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TASMANIA

31 July 2026

Balancing the system when integrating cropping and livestock

Simon Vogt
Pinion Advisory

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Topics we will cover

- Is mixed enterprise right for you?
- How do we go about doing mixed enterprise well?
- What really moves the needle in long-term agricultural wealth creation?

1. Is mixed enterprise right for you?

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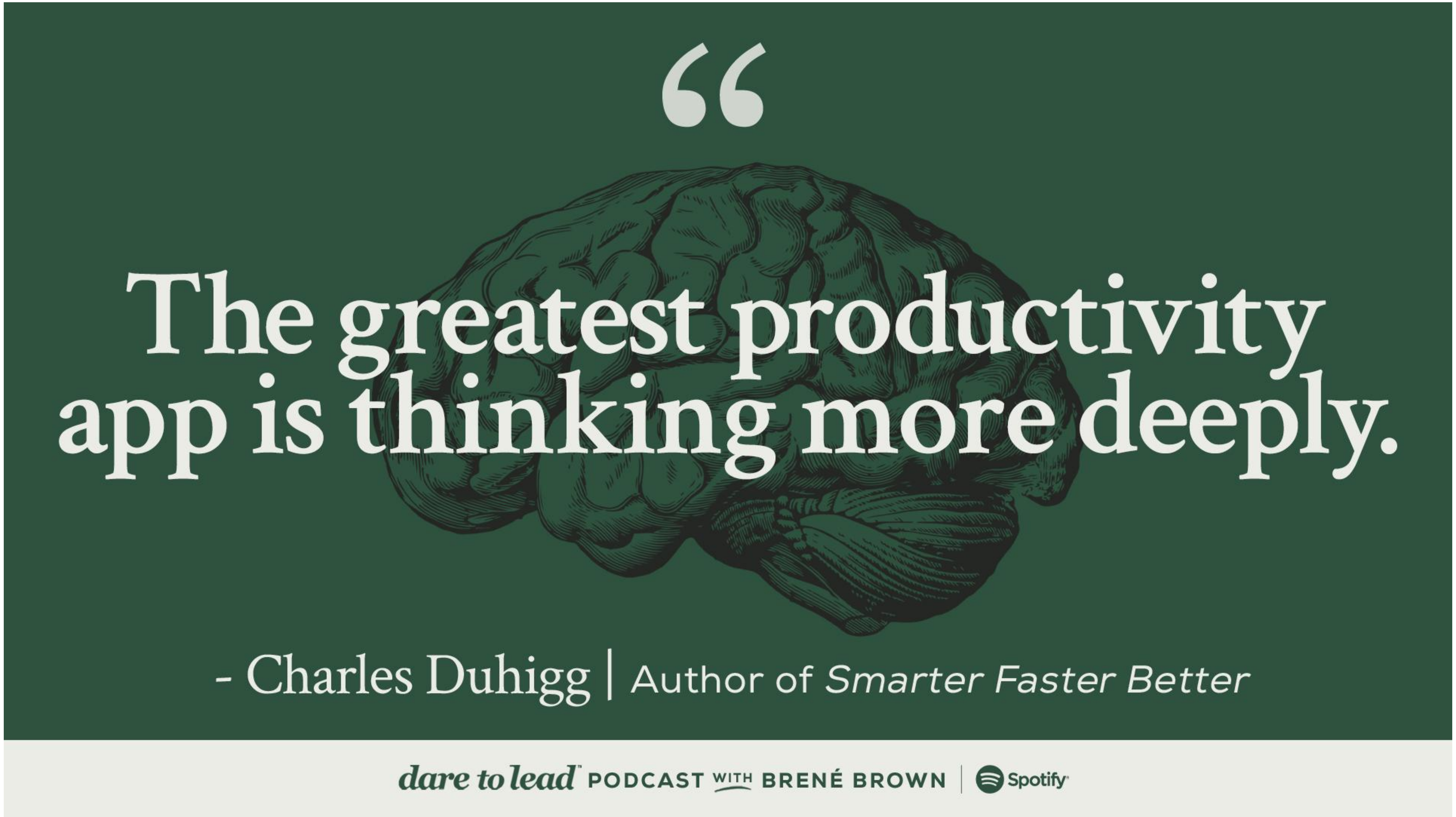

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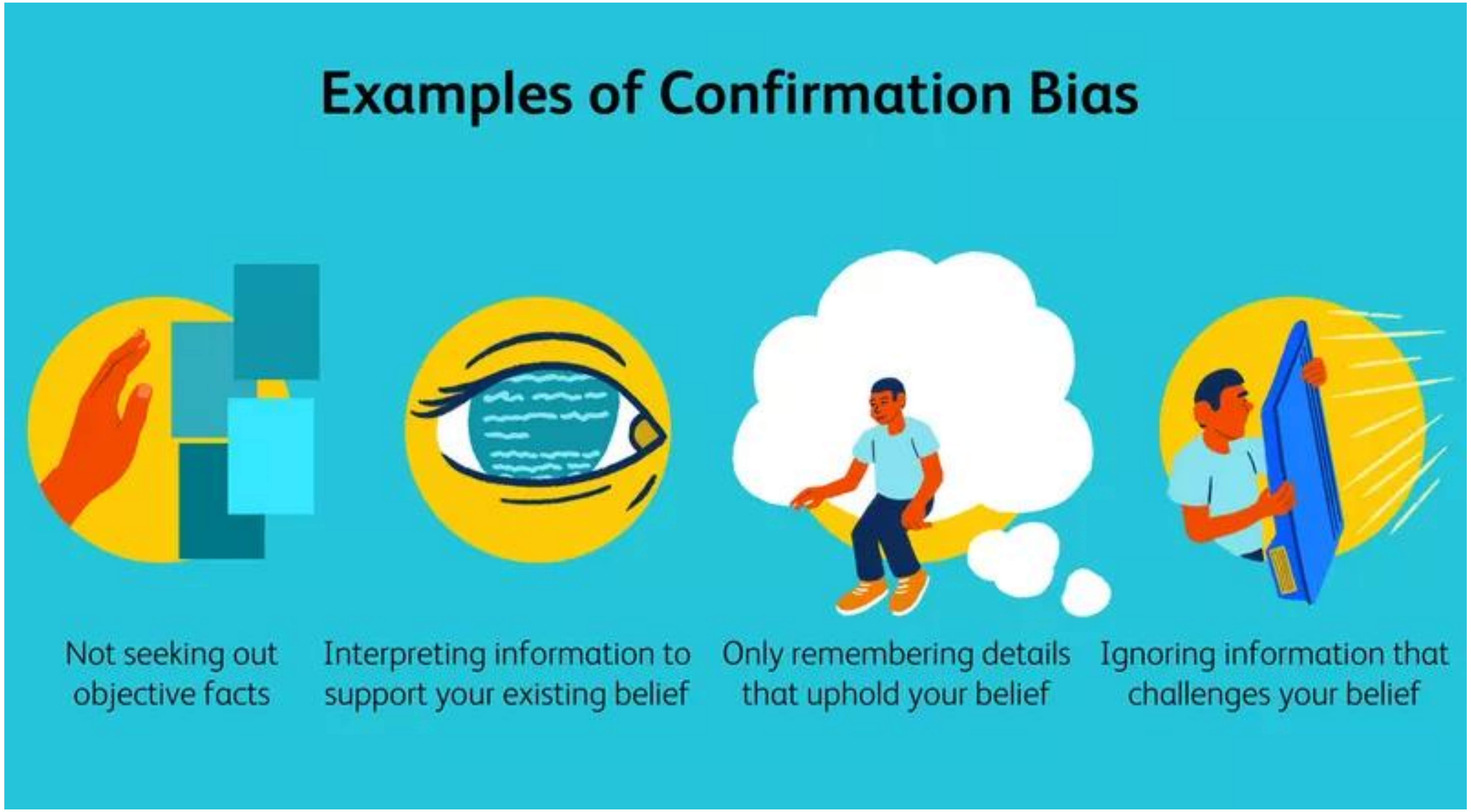
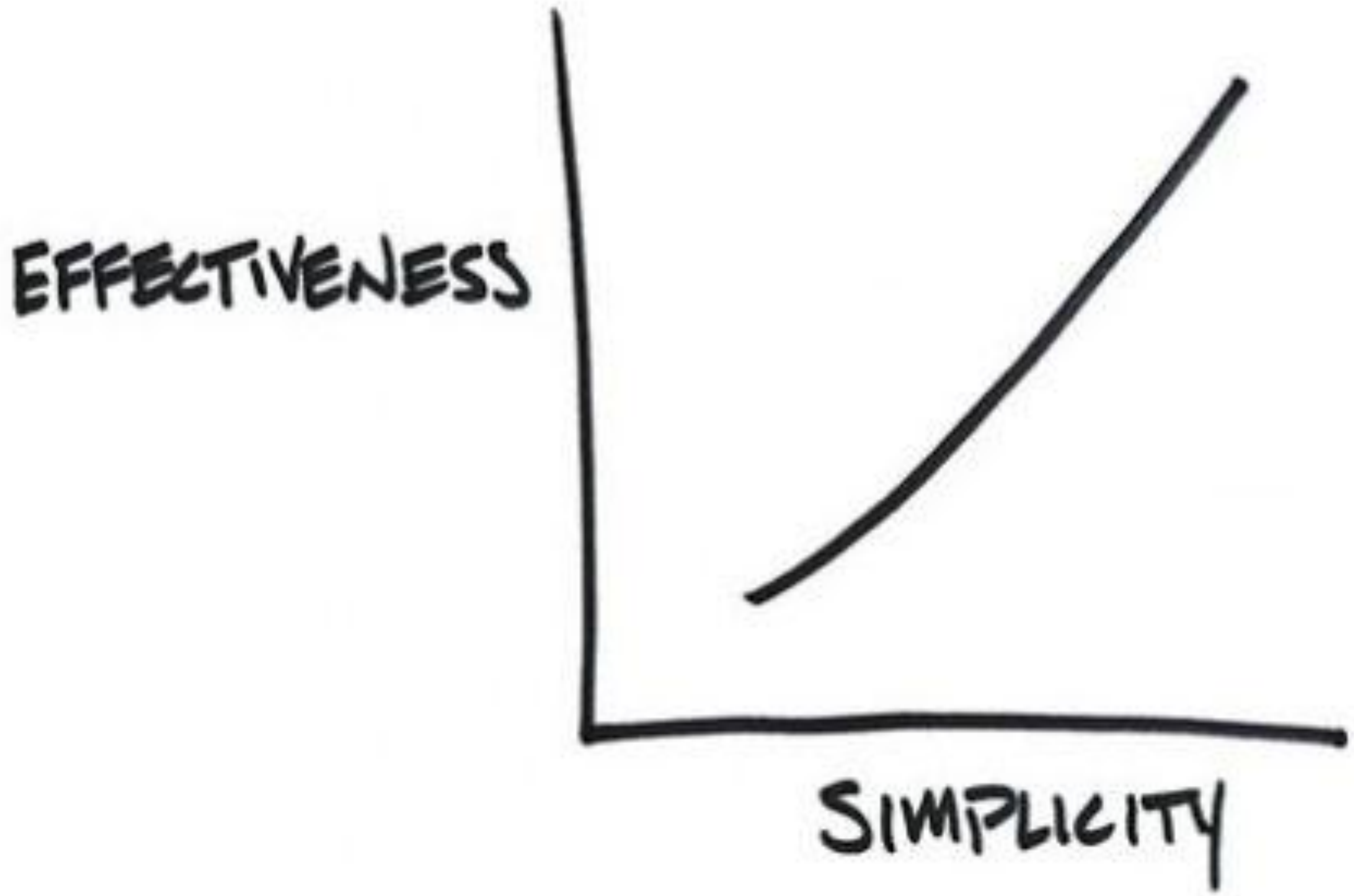
“There is nothing more wasteful than optimising a process that should never be done”

Peter Drucker

We are all influenced by bias… in many forms



The power of simplicity



“Complexity is the enemy of execution”

Tony Robbins

The pros and cons of mixed enterprise

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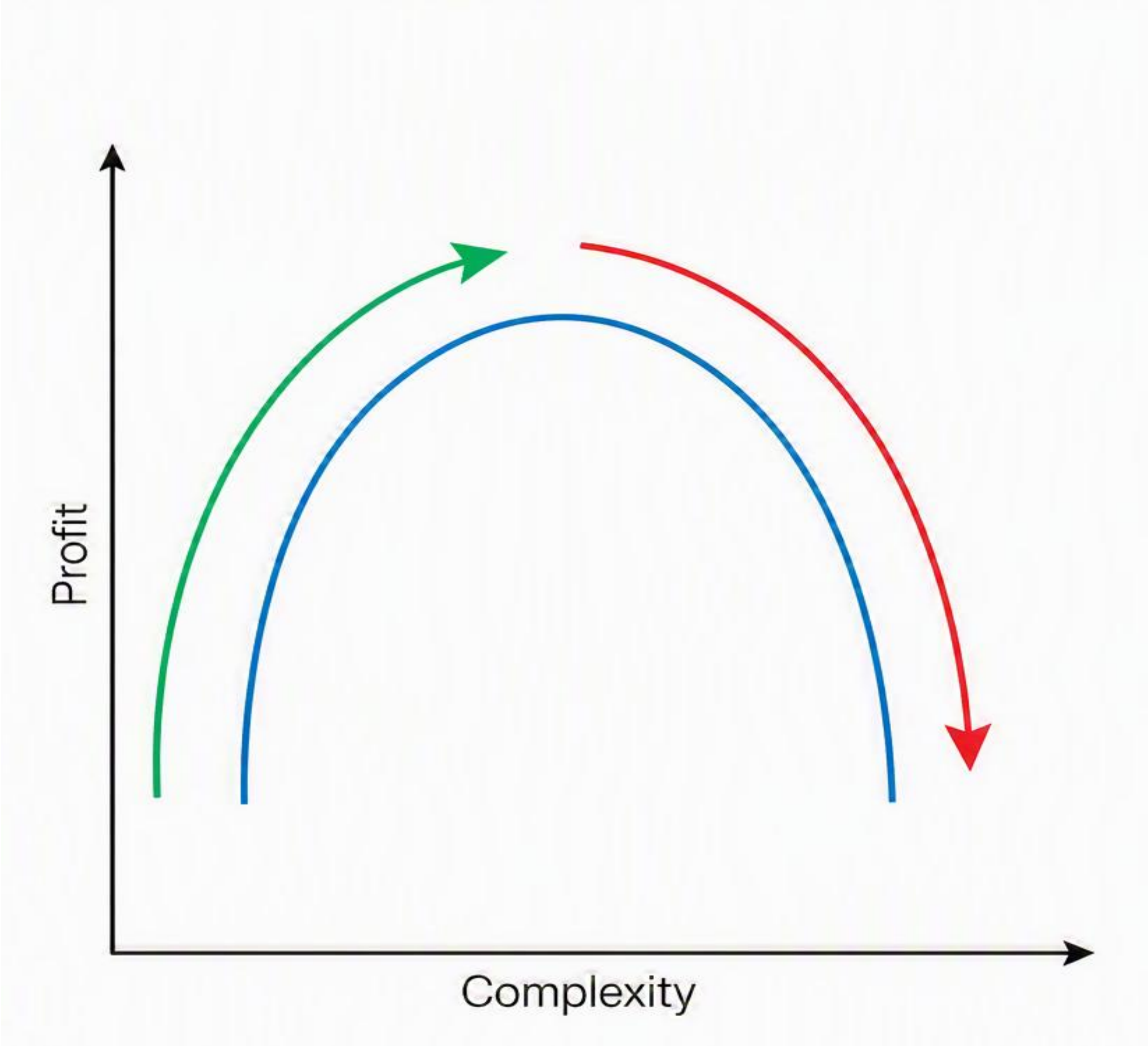
Pros

- Market diversification and potential price risk management
- Extracting additional value and return on assets through highest and best land use across all land classes
- Some enterprises are complimentary and can create 'win-win' synergies
- May smooth cash flow cycles throughout the year
- Can keep things interesting…

Cons

- Increased complexity
- Higher capital requirements and duplication of demand on capital
- Dilution of scale
- Enterprise conflict
- Diversion of management attention and risking a lack of focus
- Implementation risk…

The inverted U concept…



Make your business model as simple as possible…but no less simple!

Balancing agronomic rigour and operational efficiency

Agronomic rigour example

- Three crop types in the rotation was breaking down from a weed pressure, chemical effectiveness, and disease control perspective in a 450mm to 500mm environment
- Four crop types in the rotation increased agronomic rigour and resulted in better outcomes
- As an example:
  - Canola, Wheat, Barley OR Beans, Wheat, Barley
  - VS Beans, Canola, Wheat, Barley

A BIG picture take

- Valuing the merit of a four x crop type rotation
- But applying it differently across a two-year cycle
- A 500mm example:
  - Rather than 25% of each crop type each year…
  - Growing 50% Beans and 50% Wheat in one year and growing 50% Canola and 50% Barley the next…to create operational efficiencies within year…
  - Not for everyone…however it may have a fit for some. There are a number of considerations around plant backs, retained seed, marketing, within season production risk, and residue value

Understanding duplication of…or demand on…capital…

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1. Beef only enterprise

Understanding duplication of…or demand on…capital…

2. Beef and sheep enterprise



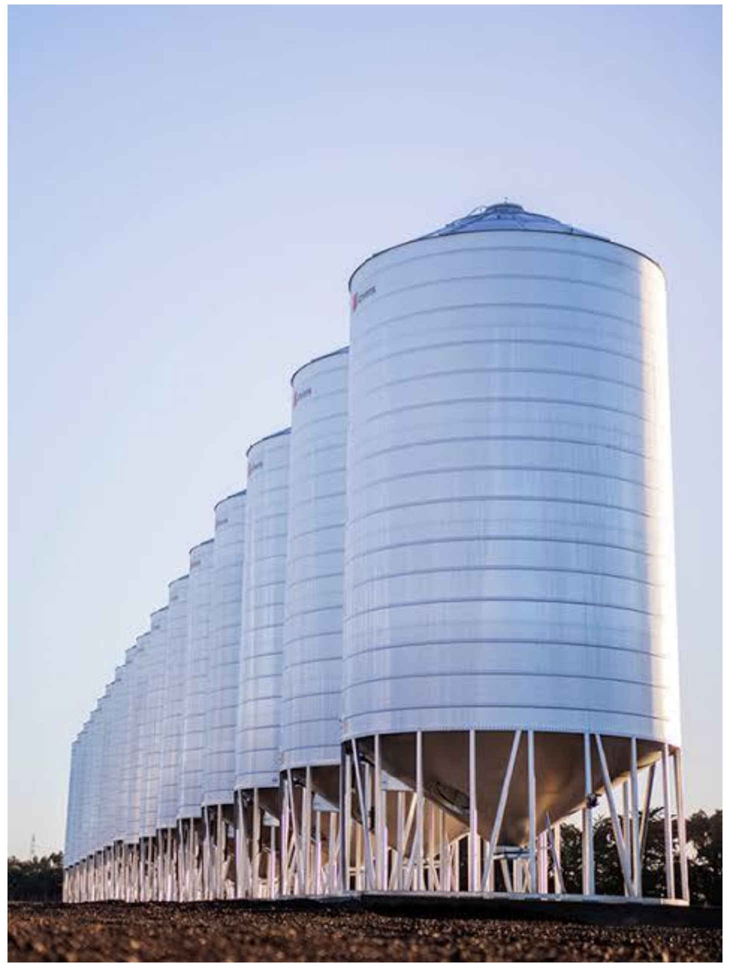



Understanding duplication of…or demand on…capital…

3. Beef, sheep and cropping enterprise














Economic assessment of mixed enterprise

Income less **variable costs** = **gross margin**

Gross margin less **overhead costs** and **imputed labour** = **EBITDA** profit

EBITDA less **depreciation** = **EBIT** profit

EBIT less **interest** and **land lease** costs = **net profit** before tax

Where do we need to assess profit if deciding if mixed enterprise is right for us and our resource base?

Where mixed enterprise has a strong natural fit…

- Owning a property or property aggregation that has a combination of:
  - **Highly productive** land classes suitable for high value crop types
  - Together with **less productive** land classes only suitable for grazing
- When there are **high value crop residues**…or other **natural synergies**…like pasture phases improving cropping performance…where additional value is created from having livestock in the system
- Where you have a **level of scale** that might allow you to run two or three core enterprises…without any of them being sub-scale…and each with their own **management structure** and **focus**
- When you require lots of stimulation in life to keep things interesting and energising!

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2. How do we go about doing mixed enterprise well?

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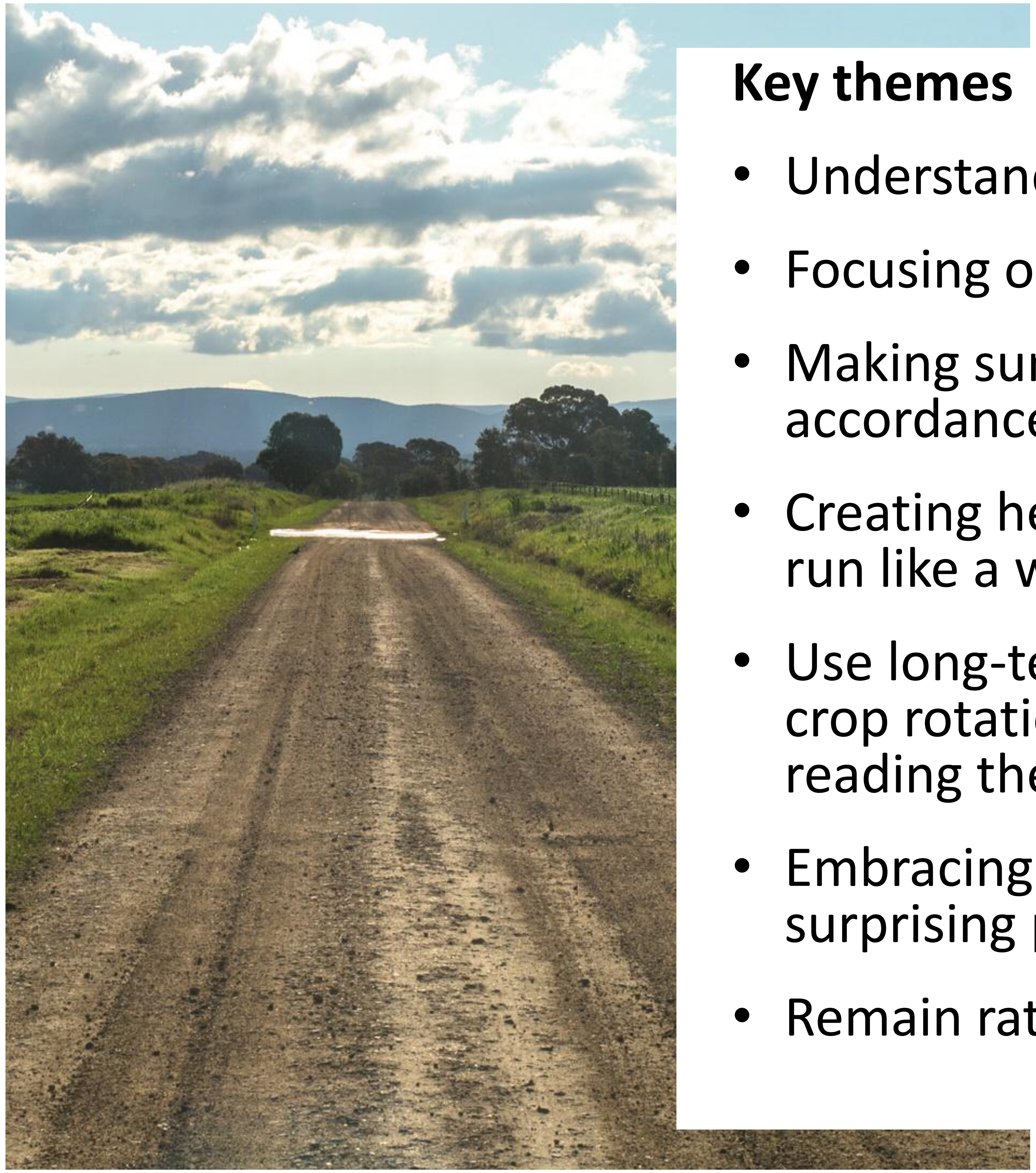
Doing mixed enterprise well



Key themes

- Understanding and avoiding the very real risk of enterprise conflict
- Focusing on the win : wins
- Making sure both or all enterprises are professionally managed in accordance with their unique needs…no second-class citizens!
- Creating healthy processes that allow integration between enterprises to run like a well-oiled machine
- Use long-term pricing rather than spot pricing when decision making on crop rotation or water use…anticipating the potential play vs over-reading the game?
- Embracing uncertainty and not over-reacting (I.e. the world is a surprising place!)
- Remain rational and objective…much more challenging than it sounds!

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Enterprise conflict… Is it real?

Optimise the win : wins

Win : Wins

- Finishing lambs on a cropping residue or by-product (e.g. faba bean or broad bean stubbles)
- Livestock increasing the performance of high value crops by increasing organic matter via shedded root mass in the pasture phase
- A livestock enterprise making productive use of off-spec grain, hay, or straw from the cropping enterprise
- Stubbles grazed by livestock having less mouse pressure and potentially being easier to sow as a result of reduced residue or straw load
- Creating some salvage value from a failed crop
- Legume pastures creating a source of natural N
- Livestock being part of an alternative rotation on high frost risk land classes

Win : Lose

- Compromising yield potential in the cropping enterprise through moisture loss, nutrient removal, or increased disease risk pressure from not controlling crop volunteers or summer weeds in an environment where plant available water is commonly the most significant yield constraint
- Poor operational timeliness in time critical events like seeding, weed control, crop nutrition, and harvest in the cropping enterprise or weaning, repro management, and grazing management in the livestock enterprise
- Owners and managers not getting an opportunity for effective recharge or sharpening the saw as a result of over loaded work plans year round

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A well-oiled machine…

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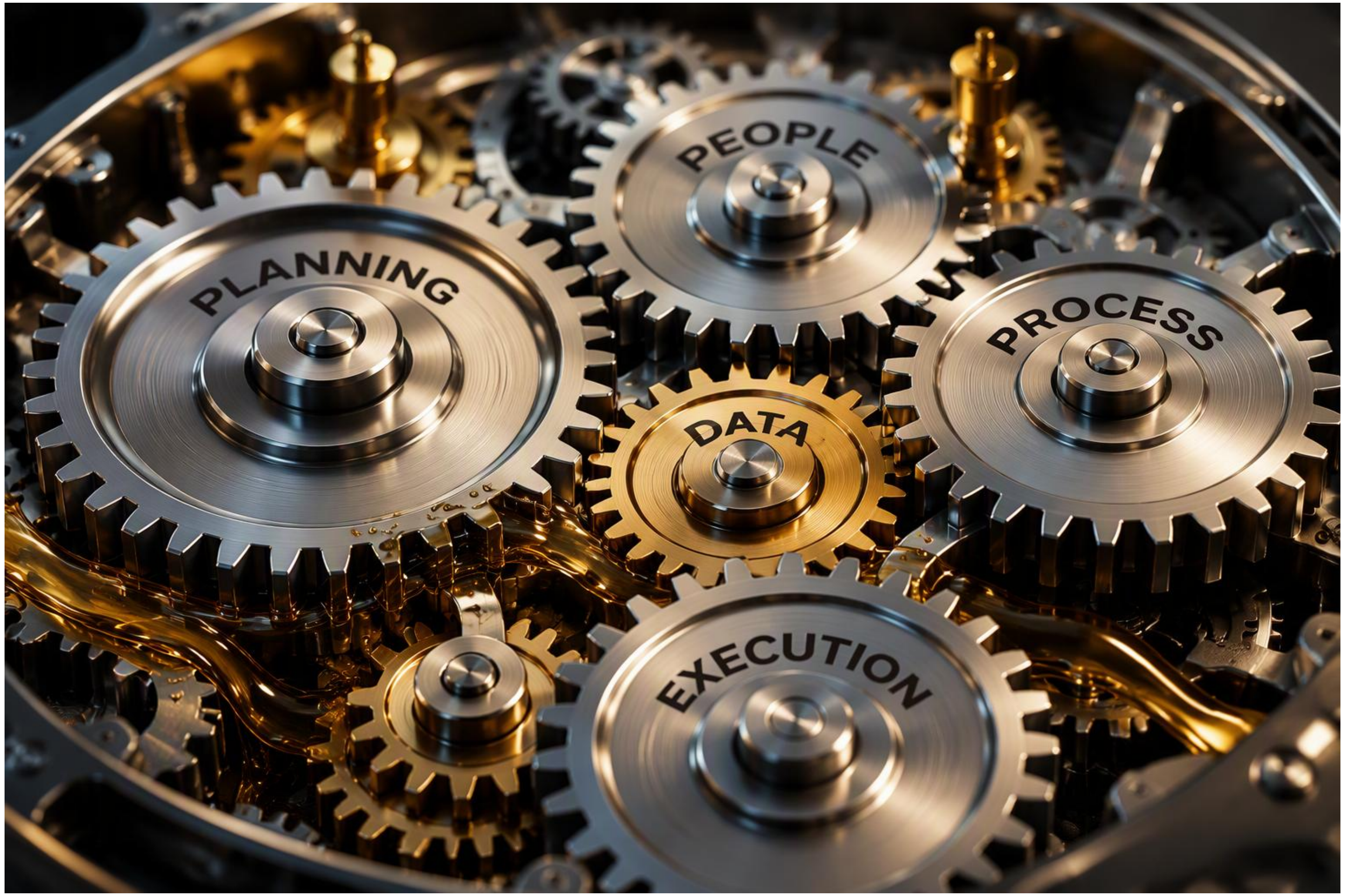

Avoid grinding the gears or breaking off teeth…

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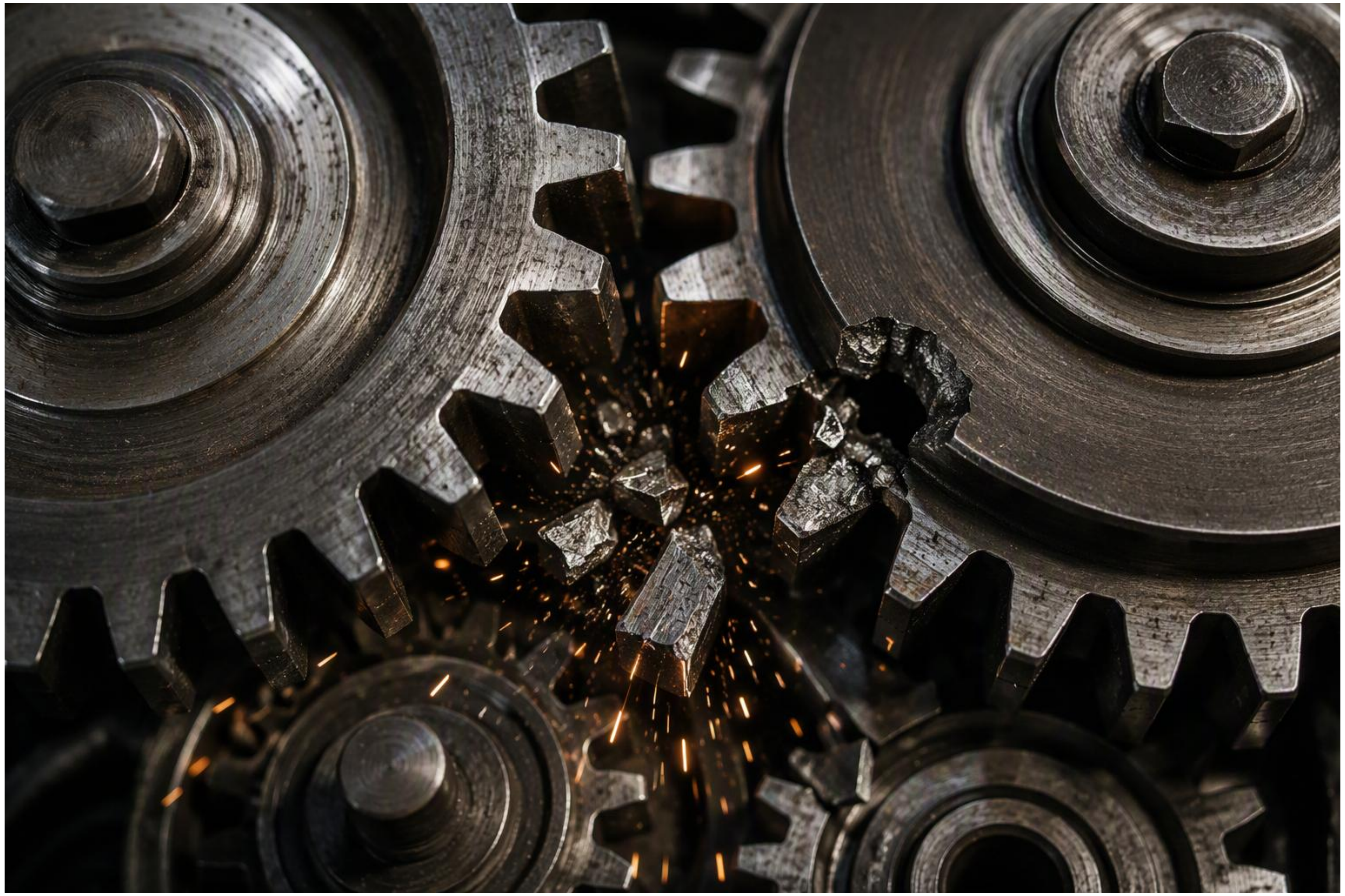

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Abundance mentality vs scarcity mentality

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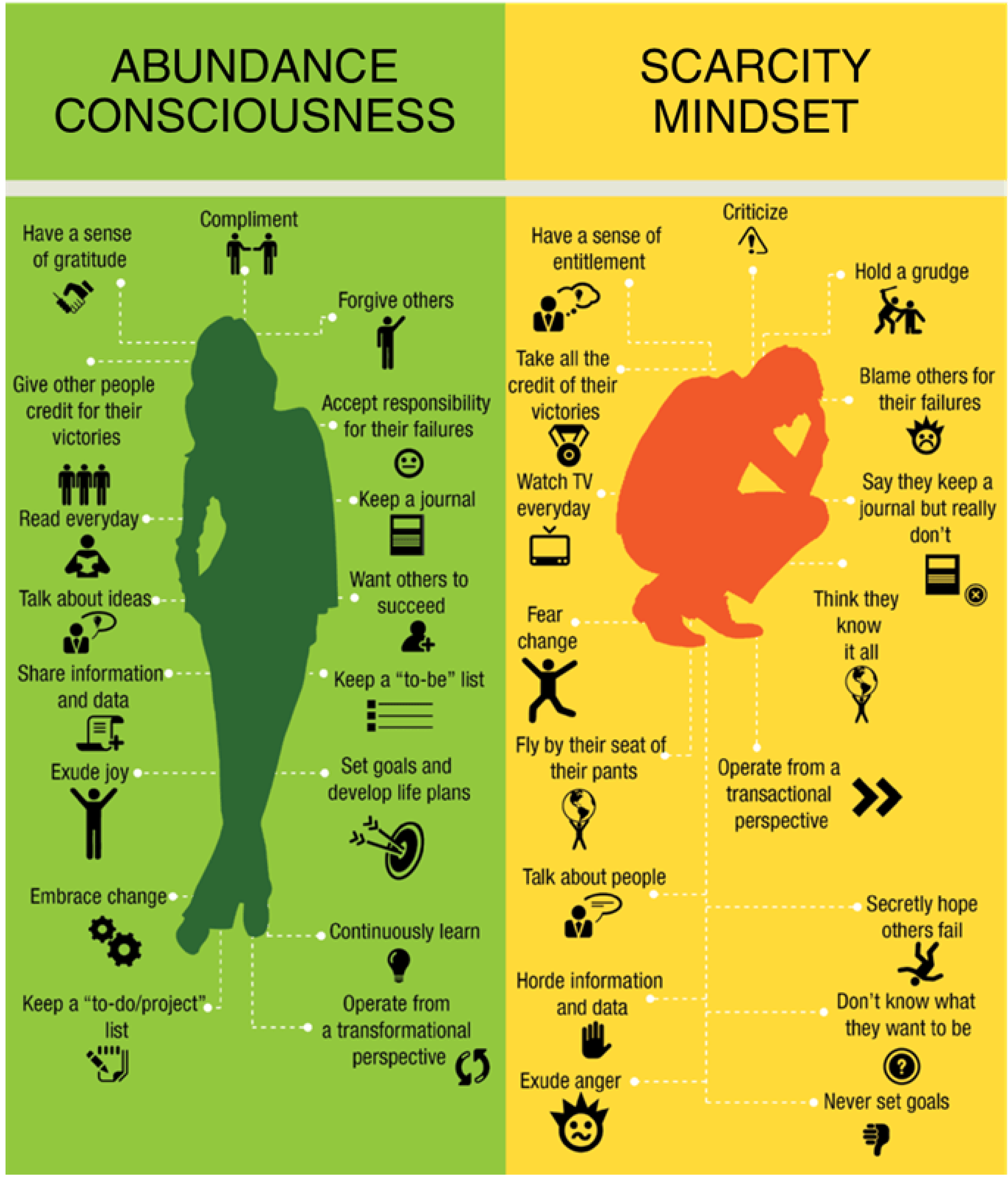

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Analysing enterprise mix

- Always use long-term, Decile 5 pricing and input costs when making big or major decisions around enterprise mix
- Avoid being too black and white
  - If we are being very absolute in our thinking…there is a high probability that we are in for a significant learning experience!
- Learn the skill of practically and accurately applying partial budgets
  - What new income is derived?
  - What income is foregone?
  - What new costs occur?
  - What costs no longer occur?
  - Benefit = New income received less foregone income plus new costs incurred less costs no longer incurred

Crop or enterprise choice

Income less **variable costs** = **gross margin**

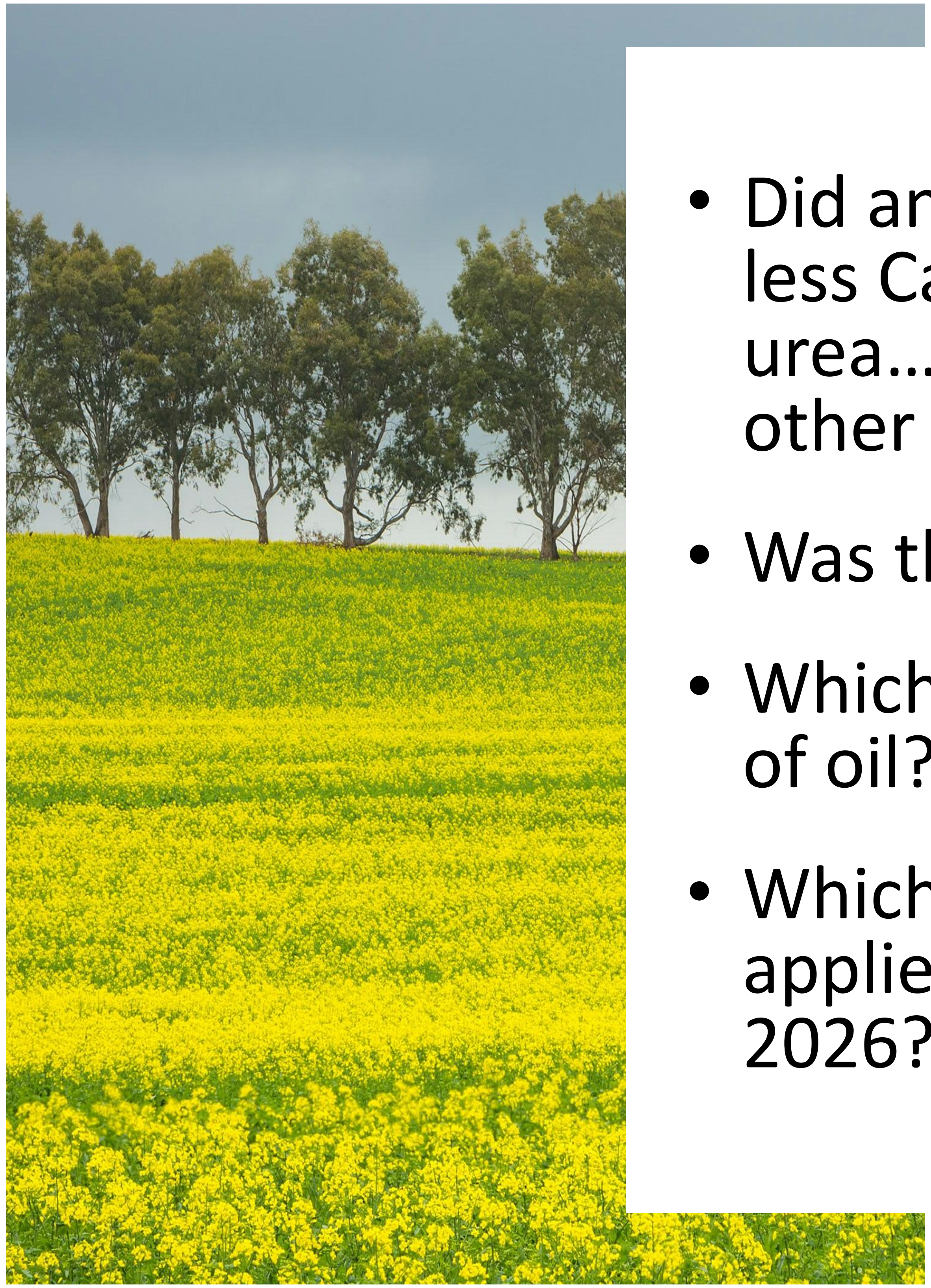
Gross margin less **overhead costs** and **imputed labour** = **EBITDA** profit

EBITDA less **depreciation** = **EBIT** profit

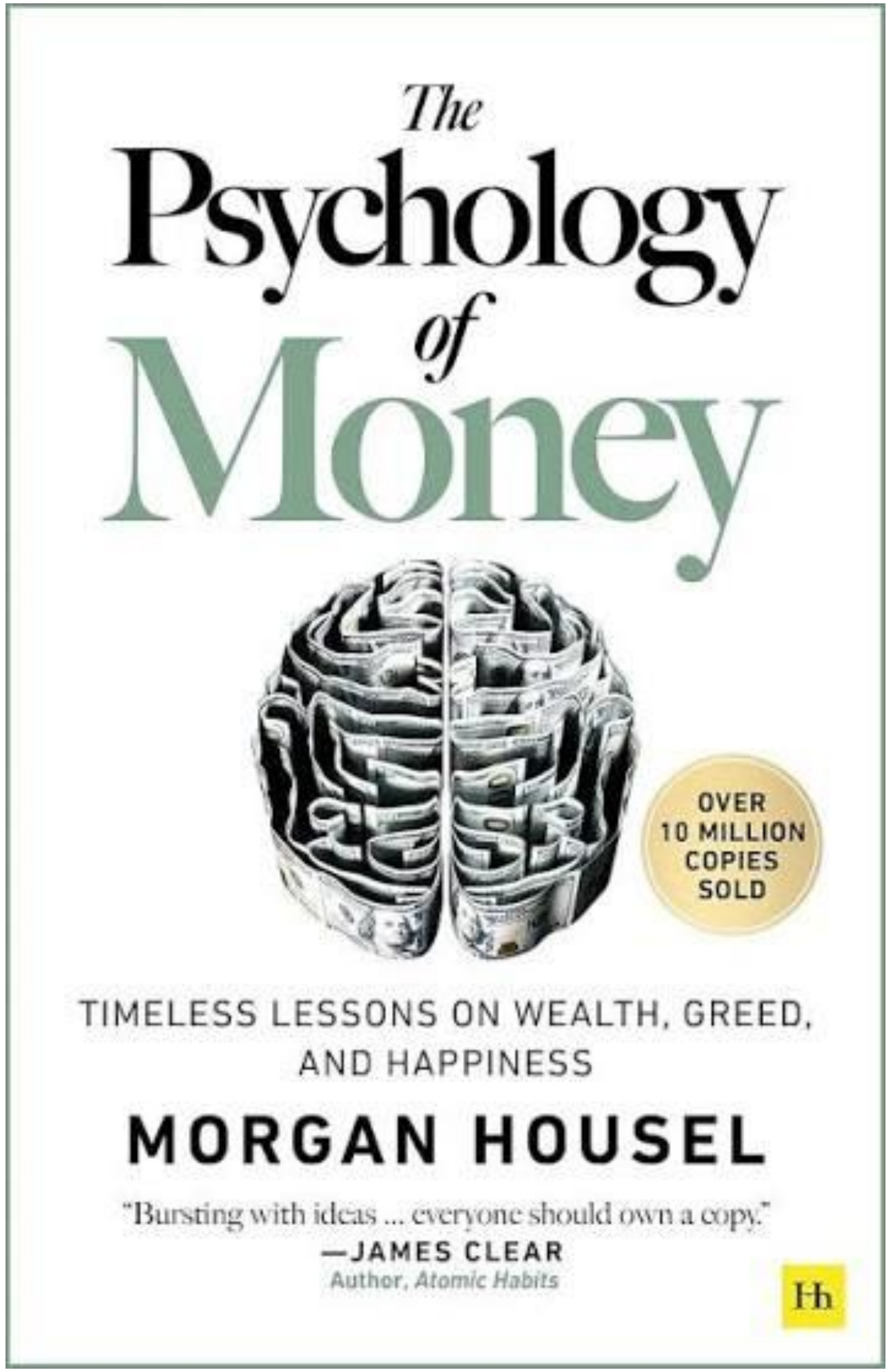
EBIT less **interest** and **land lease** costs = **net profit** before tax

Where do we need to assess profit if deciding on crop choice or how we might utilise available irrigation water?

Thinking rationally…



- Did anyone you know make an active choice in 2026 to grow less Canola in their rotation because of the high cost of urea…and Canola having a higher nitrogen requirement than other crops?
- Was this a truly rational choice?
- Which commodity is most positively correlated with the price of oil?
- Which crop type produced the highest Benefit Cost Ratio on applied nitrogen if running the numbers pre-seeding in March 2026?



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3. What really moves the needle in long term agricultural wealth creation?

In essence…only two things!

1 – A profitable business model

2 – A capacity and willingness to scale…and make your next debt funded land acquisition

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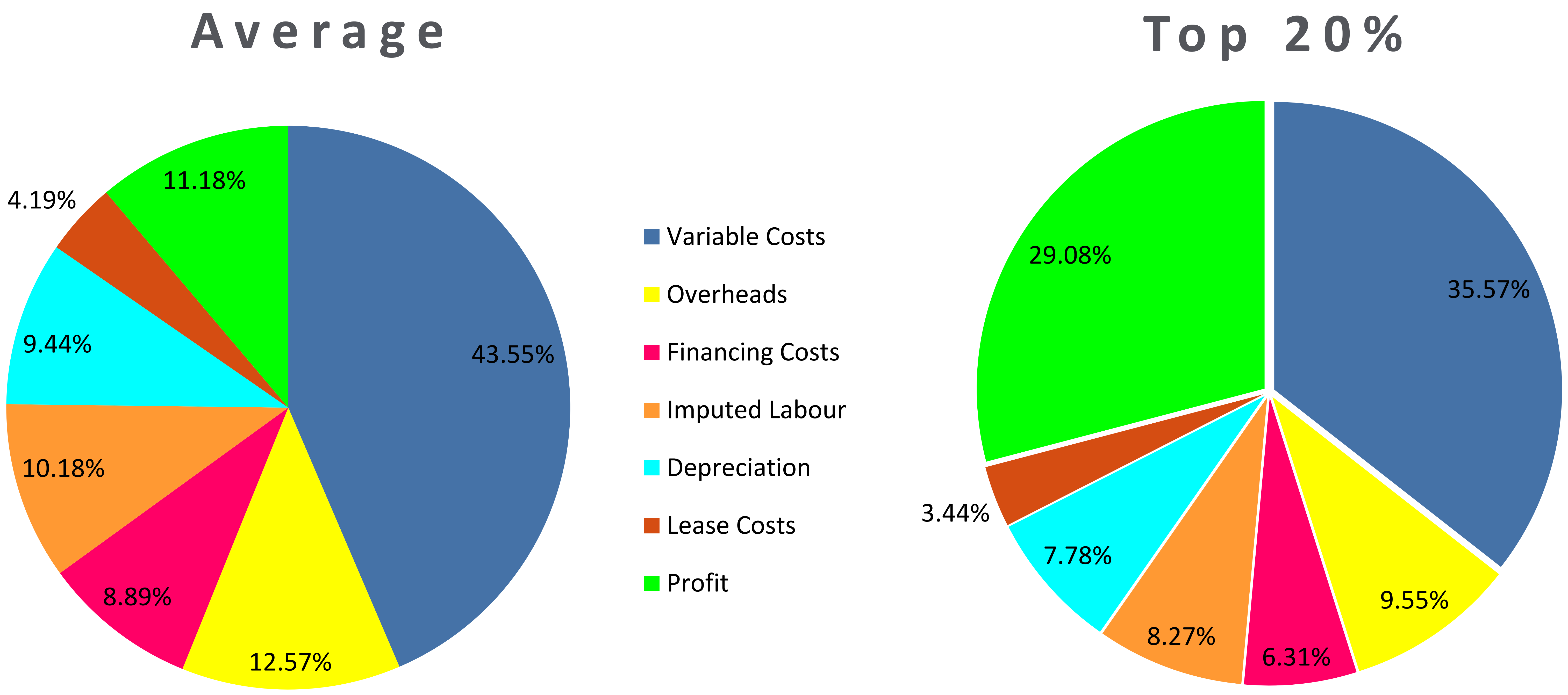
What does a profitable business model really look like?



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Profit framework

Income less **variable costs (35%)** = **gross margin (65%)**

Gross margin less **overhead costs** and **imputed labour** = **EBITDA** profit

EBITDA less **depreciation** = **EBIT (40%)** profit

EBIT less **interest** and **land lease** costs = **net profit (20% to 30%)** before tax

Retaining 40% of income as EBIT profit is a sign of a strong business

Total Business Return

=

Operating return

+

Capital appreciation

Year in Year out (YIYO) modelling

=

a.) Long term average yield

b.) Long term average price

c.) Defendable (and realistic) cost assumptions

d.) At full capacity of your current or forward business model

Summary of key principles

1. Mixed enterprise requires a **higher degree** of **implementation excellence**
2. **Simplicity** is a powerful principle
3. Be aware and understand the cost of **capital duplication** and **internal dilution** of scale
4. Become very familiar with **EBITDA**, **EBIT**, **NPAT**, and **YIYO** including what they all mean and when to apply them
5. Focus on the **win : wins**
6. Overcome and **eliminate enterprise conflict**
7. Use **long term pricing and thinking** when making big decisions

Summary of key principles

8. Invest in the planning and required resourcing to allow for the successful **integration of enterprises** (well oiled machine!)
9. **No second-class** citizens!
10. Develop that strong, **profitable business model**
11. **Think long-term** about driving **Total Business Return** and utilising cash flows from your strong, profitable business model to make the next debt funded land acquisition (in accordance with your own personal risk appetite)
12. Stay **rational**
13. Operate from an **abundance mentality** and have some **fun**!

ENVIRONMENT

WATER

FARM BUSINESS MANAGEMENT

COMMODITY RISK MANAGEMENT

AGRICULTURAL PRODUCTION & ADOPTION

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Thank you

Simon Vogt
Pinion Advisory
svogt@pinionadvisory.com

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