

# Monthly Update



SEPTEMBER 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

\$2.57 (30 June 2022)

## WATER ENTITLEMENTS (ML)

10,035 owned  
6,798 leased



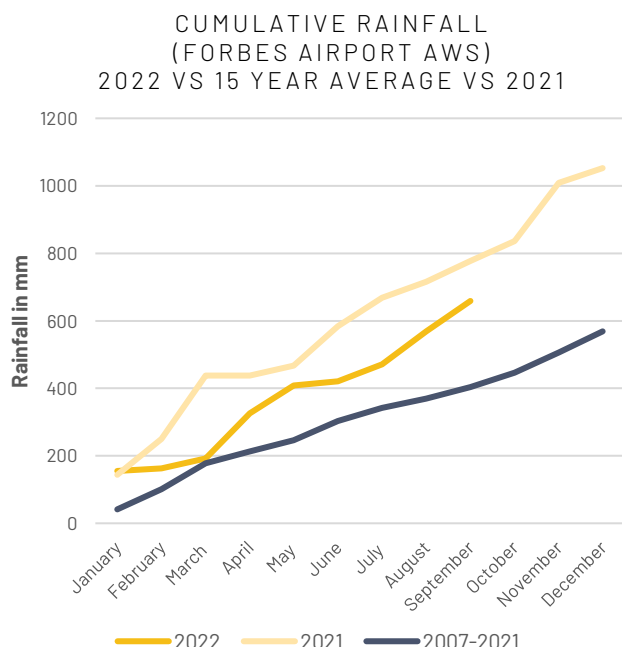
Duxton Farms Limited ("Duxton Farms" / "Company") is an Australian agricultural enterprise that directly invests in and operates a diversified portfolio of efficient, high-quality farmland assets. As a significant landowner and an active producer of key agricultural commodities, the Company seeks to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



## OPERATIONAL UPDATE

### LOCAL WEATHER

Duxton Farms' properties continue to experience wet conditions. Central West New South Wales (Forbes Airport AWS) recorded 90.2mm of rainfall for September, compared to the long-term monthly average of 43.2mm. Total rainfall during 2022 has to date been 63% higher than the 2007-2021 average and 15% lower than at the same time last year. Mean maximum temperatures over the month were 18.3°C, cooler than the long-term average for September of 20.6°C.



### WINTER CROP

Due to the wet weather this season, significant cropping areas remain unplanted, although crops which were successfully planted before conditions deteriorated are developing well. Some small cropping areas that were planted late in the season have been inundated, and will almost certainly not be harvested this season. If wet conditions persist, the harvest of winter crops in general may be challenging. The canola crop is progressing well, with most of the crop having finished flowering, and appears to be of reasonable quality.

### SUMMER CROP

The majority of Duxton Farms' cotton crop from the 2022 season has been harvested, although approximately 50 hectares remain unharvested due to wet fields posing significant challenges for harvest machinery accessing and maneuvering the fields. Drier 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. The Company notes that if wet conditions persist, the Operations Team may not be able to plant the full area of cotton as intended.

### LIVESTOCK

Wet weather continues to support strong pasture development for Duxton Farms' livestock programme. The company also continues to maintain adequate reserves of fodder. Livestock are being moved between the properties to take advantage of the favourable feed and field conditions. Livestock sales are ongoing with strong prices received. Duxton Farms continues to trade livestock, making purchases as attractive pricing opportunities arise.



## IRRIGATION

As at the end of September, the Wyangala Dam is at 93.5% capacity with the Company's Lachlan River water allocation finishing at 115%. Water is being released from the dam, primarily as airspace for flood mitigation due to rainfall inflows. Duxton Farms plans to rebuild an irrigation pivot over the summer to utilise for its winter cereals programme alongside fodder production. This will slightly increase the Company's irrigable capacity.

## SHARE BUYBACK

During the month 16,500 shares were bought back. The total number of shares purchased under the buyback is 2,633,854 with the Company able to acquire up to 2,792,932 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 rose by 5% over September, finishing the month at \$410/tonne at port. Port Kembla barley prices also rose over the month, increasing by 3% and finishing at \$320/tonne at port.<sup>1</sup> US CBOT December wheat futures ended September at US\$9.03/bushel, a 12% increase compared to September contracts as at the end of August.

GRAIN PRICES CHANGES PAST 12 MONTHS\*

Crop	Current Price (per tonne)	Price 12 Months Ago (September 2021)	Percentage Change
Port Kembla Zone Wheat (APW1)	\$410/tonne	\$330/tonne	24%
CBOT Wheat Futures	US\$9.03 /bushel	US\$7.10 /bushel	27%
Cotton	\$843/bale	\$742/bale	14%

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

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

<sup>2</sup> Dahl, E. 2022, *Wheat: September quarter 2022*, Agricultural Outlook, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

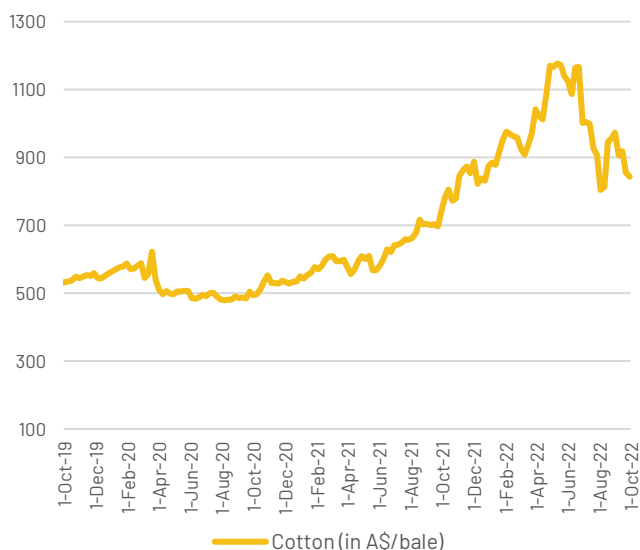
<sup>3</sup> Cotlook, 2022. *September 2022 Market Summary*.

Following the initial uplift in grain prices upon the outbreak of conflict in Eastern Europe, export prices have been easing since the end of May 2022. Price declines are attributed to supply from the northern hemisphere's harvest entering the market and prospects of the resumption of Ukrainian grain shipments due to the negotiated Black Sea trade corridor. However, ABARES expect prices to remain supported once supplies from the northern hemisphere's harvest begin to dissipate. World demand for wheat is also expected to outpace supply which may support prices for the remainder of 2022/23.<sup>2</sup>

## COTTON PRICES

International cotton prices fell by 18% over September, finishing the month at 109USc/lb. In Australian dollar terms, this translates to prices of \$843/bale, representing a 14% year-on-year increase. International cotton prices continue to be driven by broader trends in agricultural and other commodity markets, alongside supply and demand fundamentals for cotton specifically. Challenging growing conditions for major cotton producers, the United States and Pakistan are providing some support for cotton prices. However, concerns over present and future demand for cotton resulting from macro-economic factors appears to have played much greater significance in price movements over September. Pressure from cotton harvests in certain areas across the northern hemisphere also negatively impacted prices over the month.<sup>3</sup>

AUSTRALIAN COTTON PRICES







## LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator (“EYCI”) rose by 5% over September, ending the month at \$10.79/kg. The EYCI is now 5% higher than at the same time last year. Favourable weather conditions across cattle regions continues to encourage demand from restockers, providing support for prices. Slaughter volumes declined over September, declining by 6% compared to the prior month and 5% down compared to the prior year. Reduced slaughter volumes over the month were largely attributed to excessive wet weather over New South Wales and Queensland, limiting the movement of stock to abattoirs.<sup>4</sup>

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

Stock	Current Price (per kg)	Price 12 Months Ago (September 2021)	Percentage Change
Beef	\$10.79	\$10.32	5%
Lamb	\$7.54	\$9.26	(19%)
Wool	\$12.55	\$13.37	(6%)

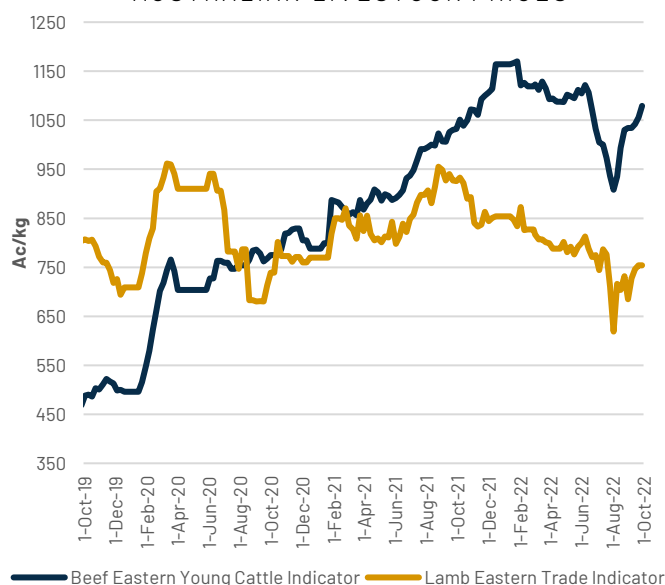
\* Data from ABARES weekly commodity reports and Australian Wool Innovation Ltd

<sup>4</sup> Rural Bank, 2022. *Insights October 2022 | Cattle.*

<sup>5</sup> Gidley-Baird, A, 2022. *Australia Agribusiness Monthly, October 2022, Sheep meat, Rabobank.*

<sup>6</sup> Rural Bank, 2022. *Insights October 2022 | Sheep & Lambs.*

### AUSTRALIAN LIVESTOCK PRICES



The Australian Eastern States Trade Lamb Indicator (“ESTLI”) also rose over September. The ESTLI ended the month 3% higher at \$7.54/kg. The ESTLI is now 19% lower than at the same time last year. Signs of new season lambs are beginning to reach the market, with young lamb yardings up by 38% in the week ending 30 September compared to two weeks earlier.<sup>5</sup> Despite the increased yardings, lamb prices held up well over the month however may come under downward pressure through the rest of the year with the expected seasonal increase in supply.<sup>6</sup>



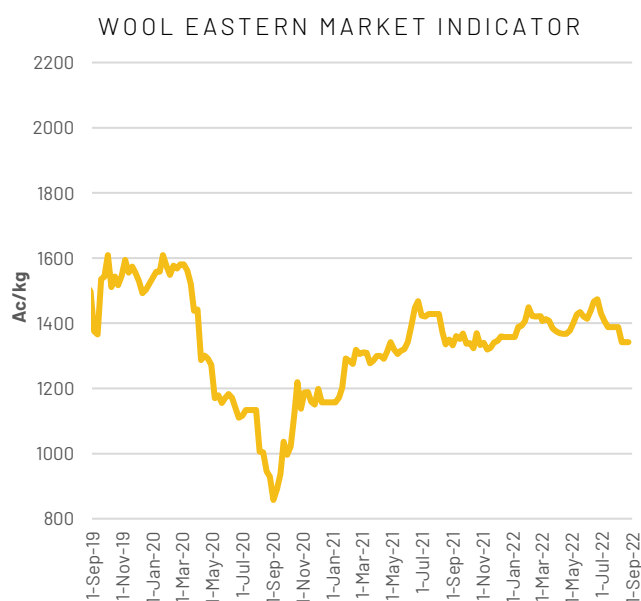
Merino and Charrolais lambs at West Plains (September 2022)



Wheat at Kentucky(September 2022)

## WOOL PRICES

Wool prices continued to soften throughout September, with the Eastern Market Indicator ("EMI") ending the month at \$12.55/kg, a 6% decline compared to the end of August. A slowing global economy is continuing to impact consumer demand, placing downwards pressure on wool prices. A softening Australian dollar may support domestic wool exports over the coming months. In July, Australian wool export volumes to China were down 2.4% compared to the prior year, while volumes to India and Italy were up 94% and 97% respectively.<sup>7</sup> Poor domestic consumption figures from China are also negatively impacting wool prices. The ongoing zero COVID-19 policy approach of China has consequences on its populations' discretionary spending on products at the luxury end of the market, which wool apparel largely occupies.<sup>8</sup>



## CROP PRODUCTION

In its September Crop Report, ABARES' estimates for Australia's national winter crop production for the 2022/23 season is forecast to be the fourth highest on record at 55.5 million tonnes.<sup>9</sup> The gross value of Australian wheat production is forecast to reach \$12.4 billion, the second highest on record, following the record high \$13 billion in 2021/22. This reflects high international prices, alongside expected wheat production volumes of 32.2 million tonnes which if realised would be the second highest national wheat harvest on record.<sup>10</sup> Whilst overall production estimates are favourable, ongoing wet weather across large areas of southern Queensland and northern and central New South Wales plantings has prevented plantings for many growers in those areas. This compares to most other areas of Queensland and southern New South Wales, where crop conditions have been much more favourable. Summer crop plantings for the 2022/23 season are forecast to be well above average at 1.6 million hectares, lifting 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 weather conditions expected over spring.<sup>11</sup>

<sup>7</sup> Voznesenski, D. 2022. *Australia Agribusiness Monthly*, October 2022, Wool, Rabobank.

<sup>8</sup> Wool.com, 2022. *Weekly Price Report Week 1 – September 2022*.

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

<sup>10</sup> Dahl, E. 2022, *Wheat: September quarter 2022, Agricultural Outlook*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

<sup>11</sup> ABARES 2022, *Australian Crop Report: September 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.





## NATIONAL WEATHER

Australia recorded a wet September, with average area rainfall for the country 103% above the 1961-1990 average for the country overall and the fifth highest on record. As shown in the graphic below, rainfall was above average for almost all areas of the country. Queensland, New South Wales and Western Australia in particular recorded very wet months, with rainfall in each of these states amongst the ten highest on record. Queensland average area rainfall of 36.7mm was 192% above the historical average for the state for the month. In New South Wales, average area rainfall of 79.5mm was the 5th highest on record for the state and 125% higher than the historical mean for September. Below average rainfall was only recorded in western Tasmania, South and West Gippsland in Victoria and south-west Western Australia.

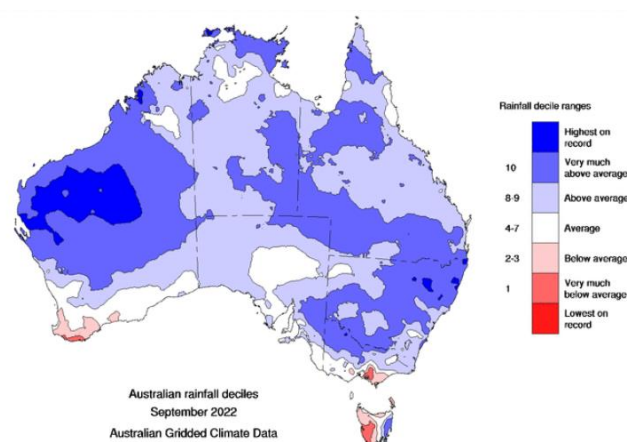
National mean temperatures for September were 0.69°C warmer than the 1961-1990 average for Australia as a whole. Mean maximum temperatures were warmer than average across the northern tropics, and the warmest on record for much of the Top End and large parts of the Cape York Peninsula. Cooler than average mean maximum temperatures were recorded for much of the country's mainland, away from the tropics. Temperatures were also cooler than average for large areas of the eastern states and parts of inland Western Australia.<sup>12</sup>

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

<sup>13</sup> Bureau of Meteorology, 2022. *Climate Driver Update 27 September 2022*, Australian Government.

The BoM's 27 September 2022 climate driver update is reporting that a La Niña event is underway in the tropical Pacific. At this time of year, La Niña events typically increase the chance of above average rainfall across northern and eastern Australia during spring and summer. Climate models are indicating that the La Niña event may peak during Australia's spring and return to neutral conditions early in 2023. The negative Indian Ocean Dipole ("IOD") event is also ongoing and contributing the Australia's wetter than average weather outlook. Negative IOD events at this time of year typically result in higher chances of above average spring rainfall for most of the eastern two thirds of Australia. When co-occurring, a La Niña and negative IOD mean that the likelihood of above average rainfall, particularly across the eastern half of the continent is even further increased. Climate change continues to influence Australia's weather. National temperatures have warmed by around 1.47°C for the 1910 – 2020 period. There has also been 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 SEPTEMBER 2022



Source: Bureau of Meteorology



Wheat at Kentucky (September 2022)



## GLOBAL MARKET INSIGHTS

### WEATHER

International weather conditions as at the end of September are mostly favourable, however in some areas wheat and maize conditions are mixed. In regard to wheat crops, in the Ukraine, sowing has begun under mixed conditions in the southern and eastern regions due to the ongoing conflict and some dryness. In Russia, harvest of spring season wheat is wrapping up under good conditions, however the sowing of winter wheat is beginning under dry weather. In the United States, after a delayed start, the harvest of spring wheat is nearing completion in the Dakotas under exceptional conditions. However, sowing of winter wheat is ongoing in the central and southern Great Plains which are currently experiencing rainfall deficits. Maize conditions are also mixed, with the United States western and southern Corn Belt region remaining a concern as harvest begins. In the EU, the summer drought has resulted in poor yield expectations across almost all growing areas. In the Ukraine, heavy September rainfall in the northern and western regions combined with cooler weather has slowed the ripening of crops and has delayed harvest. In China, the main production areas in the northeast are progressing well, offsetting negative impacts from the previous hot and dry conditions in the Yangtze River basin. The rice outlook globally is largely favourable, however the dry Yangtze River basin conditions noted above have impacted the yield potentials of both China's single-season and late season crops. For soybeans, weather conditions are also almost entirely favourable. Brazil's sowing season is beginning favourably and in the United States harvest is beginning with mostly positive conditions, albeit with hot and dry weather expected to negatively influence yields in Kansas and Nebraska.

Looking forward, associated with the co-occurring La Niña and negative IOD, there are high risks of severe drought across the Horn of Africa alongside heavy rainfall and flooding in Australia and southeast Asia. There are also concerns about repeat dry conditions in eastern Africa, southern South America, central and southern Asia, and southern North America where rainfall seasons have been below average since late 2020.<sup>14</sup>

### PRODUCTION

Total grains (wheat and coarse grains) production for the 2022/23 season is currently forecast at 2,256 million tonnes. Whilst this would be 2% down on the prior year and the first decline in global grains production in the last five seasons, output if realised would still be the second largest on record. The expected decrease compared to the 2021/22 season is attributed principally to declines in maize production.<sup>15</sup>



Pasture at Cowaribin (September 2022)

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

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

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