

The L O Down



Special Alert

Livestock Herd Scheme 2015

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The IRD have recently announced this year's livestock Herd Scheme Values and we think this is a great opportunity to update you on the latest movements. The Herd Scheme Values are the National Average Market Values as determined by a process involving a review of the livestock market as at 30 April.

Dairy Cattle

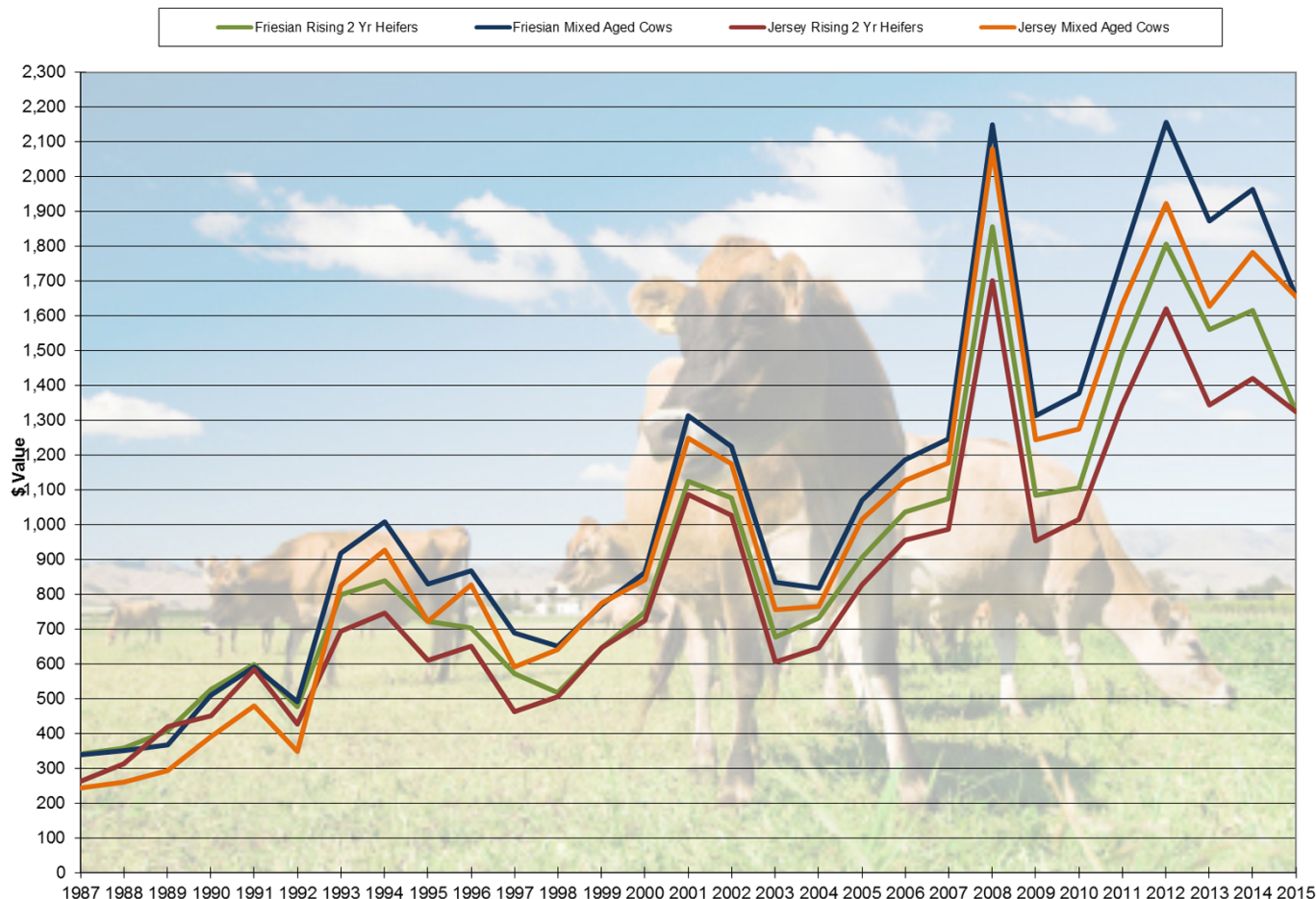
2015 sees the combination of the Friesian and Jersey categories of livestock for the first time. The overall value represents the "average" dairy herd throughout New Zealand.

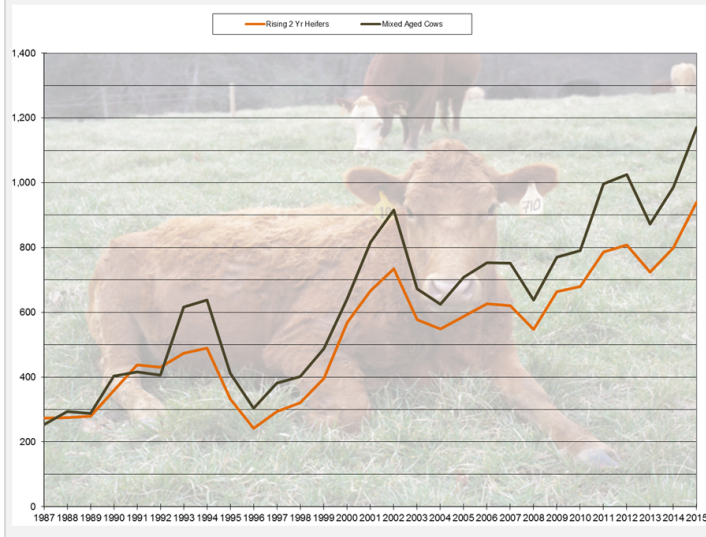
Even though there had been early indications that the milk pay-out price was dropping significantly in the 2014/2015 year, we were still seeing relatively high prices for herds through until the end of March 2015. In April it seems those values took a bit of a dive and this reduced value is reflected in the herd scheme values for 2015.

Mixed age cows have been valued at \$1,655 for 2015 – compared to \$1,963 for Friesians (15.7% drop) in 2014 and \$1,782 (7.1% drop) for Jersey's.

Male dairy stock have shown a strong increase – this is on the back of very strong beef values.

The drop in dairy values may represent an opportunity to move into the Herd Scheme for some clients. This will be particularly relevant for clients that purchased whole herds in recent years. With Herd Scheme values at a relatively low point on the value cycle, now may be an opportune time to have a discussion around the pros and cons of moving into the Herd Scheme. In making this decision we do have to consider the long term implications as we will then be in the Herd scheme for the foreseeable future.





Beef Cattle

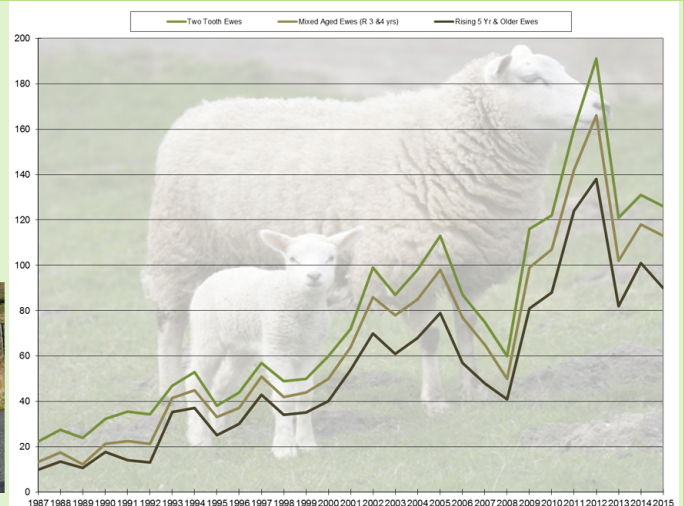
Commodity prices for beef products are at an all-time high. This has been strongly reflected in the beef market and in the prices farmers are receiving for their animals. The herd scheme value for mixed age beef cows has increased from \$986 in 2014 to \$1,171 in 2015 – an 18.8% increase. Rising three year old bulls and steers are valued at \$1,376 compared to \$1,145 in the previous year.

These are record highs – we haven't seen values this high in beef cattle since the Herd livestock scheme began in 1987.



Sheep

Sheep values have eased back a bit in the 2015 year. A two tooth ewe in 2014 was valued at \$131 – this has dropped down to \$126 for 2015 – a drop of 3.8%. Mixed Age ewes have dropped by \$5 to \$113 – a 4.2% decrease. All other categories of sheep have dropped back as well. This is a reflection of the easing of commodity prices seen in the worldwide market.



General Summary

Careful consideration needs to be given to your livestock election choices. Even though changes were made to the Herd scheme in recent years, there is still flexibility around how to value increases in numbers – if you increase your numbers during the year you are able to choose an alternative valuation option to value that increase.

Whether you take that option or you elect to value the increase using herd values will depend on a number of factors – such as:

- where we are in the cycle of livestock values (e.g. at the bottom, or at the top)
- if the increase is a permanent or a temporary one
- your longer term intentions

As the decision is clearly one that should be made on a case by case basis, we will naturally discuss your valuation options with you on review of your 2015 Financial Statements and Taxation Returns.

Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.