

## Special Alert: Livestock Valuations 2012



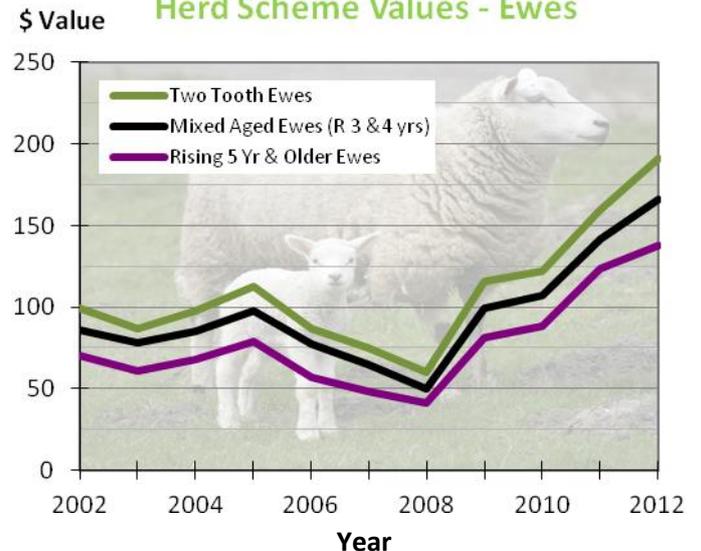
### Livestock Valuations Updated

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.

### Sheep Values

Following on from some cruel seasonal weather in previous years, farmers have been rebuilding their flocks meaning there has been less stock supplied to market leading to an increase in price. Consequently we have seen the Two Tooth Ewe Herd value climb to \$191 per head compared to \$160 last year - an increase of 19.4%.

### Herd Scheme Values - Ewes



### Deer Values

We have seen a slight easing of values for deer - a drop of around 5% for hinds overall. Given the 'high' exchange rate this easing could be seen as a reasonably positive result - building on from the steady growth previously achieved in this sector.

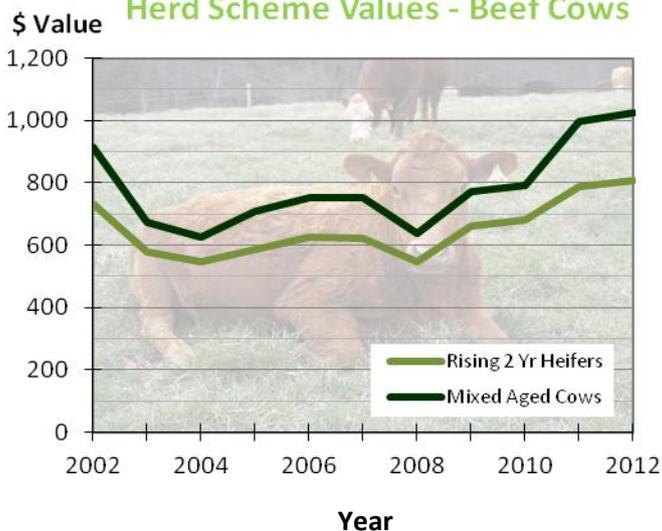
### Beef Cattle Values

Once again we have seen continued strong growth in the beef market. The value for a mixed age beef cow has increased from \$997 per head to \$1,025 with rising one year heifers increasing from \$509 to \$558 per head.

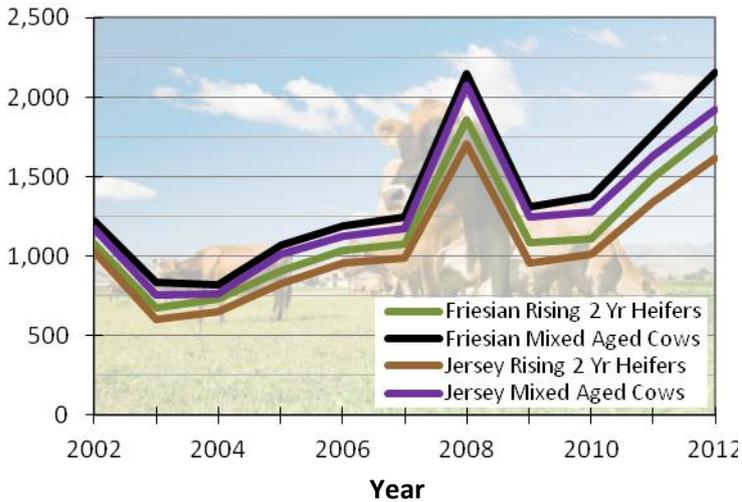
Values for beef cattle have increased each year since 2008 which is great news for beef farmers as it reflects the continued growth in this sector of agriculture.

Relatively settled weather in the last 12 months has meant farmers have been able to consolidate their herd position and begin to recover from some of the wicked seasonal storms that occurred in previous years.

### Herd Scheme Values - Beef Cows



## \$ Value Herd Scheme Values - Dairy Cows



## General Summary

Late in March 2012 the government announced changes to the Herd livestock scheme. Essentially this means that once you have elected to be in the Herd scheme you are not allowed to exit the scheme by way of filing an election. The only way to exit the Herd scheme in the future will be:

- For animals to die, or
- To change the class of livestock to one that is not in the Herd scheme, or
- To sell to non-associated people

While the legislation regarding these changes is not yet finalised, the government has highlighted a couple of cases where it may not be fair that the continued use of the Herd scheme is appropriate. In these cases it will be possible to exit the Herd scheme. These are:

- Where there is a change in the style of farming where a cost-based valuation regime would be more appropriate (e.g. to a fattening regime), or
- Where there is a complete inter-generational change of ownership



## Dairy Cattle Values

Throughout the last year there has been huge demand for dairy cattle. Two main factors influenced this demand - record high milk payouts and continued demand for cows caused by South Island conversions.

Farmers in most parts of the country have been experiencing ideal weather and have been able to produce record milk solids. All this positivity has meant the snapshot National Average Market Value for Friesian Mixed Age cows has reached an all time high of \$2,155 (comparable to the previous high set in 2008 of \$2,150). All dairy values were about 20% up on the previous year's values.

Since the end of April when the Herd values were set we have seen a drop in payout forecasts - let's hope the next year does not bring the same volatility we saw following the 2008 record highs.



The Herd scheme 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 into the scheme for the first time or even choosing to value increasing numbers using the scheme. The timing of entry into the scheme will be 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 2012 Financial Statements and Taxation Returns.

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