

Special Alert

Livestock Herd Scheme 2016

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.

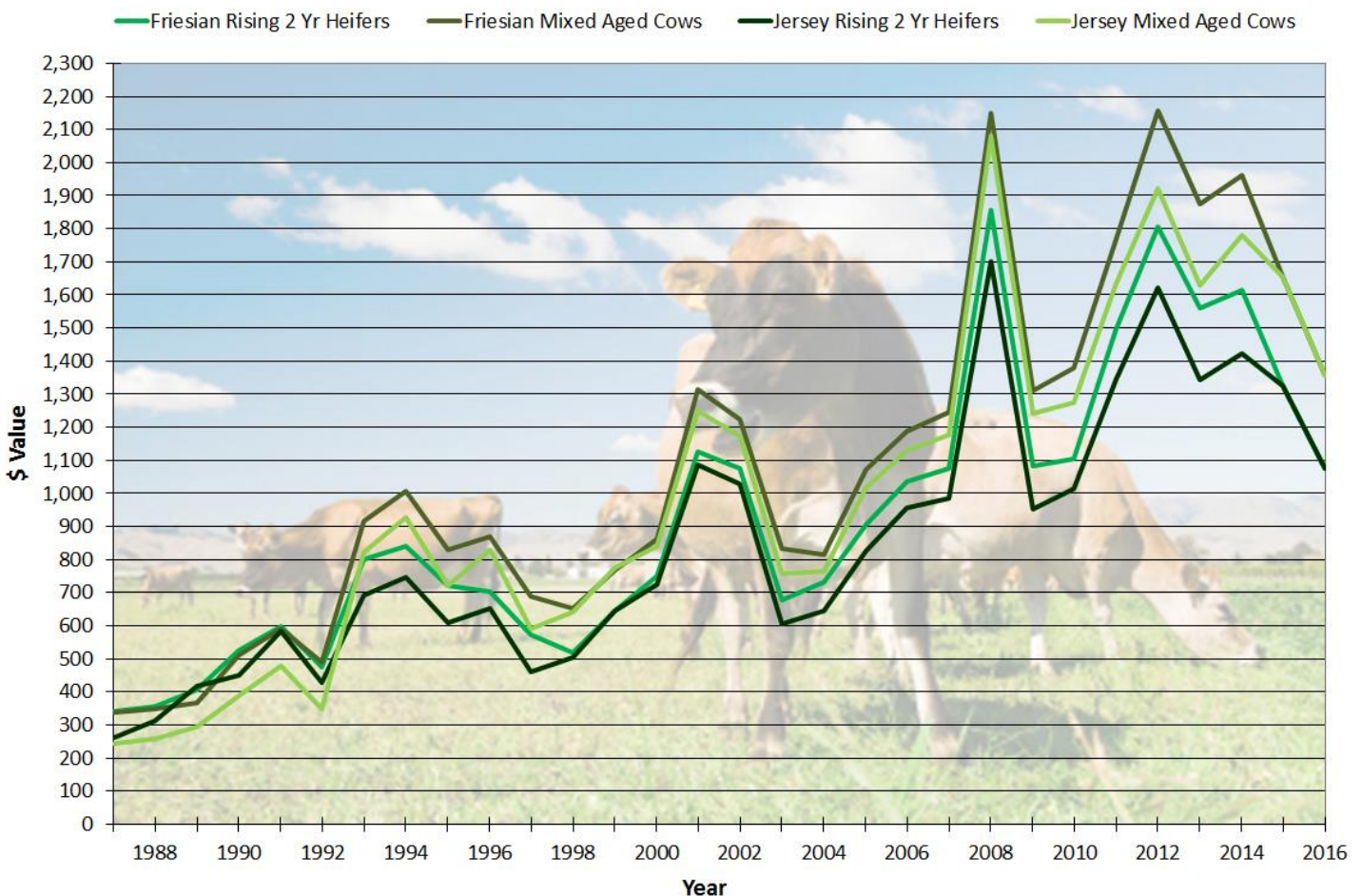
Dairy Cattle

With the continued low prices being received for milk it is not surprising that we are now seeing lower prices being paid for dairy cattle. The herd scheme value for a mixed age dairy cow is \$1,356 for the 2016 year – this is very similar to the 2009 value of \$1,312. 2009 was also a very low pay out year.

At \$1,356 mixed age cows have dropped \$299 (18.1%) compared to their 2015 value of \$1,655. Rising two year heifers have dropped from \$1,324 to \$1,077 (18.7%).

Continued strong demand for beef cattle means dairy bulls and steers have seen increases in values – or in the case of breeding bulls a very slight decline.

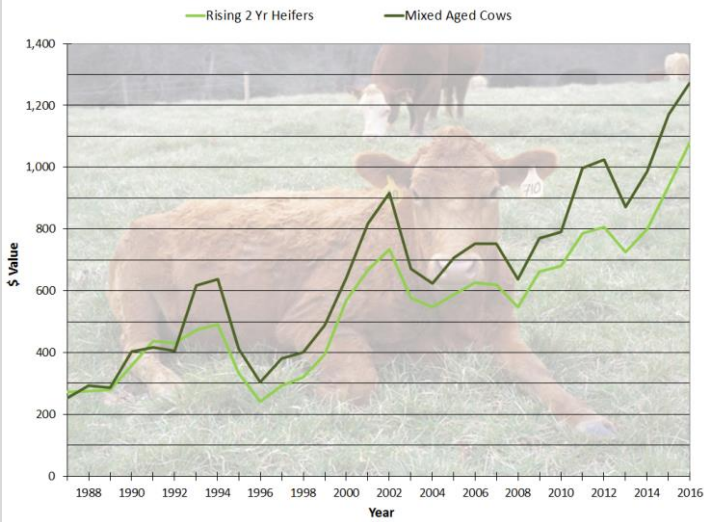
The drop in dairy values may represent an opportunity to move into the Herd Scheme for some clients. The Herd values and National Standard Cost values are the closest they have been for many years. Given the losses that some farmers are making this year, it may be worthwhile having the discussion about whether to use some of those losses to make the change to 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

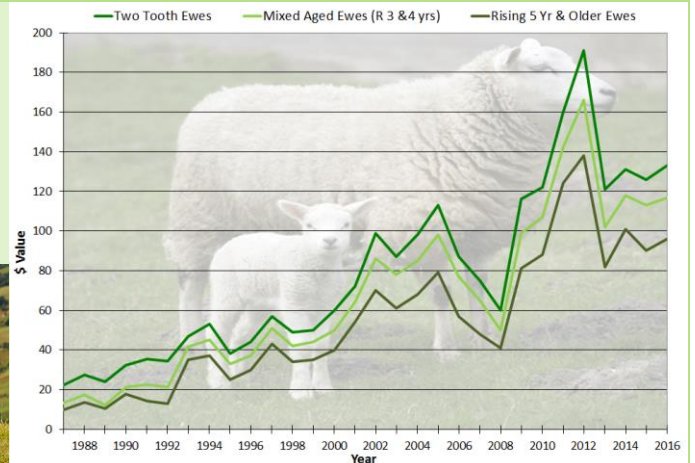
Commodity prices for beef products are at an all-time high. This has been strongly reflected in the beef market and in the prices farmers are receiving for their animals. The herd scheme value for mixed age beef cows has increased from \$1,171 in 2015 to \$1,273 in 2016 – a 8.7% increase. Rising three year old bulls and steers are valued at \$1,468 compared to \$1,376 in the previous year.

Once again we are seeing record highs for beef animals – we haven't seen values this high in beef cattle since the Herd livestock scheme began in 1987.



Sheep

On the whole sheep values have increased slightly from the 2015 year. Two-tooth ewes have increased from \$126 to \$133 – a 5.6% increase. The 2016 values are very similar to those we saw in 2014.



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 2016 Financial Statements and Taxation Returns.

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