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Increasing production will not be enough..but keep a clear head and make good decisions

Farmers would need to increase production by 25%-30% to off-set the advancement drop of \$2.60 together with the lack of deferred payments which will impact them into 2015/16. Realistically production may be able to increase by 5% but farmers need to do the research first - there is absolutely no point having greater production at a cost greater than the per milk solid price. DairyNZ have some great tools to help calculate this.

What else can you do? Talk to your accountant and reduce your tax, in particular income equalisation. This allows you to spread and smooth income across several years, by doing this you will defer paying tax, and it could lower your income into a lower tax bracket reducing your tax. This option is only available if you do actually have the cash available that you want to spread as this goes to the IRD for one year and one day, so only an option if your cashflow is healthy.

Also consider delaying your Tax Return. To help with cashflow delay filing your 2014 tax return, this will mean provisional tax is based on the 2013 provisional tax year which for most people was a lower income year.

Now is the time to go through your expenses line by line. Look for innovative ways to reduce costs. Ask for ideas from your team. Look to source cheaper suppliers, make sure you negotiate hard and defer payments as much as possible. Take a close look at your big two expenses - fertiliser and feed. Before fertilising do soil tests, don't always do what you've always done, and with feed, source cheaper food, maybe negotiate with your grazier and consider drying off earlier.

Capital expenditure - try to make do with the equipment you have, but not at the expense of a high repairs and maintenance budgets.

Re do your budget and cashflow, keep them updated and keep your bank in the loop. Setting up a system that indicates to you how well (or not) you are doing will be a key factor in managing your farm. Share this information with your team and advisors.

Consider how to maximise value from your livestock, raising more calves, beef prices are excellent at the moment. Keep more calves on farm rather than incurring grazing costs. Sell excess dairy stock, there is still good money to be made especially overseas.

If you are paying off loans you may like to reduce or stop principal payments. Look at your interest rates and discuss options with your bank.

Keep a clear head and make good decisions, use your knowledge of the industry, know what is important to your farm and discuss ideas with your staff. Make smart decisions about buying in feed, when to dry off etc. Be flexible and modify as the season progresses and as more information becomes available. Once decisions are made communicate who needs to do what, and what changes are being made and in what timeframe. Ensure your team understand their tasks and the big picture. This will ensure the initiative gets done correctly, on time and within budget.

Keep communicating with your family, staff, advisors. Also there is the Rural Support Trust. Trust members are local rural people with a wide range of experience and knowledge in dealing with challenging rural situations. The Trust has a number of facilitators that will travel to where they are needed, contact is one-on-one at a place that suits you, and services are free and confidential. <http://waikato.rural-support.org.nz/>

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