

ACCELERATE

livestock special alert



Inland Revenue 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

The values for Dairy this year have seen a very small fall in values on average across all female classes, but a small increase in values on average across all male classes. The largely stable values can be attributed to a flat dairy sector where total cow numbers continue to fall. The National Average Market Value for R1 Heifers has returned to being greater than National Standard Cost of breeding and rearing a R1 Heifer.

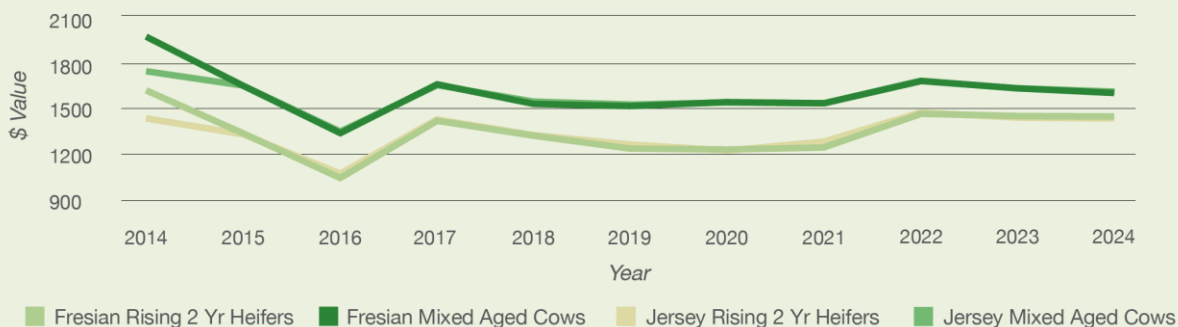
A Mixed Age Dairy cow now has a National Average Market Value of \$1,609 compared to \$1,628 last year – a fall of 1.2%. Rising one and two-year heifers have decreased in value by 2.5% and 0.2%, to \$676 and \$1,433 respectively.

The outlook for the farm gate milk price at the beginning of last season looked bleak, but throughout the course of the season improved such that returns were only marginally down on the prior year, meaning that dairy cow values remained largely constant. Forecast returns for the 2024-25 season look promising with an opening midpoint farmgate milk price slightly up on the 2023-24 season. On farm inflation remains high which is likely to see little movement in dairy cow values over the 2025 season.

A change in Government has seen a different approach with respect to the Agricultural sector and emissions, with reporting requirements being driven more from the processor than from Government at present. In the long-term there remains significant uncertainty in relation to emissions reporting.

As in prior years the availability of labour remains a significant issue for the 2025 season.

HERD SCHEME VALUES - DAIRY COWS





BEEF CATTLE

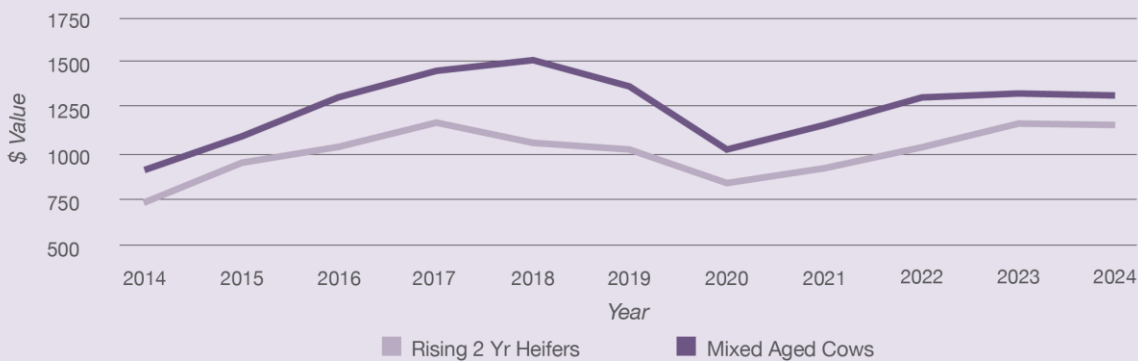
In contrast to flat Dairy values Beef values have fallen on average 6.5%, losing most of the gains in value from last year. The 2023-24 season was a difficult one with weak demand from China and Australian meat flooding the market. Prices for beef have held up well due to drought in North America and relatively strong European and North American markets.

Prolonged drought in Australia will continue to see record levels of exports flooding some markets, putting downward pressure on beef values.

Drought in many parts of New Zealand has also put pressure on meat works to process stock, however most farmers were well placed due to good stock weights coming into calving.

From a regulatory perspective there has been a pause and/or a wind back of some unpopular and unworkable regulation. Uncertainty remains as to what regulation will come in its place from the new Government.

HERD SCHEME VALUES - BEEF COWS



SHEEP

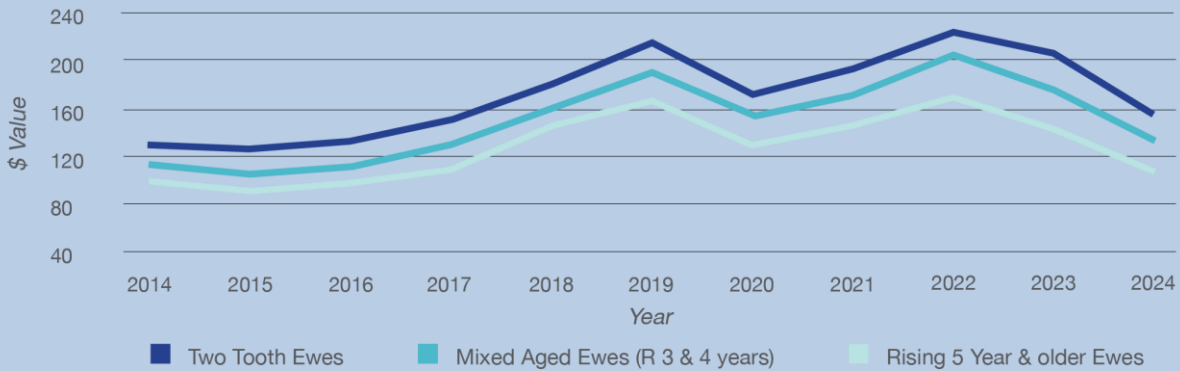
Sheep values have all fallen substantially due to low lamb and mutton prices. Demand from China slowed significantly, whilst at the same time more lambs were born in spring increasing the number of prime and store lambs for sale, leading to lower values.

Sheep meat values are now well below the 5-year average, with many sheep farmers having their worst season in decades due to a combination of low commodity prices, drought, high interest rates and stubbornly high on farm inflation, even in the face of aggressive cost cutting.

Wool markets remain uncertain with forecast prices closely matching this season. Increased shearing costs continue to make wool uneconomic except at the fine end of the market. For many sheep farmers, shearing costs now exceed returns from wool. This has seen an increase in self-shedding breeds being incorporated into flocks as farmers look to reduce shearing costs.



HERD SCHEME VALUES - EWES



GOATS

Goat values are a mixed bag with female values increasing and male values decreasing on average 17.8% and -16.8% respectively.

The value of milking goats continues to decline with female milking goats down in value a further 27%. After increasing in value last year to all time highs, breeding buck values are down 32%. Structural changes to the dairy goat industry continue to put downward pressure on values.



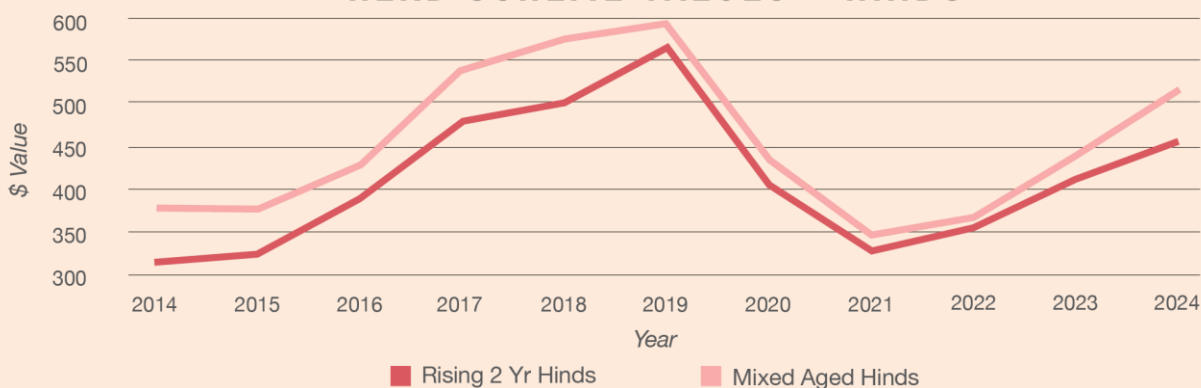


DEER

Deer values saw further recovery from the low values of 2021 with an average 15% increase in values for Red Deer, Wapiti, and related breeds. Increased values can be attributed to strong demand for venison in European and North American markets.

Other deer breeds have also seen a significant increase in value, increasing on average by 93%, on average which brings values back to those seen before Covid-19. This was to be expected as the hunting and trophy trade returned.

HERD SCHEME VALUES - HINDS



GENERAL

Consider your livestock election choices carefully. 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 can choose an alternative valuation option to value that increase. Whether you take that option or elect to value the increase using herd values will depend on several 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; and
- 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 2024 Financial Statements and Taxation Returns.

If you would like a detailed report explaining the main features of the Herd and NSC Livestock Valuation methods, as well as a summary and graphic illustration of the Herd Scheme Values from 1987 through to 2024, please contact us.

CONTACT OUR TEAM

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