

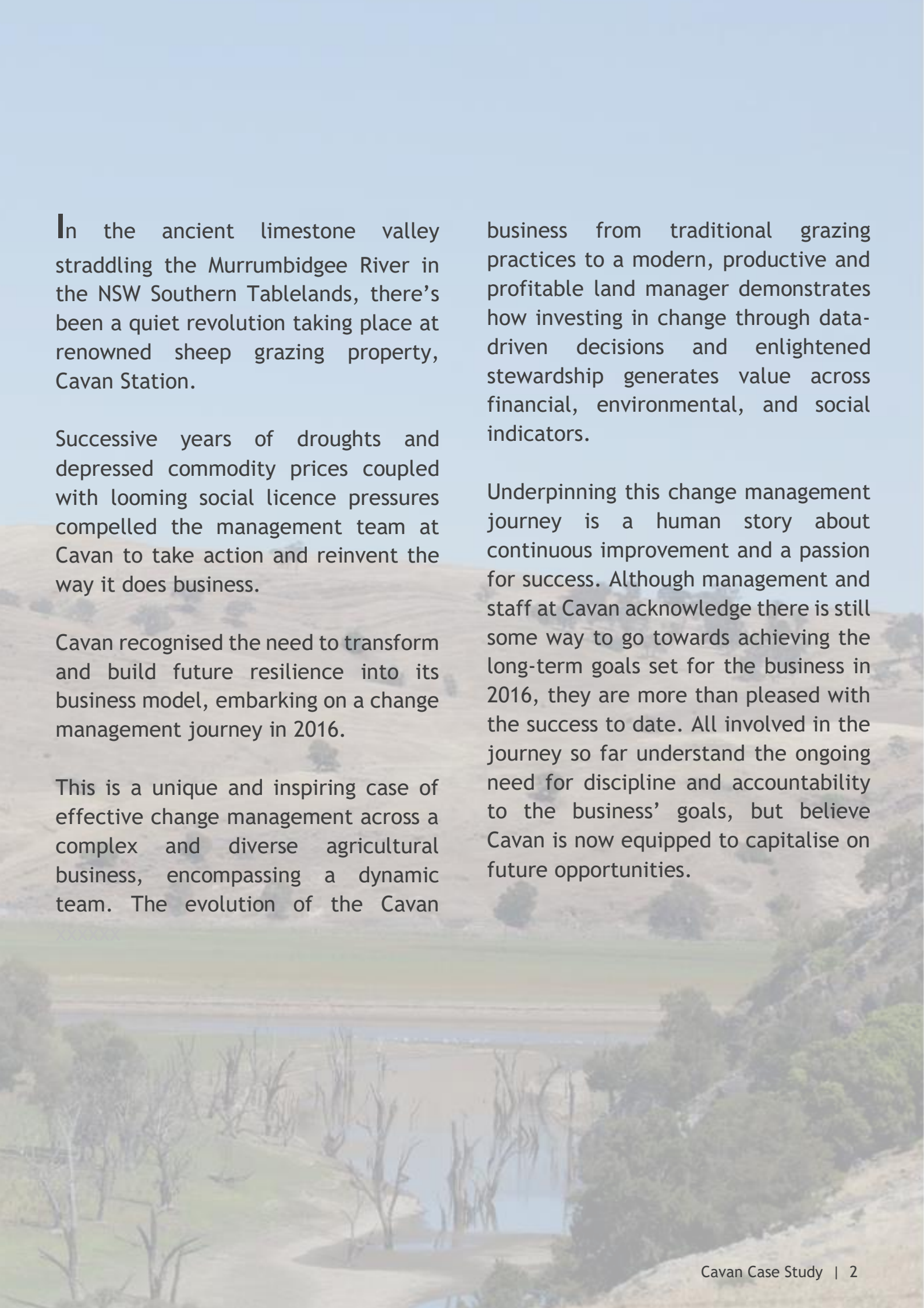
# Cavan Station

Rebuilding a profitable resilient business



Prepared for Cavan Station by Impact Ag Partners

*The need to build adaptability and resilience into an iconic Merino enterprise has taken a traditional, large-scale business on a successful change management journey, building economic, social, and ecological capital through ‘enlightened stewardship’ and a major rethink on how the business manages its land.*



In the ancient limestone valley straddling the Murrumbidgee River in the NSW Southern Tablelands, there's been a quiet revolution taking place at renowned sheep grazing property, Cavan Station.

Successive years of droughts and depressed commodity prices coupled with looming social licence pressures compelled the management team at Cavan to take action and reinvent the way it does business.

Cavan recognised the need to transform and build future resilience into its business model, embarking on a change management journey in 2016.

This is a unique and inspiring case of effective change management across a complex and diverse agricultural business, encompassing a dynamic team. The evolution of the Cavan

business from traditional grazing practices to a modern, productive and profitable land manager demonstrates how investing in change through data-driven decisions and enlightened stewardship generates value across financial, environmental, and social indicators.

Underpinning this change management journey is a human story about continuous improvement and a passion for success. Although management and staff at Cavan acknowledge there is still some way to go towards achieving the long-term goals set for the business in 2016, they are more than pleased with the success to date. All involved in the journey so far understand the ongoing need for discipline and accountability to the business' goals, but believe Cavan is now equipped to capitalise on future opportunities.

*Cavan has undergone a major business transformation and were able to track the company's performance through targeted data collection, analysis and reporting.*

*Team, or workforce engagement combined with social, environmental, and economic targets have helped shape a new direction to take the Cavan business forward for many more generations.*



**\$172k**

EBIT/100mm average  
between 2015-2019



**4.3/5**

Team engagement  
Score in 2020



**0.16%**

Increase in soil organic  
carbon between 2015-2019

*The most recent drought experience has highlighted how Cavan can still be profitable and productive, while generating positive ecological outcomes even through the dry years.*

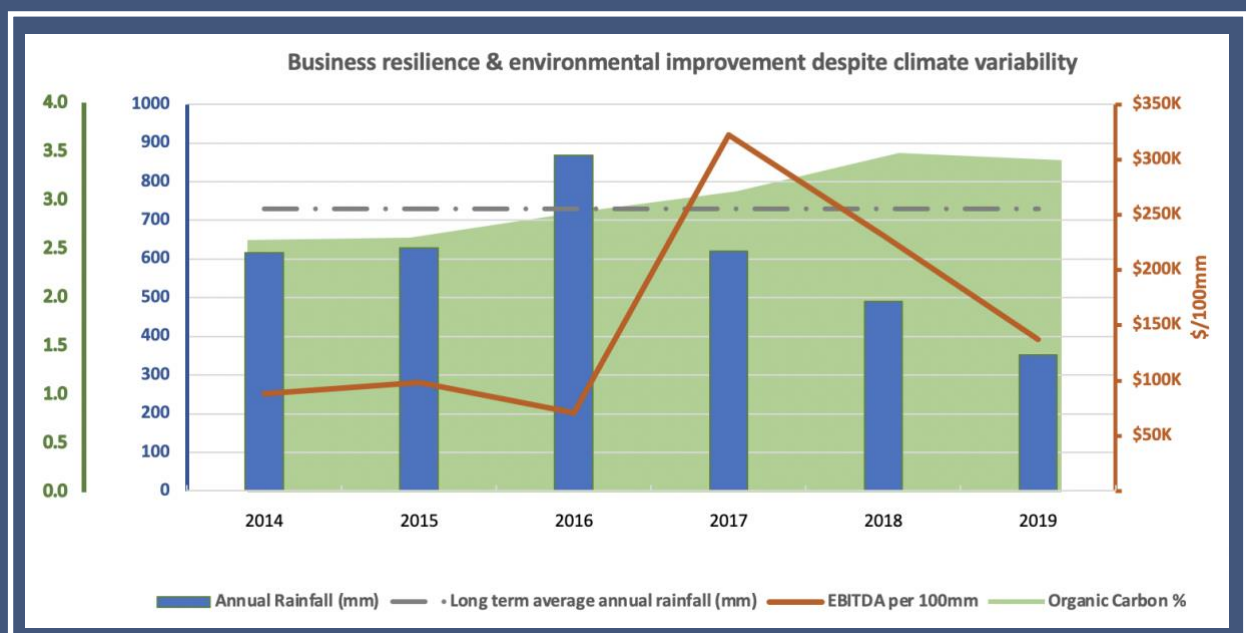


Figure 1: Cavan has increased business resilience during a period of climatic variability through building ecological capital.

# Cavan Vision

*To build economic, social & ecological capital through enlightened stewardship*



## **Landscape**

Resilient ecosystem,  
responsive to pro-active  
management



## **Business**

Well managed,  
maintained and  
disciplined



## **Livestock**

Highest animal  
welfare standards



## **Owners**

Take pride and  
interest in their  
connection



## **Community**

Demonstrate the  
benefits of regenerative  
practices



## **Staff**

Proud to work for a  
business which  
respects them

## CAVAN STATION

Cavan Station is a 9,900 hectare aggregation of properties divided by the Murrumbidgee River at Yass, on the NSW Southern Tablelands in Australia. The Cavan business has been a major player within Australian agriculture and its wool industry.

Cavan Station is focused on the production of the highest-quality Merino sheep and sells wool, lamb, and mutton along with Angus cattle. Cavan is also home to Bogo Merino Stud producing premium Merino and Poll Merino genetics. With a workforce of nine full-time employees, the Cavan aggregation operates across a diverse range of landscapes including limestone rocky outcrops, undulating slopes and steep native-vegetated hills.

## CATALYST FOR CHANGE

During the 2005-07 drought which plagued the east coast of Australia, the Cavan business - like many grazing enterprises in the region - suffered from the combination of poor livestock prices and high grain prices on top of the prolonged unfavourable seasonal conditions.

This time of hardship prompted major conversations about the need for change, with Cavan's management and the owners agreeing a shake-up of its operational focus was urgently required for the business to prosper into the future.

Not only had the business borne significant financial stress during this period, but the effect of conventional management on the property's environmental resources was evident.

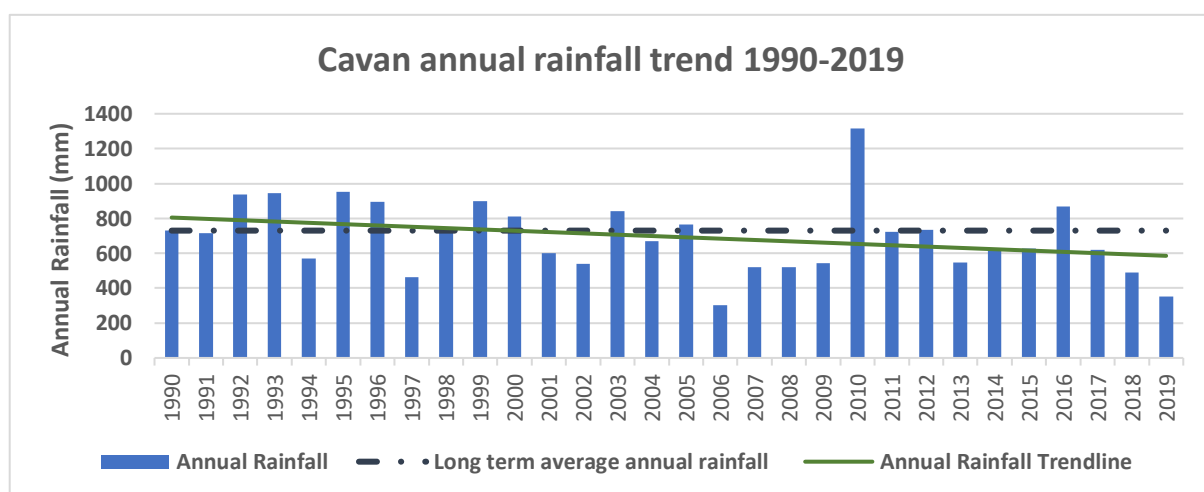


Figure 2: Long-term data collected at Cavan Station indicates a decreasing annual rainfall trend



*To be successful in  
executing change  
management and achieving  
Cavan's new vision,  
Cavan's business  
operations needed to align  
with its new business  
strategy.*



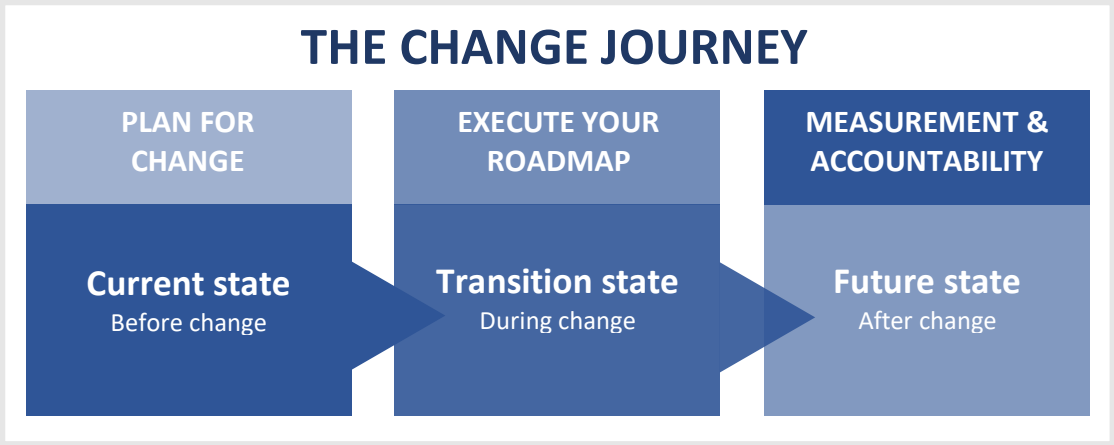


The land was showing signs of degradation, lack of ground cover and poor productivity and there was not a clear plan for drought management or proactive measures to address future droughts.

Cavan’s management team came together and tailored a vision for the future of the business. A clear direction was mapped for Cavan to succeed - an asset the owners could be proud of, and a trading enterprise demonstrating long-term profitability defined by environmental and social stewardship.

Combatting climatic variability and restoring the landscape were central to this strategy with land restoration underpinning their intentions. The business invested heavily in education and learning to help it approach agriculture differently.

To ensure they would be successful in implementing changes across business functions, Cavan management implemented a clear roadmap for change, which enabled the Cavan team to effectively plan how to transition the business in order for it to be a modern, adaptive, resilient and profitable agricultural enterprise.



To be successful in executing change management and achieving Cavan's new vision, Cavan's business operations needed to align with its new business strategy.

The Cavan workforce was led through the process by farm manager, Matt Crozier, who was instrumental in articulating why change was required and how it would be achieved. Over time Matt listened and addressed the team's concerns and was fundamental in the execution of all on-farm changes-ever-mindful that maintaining the commitment of staff was key to the transition's success.

Measuring business performance to demonstrate progress towards the business' goals was also crucial to the change management process. In this aspect, Cavan has maintained precision through internal data collection, measuring and tracking business performance.

Based on team engagement survey results from 2020, the Cavan workforce has evolved through the change journey into a collaborative and committed group, fully aligned with management direction. Staff reported they felt respected and valued within their roles, were provided with suitable resources to undertake their daily duties, as well as opportunities to grow personally and professionally.

# CORE FOCUS FOR CHANGE

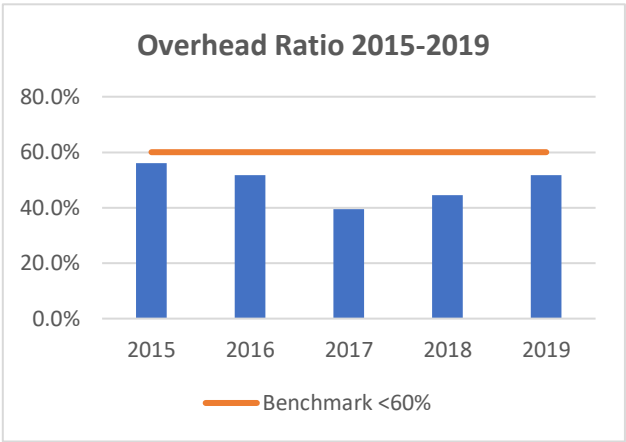
Building a resilient and adaptive business to withstand future climatic, environmental, social and economic challenges was the core focus for Cavan’s investment in change.

An awareness of the relationship between financial performance, landscape performance and productivity is now a fundamental factor driving the business. There is a distinct understanding at Cavan that management decisions directly impact the bottom-line results and that unfavourable seasonal conditions need not be a sentence for failure.

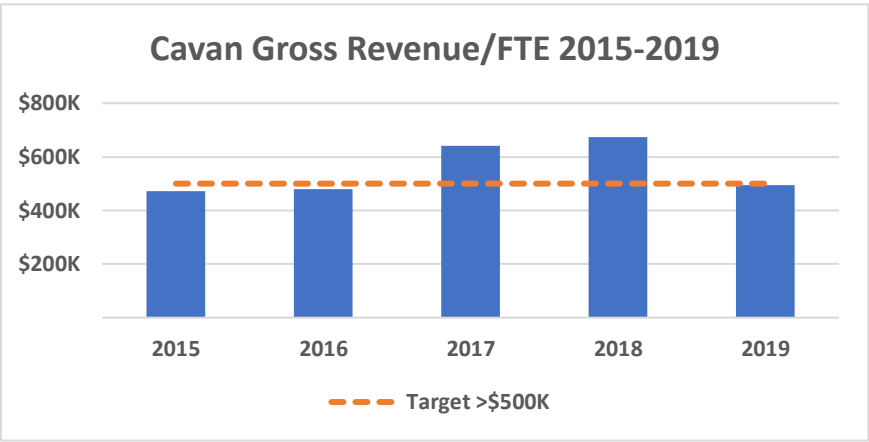
The business focus has shifted significantly from livestock production to grass production. This shift has enabled productivity and profitability improvements in recent years despite significantly challenging seasonal conditions which have, once again, plagued Australian agriculture.

Cavan achieved this through managing its costs - maintaining an overhead ratio below 60 per cent despite preserving a large workforce and continuing to manage a diverse and complex business.

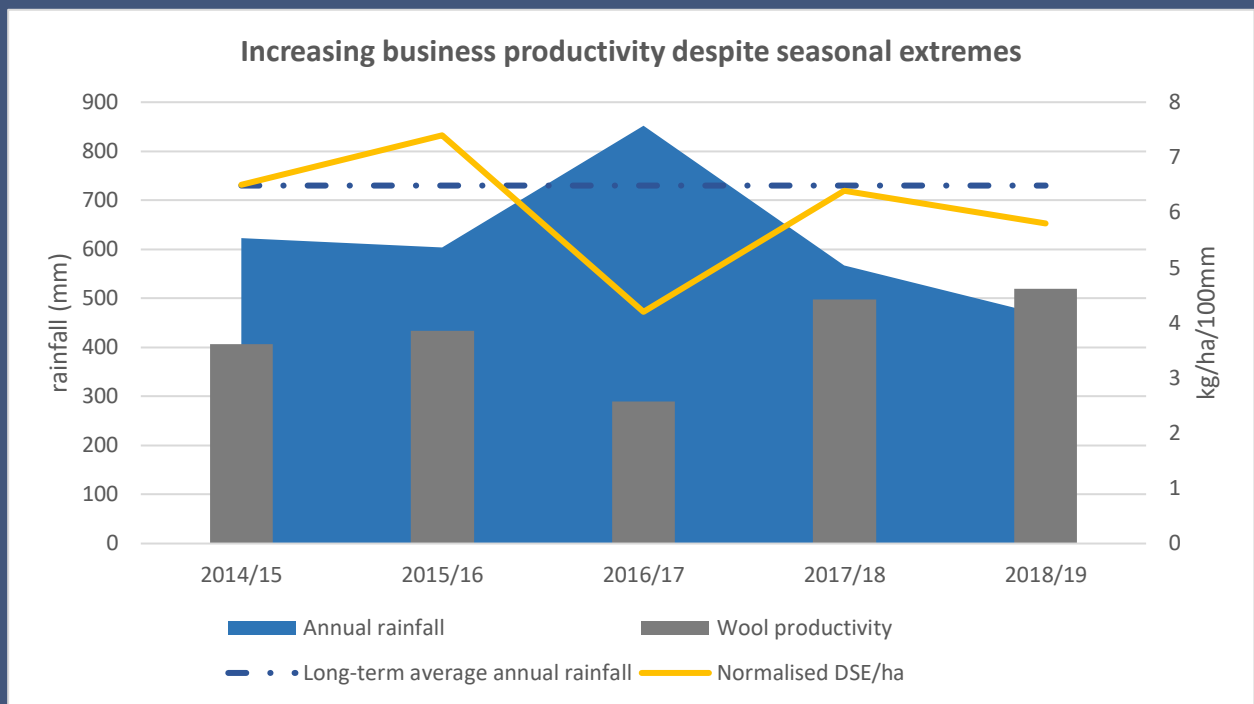
Achieving consistent returns across market segments, focusing on compliance, and building business resilience has enabled Cavan to consistently remain profitable.



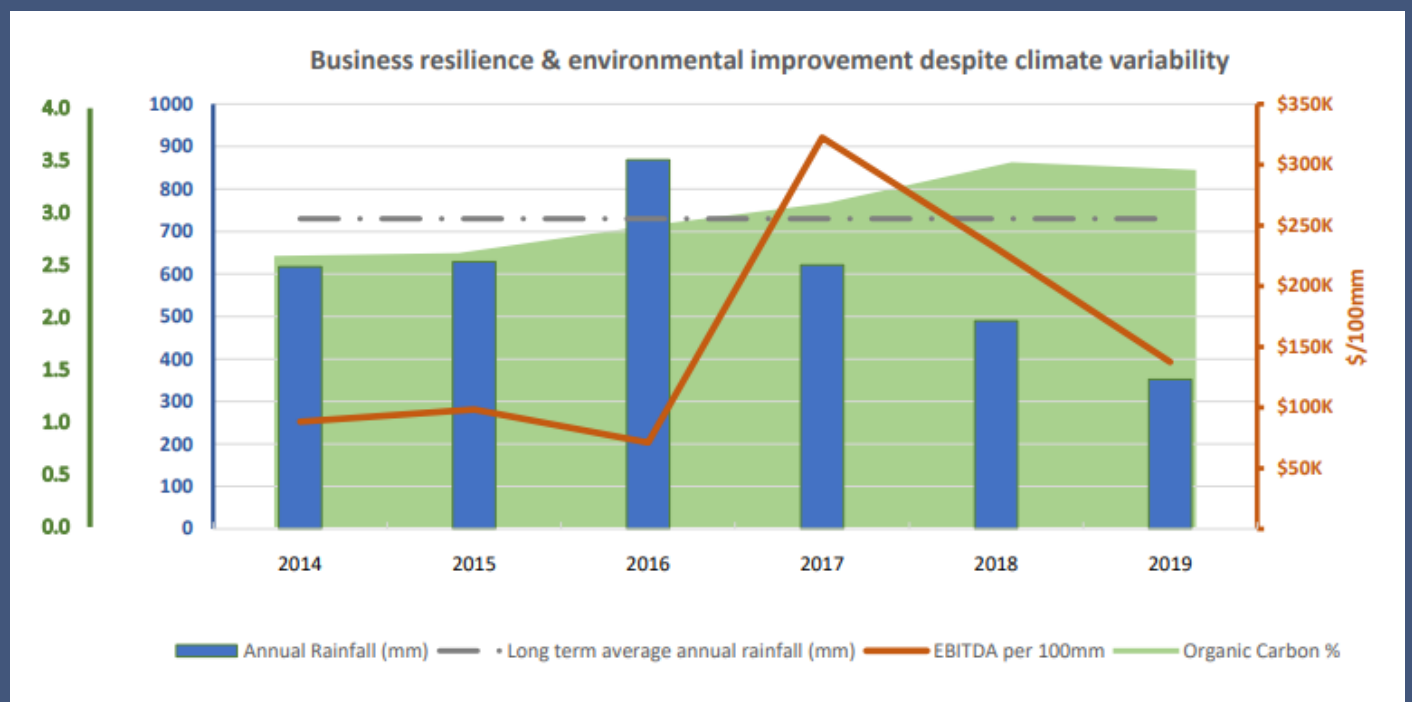
**Figure 3:** Over the past 5 years, Cavan’s overhead ratio has remained below their benchmark of <60%.



**Figure 4:** Over the past 5 years, Cavan has achieved or been close to achieving their gross revenue/FTE target of >\$500k.



**Figure 5:** Wool productivity improvement at Cavan is the direct result of management transition despite experiencing despite seasonal conditions



**Figure 6:** Cavan has increased business resilience during a period of climatic variability through building ecological capital.

Figure 5 and Figure 6 indicate the increased resilience of Cavan since the initiated change, with the business remaining profitable despite significantly reduced rainfall in the past three years.

Cavan has also managed to build ecological capital during this seasonally tough period, with a steady upward trend in organic carbon levels, reaching an average of 3.4 per cent in 2019. The ecological capital built by Cavan during the change process is the direct result of management transition, by focusing on the landscape and the management of grazing systems, improvement in not only landscape productivity but also livestock productivity enhancement.

This productivity is captured from Cavan's wool production in kg/ha/100mm improvement, even in the face of seasonal extremes.

Investment in grazing management and subdivision infrastructure have made these improvements possible. Grass yield increased by 68 per cent across the aggregation from an average 220kg/ha/100mm to 369kg/ha/100mm.

Cavan's data demonstrates that agricultural businesses can still be profitable irrespective of rainfall trends and highlights the financial benefits when managed for increased business resilience.





## A NEW APPROACH TO GRAZING MANAGEMENT

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Fundamental to change was a new approach to grazing management at Cavan. The targets for grazing management included matching stocking rate to carrying capacity, maintaining groundcover, implementing rotational grazing, increasing productivity of pastures, improving the responsiveness of the landscape and creating a united approach to feed budgeting. To achieve these targets, Cavan's management made the decision to invest in MaiaGrazing technology - a grazing management software tool that supports the decision-making process and enables farmers to make confident decisions in the good and bad years.

The adoption of MaiaGrazing technology by the team at Cavan was not a straight-forward process. Cavan was among the early adopters of this particular software and introduced the tool to the business in its early stages of development. Cavan management and staff were involved in major trial work which fed into the program's overall development, with trial feedback crucial in final-stage enhancements to this successful program.

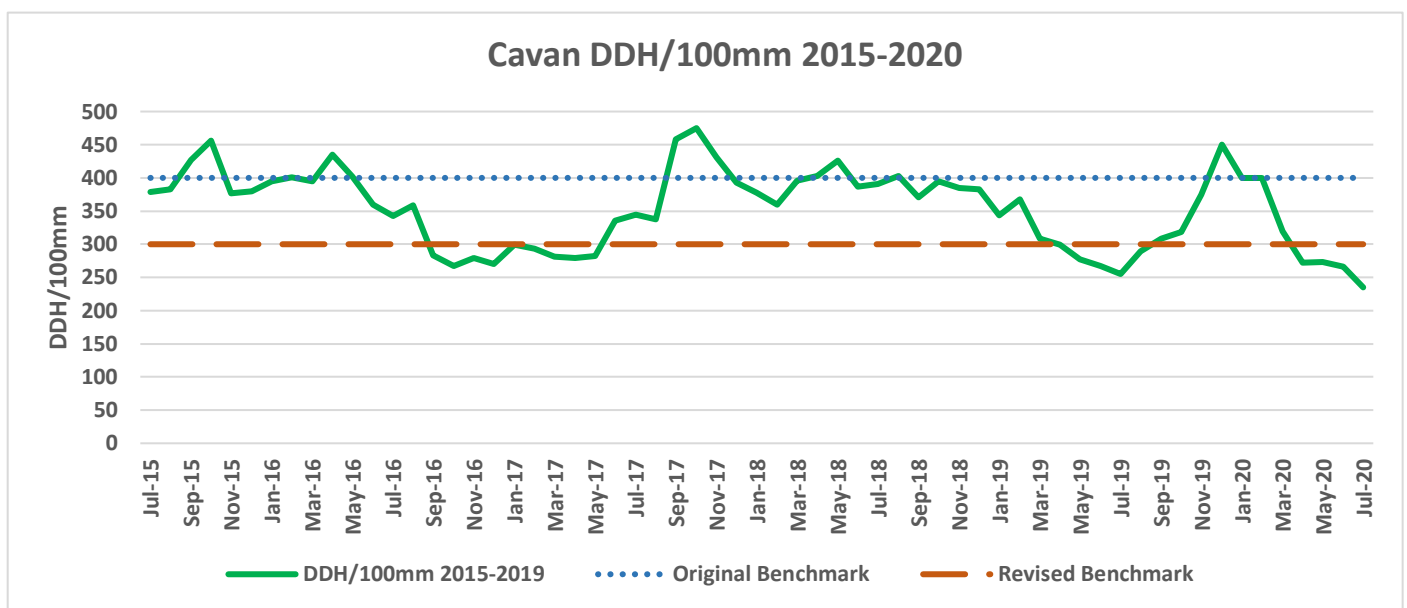
While staff admit they were hesitant about adopting the new technology and found it difficult to use in the early days, the results of their day-to-day data inputs soon demonstrated the tool's value in day-to-day decision making. Of particular value to Cavan has been the ability to schedule stock movements based on data across remote areas of the property, reducing labour to monitor pasture growth as well as grazing pressure.



Education was also a key component of the change process, with the Cavan team completing the Resource Consulting Services (RCS) Farming and Grazing for Profit School.

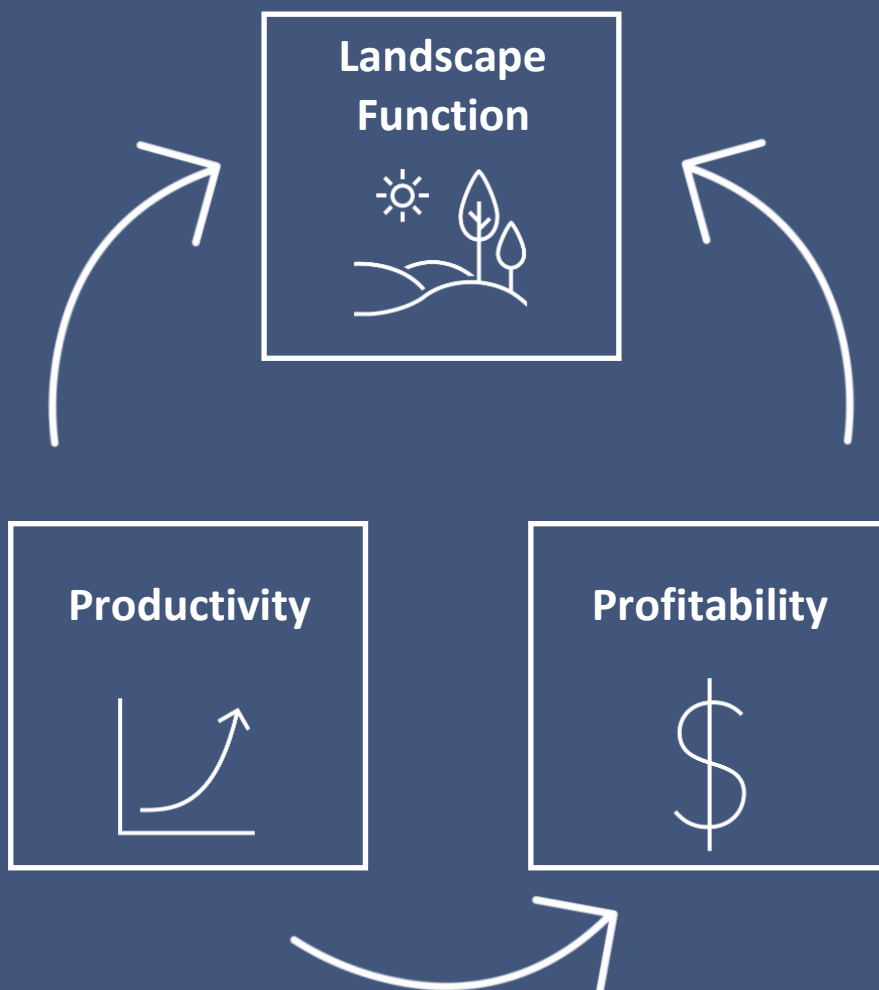
Education and training has helped increase staff confidence, increasing their ability to make decisions based on the feed budgeting system, and enhanced their understanding of the effect of these decisions on overall business performance.

The mindset of the business and those working in it has shifted from a focus on livestock to a focus on landscape management with all now of the view they could not do their jobs without a graze planning and feed budgeting tool such as MaiaGrazing.



**Figure 7:** The alignment between stocking rate to carrying capacity at Cavan between 2015-2019 has been tracked using MaiaGrazing. Originally a benchmark of 400DDH/100mm was targeted for Cavan, however this was dropped back to 300DDH/100mm as landscape capability was determined. Aligning DDH/100mm to the 300DDH/100mm benchmark is the target to achieving a match between stocking rate and carrying capacity.

*The establishment of naturally designed structures to slow water movement and restore ecological function.*





## INVESTMENT IN THE LANDSCAPE

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Recognising the role that landscape function plays in overall business performance, Cavan's management team acknowledged that investment in the landscape was vital to long-term profitability. While the landscape has always held a high-value in the business approach at Cavan, the new vision placed greater emphasis on the need to generate and manage ecological capital.

Emphasis on landscape investment meant time was allocated to focus on rehabilitation and regeneration projects and the necessary associated skill development.

The purpose of landscape investments for Cavan centered around reducing the impact of seasonal variability and productive capacity of the business into the future. Performance indicators included building soil carbon, improving landscape responsiveness, increasing riparian zones, reducing erosion, and increasing tree cover. In recent years, Cavan has invested in improving riparian areas across the landscape through stock exclusion and revegetation.

The establishment of naturally-designed structures to slow water movement and restore ecological function is a revolutionary approach called Natural Sequence Farming. Cavan recently hosted Martin Royds from the Natural Sequence Farming movement for an on-site consultation on establishing long-term restoration projects across the Cavan aggregation.

Tree planting investment has also been significant across the business with approximately 80km of direct seeding and over 4000 tube stock plantings undertaken in the past couple of years. Pasture composition monitoring is also being undertaken biannually to track trends in the changes to biodiversity into the future. Organic soil carbon across Cavan has also shown a steady increase, enhancing performance through increased water infiltration and water holding capacity.



## PROGRESSING LIVESTOCK PRODUCTION & WELFARE

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Overall, although Cavan's team acknowledge that it's still early days in terms of restoring the landscape, they are proud of the progress that has been made so far. While different results and improvements are evident across different sections of Cavan's diverse landscape, it is evident landscape resilience is underway. Future targets include building up soil carbon to an average level of greater than four per cent across the aggregation to maximise ecological function, further education and training in Natural Sequence Farming techniques across areas of degradation and increasing the accuracy of their grazing management and feed budgeting process.

Cavan has always been focused on continually improving livestock production and maintaining high standards of animal welfare. However, the business recognised that a consumer focus on animal welfare could have implications on market access. Cavan wanted to ensure its high standards of welfare were transparent to the entire supply chain and developed a dedicated animal welfare policy with clearly-defined targets to improve lamb survival and cease the controversial practice of mulesing by 2019.

*Ceasing mulesing has enabled Cavan to attract market premiums for their wool.*



The target to cease mulesing required significant technical, genetic and market research in which Impact Ag Partners (on behalf of Cavan) conducted feasibility analysis before the change was enacted. Planned over a five-year period, the process focused on phasing out mulesing through selective mulesing and culling based on the breech-wrinkle scoring of lambs at marking time. Cavan achieved the target of ceasing mulesing in 2018, one year ahead of schedule and in doing so has been able to capitalise on this investment by expanding into the non-mulesed wool market which has enabled the business to secure wool sale contracts with attractive market premiums.

Ceasing mulesing has also enabled Cavan to accomplish the target of improving lamb mortality, with post-marking and post-weaning mortality rates showing a downward trend.

It should be noted the decision to cease mulesing was not without concern - the risk of flystrike and associated animal welfare implications, future fly resistance to chemicals, increased management requirements and loss of production capacity were potential management burdens.

Understanding these risks helped carefully define the approach to phase out the practice.

By incorporating emphasis on breech and body wrinkle into their custom selection index, Cavan maintained progress towards key long-term breeding objectives such as increasing fleece weight. This process has also been recognised within the Merino industry with other producers and Bogo Stud clients keen to learn from Cavan's experience in transitioning away from mulesing.



*Cavan have accomplished their goal of improving animal welfare through nutritional management and ceasing to mules, reducing lamb mortality and production loss.*

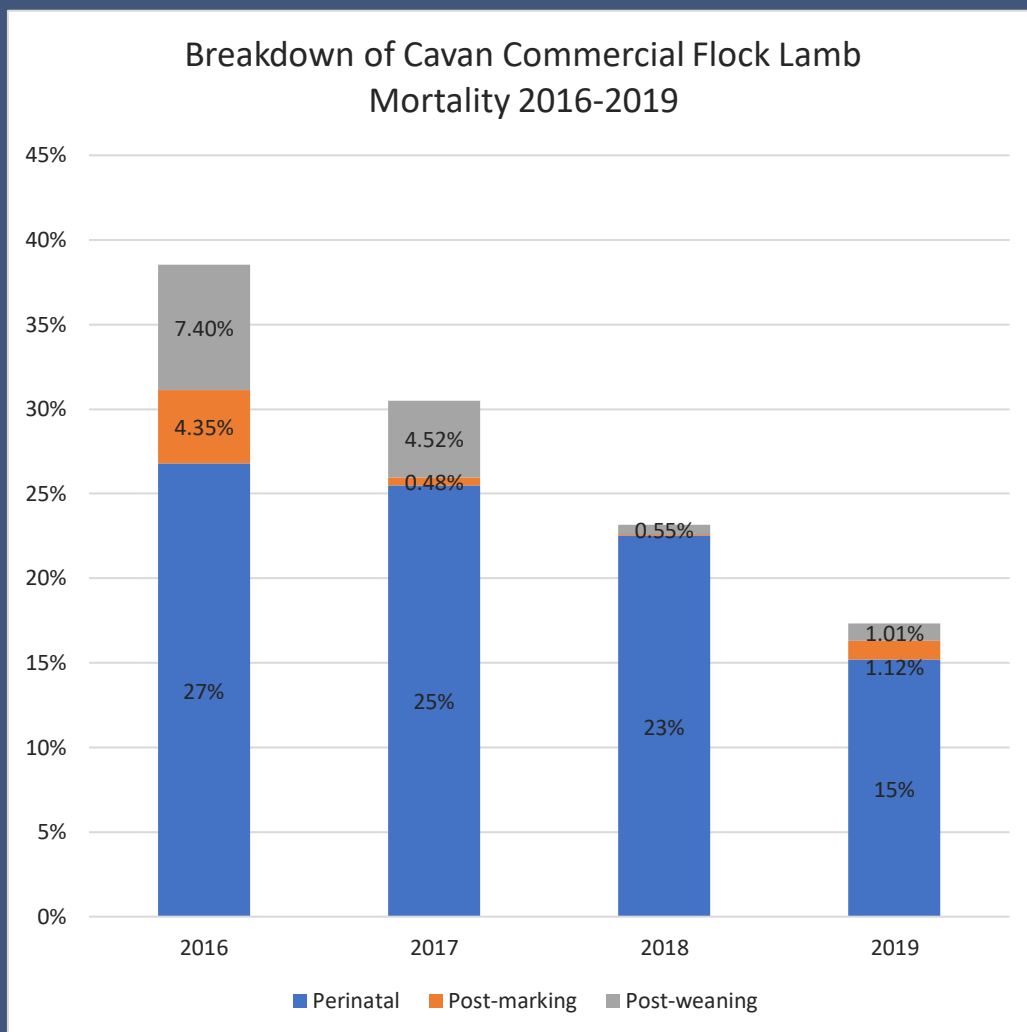


Figure 8: Lamb Mortality

## SUCCESSFUL CHANGE TRANSITION DESPITE SEASONAL CHALLENGES

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Cavan Station's success in setting and executing its vision to implement such significant operational change comes despite experiencing Australia's worst drought on record. Between 2017 and 2020, Cavan again experienced prolonged, intense seasons of significantly low rainfall. The outcome this time around was very different however, with Cavan remaining profitable and the landscape able to respond promptly from drought breaking rainfall in early 2020. Cavan's management credits this landscape response to the change management implemented since the last drought period and the communal change in mindset to how the land is managed.

Cavan's team has embraced the challenges, fear and uncertainty associated with the change management process, becoming empowered members of the business. One of the keys to this success is the effective 'revolutionising' of the team's morale towards proactive business management, centred on a future outlook. This was achieved with exceptional facilitation of the change process and investment in the Cavan workforce.

The adversity from the most recent seasonal extremes brought the value of the investment in management tools and education to the fore, enabling staff engagement with the direction of the business to tackle challenges and make informed and timely, proactive decisions.

These drought-induced decisions were based on data, observation and collected information, with emotion taken out of difficult decisions. Although it was acknowledged that initial destocking decisions were difficult to justify, stock which were sold were in excellent condition, attained high market prices and as the dataset grew and the season progressed, the justification for selling was realised. This embedded confidence and acceptance in the value of such tools in a modern grazing enterprise such as Cavan.

The establishment of drought lots was also a decision driven by data. Now a vital piece of infrastructure, the drought lots provide capacity to manage seasonal variation without compromising the landscape. Combined with certain trigger points for destocking, tailored to Cavan itself and based on the landscape's carrying capacity, desired maintenance groundcover and grass inventory tracking.



## CAVAN'S FUTURE- CAPTURING OPPORTUNITY

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The evolution of the Cavan business and the mindset of its workforce towards innovation and new ways of thinking is a credit to Cavan's management team. As a result of successful change management transition, Cavan is now equipped with the confidence and capacity to scale up its operation.

On the back of achieving business resilience, the owners of Cavan are confident in continuing to invest in the development of this expansive enterprise. Expansion and growth will be at the forefront of Cavan's immediate future, with the business aiming to make the most of its favourable financial position.

Cavan remains focused on 'controlling the controllable' whilst reducing the variability of business returns and continuing the journey of landscape restoration.

Strategic business and future investment planning facilitated by Impact Ag Partners will ensure accelerated and monitored progress towards Cavan's targets. The Cavan team is motivated and excited about the future of the business.

For further details of Cavan Station, Impact Ag Partners, or any other component referenced within this case study please get in touch.



**Managing Director | Bert Glover**

W: <http://www.impactag.com.au/>

E: [bert@impactag.com.au](mailto:bert@impactag.com.au)

M: 0427 486 804



**General Manager | Matt Crozier**

W: <http://www.cavanstation.com.au/>

E: [matt@cavanstation.com.au](mailto:matt@cavanstation.com.au)

M: 0427 486 805

