-year increase. Cotton prices advanced over the month due to increasingly tight supplies available for nearby shipment, alongside reduced production estimates. The United States in particular is facing challenges for its crop this season due to drought in Texas. Expectations are that the country will record its smallest cotton crop since the 2009/10 season. In Pakistan, the production outlook has also fallen due to torrential rains which have flooded fields and caused widespread damage to infrastructure.<sup>4</sup>

AUSTRALIAN COTTON PRICES





## LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (“EYCI”) rose substantially over August, increasing by 10% and finishing the month at \$10.30/kg. The EYCI is now 1% higher than at the same time last year. Following the sharp price declines over July, Rabobank believes that the upsurge during August may be attributed to opportunistic traders re-entering the market to take advantage of the lower prices. This, in combination with the ongoing favourable weather outlook is keeping demand from producers strong, providing price support.<sup>5</sup>

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

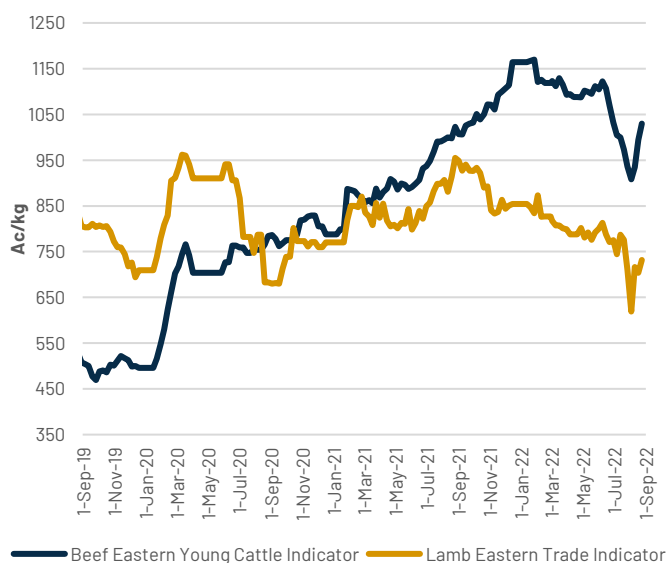
Stock	Current Price (per kg)	Price 12 Months Ago (August 2021)	Percentage Change
Beef	\$10.30	\$10.23	1%
Lamb	\$7.32	\$9.55	(23%)
Wool	\$13.42	\$13.50	(1%)

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

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

<sup>6</sup>Gidley-Baird, A, 2022. *Australia Agribusiness Monthly*, September 2022, Sheepmeat, Rabobank.

### AUSTRALIAN LIVESTOCK PRICES



The Australian Eastern States Trade Lamb Indicator (“ESTLI”) also rose over August. The ESTLI ended the month 3% higher at \$7.32/kg. The ESTLI is now 23% lower than at the same time last year. East coast weekly lamb slaughter numbers for August tracked at 10-year highs and were 13% up on the five-year average. This compares to April this year, when slaughter numbers were 3% below the five-year average. Downwards price pressure over August came in the form of scheduled maintenance shutdowns for some processors, but with plants back in operation and strong export demand, Rabobank expects prices to remain supported in the near term. Prices may possibly ease in October as new season lambs begin to reach saleyards.<sup>6</sup>



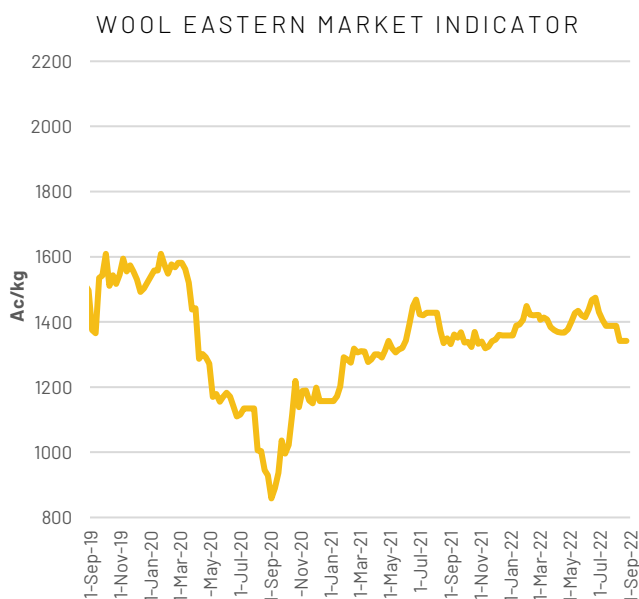
Ewes and Lambs at Cowaribin (August 2022)



Wheat at West Plains (July 2022)

## WOOL PRICES

The Eastern Market Indicator (“EMI”) ended August at \$13.42/kg, a 3% fall compared to the end of July. With wool markets returning after a three-week recess, pent-up supply over this period was seen as an impediment to upwards price movement over August. However, of more relevance was the strength of the Australian dollar relative to the US dollar and Chinese yuan. If not for a strengthening Australian currency, domestic wool prices would have recorded even further declines over the month.<sup>7</sup> Looking ahead, demand from Chinese consumers and processors will be an important driver for Australian wool prices. It is unclear what proportion of wool demand from China is for processing and re-export internationally, or for the Chinese domestic market. As such, despite the majority of Australian wool exports being destined for China, the outlook for prices may increasingly become influenced by economic conditions in the rest of the world, not just China.<sup>8</sup>



## CROP PRODUCTION

In its latest Australian Crop Report, ABARES’ estimates for national winter crop production for the 2022/23 season have risen to 55.5 million tonnes. Whilst a decline from last year’s record, this would still represent the 4th largest winter crop on record. Timely rainfall during winter has improved winter crop prospects across many regions with Western Australia, South Australia and Victoria having benefitted to a greater extent than New South Wales and Queensland. Ongoing wet weather across large areas of southern Queensland and northern and central New South Wales has prevented plantings for many growers. This is in contrast to most areas of Queensland and southern New South Wales, where crop conditions are much more favourable, lifting the overall expected state production volumes. Total wheat production is forecast to be the second highest on record at 32.2 million tonnes, 11% down on last year’s record. Plantings for summer crops for the 2022/23 season are forecast to be well above average at 1.6 million hectares, increasing by 2% compared to last season. Increased plantings come on the back of significant areas of land left fallow during winter in Queensland and New South Wales, good soil moisture levels during winter for planting and favourable conditions expected over spring.<sup>9</sup>

<sup>7</sup>Wool.com, 2022. *Weekly Price Report Week 6 – August 2022*.

<sup>8</sup>Voznesenski, D. 2022. *Australia Agribusiness Monthly, September 2022*, Wool, Rabobank.

<sup>9</sup>ABARES 2022, *Australian Crop Report: September 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.



## NATIONAL WEATHER

Australia recorded a wet August, with average area rainfall 34% above the 1961-1990 average for the country overall. Almost all areas of the country recorded average or above average rainfall. Large parts of eastern Australia recorded above average rainfall except for along the coast of New South Wales and Queensland. Queensland average area rainfall of 20.7mm was 50% above the long-term mean, whilst New South Wales, average area rainfall of 56.9mm was 44% higher. The Murray Darling Basin area recorded its 7th wettest August on record, and wettest since 1985.

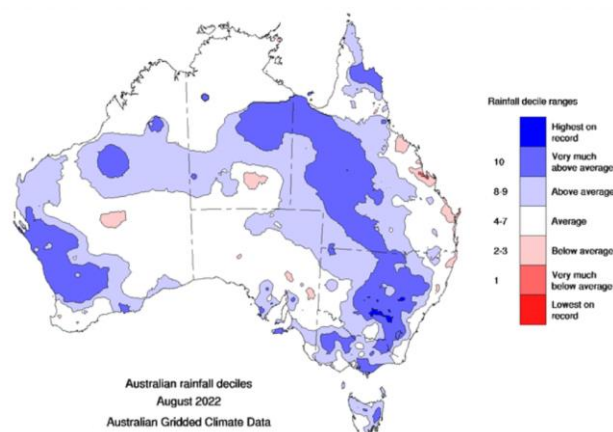
National mean temperatures for August were 0.73°C warmer than the 1961-1990 average for Australia as a whole. Mean maximum temperatures were warmer than average for the northern tropics, much of the Gascoyne in Western Australia, the western border of New South Wales and across Tasmania. In Central Australia, recorded temperatures were largely in line with historical averages. Below average mean maximum temperatures were recorded in Queensland from the central highlands to the inland south-east, as well as parts of Western Australia's southern coastline.<sup>10</sup>

<sup>10</sup> ABARES 2022, *Australian Crop Report: June 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

<sup>11</sup> Voznesenski, D et al., *Rabobank Australia Agribusiness Monthly August 2022*.

The BoM's 30 August 2022 climate driver update is reporting that there is a 70% chance of a La Niña event reforming later in 2022. La Niña events typically increase the chance of above average rainfall across northern and eastern Australia during spring and winter. The negative Indian Ocean Dipole ("IOD") event is ongoing and expected to persist into late spring. Negative IOD events are associated with increased chances of above average spring rainfall across much of Australia. 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>11</sup>

### RAINFALL DECILE CHART AUGUST 2022



Source: Bureau of Meteorology



Cattle Being Fed at Cowaribin (August 2022)



## GLOBAL MARKET INSIGHTS

### WEATHER

International weather conditions for rice and soybeans are generally favourable and for wheat crops, conditions improved over August compared to July.<sup>12</sup> For maize crops however, several countries are still facing mixed conditions. Recent hot and dry conditions assisted harvesting operations across northern Europe, and the United Kingdom harvest is drawing to a close. In Russia, harvest of winter wheat is nearing completion with exceptional yields, however spring wheat areas are beginning to be impacted by dry conditions over August. Ukraine is seeing mixed results with good yields away from conflict areas and reduced yields in conflict areas. In regards to maize production prospects, in Argentina, harvest of the late planted (smaller season) crop is wrapping up under generally favourable conditions, however dry conditions are impacting the summer-planted crop. The United States is experiencing mixed conditions with previous high temperatures and rainfall deficits, particularly along the western and southern corn belt, continuing to be of concern. In China, conditions are mostly positive but for in the Yangtze River basin where there is drought. The rice outlook globally is almost entirely positive except for areas experiencing drought conditions in China's Yangtze River basin where yields have been impacted. In India, transplanting of kharif season rice is mostly complete, and in Indonesia, conditions are also favourable. In relation to soybeans, major producers Brazil and Argentina are currently out of season but in the United States total plantings have increased compared to last year.

<sup>12</sup> Agricultural Market Information System, 2022. *Crop Monitor September 2022*, AMIS.

<sup>13</sup> International Grains Council, 2022. *August 2022 Grain Market Report*, IGC.

### PRODUCTION

Total grains (wheat and coarse grains) production for the 2022/23 season is currently forecast at 2,248 million tonnes. Whilst this would be the first contraction in global grains production in the last five seasons, output would still be above average and the second largest on record if realised. The expected 2% decrease compared to the 2021/22 season, which was estimated to have reached a record 2,292 million tonnes, is attributed principally due to drops in maize and wheat production.<sup>13</sup>



Angus Cow and Calves at Cowaribin (August 2022)

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