

Monthly Update



OCTOBER 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, 142,185 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.

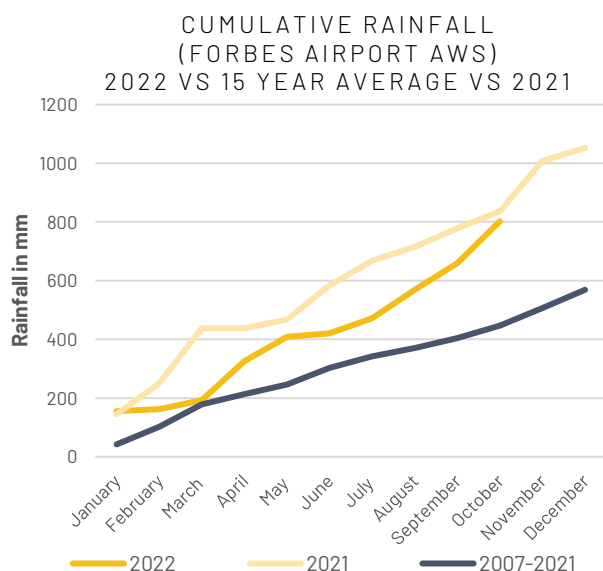


OPERATIONAL UPDATE

LOCAL WEATHER

Duxton Farms' properties continue to experience wet conditions. As previously disclosed, major flooding has occurred in the Lachlan Valley. With operations severely disrupted, the Company's focus has been on ensuring the safety of all staff, its livestock and in mitigating the extent of damage to property. Most importantly, Duxton Farms is pleased to report that its staff are safe and supported which will remain the Company's number one priority. The Company is in awe of how its Operations Team has managed and worked during the challenging conditions. Livestock are safe and with sufficient feed secured.

Central West New South Wales (Forbes Airport AWS) recorded 143.4mm of rainfall for October, compared to the long-term monthly average of 46mm. Total rainfall during 2022 has to date been 80% higher than the 2007-2021 average and 4% lower than at the same time last year. Mean maximum temperatures averaged 21.4°C for the month, cooler than the long-term average for October of 24.9°C.



WINTER CROP

Due to the continued wet weather and flooding, the harvestable area for the Company's Forbes aggregation will be reduced significantly in comparison to last season. Whilst the full impact is not yet known, at this stage the Company expects that total winter harvest volumes will be reduced by approximately 60-80%. Duxton Farms expects that it will take several weeks of warmer and drier weather before it will be able to begin harvesting the surviving winter crops. Upon the completion of harvest, preparations for next season will commence.

SUMMER CROP

Duxton Farms was unable to plant any summer crop this season due to the prevailing wet weather and field conditions. The 50 hectares of unharvested cotton from last season's crop will be lost due to the wet fields preventing harvest machinery from accessing the fields.

LIVESTOCK

In light of the floods, livestock are being moved between the Forbes properties to non-flooded areas to ensure their safety and to take advantage of the favourable feed and field conditions. As at the end of October, livestock remain safe and accounted for across the Company's New South Wales properties. The Company's fodder crops are growing well, and the Company continues to maintain adequate feed reserves to maintain its livestock and breeding program.

IRRIGATION

As at the end of October, the Wyangala Dam is at 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 the ongoing above average rainfall inflows.



SHARE BUYBACK

During the month 16,868 shares were bought back. The total number of shares purchased under the buyback is 2,650,772 with the Company able to acquire up to 2,776,064 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. Local grain prices rose over October with Port Kembla Zone 2022/23 season APW1 wheat prices increasing by 10%, finishing the month at \$450/tonne at port.¹ Port Kembla barley prices also rose over the month, increasing by 5% and finishing at \$335/tonne at port. Local price increases over October were in contrast to falling international prices. US CBOT December wheat futures ended October at US\$8.40/bushel, a 7% decrease compared to December contracts as at the end of September.

GRAIN PRICES CHANGES PAST 12 MONTHS*

Crop	Current Price (per tonne)	Price 12 Months Ago (October 2021)	Percentage Change
Port Kembla Zone Wheat (APW1)	\$450/tonne	\$323/tonne	39%
CBOT Wheat Futures	US\$8.40 /bushel	US\$7.60 /bushel	11%
Cotton	\$730/bale	\$779/bale	(6%)

*Data from Profarmer Australia, CBOT, ABARES and Cotlook

¹ Profarmer Australia, 2022.

² Voznesenski, D. 2022, *Australia Agribusiness Monthly*, November 2022, Grains & Oilseeds, Rabobank.

³ Reuters, 2022. *Russia says movement of ships in Black Sea corridor is 'unacceptable'*.

⁴ Cotlook, 2022. *October 2022 Market Summary*.

⁵ McGeoh, E; Voznesenski, D. 2022. *Australia Agribusiness Monthly*, November 2022, Cotton, Rabobank.

Domestic price movements over October were largely attributed to concerns over the quality and size of the upcoming winter crop. Following the significant flooding and rainfall in the eastern states, considerable volume and quality downgrades are expected for many producers. Storms have also damaged crops in Western Australia, contributing to price volatility. Internationally, US CBOT wheat prices briefly reached a fourth month high of US\$9.38/bushel in mid-October. However, prices subsequently retreated on the back of reports that negotiations between Russia and the United Nations were progressing positively.² At the end of the month, Russian defence officials announced that they intend to suspend the deal allowing grain exports through the Black Sea.³ In the coming months international grain price volatility is likely to continue to be heavily influenced by news relating to the ongoing conflict in Eastern Europe.

COTTON PRICES

International cotton prices continued to slide over October, falling below 100USc/lb for the first time since August 2021. Prices ended the month at 95USc/lb, a 13% decrease compared to prices at the end of September. In Australian dollar terms, this translates to prices of \$730/bale, a 6% year-on-year decrease. Price declines over the month are attributed to the challenging global macro-economic outlook. Fears of economic recession and persistent inflation is weighing on consumer confidence in many of the world's major economies.⁴ Domestically, cotton prices will likely be influenced by record October rainfalls throughout the Namoi and Gwydir Valleys in upper New South Wales. The extreme rains have halted ground preparations and plantings for the coming season and as this region accounted for 35% of Australia's national production in 2021/22, the delays are expected to adversely impact Australia's total cotton production volumes in 2022/23.⁵

AUSTRALIAN COTTON PRICES





LIVESTOCK PRICES

The Australian Eastern Young Cattle Indicator ("EYCI") fell by 4% over October, ending the month at \$10.31/kg. The EYCI is now 4% lower than at the same time last year. Price declines over the month are largely attributed to fewer public holidays and improved logistical conditions, allowing abattoirs to process more stock. In the last week of October, albeit with extreme wet conditions constraining stock movement in certain areas, national slaughter volumes were 9.5% higher compared to the prior month.⁶ Looking ahead, wet weather is continuing to support favourable pasture growth and demand from producers. Despite softening demand from retail consumers, this may provide support for cattle prices in the coming months.⁷

DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

Stock	Current Price (per kg)	Price 12 Months Ago (October 2021)	Percentage Change
Beef	\$10.31	\$10.72	(4%)
Lamb	\$7.86	\$8.93	(12%)
Wool	\$13.00	\$13.30	(2%)

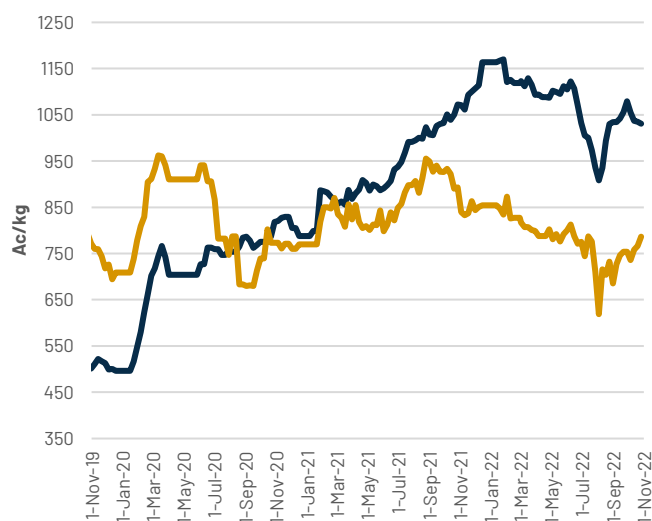
* Data from ABARES weekly commodity reports and Australian Wool Innovation Ltd

⁶ Rural Bank, 2022. *Insights November 2022 | Cattle.*

⁷ Gidley-Baird, A, 2022. *Australia Agribusiness Monthly, November 2022, Beef*, Rabobank.

⁸ Rural Bank, 2022. *Insights November 2022 | Sheep & Lambs.*

AUSTRALIAN LIVESTOCK PRICES



— Beef Eastern Young Cattle Indicator — Lamb Eastern Trade Indicator

The Australian Eastern States Trade Lamb Indicator ("ESTLI") rose by 4% over October. The indicator ended the month at \$7.86/kg, representing a 12% decline compared to the same time last year. Price increases over the month are attributed to competition among processors and restockers for a constrained supply of lambs. Whilst new season lamb supply is beginning to reach the market, it has been restricted by the wet weather in the eastern states. Mid-October weekly lamb yardings reached an annual high of approximately 216,000 head, however in the last week of the month wet conditions prevented many producers, particularly those from New South Wales, from transporting stock to saleyards. In the last week of October, this contributed to national yardings falling by 22%.⁸



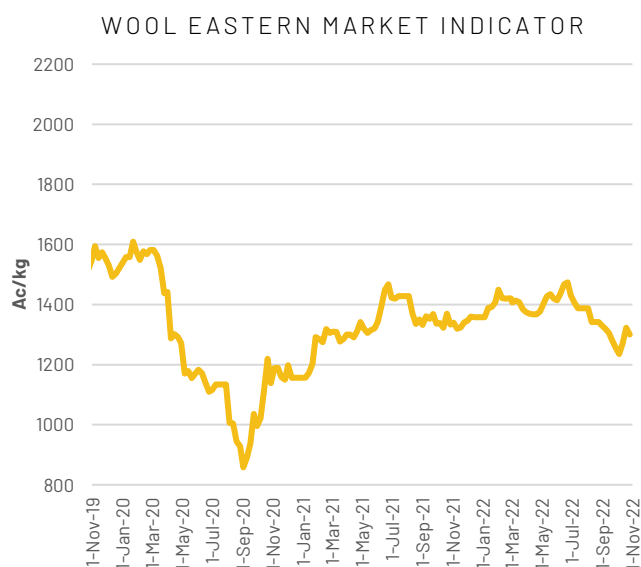
Flooding at Yarranlea (November 2022)



Wheat at Kentucky(October 2022)

WOOL PRICES

Wool prices rose by 4% throughout October, with the Eastern Market Indicator ("EMI") ending the month at \$13.00/kg. Wool prices are now 2% lower than at the same time last year. Positive price movements over the month are attributed to a combination of a weakening of the Australian dollar and reduced supply. As with many other consumer goods, wool prices are largely correlated to consumer confidence. The Organisation for Economic Development's Consumer Confidence Index is currently lower than at any point during the pandemic, dampening the outlook for consumer consumption which may result in slowing demand for wool and a softening of prices.⁹



CROP PRODUCTION

In its September Crop Report, ABARES forecasts for Australia's national winter crop production for the 2022/23 season was 55.5 million tonnes, representing the fourth highest on record.¹⁰ Since the release of the September report, wet conditions have continued across eastern Australia and may impact on forecast production volumes. The severe weather conditions are expected to result in waterlogging of crops, increased disease pressure and trafficability issues hindering winter crop harvest operations. If conditions remain wet, this may also result in quality downgrades for some producers. Yield potentials remain favourable for crops not impacted by flooding or prolonged periods of waterlogging. Harvest of winter crops is underway in Queensland and northern New South Wales, where continued wet weather may impede harvest activities. In southern New South Wales and Victoria, continued wet weather may improve grain yields. In South Australia and Western Australia, the outlook for winter crops remains promising.¹¹ ABARES are expected to release updated estimates for Australia's winter crop production in early December 2022.

⁹ Rural Bank, 2022. *Insights November 2022 | Wool*.

¹⁰ ABARES, 2022. *Australian Crop Report: September 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

¹¹ ABARES, 2022. *Weekly Australian Climate, Water and Agricultural Update - 10 November 2022*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.



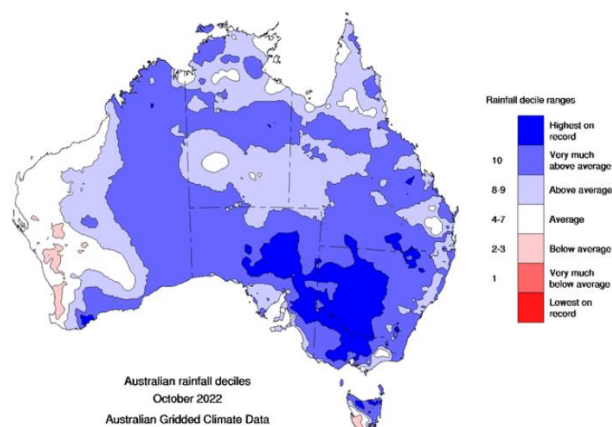
NATIONAL WEATHER

Wet weather continued during October, with much of the country receiving above average rainfall. Substantial volumes of rain have fallen onto already wet soils. With many water catchments already full or nearing capacity, significant flooding events have since resulted across widespread areas of eastern Australia. New South Wales and northern Victoria in particular are being affected, with flood waters impacting roads, inundating homes and restricting travel.¹² For Australia overall, total monthly rainfall was 158% above the 1961-1990 average and the second wettest October on record. New South Wales and Victoria both experienced their wettest Octobers on record, with average area rainfall of 142.1mm and 160.3mm respectively. Queensland, South Australia and Western Australia also had very wet months, with rainfall in each state amongst the ten highest on record. Rainfall was below average for only small areas along the west coast of Western Australia and a small area of western Tasmania.

National mean temperatures for October were 0.19°C warmer than the 1961-1990 average for Australia as a whole. Whilst warmer than the historical average, this was also the coolest October recorded since 2016. Mean maximum temperatures were above average across the northern tropics. This extended from the tip of the Kimberly in Western Australia, to the top of the Northern Territory, and across Cape York Peninsula and Queensland's tropical north coast. Cooler than average mean maximum temperatures were recorded for most of Western Australia, South Australia, New South Wales, southern Queensland and northern Victoria.¹³

The BoM's 22 November 2022 Climate Driver Update is reporting that the La Niña event continues in the tropical Pacific. Climate models are indicating that La Niña conditions may start to ease in early 2023. During summer, La Niña events typically increase the chance of above average rainfall across northern and eastern Australia. A negative Indian Ocean Dipole ("IOD") event is ongoing which is also contributing to Australia's wet weather outlook. The majority of climate models are indicating that the negative IOD event is likely to end by December. Climate change continues to influence Australia's climate. 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.¹⁴

RAINFALL DECILE CHART OCTOBER 2022



Source: Bureau of Meteorology

¹² Bureau of Meteorology, 2022. *Major flooding continues across south-eastern Australia, with more heavy rain forecast*, Australian Government.

¹³ Bureau of Meteorology, 2022. *Australia in October 2022*, Australian Government.

¹⁴ Bureau of Meteorology, 2022. *Climate Driver Update 22 November 2022*, Australian Government.



Wet Weather at Yarranlea (November 2022)



GLOBAL MARKET INSIGHTS

WEATHER

International weather conditions as at the end of October remain favourable for soybeans, while mixed conditions are present for wheat, maize and rice crops. For wheat crops, dry conditions are persistent in Argentina. In the northern hemisphere, mixed conditions for the winter wheat season are present in the United States due to dry conditions impacting the southern and central Great Plains. In the European Union, sowing is progressing well across the northern countries. In Ukraine, sowing continues under mixed conditions due to the ongoing conflict alongside dryness in southern areas. In Russia, heavy rainfall over late September to early October has delayed wheat sowing activities across the southern and central districts. Maize crop harvests are underway in the northern hemisphere under mixed conditions. Hot and dry weather over the growing season has impacted much of Europe's maize crop. In Canada and China, maize harvests are wrapping up positively. Rice conditions are mixed with parts of China impacted by hot and dry weather earlier in the season. India's Kharif crop has reached maturity across most of the country and harvest is now progressing in the northern areas. In Thailand and the Philippines, tropical storms have resulted in heavy rainfall and flooding, damaging crops. Soybean conditions are mostly favourable. The United States' harvest is nearing completion with mostly positive results except for areas of Kansas and Nebraska where hot and dry conditions will likely impact yields. Brazil's sowing season is progressing with good soil moisture levels and an expected increase in total planted area compared to last year.¹⁵

PRODUCTION

Total grains (wheat and coarse grains) production for the 2022/23 season is forecast at 2,256 million tonnes. If realised, this would be 1% lower compared to the current estimates for last year's production, but still the second largest on record. The expected decrease in global grains production is largely due to falls in global maize production, with sizeable losses expected in Ukraine, the EU and the United States.¹⁶



Pumping Water out of Yarranlea (October 2022)

¹⁵ GEOGLAM, 2022. *Crop Monitor for AMIS November 2022*.

¹⁶ International Grains Council, 2022. *October 2022 Grain Market Report*, IGC.

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