NATIONAL SHEEP AND BEEF

KEY POINTS

- Improved prices for sheep meat, beef and wool combined with an excellent pasture production season lifted net cash income 18 percent ($81 800) in 2011/12.
- Lambing increased 10 percentage points due to much improved ewe condition going into winter and generally favourable weather with only isolated storms during lambing.
- Net cash income is predicted to decrease $32 400 (6 percent) in 2012/13 mainly due to expected price reductions, particularly for lamb and wool.
- Farm working expenses increased 14 percent in 2011/12 as farmers caught up on expenditure deferred in earlier years when incomes were constrained. Expenditure is predicted to remain static in 2012/13.

Key results from the Ministry for Primary Industries 2012 sheep and beef monitoring programme

- Farm profit before tax increased 44 percent in 2011/12 and is expected to fall 15 percent in 2012/13. Taxation almost trebled in 2011/12 due to favourable income in 2010/11 and 2011/12.
- The 20 percent increase in farm surplus for reinvestment in 2011/12 resulted in a 29 percent increase in capital expenditure and a 37 percent increase in principal repayments. The farm surplus for reinvestment is predicted to fall by a third in 2012/13.
- The excellent year in 2011/12 improved morale as the second year of good profits enabled reinvestment in farms and principal repayments. Farmers are expecting more modest profits in 2012/13, aware that prices have come off their recent highs. As a consequence, they have retained cash surpluses as a buffer and are budgeting conservatively.

Table 1: Key parameters, financial results and budget for the National sheep and beef farm model

Year ended 30 June	2008/09	2009/10[1]	2010/11	2011/12 actual	2012/13 budget
Effective area (ha)	716	771	772	772	773
Opening total stock units	4 185	4 716	4 727	4 904	4 997
Stocking rate (su/ha)	5.8	6.1	6.1	6.4	6.5
Ewe lambing (%)	116	129	119	129	132
Average lamb price ($/head)	82.08	73.65	100.87	109.91	96.10
Average store lamb price ($/head)	...	64.04	82.23	100.62	83.87
Average prime lamb price ($/head)	...	76.47	104.37	112.17	98.89
Average wool price ($/kg)	2.38	2.52	3.93	4.16	3.45
Total wool produced (kg)	13 263	14 726	14 324	15 255	15 482
Sheep income ($)	192 214	226 098	288 814	350 099	318 685
Wool income ($)	33 531	42 090	59 153	67 927	58 384
Cattle Income ($)	135 801	117 907	146 364	157 431	159 778
Net cash income (NCI) ($)	327 481	362 550	461 136	542 965	510 533
Farm working expenses (FWE) ($)	179 412	215 082	234 968	268 369	269 475
Cash operating surplus ($)	148 069	147 468	226 168	274 595	241 058
Farm profit before tax ($)	62 357	66 587	148 121	213 841	181 305
Farm surplus for reinvestment[2] ($)	30 442	19 251	92 736	111 115	72 896
Farm cash surplus/deficit	3 270	- 6 163	44 441	46 537	31 621
EFS[3]/ha ($)	65	66	175	252	206
EFS/su ($)	11.09	10.72	28.62	39.61	31.85
FWE/NCI (%)	55	59	51	49	53
EFS/Total farm assets (%)	0.9	1.1	3.0	4.2	3.4

Notes

1 The sample of farms used to compile this model changed betwseen 2008/09 and 2009/10. Caution is advised if comparing data between these two years.

2 Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as farm profit after tax plus depreciation plus stock adjustments less drawings.

3 Economic farm surplus.

...Not available

Table 2: National sheep and beef model budget

	2011/12			2012/13 budget		
	Whole farm ($)	Per hectare ($)	Per stock unit[1] ($)	Whole farm ($)	Per hectare ($)	Per stock unit[1] ($)
Revenue						
Sheep	350 099	453	103.76	318 685	412	92.93
Wool	67 927	88	20.13	58 384	76	17.02
Cattle	157 431	204	103.61	159 778	207	102.58
Grazing income (including hay and silage sales)	25 930	34	5.29	30 099	39	6.02
Other farm income	22 548	29	4.60	21 807	28	4.36
Less:						
Sheep purchases	26 396	34	7.82	25 591	33	7.46
Cattle purchases	54 575	71	35.92	52 631	68	33.79
Net cash income	**542 965**	**703**	**110.72**	**510 533**	**661**	**102.17**
Farm working expenses	**268 369**	**348**	**54.73**	**269 475**	**349**	**53.93**
Cash operating surplus	**274 595**	**356**	**56.0**	**241 058**	**312**	**48.24**
Interest	45 350	59	9.25	43 023	56	8.61
Rent and/or leases	6 048	8	1.23	6 202	8	1.24
Stock value adjustment	10 200	13	2.08	10 402	13	2.08
Minus depreciation	19 556	25	3.99	20 930	27	4.19
Farm profit before tax	**213 841**	**277**	**43.61**	**181 305**	**235**	**36.28**
Income equalisation	0	0	0.00	876	1	0.18
Taxation	48 361	63	9.86	54 780	71	10.96
Farm profit after tax	**165 481**	**214**	**33.75**	**126 525**	**164**	**25.32**
Allocation of funds						
Add back depreciation	19 556	25	3.99	20 930	27	4.19
Reverse stock value adjustment	- 10 200	- 13	-2.08	- 10 402	- 13	-2.08
Drawings	63 722	83	12.99	64 156	83	12.84
Farm surplus for reinvestment[2]	**111 115**	**144**	**22.66**	**72 896**	**94**	**14.59**
Reinvestment						
Net capital purchases	30 612	40	6.24	16 543	21	3.31
Development	4 798	6	0.98	5 459	7	1.09
Principal repayments	29 168	38	5.95	19 273	25	3.86
Farm cash surplus/deficit	**46 537**	**60**	**9.49**	**31 621**	**41**	**6.33**
Other cash sources						
Off-farm income	5 062	7	1.03	5 096	7	1.02
New borrowings	685	1	0.14	946	1	0.19
Introduced funds	0	0	0.00	0	0	0.00
Net cash position	**52 283**	**68**	**10.66**	**37 663**	**49**	**7.54**
Assets and liabilities						
Farm, forest and building (opening)	3 795 006	4 916	773.90	3 843 725	4 973	769.21
Plant and machinery (opening)	123 726	160	25.23	132 577	172	26.53
Stock valuation (opening)	739 541	958	150.81	749 082	969	149.91
Other produce on hand (opening)	0	0	0.00	0	0	0.00
Total farm assets (opening)	**4 658 273**	**6 034**	**949.94**	**4 725 385**	**6 114**	**945.64**
Total assets (opening)	**4 719 391**	**6 113**	**962.40**	**4 797 667**	**6 207**	**960.11**
Total liabilities (opening)	703 878	912	143.54	660 486	855	132.18
Total equity (farm assets - liabilities)	**3 954 824**	**5 123**	**806.49**	**4 064 899**	**5 259**	**813.47**

Notes

1 Sheep stock units are used in the per stock calculation for sheep and wool income and sheep purchases. Cattle stock units are used for cattle income and purchases. The remainder of the time total stock units are used.

2 Farm surplus for reinvestment is the cash available from the farm business, after meeting living costs, which is available for investment on the farm or for principal repayments. It is calculated as farm profit after tax plus depreciation plus stock adjustments less drawings.

Table 3: National sheep and beef model expenditure

	2011/12			2012/13 budget		
	Whole farm ($)	Per hectare ($)	Per stock unit ($)	Whole farm ($)	Per hectare ($)	Per stock unit ($)
Farm working expenses						
Permanent wages	20 569	27	4.19	21 586	28	4.32
Casual wages	7 334	10	1.50	7 395	10	1.48
ACC	935	1	0.19	849	1	0.17
Total labour expenses	**28 838**	**37**	**5.88**	**29 830**	**39**	**5.97**
Animal health	18 651	24	3.80	19 073	25	3.82
Breeding	2 219	3	0.45	2 270	3	0.45
Electricity	5 251	7	1.07	5 719	7	1.14
Feed (hay and silage)	9 766	13	1.99	8 037	10	1.61
Feed (feed crops)	3 611	5	0.74	3 589	5	0.72
Feed (grazing)	1 548	2	0.32	1 505	2	0.30
Feed (other)	3 062	4	0.62	3 096	4	0.62
Fertiliser	53 275	69	10.86	56 284	73	11.26
Lime	6 363	8	1.30	5 813	8	1.16
Cash crop expenses[1]	2 933	4	0.60	3 049	4	0.61
Freight (not elsewhere deducted)	5 773	7	1.18	5 943	8	1.19
Regrassing costs	7 407	10	1.51	7 417	10	1.48
Shearing expenses[2]	20 722	27	6.14	21 240	27	6.19
Weed and pest control	8 728	11	1.78	8 256	11	1.65
Fuel	12 542	16	2.56	13 128	17	2.63
Vehicle costs (excluding fuel)	10 519	14	2.15	10 304	13	2.06
Repairs and maintenance	27 972	36	5.70	24 308	31	4.86
Total other working expenses	**200 344**	**260**	**40.86**	**199 030**	**258**	**39.83**
Communication costs (phone and mail)	2 619	3	0.53	2 676	3	0.54
Accountancy	4 349	6	0.89	4 398	6	0.88
Legal and consultancy	2 637	3	0.54	2 594	3	0.52
Other administration	2 856	4	0.58	2 722	4	0.54
Water charges (irrigation)	421	1	0.09	444	1	0.09
Rates	11 522	15	2.35	12 165	16	2.43
Insurance	7 170	9	1.46	8 025	10	1.61
ACC employer	4 467	6	0.91	4 430	6	0.89
Other expenditure	3 148	4	0.64	3 162	4	0.63
Total overhead expenses	**39 187**	**51**	**7.99**	**40 615**	**53**	**8.13**
Total farm working expenses	**268 369**	**348**	**54.73**	**269 475**	**349**	**53.93**
Calculated ratios						
Economic farm surplus (EFS[3])	194 230	251.59	39.61	159 139	205.89	31.85
Farm working expenses/NCI[4]	49%			53%		
EFS/total farm assets	4.2%			3.4%		
EFS less interest and lease/equity	3.6%			2.7%		
Interest+rent+lease/NCI	9.5%			9.6%		
EFS/NCI	35.8%			31.2%		
Wages of management	71 010	91.98	14.48	71 151	92.05	14.24

Notes
1 Includes forestry expenses.
2 Shearing expenses per stock unit based on sheep stock units.
3 EFS is calculated as follows: net cash income plus change in livestock values less farm working expenses less depreciation less wages of management (WOM). WOM is calculated as follows: $31 000 allowance for labour input plus 1 percent of opening total farm assets to a maximum of $75 000.
4 Net cash income.

FINANCIAL PERFORMANCE OF THE NATIONAL SHEEP AND BEEF MODEL FARM IN 2011/12

AN EXCEPTIONAL YEAR

Better prices, combined with improved lambing results and very good pasture growing conditions through summer, contributed to an excellent financial result. Average prices for lamb, other sheep, beef and wool improved in 2011/12 but were generally higher earlier in the season. For the second year in a row, most of the country benefited from good weather over summer and autumn with adequate rain and warm temperatures. Farmers were able to finish stock to higher carcass weights than normal, although prices were softer late in the season.

Farm profit before tax at $213 800 reached the highest level since 2000 and was more than twice the average of the previous eleven years. The average lamb price lifted $9 to $110 per head. Prices for all classes of beef lifted, with two-year cattle prices lifting 19 percent to $1161 per head and cull cow prices lifting 6 percent to $918 per head. The average wool price lifted 6 percent to $4.16 per kilogram.

Income increases across all enterprises

Net cash income lifted 18 percent to $543 000 in 2011/12, on top of the 27 percent increase in 2010/11. A slightly smaller increase in farm working expenses resulted in a 21 percent increase in the model's cash operating surplus to $274 600.

This was a record season for sheep and beef farmers. Weather at lambing time was generally favourable and good rainfalls throughout summer in most areas led to strong pasture growth with good clover content. More animals were finished to heavier weights and many farmers received excellent prices for store lambs sold early and exceptional prices for their cull ewes.

Most regions experienced above average levels of pasture production with some regions reporting that it was the best season for many years. Southland and South Otago were affected by dry conditions in December and January and farmers in these areas managed by selling store lambs for good prices early in the season.

More lambs for sale

Lambing in 2011 increased 10 percentage points compared with 2010. The lambing percentage in 2010 was suppressed by an autumn drought in many areas; a cold wet winter and a severe southerly storm in mid-September affected southern regions of the South Island and the Central North Island. In contrast, a very good autumn in 2011 meant ewes were in good order at tupping and there were only localised storms in spring 2011, causing minimal lamb losses.

Sheep stock units were 7 percent higher at the start of 2011/12 and, when coupled with the improved lambing percentage, increased the number of lambs for sale.

The lamb schedule peaked at more than $8 per kilogram in December 2011, before declining to $6.80 by mid-February and less than $5.80 from early April. The decline was faster than lamb growth rates for most farms, so those holding lambs to heavier weights were often disadvantaged.

Increased wool production

The total wool volume produced in 2011/12 increased 6 percent due to more sheep on hand, more lambs and the excellent feed conditions through the season increasing wool weights. Although wool prices fell during the year, the average wool price on monitored farms actually increased compared with 2010/11.

Focus on managing pastures

Cattle were held longer in most areas to try and control pasture surpluses. As a result, they were sold, or taken into winter 2012, at heavier weights.

Ewes went to the ram in excellent condition in autumn 2012, and scanning percentages were 10 to 15 percent higher than the previous year. There was an increase in hogget mating and overall more ewe hoggets were retained. Ewe hoggets provide flexibility as they can be sold as winter trade lambs, retained in the breeding flock or sold as two-tooths. Total stock units increased 2 percent during the year.

FARM WORKING EXPENSES UP 14 PERCENT

With good cash surpluses carried over from 2010/11 and improved cash income in 2011/12, farm working expenses increased by $33 400 to $268 400. A second year of good incomes saw many farmers catching up on expenditure deferred from previous years – particularly putting on more fertiliser and doing more repairs and maintenance.

Labour expenditure also increased and farmers had to spend more conserving surplus pasture due to the good pasture growth.

Fertiliser spending increased a further 17 percent in 2011/12 to $53 300, on top of the 22 percent increase in 2010/11. Excellent pasture growth reduced the need for nitrogen and farmers instead increased superphosphate applications to rebuild soil fertility. There was also a 33 percent increase in expenditure on lime. Wet conditions in late autumn and infrastructure bottlenecks meant it was not possible to spread all the fertiliser planned.

There was a large surplus of pasture to conserve in most regions resulting in a 25 percent increase in hay and silage-making expenditure. Expenditure on feed crops also increased. Poorer spring conditions caused difficulty establishing some fodder crops, increasing costs such as re-sowing and weed and pest control in poorly established crops. Fortunately most crops recovered in the autumn to give average to above average yields with good utilisation.

Repairs and maintenance increased 27 percent with most farmers catching up on deferred maintenance, particularly to infrastructure such as fencing, water supplies and buildings as well as repairing storm damage in some regions e.g. Gisborne and Hawke's Bay.

Expenditure on weed and pest control also increased 29 percent as farmers dealt to blackberry and other weed infestations and pests like porina and rabbits that have built up over recent years.

Other significant increases included labour and animal health (both up 12 percent), shearing (7 percent) and fuel (9 percent). Animal health increased as more stock were carried longer and to heavier weights and farmers considered the improved prices justified more animal health inputs. Higher sheep numbers and more lambs shorn increased shearing costs.

Total farm working expenses as a proportion of net cash income fell from 51 percent in 2010/11 to 49 percent in 2011/12.

Interest costs fell 14 percent with lower average interest rates and lower overdraft levels. Interest rates fell as fixed term loans came off higher rates and moved to lower-interest floating rates. Interest and rent now represent 9.5 percent of net cash income, mainly because of the improved income.

Depreciation reduced as a result of changes to depreciation on buildings that is deductible for taxation purposes. Tax payments almost trebled to $48 400 in 2011/12 compared with $16 500 in 2010/11. Many farmers had substantial terminal tax in 2011/12 and provisional tax also rose following the increased profit in 2010/11.

CASH DISPOSAL RESTRAINED

The increased profits were used for additional capital spending and principal repayments. Capital purchases increased 29 percent to $30 600 in 2011/12 after more than doubling to $23 700 in 2010/11. Principal repayments increased 37 percent to $29 200 in 2011/12 after also doubling in 2010/11 to $21 400.

Farmers are focused on reducing overdrafts and term debt built up to fund deficits in the previous decade. The net cash position of $52 300 shows a healthy improvement in farmers' current account levels for the second year in a row. Industry commentators expect farmers to carry this surplus forward to buffer the expected reduction in income in 2012/13.

BUDGET FINANCIAL PERFORMANCE OF THE NATIONAL SHEEP AND BEEF MODEL IN 2012/13

The cash operating surplus is predicted to decrease 12 percent in 2012/13 to $241 100. Farmers are budgeting net cash income to decrease 6 percent, mainly as a result of expected reductions in prices for lambs, wool and cattle, and for farm working expenses to remain at a similar level to 2011/12.

AVERAGE PRICES EXPECTED TO BE LOWER

Farmers expect prices in 2012/13 to be similar to the prices at the end of the 2011/12 season. The result is that average prices are predicted to fall in 2012/13. The average lamb price is budgeted to fall $14 to $96 per head. The average wool price is expected to be back 17 percent to $3.45 per kilogram. Prices for prime cattle are expected to be fairly similar to 2011/12 with cattle being sold earlier at heavier weights.

The impact of lower prices is that net cash income is expected to fall by $32 400 to $510 500 in 2012/13. The fall is expected to be ameliorated somewhat by increased stock numbers on hand and more product for sale due to a predicted improvement in the lambing percentage due to the good condition of ewes in autumn 2012 and more lambs from hoggets.

FARM SPENDING BUDGETED AT SIMILAR LEVELS

Farm working expenses are expected to increase only marginally to $269 500 or almost $54 per stock unit. This is largely due to expected cost increases for many items, particularly rates, insurance (from increasing earthquake levies on buildings), electricity and fuel. These are balanced by reduced spending on hay- and silage-making, as pasture production returns to more usual levels, and reduced weed and pest control expenditure. Repairs and maintenance expenditure is budgeted to drop 13 percent or $3700, reflecting higher recent expenditure and the use of this as a balancing item in farm budgets.

Spending on fertiliser is expected to increase $3000. This includes some allowance for fertiliser and spreading price increases but also some increase in fertiliser applications. Some fertiliser spreading has been carried forward from 2011/12 due to bottlenecks late in that year. Spending in this area will remain uncommitted until later in 2012/13 when incomes are known.

Farmers are planning to keep tight control of expenditure in the face of reduced incomes to ensure they break even.

Interest costs are expected to fall $2300 (5 percent) as a result of lower term debt levels, following principal repayments in recent years.

Further rise in tax expected

Farm profit before tax is expected to fall 15 percent, but at $181 300 is the second highest profit for the national sheep and beef model since 2000 (after 2011/12) and twice the average profit since 2000/01. Tax is predicted to increase 13 percent, from $48 400 in 2011/12 to $54 800 in 2012/13, reflecting a continuation of favourable profits.

Capital spending and debt repayment predicted to fall

Farmers have indicated that they will restrain expenditure in the coming year with capital and development spending and principal repayments budgeted to reduce significantly.

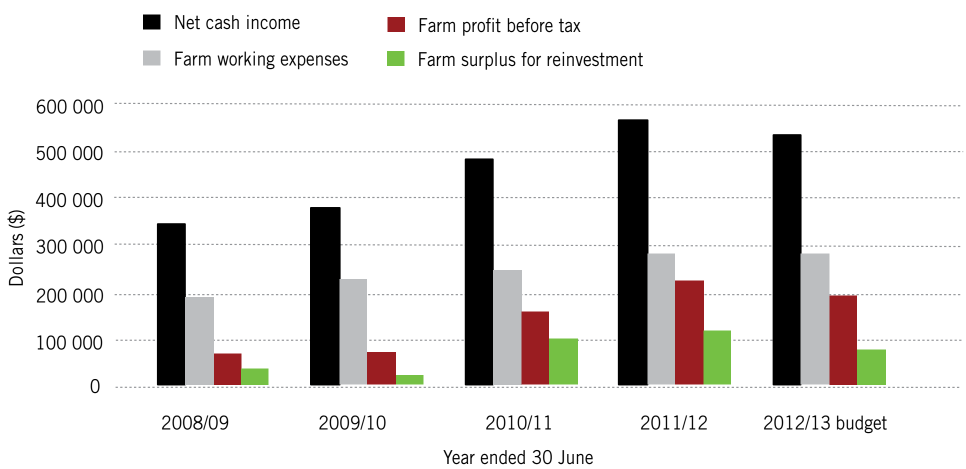
FARMERS CAUTIOUS ABOUT COMING YEAR

The farm surplus for reinvestment is expected to fall 34 percent in 2012/13 compared with 2011/12, reflecting the reduced cash operating surplus and increased tax payments. Farmers expect their net cash position to improve by $37 700 at the end of 2012/13. Whether this is possible will depend largely on whether expected prices are achieved.

Performance ratios for the national sheep and beef model appear sound on the basis of the 2012/13 budget with farm working expenses representing 53 percent of net cash income and debt servicing 10 percent of net cash income.

Farmers have enjoyed the return to good profits with recent high prices and a good season. They have caught up on some maintenance and capital expenditure but are now taking a conservative approach in terms of their future plans, given their expectations of a return to more modest prices in 2012/13.

Figure 1: National sheep and beef model profitability trends



SHEEP AND BEEF ISSUES AND DEVELOPMENTS

REVITALISED FARMER MORALE, WITH CAUTIOUS OUTLOOK

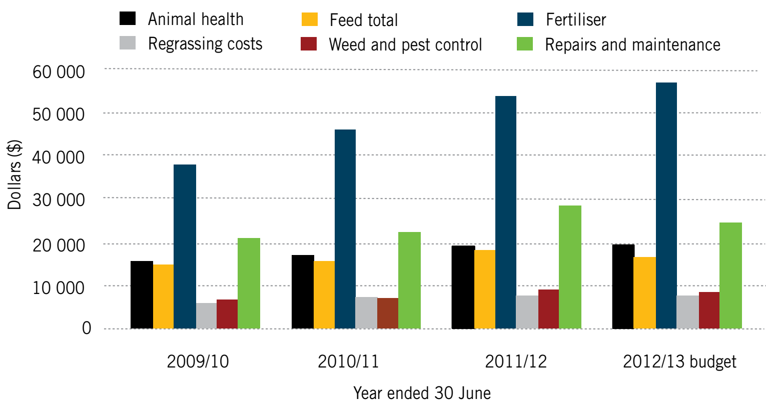
Two successive seasons of above average pasture growth and improved product prices boosted farm bank balances and farmer morale. Most farmers increased spending on productive inputs such as fertiliser and caught up on deferred maintenance and weed and pest control. Cash surpluses after capital and development expenditure, have been applied to lowering overdrafts and to paying off term debt. There is an expectation of reasonable, albeit reduced, returns for the 2012/13 season. Stock are in good condition going into the 2012/13 season, and with good mating conditions for both cows and ewes, farmers are confident of good production levels in the new season – seasonal weather factors permitting! The continuing fallout from the global financial crisis and the high New Zealand dollar are major concerns for farmers.

IMPROVED PROFITS RESULT IN INVESTMENT IN PRODUCTION

The improved profits since 2010/11 have encouraged farmers to increase inputs in an attempt to increase animal performance and production. Farmers attempted to catch up on earlier deferred "discretionary" spending. Increased expenditure is particularly noticeable with respect to fertiliser, feed, and repairs and maintenance, as well as in items such as animal health, regrassing, and weed and pest control.

Figure 2: National sheep and beef model profitability trends, dollars per stock unit

Figure 3: National sheep and beef model change in selected expenses



INCREASE IN DAIRY SUPPORT

Despite the increase in sheep, beef and wool prices there was still an increase in dairy support activities on farms monitored. This is usually through wintering dairy cows on kale crops, selling surplus hay and baleage to dairy farmers and increased heifer grazing. Figure 4 shows a marked increase in income from dairy support over the last five years. In some cases, dairy grazing allowed farmers to maintain stocking rates when they couldn't afford to purchase high priced trading cattle. Recent improvements in cattle margins may provide some competition for dairy grazing in some regions. However, new irrigation schemes, particularly in Canterbury, are likely to increase the demand for dairy support.

PRICE VOLATILITY A FEATURE OF 2011/12

The lamb schedule reached heady heights; above $8 per kilogram early in the 2011/12 season. This was not expected to be sustainable but there was some dismay at the rate at which prices fell from early February 2012. Although falling schedules are usual as the peak lamb kill gets underway, in 2010/11 prices had risen significantly later in the season.

Many farmers continue to be confused by the signals provided by the market and this year showed signs of frustration with the lack of timely information from meat companies and the lack of consistent messages about what processors required. The 2011/12 season resulted in a $40 to $50 per head variation in the value of finished lambs on many farms.

A number of farmers sold high value store lambs and took on more lamb grazing contracts with processors at a price per kilogram of liveweight gain. This helped farmer cash-flows and in many cases increased returns.

Volatility in the wool industry also caused frustration with a lack of clear signals as to why prices moved so much. Farmers were pleased with the rise in wool prices through the winter and early spring of 2011, and then watched with concern as prices dropped rapidly through the rest of 2011/12. Prices received also appeared to be somewhat hit and miss, as while prices in general were dropping, some lines of stock occasionally received good prices.

Figure 4: National sheep and beef model grazing income (including hay and silage sales)

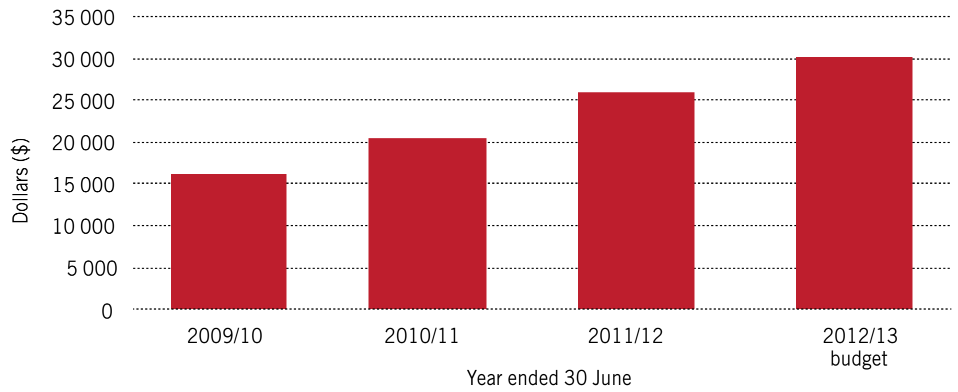
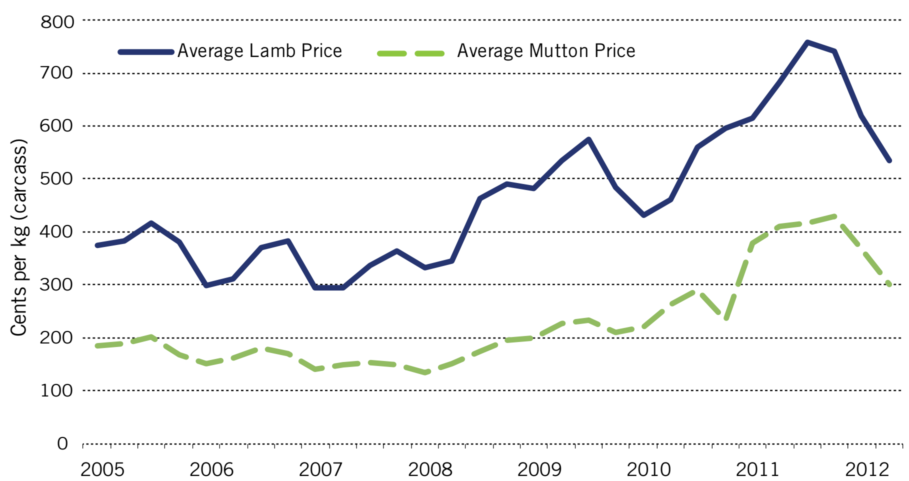


Figure 5: Quarterly weighted average schedule prices for sheep meat (cents per kilogram carcass)



Farmers were somewhat pessimistic in their budgeting for the 2012/13 season, with some expressing the thought that wool prices had spiked, albeit briefly, and were now tracking down to the lows experienced in recent years.

NATIONAL ANIMAL IDENTIFICATION AND TRACING (NAIT)

Farmers are generally supportive of the traceability principles behind the implementation of the NAIT scheme. However, they are concerned at the cost of readers, tags and stock agent administrative services associated with NAIT tags.

Many farmers predicted teething problems with NAIT tags becoming mandatory on 1 July 2012. There was concern it would cause extra stress and work for farmers and they were worried extra costs would be passed onto them. There were good turn-outs at information meetings in late 2011/12, aimed to help overcome confusion around registration and activations, and to hear how the system would operate. Some farmers were trying to ensure that all older cull cattle would be slaughtered before 1 July. Very few farmers had budgeted for the cost of ear tagging animals in 2012/13.

ENVIRONMENTAL ISSUES

Farmers are aware of increasing expectations by market players for farms to demonstrate their 'clean and green' credentials, particularly in relation to water quality. Some Regional Councils are proposing that all streams and rivers in the more intensively farmed areas be fenced off to exclude stock. At this stage many hill country farmers are unsure how this will affect their properties, but some are starting to repair existing fences and in some cases put in new fences as part of their development spending. The potential costs involved with fencing of waterways and reducing nutrient leaching are of some concern to sheep and beef farmers.

SUCCESSION

The average age of sheep and beef farmers continues to creep up. A number of older farmers are now looking to sell up, but don't want to (or can't) given the recent drop in land prices, and many are looking to lease farms until they are sold.

Succession planning in the industry remains minimal, with concern that there is not enough value in the farm to settle all of the children, especially with smaller farms. The value of the land relative to what revenue it can generate has historically been very high, making it difficult for one sibling to buy out other siblings.

Some are now recognising the combination of improved returns, low interest rates, and lower than historical land prices as favourable conditions for succession. Whilst these conditions have stimulated succession, the slow rate at which it is occurring remains a concern for many rural professionals.

FURTHER INFORMATION

For more information on this model contact **Gillian.Mangin@mpi.govt.nz**

Ministry for Primary Industries
PO Box 2526, Wellington 6140, New Zealand
Tel +64 4 894 0100 or Freephone 0800 00 83 33
Email: **brand@mpi.govt.nz**
Web: **www.mpi.govt.nz**

ISBN (Print) 978-0-478-40425-8
ISBN (Online) 978-0-478-40426-5