

ACCELERATE

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OUR NEWSLETTER FOR GROWING BUSINESSES



Disruption is nothing new for farmers. For years, they've been battling drought, market volatility, Mycoplasma bovis, and now COVID-19. But, like the rest of New Zealand, staying positive and reviving the economy are their priority. In this newsletter, you'll get a snapshot of what's happening on local farms, on the environmental front, and what guidance, support and tax relief is available to help farmers wade through the uncertainty.

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Looking on the bright side

"We're all in the same storm, just different boats" rings true when it comes to the impact of COVID-19 on farmers around New Zealand. Despite challenges for all, most will agree that being an "essential" is a good waka to be in. Let's hear how things are panning out for two regional winners of the 2020 New Zealand Dairy Industry Awards.



Nick and Rose Bertram, Woodville

Hawkes Bay/Wairarapa Dairy Industry Awards Share Farmer of the Year

Seizing opportunities and working smart are all in a day's work for Nick and Rose Bertram. The young couple (with five kids in tow) have had to look hard at their cashflow management after drying cows off two months early due to drought.

"We got good milk payout compensation but there won't be another decent milk cheque until October. To even out our cashflow, we're going interest-only on our mortgage for the first half of the season. Then in the second half we'll pay twice as much. That way we'll be in the same financial situation this time next year as what we'd budgeted," says Nick, 33, who has been farming for 16 years.

What to feed their cows was another burning question for the Bertrams, who are 50/50 sharemilkers on the McNeil's 150ha, 440-cow Woodville property.

"We bit the bullet and put enough palm kernel on contract until Christmas. We needed certainty and okay, we had to spend more, but we budgeted for that and now we can guarantee our production until Christmas," explains Nick. "We don't have an in-shed feeding system, so it's the best option and won't upset animal health."

Nick says it's great to see more optimism in the farming community following weeks of concern.

"We've had more rain, the grass is growing again, and people are seeing the light at the end of the tunnel. Everyone has had to manage their farm and staff differently but farmers have all been really proactive."

Ralph and Fleur Tompsett, Ashburton

Canterbury/North Otago Dairy Industry Awards Share Farmer of the Year

"We've had a degree of insulation against disruption in the ag-sector throughout COVID-19 and I think many would agree we are pretty fortunate," says Ralph and Fleur Tompsett, who look after 1130 cows on the Fleming family's Ashburton farm. "It's a privilege to feel like we are running our business almost as usual while many are enduring considerable pain."

The couple are equity partners in the 50% sharemilking business on the 297ha South Island farm. Ralph and his four staff are focused on getting the farm into a suitable position for the coming season.

"We're looking quite strong. We've actually had a drier than normal autumn, which benefits our heavy soils, so we've capitalised on that. Livestock are in good condition. Winter crops are looking good. The team is motivated and raring to go for the challenges of winter and spring. We're looking pretty well set up but that can always change at the drop of a hat."



Keep taking environmental sustainability seriously



There's no doubt greenhouse gas emissions and waterways will have had their own 'staycation' thanks to COVID-19, giving our planet some relief. But, with the Climate Change Response (Emissions Trading Reform or ETS) Amendment Bill still in progress, and with upcoming changes to freshwater legislation, now's the time to strengthen your commitment to environmental sustainability.

#1 Get your Farm Environment Plan sorted

As part of general business planning and management, you need a Farm Environment Plan written and in action well before the deadline of 2025. This means you'll need to gain a solid understanding of your emissions footprint, where those emissions are coming from, and what you can do to manage them. The Government is revisiting the impact agriculture is having on the environment in five years and if they're not happy, farming could be at risk of receiving a broad-based tax under the ETS. For advice on writing a Farm Environment Plan, check out [Fonterra's Tiaki programme](#).

#2 Help protect our waterways

To improve the quality of New Zealand's waterways, the government is proposing changes to the National Policy Statement. These could include new requirements to control farming activities, five-metre setbacks from streams and some drains, and resource consent for agricultural intensification.

What's the agriculture sector doing? It's already working towards good water quality outcomes with regional water regulation initiatives, farm environment plans, Good Farming Practices, catchment groups and Dairy Tomorrow work streams.

What can you do?

- **Fence off waterways** to protect freshwater from nutrients, effluent and sediment by excluding stock and creating a buffer between water and the land.
- **Plant fenced riparian areas.** This way, plants function like a sieve, helping filter out sediment and nutrients before they enter waterways.
- **Plan and construct farm crossings properly** to prevent damage to the stream bed and reduce the amount of sediment, nutrients and bacteria getting into waterways.
- **Manage drains** and improve pasture production, stock health and soil moisture.
- **Protect on-farm wetlands** to reduce nutrient losses and minimise flood damage.

"In our catchment, nitrogen leaching is a concern so we're looking keenly into our own figures around the subject of milk urea. We want to learn how to be more efficient with nitrogen usage so we can lower urine nitrogen in cows and reduce leaching." -
Ashburton farmer Ralph Tompsett.

"While production has gone up a fair bit on the farm, we are leaching less nitrogen into the Mangaatua River since we started fencing off sensitive areas, building up the native trees and setting up nutrient traps. We also want to see what impact annual fertiliser is having on the river, so we're taking regular water samples to give us real data rather than relying on modelling." -
Woodville farmer Nick Bertram.

Support when you need it

Farming is challenging and unpredictable. That's why having the support - financially and holistically - is key. Here are several ways you can access guidance during the ups and downs.

#1 The Farm Debt Mediation Scheme

Farmers under financial strain will have access to extra support and guidance from next month. The Farm Debt Mediation Scheme, which comes into play on 1 July, provides mediation services to help farmers and their creditors work through debt issues. This means farmers can expect a structured, confidential, and impartial negotiation process that leads to an agreement on how to proceed.

- Creditors who lend money to farmers will have to offer mediation before taking enforcement action if farmers default on payments.
- Business owners in agriculture, horticulture, aquaculture, apiculture and sharemilking can ask for mediation at any time.

#2 Stay well in your bubble

Unexpected challenges put pressure on your business and family, which is why it's so important to do the little things that keep you sane. Check out www.farmstrong.co.nz for farmer-to-farmer tips and videos (backed by well-being science) on stress, burnout, sleeping, healthy eating, thinking and more.

#3 Tax relief for Mycoplasma bovis farmers

The Government will be introducing legislation to help farmers whose herds were culled in response to the Mycoplasma eradication programme. It will allow you to spread additional income from the cull over the next six years, as long as:

- the culling of your breeding livestock and your replacements were due to Mycoplasma bovis
- you've used, and continue to use, the national standard cost scheme or the self-assessed cost scheme for your breeding stock
- you've substantially replaced your culled livestock within 12 months.

The legislation is yet to go through Parliament but it will apply retrospectively, from the 2017/18 income year. For more information, head to [Inland Revenue's website](#).



Business health check

- Are you aware of the Income Equalisation Scheme? It allows farmers to even out fluctuations in income by spreading gross income from year to year. Talk to us about whether it could help ease your tax position.
- Storing chemicals on your farm? New rules mean you need to establish a hazardous substance location and hold a location compliance certificate for certain chemicals above certain quantities. Are you compliant?
- If you're approaching your bank for financial support, go with a plan. They'll be more likely to help if you can tell them the problem, what's caused it, what you are doing about it, what you need from them, and how the bank will be paid back.



NZX Milk Price Futures Contracts in a nutshell

NZX has developed milk price futures and options contracts in response to the need for risk management tools for New Zealand's dairy industry. To help you get your head around the tax treatment of these contracts, Inland Revenue has released a determination - G31 NZX Milk Price Futures Contracts: an expected value approach. It's clear and simple and applies to all transactions entered into on or after 1 April 2020. If you're considering using these contracts, make sure you understand how they work and seek advice from a broker. Call us if you'd like to talk through the tax implications.

KEY TAX DATES – JUNE 2020

Date	Category	Description
5 June	PAYE	Large employers' payment due. File employment information within two working days after payday.
22 June	PAYE	Small and large employers' payment due. File employment information within two working days after payday.
22 June	RWT	RWT return and payment due for deductions from dividends and deductions of \$500 or more from interest paid during May.
22 June	NRWT / Approved Issuer Levy	Payment and return for May.
29 June	GST	Payment and return for May.
29 June	Provisional Tax	Instalment due for May balance dates.
30 June	FBT	Last date for employers to elect to pay annually.

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