SoilsforLife

Economic Inquiry

Supplementary Information: The 8 families group case study.

2022

Acknowledgements

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Soils for Life also gratefully acknowledges the generous contributions of the following people and organisations: *The 8 families group.*

We acknowledge that the contents of this document do not necessarily reflect the views of these contributors.

About Soils for Life case studies

For more than a decade, Soils for Life has been producing case studies of farmers' inspiring stories of transition to regenerating their soils and landscapes. It is the largest body of regenerative farming case studies in Australia.

Each Soils for Life case study is an interwoven story supported by evidence about innovative, ecologically-informed land management. The case studies are holistic, documenting ecological, social and economic factors and change, with a strong focus on peer-to-peer support.

The case studies have been used by farmers, researchers and policy makers around the country to inspire and inform new ideas and approaches in agriculture.

About Soils for Life

Soils for Life is an independent, not-for-profit organisation that works across Australia to support Australian farmers in regenerating soil and landscapes, to build natural and social capital, and transform food and fibre systems.

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Vanguard Business Services were engaged to collect and analyse economic data from participants and to evaluate the economic performance of their farm businesses.

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Preface

The document aims to provide an economic summary of three members of the 8 families group. The document focusses on mainly economic outcomes and findings that have been collated as part of the larger collaborative action research.

All members were asked if they were willing to be interviewed, and all agreed. As it wasn't possible to interview everyone, four 'focus farmers' were chosen by the Soils for Life team based on a number of factors including: interest in being involved; relevance of their property and approach to the agreed themes; and availability of other relevant data. The information presented in this document relates to only three of these farmers.

The document is a supplementary report to the Overview Report - *Working Together to Regenerate Landscapes: A case study of the 8 families group*, which will provide a holistic and integrated account of this change process and the associated outcomes of the group.

8 Families farm business performance summary

A financial analysis of three farms in the 8 Farmers group was undertaken in November 2021. The analysis used historical financial records provided by the farmers, including a combination of their own and accountants' information. This document summarises the common themes that emerged during the analysis. More detailed information about each farm is provided elsewhere. We are grateful to the families involved for providing the business records required for this work.

The purpose of a case study is to document real life situations, to investigate outcomes and to give insight into new processes or techniques. It is a good way to examine outliers, or unique examples, as a form of applied research.

Each of the three case studies tells their own unique regenerative story from a financial perspective. Reading the full case study for each farm, which covers social, environmental and management information will help create a complete picture for each farm.
Each of the farm businesses have different characteristics, operating different enterprises on different soils, however a number of common themes emerged. These themes are summarised below.

Each family had a balanced view of their future

Through conversation and analysis of goals, it was evident that each family had a range of priorities that shaped their management and decisions. They managed towards a set of multiple priorities, often involving environmental social and profitability objectives. They didn't have one single priority; it was a balanced view of their future.

How much profit is enough?

Each family completed a survey which allowed them to prioritise financial goals. Interestingly each family was motivated towards achieving a satisfactory level of net income, as defined by their own internal profit target. None of the families scored maximising net income as of highest importance. It would appear that each family has a clear profit target and that the business is shaped towards achieving this on a repeatable basis.

The regenerative profit journey

The Austin family case study is a long-term analysis - 15 years in total. The period before and after a change to more regenerative management is clearly evident in a number of financial metrics particularly a reduction in costs. The business has created positive Earnings Before Interest and Tax (EBIT) in 87% of the 15 years, including every year since 2011-12 many of which were drought years. The average EBIT profit of the business for the 15 years, after deducting a standard allowance for owner operator labour and management is $97/ha peaking at $400/ha. This yearly average exceeds the owners internal profit target, it is highly repeatable and achieves the owners' requirements.

The Pincott family run a pastured free-range egg business. The analysis shows that EBIT has been positive for all six years of the study with an average of $451/ha after deducting the standard allowance. The average EBIT profit over the six years exceeds the owners target in each year. This case study shows that even on a smaller farm, a highly profitable regenerative business can be created.

The Gooden family case study is important. It examines the farm financial changes that have been evident on the Gooden family's regenerative business journey. Adding future years to this analysis will be important.

The Gooden report examines financial metrics from a four-year period from 2014-18 when the management focus was strongly on regenerative production. It compares these metrics to the 2020/21 year, after a focus on regenerative and financial performance was introduced. The business achieved EBIT of $348/ha after deducting the allowance. The financial and business skills that have been developed from the RCS Grazing for Profit programs and support gained through membership of the 8-family's group have been key contributors to the changes evident in their business performance. The changes in profit are substantial.

These case studies are important as they highlight "real world" examples for three regenerative businesses. In addition to the financial results, the case studies give an insight into each family's overall goals; profit being part of their motivation, but not the sole driver. Each family has a clear view on how much profit is required for their own situation and has shaped a business to achieve this. Repeatability of profit, through a range of seasonal conditions, is a feature of the longer-term case studies.

Profit repeatability

In the Austin and Pincott Family case studies, it would appear that profits are quite repeatable, considering the range of seasonal conditions experienced over the study. Management of these businesses seems to adapt to poor seasonal conditions in a way that does not impact profit to the extent that could be expected. Reading the full case study gives an insight into how this is done and the thinking that has driven these changes.

Mundarlo (Austin) Farm Financial Report

Summary

This report examines key financial metrics for the Austin family farm at Mundarlo, near Wagga in Southern NSW over a 15-year period from 2004/05 to 2020/21.

Farm management gradually adopted a more regenerative approach from 2009/10 providing for a comparison of performance before the change (5 years) and after the change (10 years). We observe changes in a number of the financial metrics for this farm for the period after, compared to before, the change to regenerative management. In particular we observe a reduction in major farm expenses categories.

The farm achieved a positive Earnings Before Interest and Tax (EBIT) in 13 of 15 years (87%) and a negative EBIT result in 2 of 15 years (13%). These calculations include an allowance for owner operator labour. We have presented the EBIT on a per hectare basis in this report, which is a common industry representation of profit.

In this case study, farm profit is compared against the owner's required level of profit (internal Profit Target) and other goals. When the EBIT profit of the business for the 15 years is averaged, this yearly average exceeds the owners internal profit target.

Introduction

This report summarises selected key financial and productivity metrics over a 15-year period of the farm business run by the Austin Family at Mundarlo. It highlights key characteristics of their business and should be viewed alongside wellbeing and environmental studies undertaken on the farm through the overall case study process.

Rationale for analysis

Within the scope of this project the assessment of profitability has included essential information on the performance of the farm business over time. This is represented below as a series of key questions and the corresponding information that is presented.

Key Question:	Information provided:
What are the owners' goals, including financial?	Owners' context for Farm Profit and relative priority from Goal statements.
What is the Farm Profit over time?	Whole Farm profit focussing on EBIT as the key metric. In how many years does the business achieve the owners profit target (% of total years)?
What is the variability in achieving farm profit?	Variability of the farm profit (EBIT variability and characteristics)
What is the relative profitability?	Return on capital
How is profit created?	Key Income and expenses per DSE

	Key physical and production data DSE/ha and DSE/ha/100mm rain

Profitability Context

At the commencement of this part of the case study, Nick Austin completed the Vanguard Business Services "On Track Goal Indicators" to ascertain owners' goals.

This is a survey which has been used by Vanguard with farm families, in which decision-makers are asked to prioritise 24 statements related to profitability, social and environmental aspects. Participants in the survey are required to nominate their top five goal statements from the list of 24, and then are required to rate these in descending order of priority.

This information provides a context for discussion of business metrics indicating how the business has performed in relation to the owners' goals. This approach informs an evaluation of business performance from the perspective of the owner's priorities, taking a whole of farm business perspective.

As can be seen from the graph below, the highest priority was "Improving biodiversity" (score of 5), followed by "children in worthwhile occupations" (score of 4). Of the farm income statements, achieving a "Satisfactory level of income" scored 3. "Running the farm as a business" and having a "healthy outdoor life" scored 2 and 1, respectively.

Note that "maximising farm income" was not scored as a priority in the five goal statements.

The On Track goal statements, scored in October 2021, are presented below:

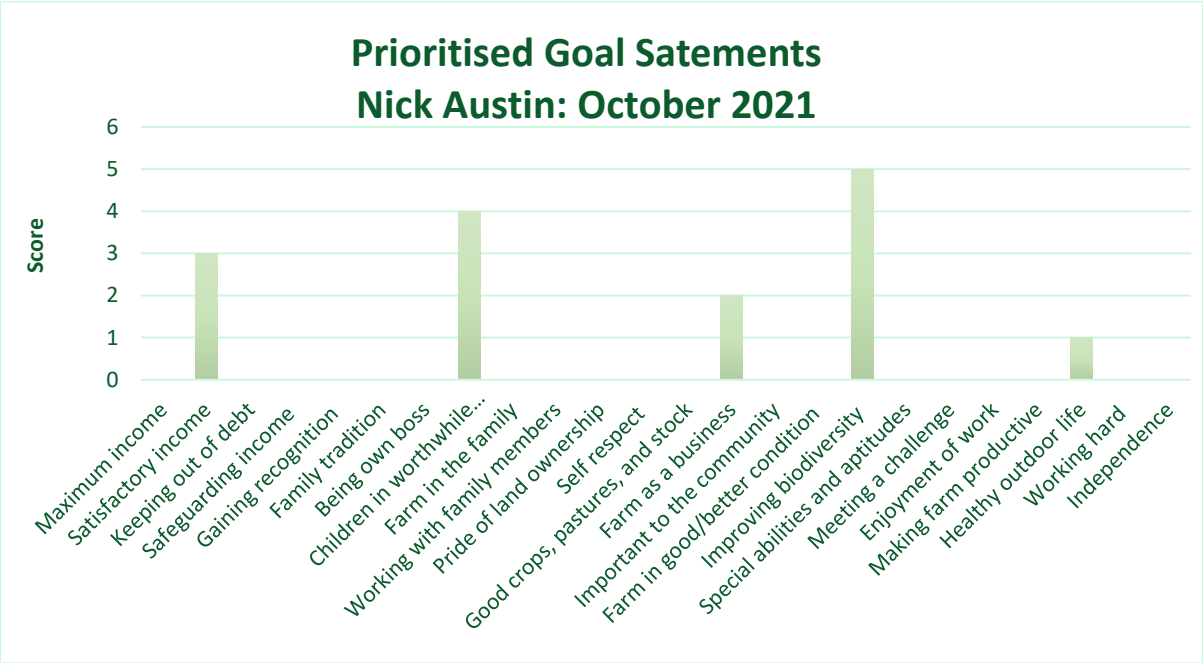

Figure 1: Highest priority goal statements as selected by Nick Austin. "Improving biodiversity" was selected as the highest goal with "Satisfactory income" as the third priority.

Analysis of selected financial performance metrics:

This analysis examines a range of financial metrics for the farm business over a period from 2005 to 2020.

The analysis examines overall farm profit, as measured by the calculation of Earnings before Interest and Tax (EBIT), a common profitability metric used by the industry. This calculation includes an allowance for owner operator labour. The figure used in 2020/21 for this was $78,000 per labour unit, which incorporates an allowance for both labour and managerial skills.

The analysis also presents a range of business characteristics related to income, costs and variability at the whole farm and enterprise level.

> *This analysis should be considered in relation to the priorities documented in Figure 1 above - the main profit motivation being to achieve a satisfactory level of income for the family. It is important to note that achieving maximum farm income did not appear as a priority*.

Selected whole farm profit indicators

EBIT/ha from 2005 to 2020

The EBIT/ha profile of the farm business over a 15-year period is presented below. From this figure, interest and tax must be subtracted.

The 15-year analysis farm shows that EBIT/ha was negative in 2006/7 and 2010/11. Since then, with a change to more regenerative management, a change in the financial characteristics of the business is evident particularly around cost structures. Peak EBIT/ha was achieved in 2018, driven by substantial income from cattle sales, just prior to prolonged and severe drought years.

The Average EBIT (which includes an owner-operator labour allowance) achieved in the business over the 15 years exceeded the owners profit target defined by their internal “satisfactory level of income” goal statement.

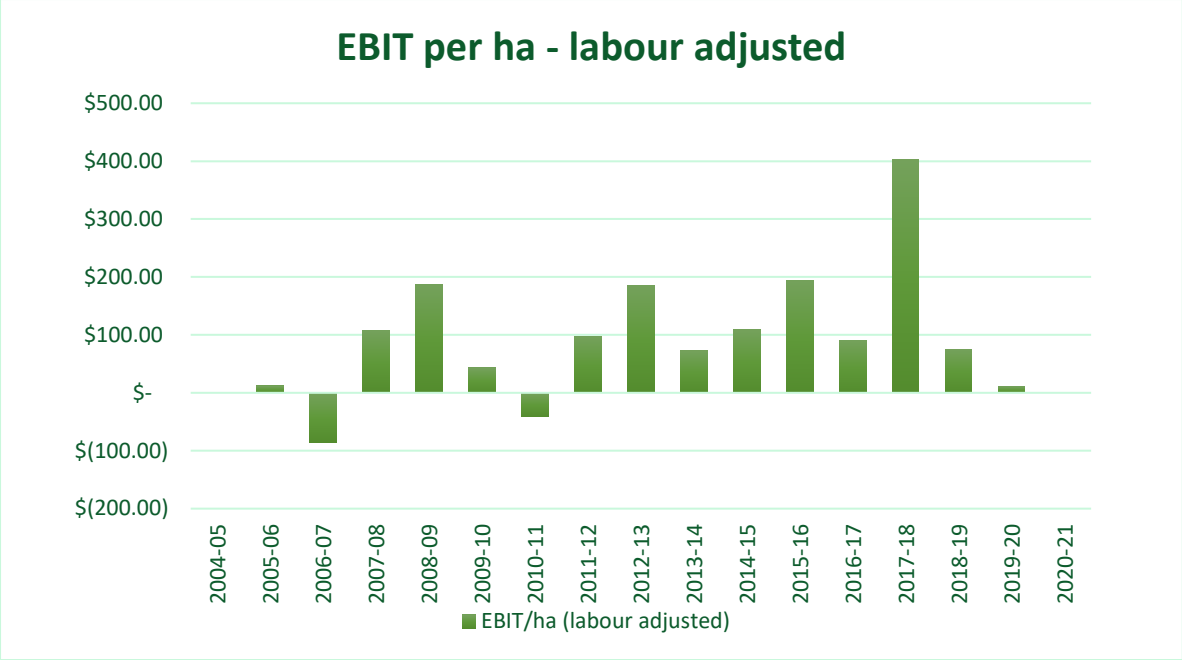

Figure 2: Earnings before interest and tax for Mundarlo. The figures shown represent earnings per hectare after deducting an allowance for owner-operator labour. Earnings are positive for 13 of the 15 years, including a number of drought years.

A positive EBIT/ha return was experienced in 87% of years.

Decisions made in 2017/18 reflect the owners' goals in action. The owners decided to reduce stock numbers as seasonal conditions declined, rather than feed stock for an indeterminate period of time. This strategy also reflected their primary goal of improving biodiversity (reducing overgrazing and bare ground in the drought period).

In this case study, the owners' goals were clear, and their decisions guided by these goals. The impact of these decisions is evident in the farm profit metrics, maintaining a positive EBIT/ha through drought while at the same time reducing potential impacts on biodiversity. Not having to feed stock for long periods of time was mentioned by the owners as also having potentially positive benefits to farm biodiversity through maintaining groundcover and reducing overgrazing (a high scoring priority) and also family wellbeing benefits.

Profit and loss profile

Other important characteristics of the business are evident from examining EBIT/ha profile over the 15 years.

It is important to examine the characteristics of the business profit, as well as actual profit levels achieved, to gather further insights into the business and answer questions such as:

- Does the level of profit meet the owner's needs over the period?
- How many years in a decade does the business meet the owners profit target?
- In years that EBIT is negative, what is the extent of the loss?

- How many years does it take for the business to recover from any negative EBIT results?

The above questions give an important insight into risk.

The EBIT profit profile of the business points to a low-risk business, capable of achieving the owners' requirements for profit on a repeatable basis.

Other characteristics include:

- In the years when a negative EBIT was experienced, they were small losses.
- The business rapidly recovered from negative EBIT years, in this case study, in the following year.
- Losses were experienced in isolated years rather than in a number of adjoining years. Profits were often achieved in sequential years.
- The business made a positive EBIT result in 13 of 15 years (87%) and a negative EBIT result in 2 of 15 years (13%).
- When the EBIT profit for the 15 years is averaged, this yearly average exceeds the owners internal profit target.

Through a period of fluctuating rainfall, the business has minimised the years that it achieved a negative EBIT/ha result and also the extent of the losses in these years. In the years when a negative EBIT/ha was experienced, this loss was covered by the profit achieved in the following year. The business EBIT/ha profile indicated that losses were infrequent and occurred in isolated years, while profit was achieved often in sequential years. The average EBIT/ha profit over the 15 years exceeds the owner's target. This EBIT profile suits the goals of the owners.

Capital

The Return on Capital (EBIT profit divided by capital invested) is presented below for the period of study. The average rate of return over the 15-year period for the business was 2.6%. These calculations are based on capital values at the end of each financial year.

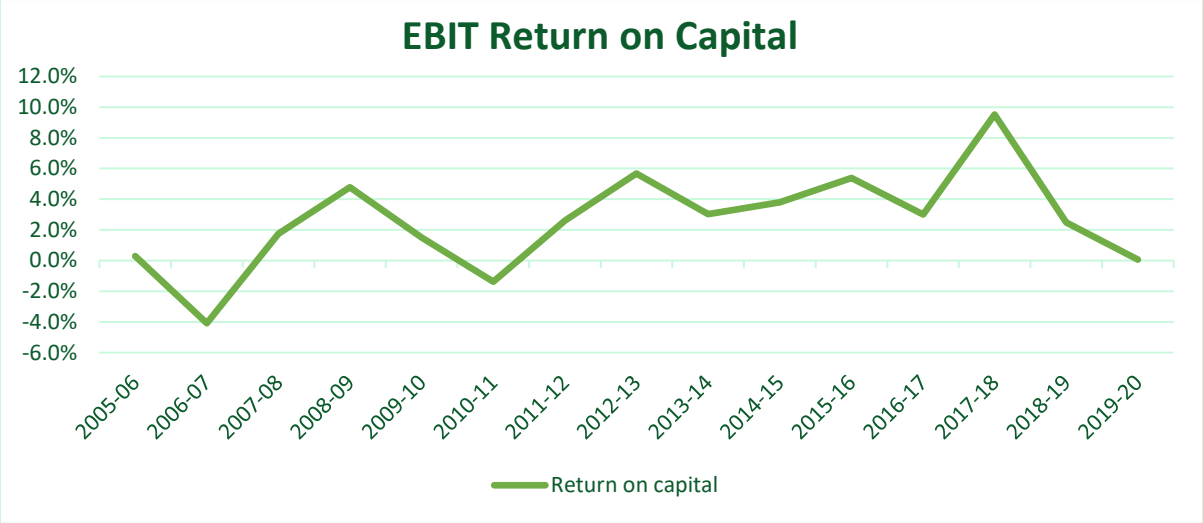

Figure 3: EBIT Return on Capital for Mundarlo. Returns peak in the year 2017-18 when de-stocking occurred in accordance with the owners' business goals.

Key Expenses per DSE

Substantial changes have occurred following a new management approach from 2010 resulting in a lower cost business. The main enterprise has been cattle.

The chart below illustrates the expenditure in the key areas of Animal Health, Supplementary Feed and Pasture Costs/Dry Sheep Equivalent (DSE) over the 15 years. A marked decline was evident in all three costs after 2011 and they have remained at a relatively constant lower level since. Training in Allan Savory's Holistic Management and a change to a more regenerative approach pre-empted these changes. It should be noted that in addition to a change in grazing management, a focus on biodiversity and other regenerative management principles were also introduced. These are more fully explored in the larger case study narrative.

A reduced reliance on inputs is evident. Supplementary feed costs drop to a very low level from 2010/11 raising slightly during poor seasonal conditions of 2018/19. Pasture costs/DSE follow a very similar pattern. Animal health costs have also declined with some variation evident in the drought years of 2017 to 2020.

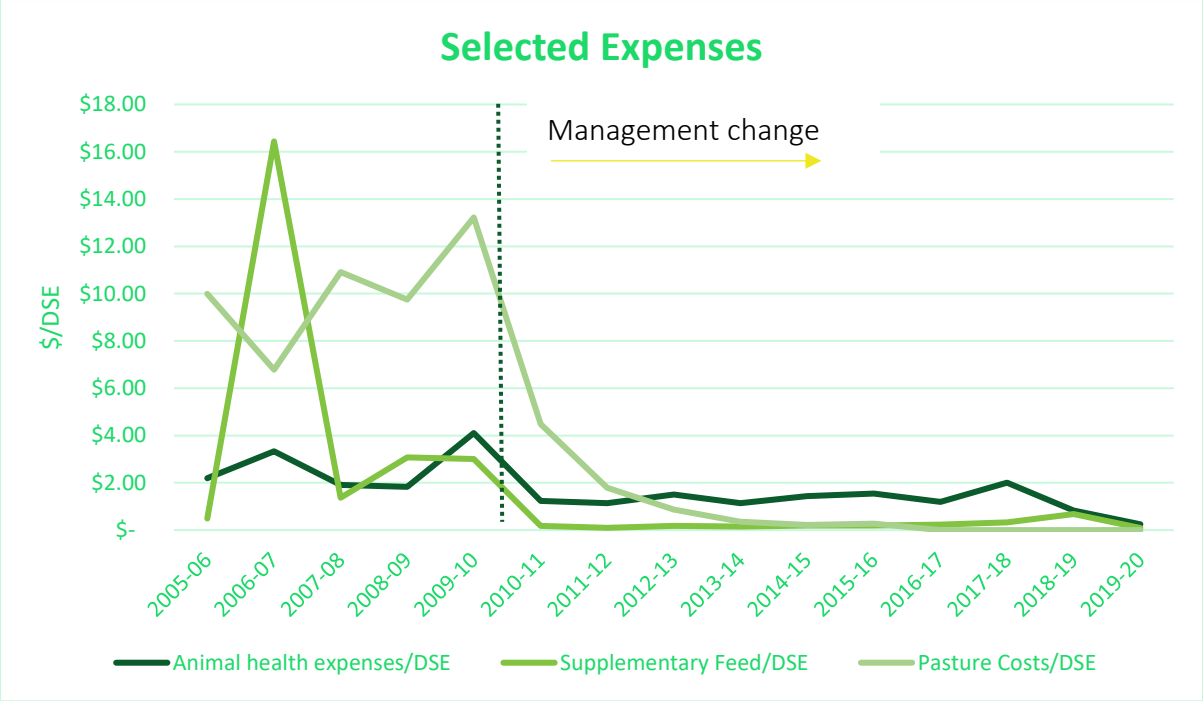

Figure 4: Selected Productivity Indicators for Mundarlo represented as costs per dry sheep equivalent. A change in management approach in 2010 saw a dramatic decline in costs.

Key physical and production data:

Over the 15-year period of the study a wide range in seasonal rainfall, and hence seasonal conditions, was experienced.

The relationship between rainfall and carrying capacity for the period is presented below, in Dry Sheep Equivalents or DSE per ha and on a DSE/ha/100mm basis. The calculation of DSE/ha is a standard industry metric for stocking rate. The metric DSE/ha/100mm rainfall is also in common use, and is a relative metric, well suited to individual farm comparisons over time.

An important goal of the owners was to improve farm biodiversity, and the key strategy used to do this was to adjust stock numbers according to seasonal conditions. The below graph illustrates the impact of these decisions, particularly in drier years such as 2010 and 2019.

The graph below shows carrying capacity (DSE/ha) and DSE/ha/100 mm rainfall over time.

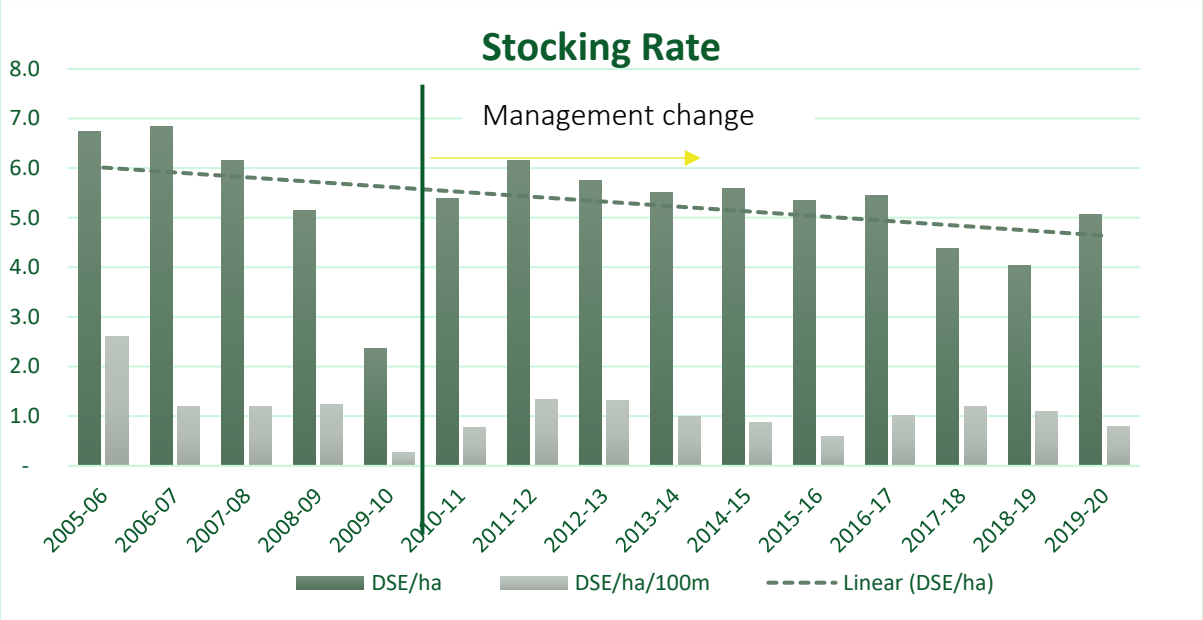

Figure 5: Selected productivity indicators for Mundarlo showing the stocking rate represented as DSE per hectare and DSE per hectare per 100mm of rainfall. Stocking rate drops significantly in 2009-10 following 4 seasons of low rainfall. The stocking rate more closely matches rainfall following a change in management approach in 2010.

It can be seen that DSE/ha peaked in 2006/07. The impact of dry years is also evident in 2017 to 2019 in lower DSE/ha numbers. There is a linear trend towards a lower stocking rate (DSE/ha) over time.

The DSE/ha/100mm of rainfall metric, which relates stock numbers to rainfall received peaked in 2005/06 at 2.6, and reaching a low in 2009/10 of 0.3. The average of this figure is 1.1. This metric is a coarse scale metric of how closely stock numbers follow season conditions and is best utilised on an individual property basis.

The timing of the management change to a more regenerative approach to production is highlighted on the graph.

Bellevue (Pincott) Farm Financial Report

Summary

This report examines key financial metrics for the Pincott family farm near Holbrook in Southern NSW over a 6-year period from 2015/16 to 2020/21.

The farm business is based on the enterprise of pastured free-range eggs. The analysis shows that EBIT has been positive for all six years of the study. The business appears to have been less impacted by seasonal conditions such as drought, than grazing based business in the 8 farmers group. Through a period of fluctuating rainfall, the business has achieved positive EBIT results in all years of the study with the average EBIT profit over the 6 years exceeding the owners target in each year.

In this case study farm profit is compared against the owners required level of profit (internal Profit Target) and other goals.

Introduction

This report summarises selected key financial and productivity metrics over a 5-year period of the grass-fed free-range egg business run by the Pincott Family at Holbrook. It highlights some key characteristics of their business and should be viewed alongside wellbeing and environmental studies undertaken on the farm through the case study process.

Rationale for analysis

Within the scope of this project the assessment has included some essential information on the performance of the overall farm business over time. This is represented below as a series of key questions and the corresponding information that is presented.

Key Question:	Information provided:
What are the owners' goals, including financial?	• Owners' context for Farm Profit and relative priority from Goal statements.
What is the Farm Profit over time?	• Whole Farm profit focussing on EBIT as the key metric. • In how many years does the business achieve the owners profit target (% of total years)?
What is the variability in achieving farm profit?	• Profit of the farm profit (EBIT variability and characteristics)
What is the relative profitability?	• Return on capital

Profitability Context

At the commencement of this part of the case study, Sam Pincott completed the Vanguard Business Services "On Track Goal Indicators" to ascertain owners' goals.

The outcome of this survey is a prioritised listing of goals which assists in the interpretation of the financial results. An overt goal directed approach is characteristic of regenerative managers.

This is a survey which has been used by Vanguard with farm families over a 20-year period, in which decision makers are asked to prioritise 24 statements related to profitability, social and environmental aspects. Participants in the survey are required to nominate their top five goal statements from a list of 24, and then are required to rake these in descending order of priority.

This information provides a context for discussion of key business metrics indicating how the business has performed in relation to the owners' goals. This approach informs an evaluation of business performance from the perspective of the owner's priorities, taking a whole of farm business perspective.

As can be seen from the graph below, the highest priority was "Being own Boss" (score of 5), followed by achieving a "Satisfactory level of income" which scored 4. "Pride of land ownership" scored 3 and having "Leaving the farm in good/better condition" and being "Important to the community" scored 2 and 1 respectively.

Note that "Maximising farm income" was not scored as a priority in the five goal statements.

The On Track goal statements, scored in October 2021 are presented below.

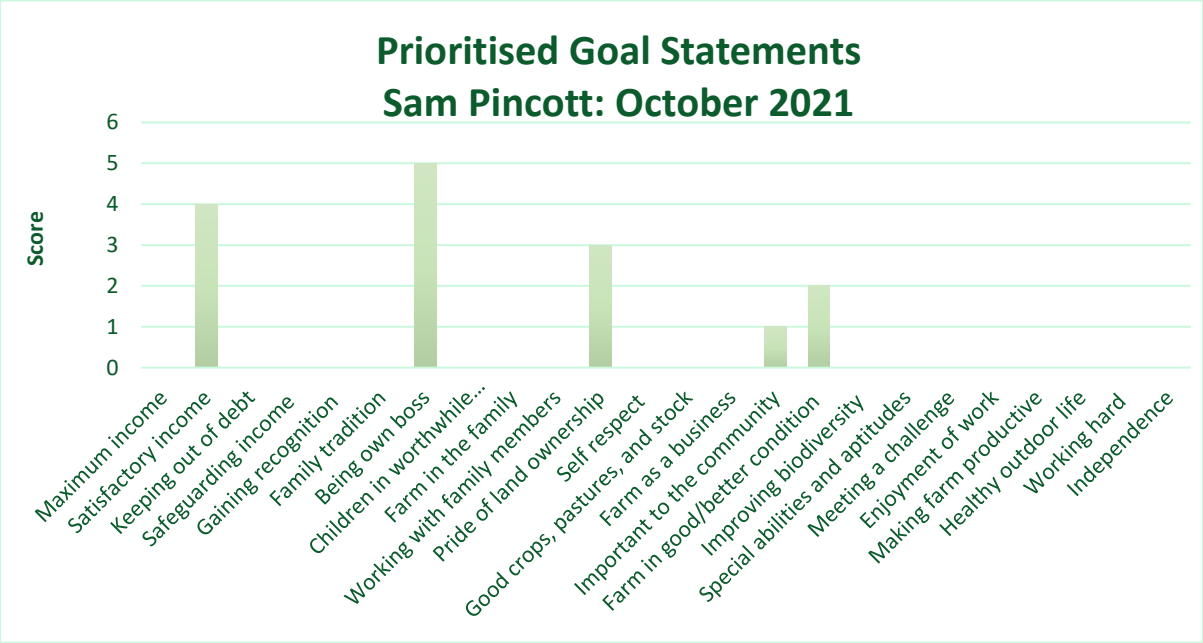

Figure 6: Highest priority goal statements as selected by Sam Pincott. "Being own boss" was selected as the highest goal with "Satisfactory income" as the second priority.

Analysis of selected financial performance metrics

This analysis examines a number of financial metrics for the farm business over a period from 2015/16 to 2020/21.

The analysis examines overall farm profit, as measured by the calculation of Earnings before Interest and Tax (EBIT), a common profitability metric used by the industry. This calculation includes an allowance for owner operator labour, the figure used in 2020/21 for this was $78,000 per labour unit, which incorporates an allowance for both labour and managerial skills.

The analysis also presents a range of business characteristics related to income, costs, and variability at the whole farm level.

> *This analysis should be considered in relation to the priorities documented in Figure 6 above - the main profit motivation being to achieve a satisfactory level of income for the family.*

Selected whole farm profit indicators

EBIT/ha from 2015/16 to 2020/21

The EBIT profile of the farm business over a 6-year period is presented below.

The analysis shows that EBIT has been positive for all six years. The business appears to have been less impacted by seasonal conditions such as drought, than other grazing based business which are part of the 8 Families local group.

Peak EBIT was achieved in 2019/20, driven by substantial egg sales.

Over the six years, EBIT ranged from $225/ha to $697/ha with an average of $451/ha.

The Average EBIT achieved in the business over the 6 years exceeded the owners profit target which defines their internal "satisfactory level of income" goal statement.

The business, through its direct marketing arrangements, significant environmental focus and strong customer relationships has high degree of control over its income. This creates a highly stable business with minimal seasonal fluctuations evident. Expenditure on marketing expertise may be an important contributor to these results. These business characteristics allow the Pincott's to feel more in control of their own business an important aspect to "being their own boss."

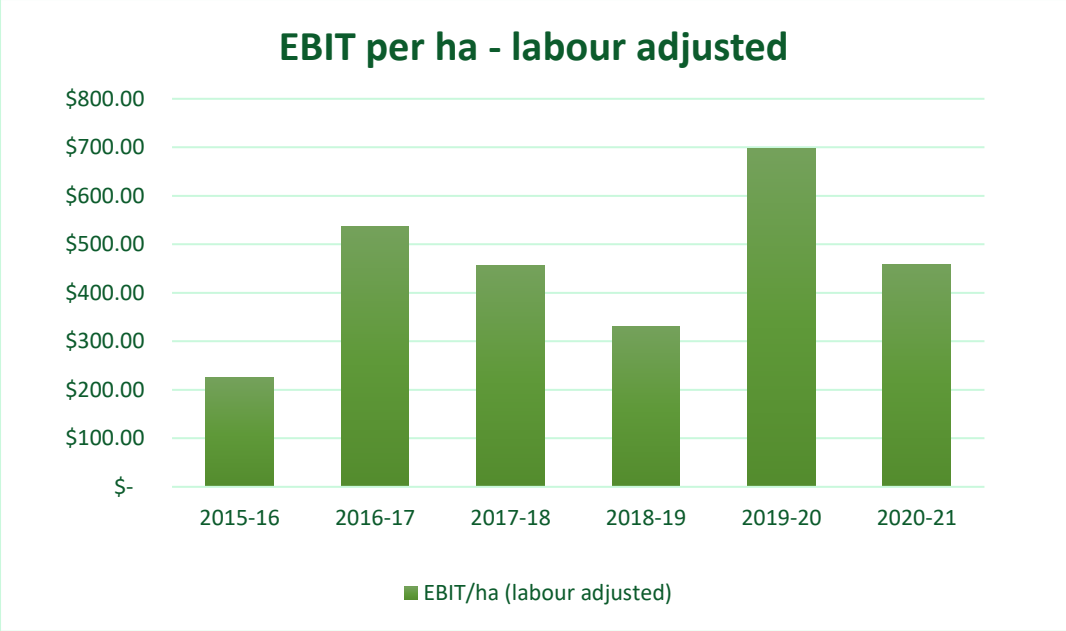

Figure 7: Earnings before interest and tax for Bellevue, the figures shown represent earnings per hectare after deducting an allowance for owner-operator labour. Earnings are strong for the entire period peaking at nearly $700 per hectare.

Changes in selected indicators

The yearly Trading Income (Gross Income) and Total Expenses of the business are presented in the figure below.

As can be seen Trading Income has increased over time, Total Expenses have also increased, but not by the same amount. A positive EBIT profit (the gap between Trading Income and Total Expenses) has been achieved in each year of the study.

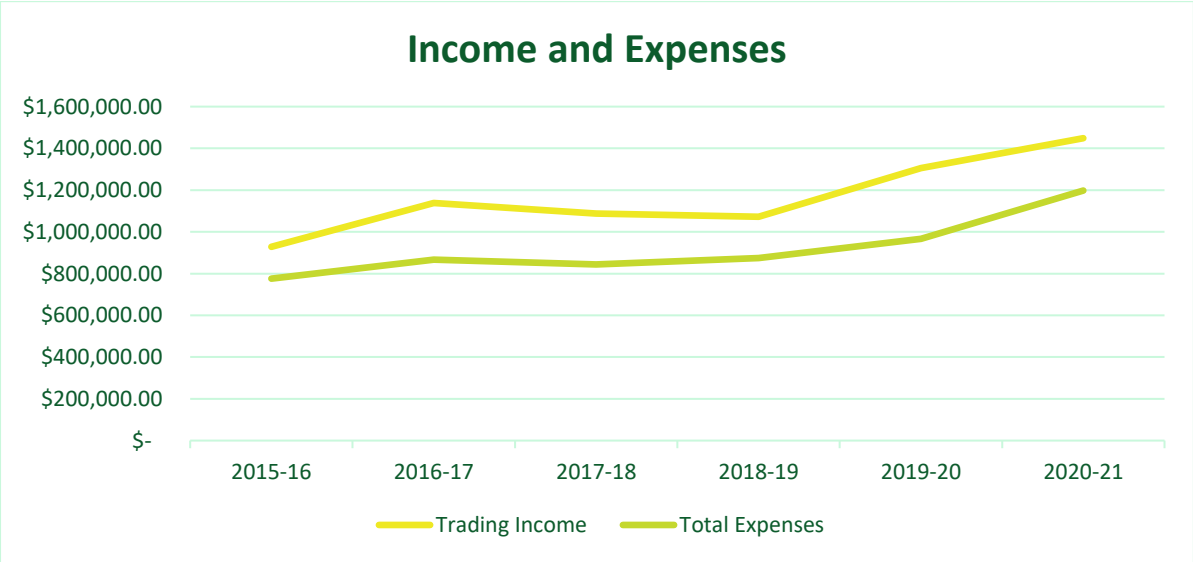

Figure 8: Trading income and total expenses for Bellevue.

Profit and loss profile

A number of important characteristics of the business are evident from examining EBIT profile over the 6 years of the study.

It is important to examine the characteristics of the business profit, as well as actual profit levels achieved, to gather further insights into the business and answer questions such as:

- How many years in a decade does the business make a profit?
- In any years that EBIT is negative, what is the extent of the loss?
- How many years does it take for the business to recover from any negative EBIT results?
- Does the level of profit meet the owner's needs?

The above questions give an important insight into risk.

When the EBIT for the 6 years was aggregated there was a substantial positive EBIT result for the period. It is important to note that a positive EBIT was achieved in all years of the study and that the owners internal profit target was also achieved in all years of the study.

It is a highly profitable business with low profit variability.

- Other characteristics which were evident from the study included:
- The business made a positive EBIT result in 6 of 6 years (100%)
- The owners achieved their own internal profit target (defining a satisfactory level of income) in 100% of individual years.
- When the average EBIT profit is calculated over 6 years, this average exceeds the owners internal profit target.

Through a period of fluctuating rainfall, the business has achieved positive EBIT results in all years of the study. The average EBIT profit over the 6 years exceeds the owners target in each year. This EBIT profile suits the goals of the owners and creates a sense of being in control, independence, and pride in the business, all of which are important goals to the owners.

Capital

Based on profit calculations and asset valuations, the EBIT Return on Capital is presented below for the period of study. The average rate of return over the 5-year period for the business was 7%.

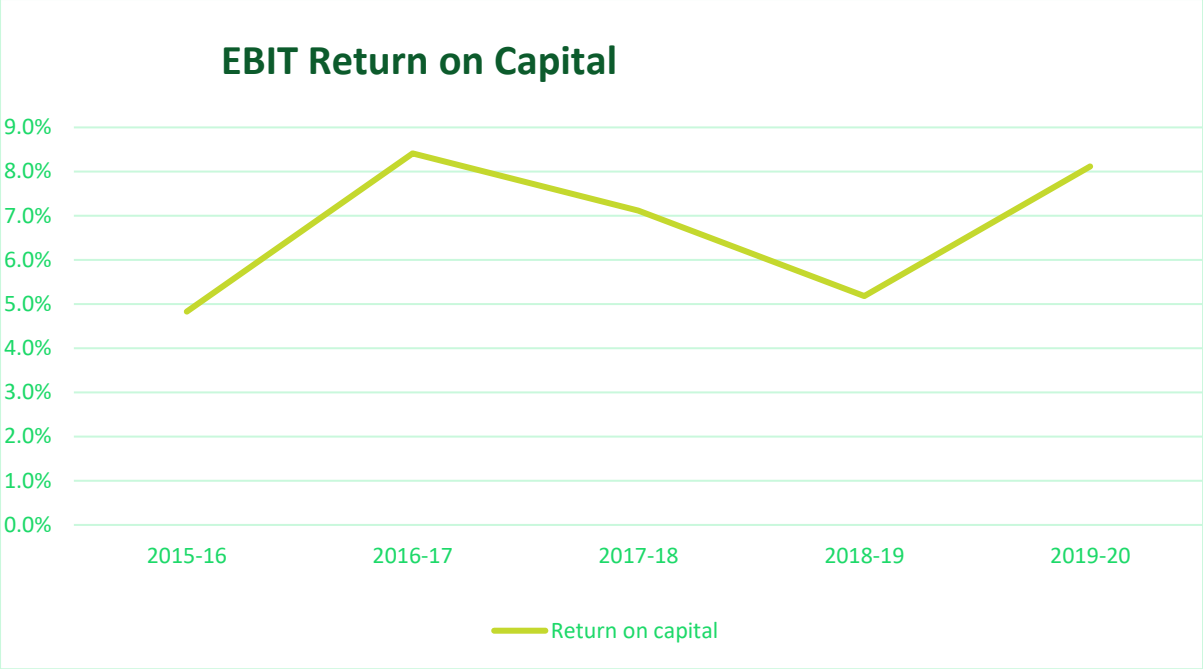

Figure 9: EBIT Return on Capital for Bellevue. Returns on capital vary between 5 and 8.5%.

Willowlee (Gooden) Farm Financial report

Summary

The following report highlights the financial impacts of a transition to more regenerative business management in the business operated the Gooden Family at Sandigo, between Wagga and Narrandera in Southern NSW.

This is an important case study as it examines the farm financial changes that have been evident on the Gooden family's regenerative business journey.

The report examines financial metrics from a four-year period from 2014-18 when the management focus was strongly on regenerative production. It compares these metrics to the 2020/21 year, after a focus on regenerative and financial performance was introduced, to create a more balanced business. Substantial changes were made to the business, driven by the need to create a satisfactory level of income and to reduce debt. These changes are documented in other areas of the case study report.

The financial and business skills that have been developed from the RCS Grazing for Profit programs and support gained through membership of the 8 family's group have been important contributors to the changes evident in this report. These programs, along with Holistic Management training, have developed the owner's capacity and confidence in the financial area of the regenerative business.

Earnings Before Interest and Tax averaged negative$213/ha pa before changes and $348/ha for the year after changes. This is a significant increase and means the business, should it continue in this manner, is now capable of meeting the owners' expectations of a Satisfactory level of profit and is capable of Reducing the levels of farm debt. Both have been noted as key priorities of the owners.

Introduction

This report summarises selected key financial and productivity metrics over a 5-year period of the business run by the Gooden Family at Sandigo, between Wagga and Narrandera NSW. It highlights some key characteristics of their business and should be viewed alongside wellbeing and environmental studies undertaken on the farm through the case study process.

Rationale for analysis

Within the scope of this project the assessment has included some essential information on the performance of the overall farm business over time based on information provided by the owners and their accountant. This is represented below as a series of key questions and the corresponding information that is presented.

Key Question:	Information provided:
What are the owners' goals, including financial?	• Owners' context for Farm Profit and relative priority from Goal statements.
What is the Farm Profit over time?	• Whole Farm profit focussing on EBIT as the key metric. • In how many years does the business achieve the owners profit target (% of total years)?
What is the variability in achieving farm profit?	• Profit of the farm profit (EBIT variability and characteristics)
What is the relative profitability?	• Return on capital

Profitability Context

At the commencement of this part of the case study, Michael and Héloïse Gooden completed the Vanguard Business Services "On Track Goal Indicators" to ascertain owners' goals.

The outcome of this survey is a prioritised listing of goals. These goals are then typically used by the decision makers to shape the business.

This is a survey which has been used by Vanguard with farm families, in which decision makers are asked to prioritise 24 statements related to profitability, social and environmental aspects. Each participant in the survey is required to nominate their top five goal statements from the list of 24, and then are required to rate these in descending order of priority. In the graph below the scores are combined, making the highest score possible 10.

This information provides a context for discussion of key business metrics indicating how the business has performed in relation to the owners' goals. This approach informs an evaluation of business performance from the perspective of the owner's priorities, taking a whole of farm business perspective.

As can be seen from the graph below, the highest priority was:

- "A healthy outdoor life" (score of 6),
- "Keeping out of debt" and "Leaving the farm in good or better condition" (score of 5)
- A "Satisfactory level of income" and "enjoyment of work" (score of 4)
- Other priorities such working with other family members, enjoyment of work and safeguarding income

Note that "Maximising farm income" was not scored as a priority in the five goal statements nominated by either participant.

The On Track goal statements, scored in October 2021 are presented below:

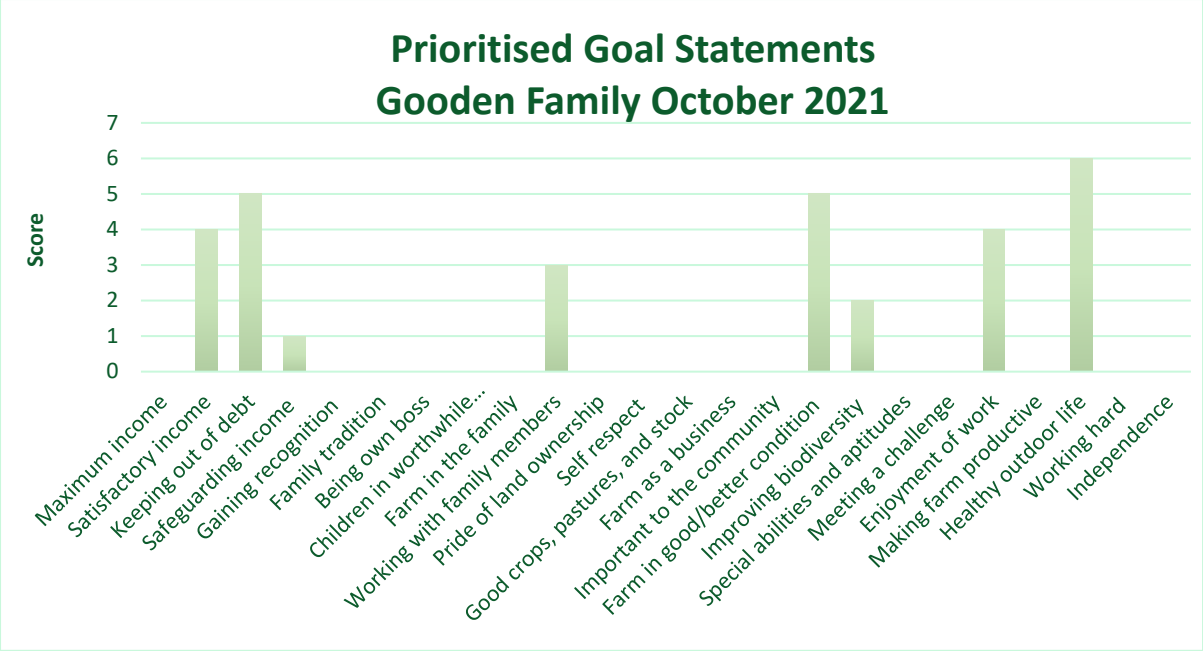

Figure 10: Highest priority goal statements as selected by the Gooden family. "Healthy outdoor life" was selected as the highest goal with "Keeping out of debt" and the farm being in a "good/better condition" as equal second priorities.

Analysis of selected financial performance metrics

The business has gone through a period of transformational change since 2020, this was driven by the need to improve the level of farm profit, in order to create a satisfactory level of income for the family and to reduce farm debt.

In this analysis and with the figures available, the average of the 2014 to 2018 financial years was compared to the 2021 financial years' performance across a range of key financial metrics.

The 2014 to 2018 years representing the years before management changes, while the 2021 year represents the first full financial year after change. It is important to note that in the 2014 to 2018 period a planned expenditure of $120,000 was made into capital investment (fencing and water development) to drive the transition to a more regenerative approach to the business. This amount is included in the analysis.

The accuracy of this analysis will increase as further financial years post 2021 are included.

Selected Financial Indicators per ha: Income, Expenses, and EBIT

As can be seen from the figure below there have been significant changes post management. These include:

- Trading (Gross) income prior to management changes averaged around $123/ha, after changes it was $613/ha. A large negative year of trading impacted the 2014-18 years. This increase of in income $490/ha is substantial.

- Total expenses before change were $276/ha, after changes they were $174/ha (37% reduction)
- EBIT averaged negative $213/ha pa prior to changes and $348/ha pa for the year after changes. This is also a significant increase and means the business, should it continue in this manner, is now capable of meeting the owners' expectations of a Satisfactory level of profit and is capable of Reducing the levels of farm debt. Both have been noted as key priorities of the owners.
- Capital expenditure for fencing and water development of $120,000 is included in the expenses for the years 2014 to 2018.

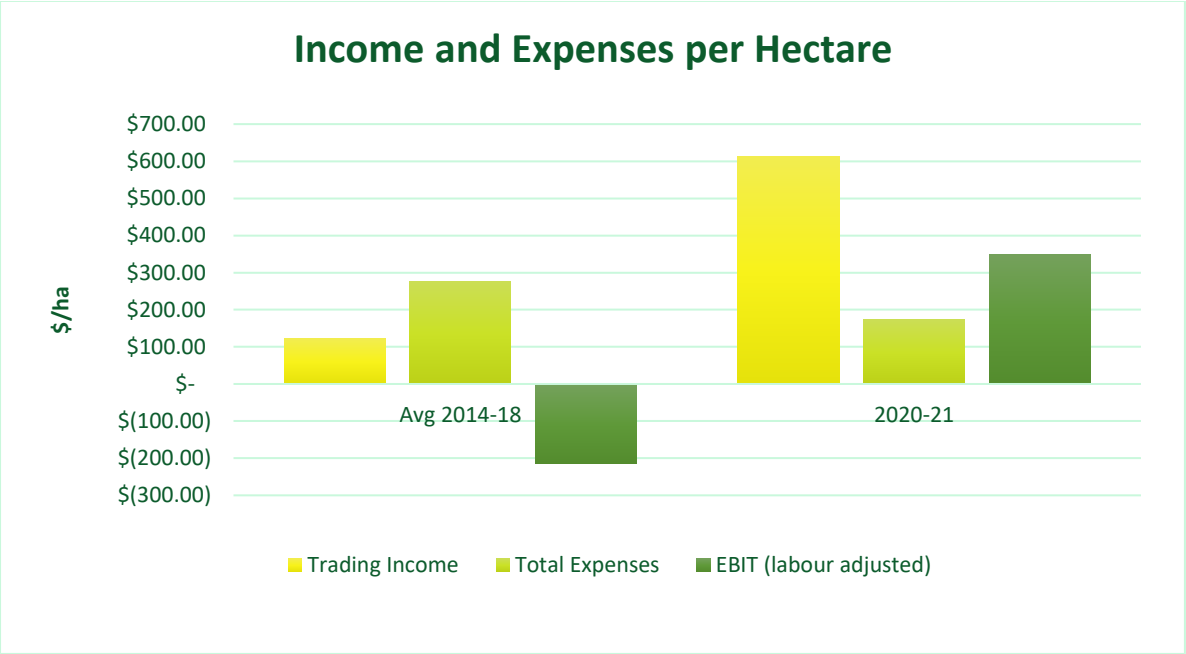

Figure 11: Income and expenses for Willowlee per hectare. The average figures for the period 2014-18 are compared to the 2020-21 financial year. Expenses have decreased by more than $100/ha while income has increased significantly, leading to a strong profit in 2020-21.

EBIT/ha profile

The below figure sums the EBIT/ha for the 2014-18 period and compares this to the 2020-21 year. As can be seen below, the four operating years from 2014 to 2018 resulted in a cumulative EBIT of negative $848/ha. For the 2020-21 year the EBIT/ha was $348/ha.

If the farm business continues to perform at the 2020-21 level, it will soon recover from the previous years' negative EBIT results.

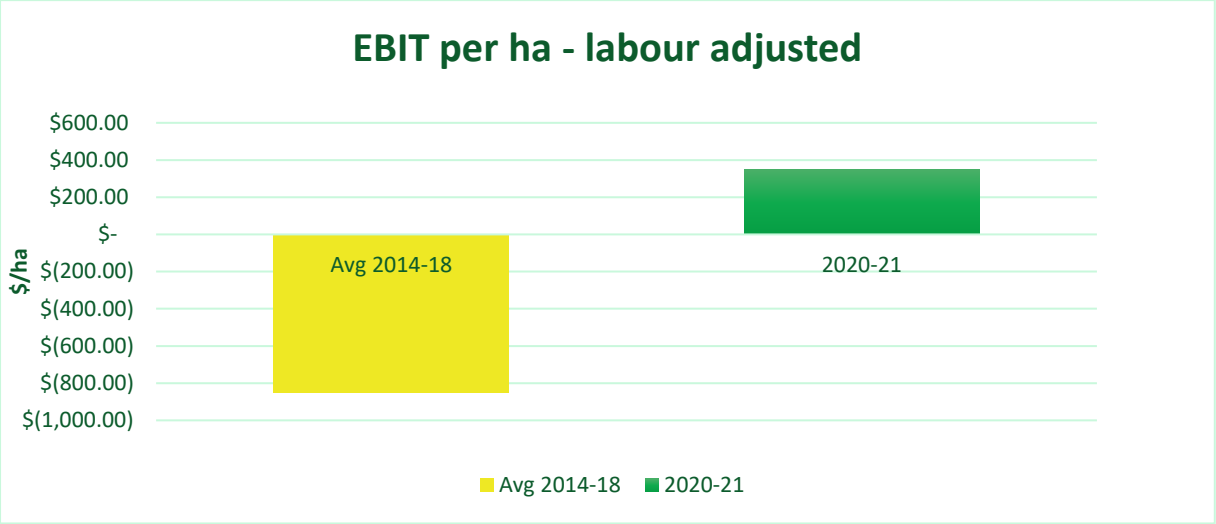

Figure 12: Earnings before interest and tax for Willowlee - the figures shown represent earnings per hectare after deducting an allowance for owner-operator labour. The cumulative earnings for the period 2014-18 are compared to the 2020-21 financial year.

Drivers of change

For the first four years of the study, the business was run with a strong management focus on regenerative production. However, this was not achieving a satisfactory level of profit as defined by the Gooden family.

Changes needed to be made.

The financial and business skills that have been developed from the RCS Grazing for Profit programs and support gained through membership of the 8 family's group have been important contributors to the changes evident in this report. These programs, along with Holistic Management training, developed the owner's capacity and confidence in the financial area of the regenerative business.

Applying the knowledge gained through these programs, and with the support of the 8 family's group, resulted in a renewed focus on both regenerative production and financial performance.

While changes made in the business are documented in other aspects of the case study some key changes that have improved the financial performance have included:

- Reviewing past enterprise profits
- Changing enterprises to higher profit enterprises (Cattle breeding and cattle stud)
- Reducing costs by substituting lower cost inputs (recovery based grazing management, animal impact and density) for higher cost purchased inputs.
- Being clear on defining a profit target and shaping the business to achieve this figure. Being bold in making changes.
- Investment into fencing, water and recovery based grazing planning.

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