

The L O Down



Special Alert: Changes to Livestock Herd Scheme

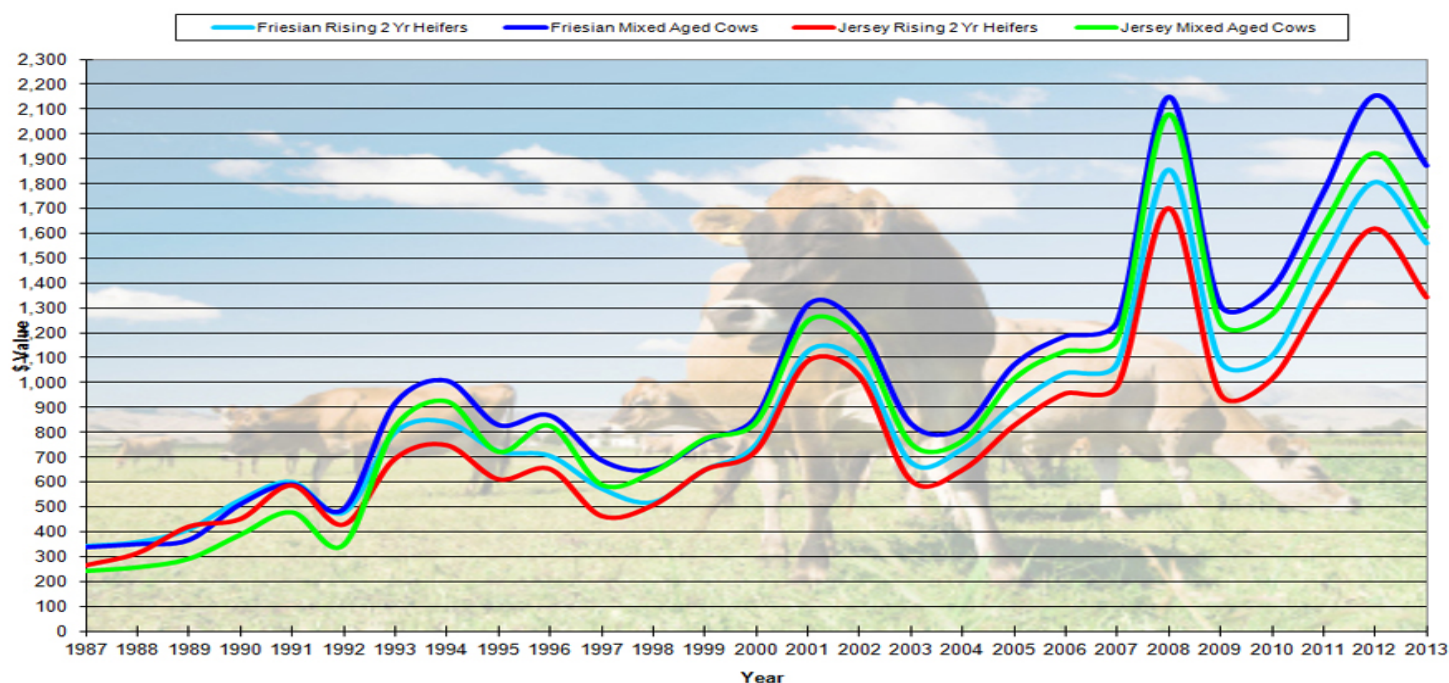
Livestock market review

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 2013.

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Herd Scheme Values - Dairy Cows



Dairy Cattle

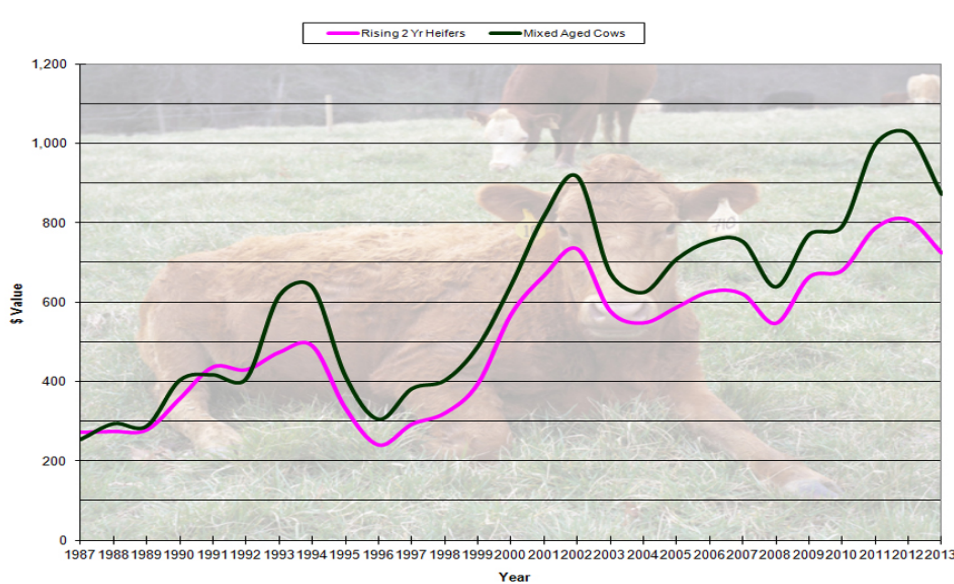
Last year we predicted that the peak in National Average Market Values for dairy cattle had arrived. This has proved to be the case with some significant drops in values for all categories of dairy cattle. Mixed Age Friesian cows have dropped from \$2,155 per head to \$1,873 - a drop of 13%.

Rising one year heifers have dropped a massive 27% from \$1,234 to \$892 per head. No doubt this is a reflection of market forces in relation to the sale of young stock to overseas markets. While we saw dairy herds being sold for values around the \$2,000 per head mark earlier in the season, the widespread drought caused values to drop quite significantly at the time the Herd Values snapshot was taken (30 April 2013).

With the lower Herd Values there may be an opportunity for some farmers with animals on the National Standard Cost Scheme to move their animals in to the Herd Scheme at minimal tax cost. This is something that we can discuss when we are preparing your annual financial statements for 2013.



Herd Scheme Values - Beef Cows



Beef

For the first time since 2008 we have seen a reduction in beef values. The value for a mixed age beef cow has decreased from \$1,025 per head to \$872 (15% drop) with rising one year heifers decreasing from \$558 to \$456 (18% drop) per head.

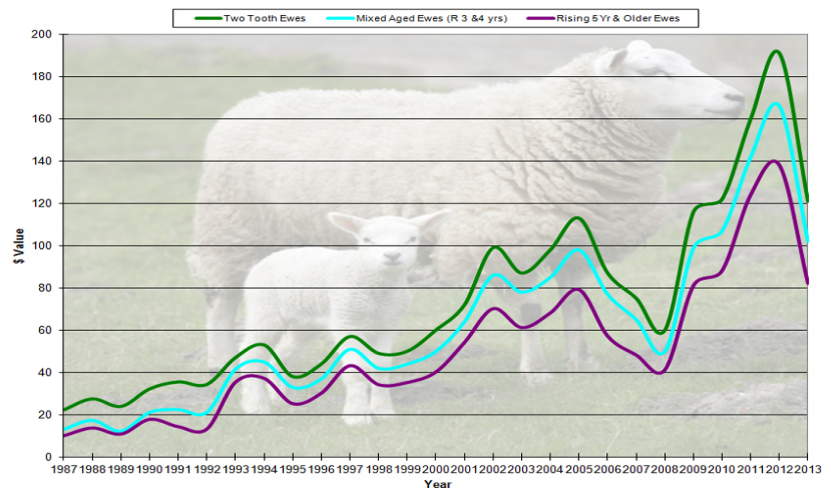
No doubt the drought and the increased upward pressure on the exchange rate are some of the reasons behind this decline in values. Interestingly beef breeding bulls was the only cattle category that showed an increase in value - from \$1,992 in 2012 to \$2,098 in 2013.

Sheep

With lower returns being experienced in the entire sheep industry it is no surprise to see the easing in sheep herd values. The market conditions and the drought have had a major impact on this category of stock.

Values are at their lowest since the 2008 year. This may well be an opportunity to move into the Herd Scheme if you are currently valuing your capital stock using the National Standard Cost Scheme. Remembering that it is ideal to enter the Herd Scheme at what you consider to be the lowest point.

Herd Scheme Values - Ewes



General Summary

While there were changes made to the Herd Scheme last year, it is still a viable option for the valuation of livestock and many farmers will continue to use it – however, care needs to be taken when considering electing in to the scheme for the first time or even choosing to value increasing numbers using the scheme.

The timing of entry into the scheme is crucial as there may be a tax liability created upon entry. For this reason consideration needs to be given as to where on the cycle the current year's values sit (e.g. are they at all-time highs, therefore likely to be heading downward again, or vice versa).

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 2013 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.