NEWSLETTER – SEPTEMBER 2023

Well, on what is the first day of spring, it is time to do another newsletter.

Winter has been a mixed bag in Canterbury, more moisture for those east of the alps, snow arrived late in the mountains hence many high-country properties are drier than usual. Early winter predictions were for a change to El Nino weather patterns, however the change appears to be a slow one in happening but probably for the best as usually means a drier than average period in the east.

The Office

The last three years have been a period of change and adjustment. With Covid forcing us to operate remotely for periods and a change to our accounting software to Xero at the same time was very challenging.

As we were with MYOB for over 20 years we probably under-estimated the lost time incurred in the change despite the software sales people saying the transition would be "quick and seamless".

Now we are in our third year and Xero runs very well and provides a great platform for accounting preparation in the future.

Statistics

Some of you may be wondering what has happened to the statistics that R J Preston Limited produce both individually for our clients and collectively for industry participants.

There are changes at hand, we are working with Figured, a partner of Xero, to produce these. We are working closely with Xero to ensure their interpretation of the farming data is correct to ensure that any statistics that are produced are accurate, meaningful and will add value to your business. While there is a delay in producing these, Chathu is working very hard with the software people to achieve our goal.

Staff

If you look at our website you will see a few new faces with their bios underneath.

These changes have been both as a result of retirements and staff moving to other challenges. Both Grant and I are proud of our current team which have a diverse range of skills to help you with your accounting and your computing needs with Chathu providing that expert support.

Grant is also well established now in Marlborough and continues to work from there as though he was in the office. For all his clients he is available as usual and is in Canterbury for one week per month and I know he is making it a priority to visit many of you on farm.

McCulloch's moved to Marlborough over the last school holidays and moved into the farm house on 7 July 2023. Coming up two months now, so starting to feel a lot more settled. The first couple of weeks were certainly a bit hectic. The children have settled in well to Fairhall School and Renwick Kindy and it has been great to see them making new friends.

The photo attached of the farm is from the highest point I can drive to, which is about 600 metres above sea level at the southern end of the farm looking out to the north. Our farming company is Brookby Ranch which includes myself and three other family members. We all work full time, so the farming is definitely a part time operation. We currently have 500 ewes which are about finished lambing and 90 cows calving, so labour requirements aren't too onerous. Looking forward to mustering the hills for tailing and calf marking shortly, very much a change in mindset after growing up on a flat land farm.

The majority of my time is spent in the home office on accounting work, the Starlink internet connection works really well and there haven't been any issues on the technology front.

I am down in Christchurch on a monthly basis so feel free to get in touch if you would like to catch up.

The Season Ahead

While I am not wanting to repeat what many rural commentators have already said, agriculture and the country as a whole are facing head winds that many of the older clients would remember, and the younger ones may never have experienced. It is at these times that your rural professional team that you have around you is the most valuable to you. Whether it is refining on farm management, budget preparation, restructuring your debt as loans move from fixed to floating, it is here I encourage you to utilise their skills. Yes, there is a cost to you but there are savings and value can come back to your business.

Many things in farming are out of your control. Product prices, interest rates and the value of the New Zealand dollar so it is important that you focus on what you can control on the farm. Drill down into your expenditure, see what maintenance projects can be deferred, put planned

capex purchases on hold. Shop around for animal health and weed and pest products, there are savings to be made in both these areas. Get a fertiliser test, know your key nutrient make-up, you may be able to get away for a year or so with reduced application rates due to higher residuals in the soil.

One of the most important things you can do is look after your mental wellbeing, spend time with family and friends, take time to freshen up even if it is just for a weekend away. If things are getting too much seek professional help, there are many people that work within that space now.

Taxation

The only significant changes in the last three years of the Labour government have been:

1. The establishment of a new tax bracket of personal income over $180,000 being taxed at 39% instead of 33%

2. The extension of the Brightline test to 10 years for investment properties

3. The reduction of the amount of interest that can be claimed on rental properties

Most parties now have released their tax policies all trying to garner favour from middle income New Zealand. I would be very circumspect hanging my hat on any major tax relief as I believe when the country's books are opened, the picture will be one of increased debt, low reserves and declining tax take due to lower overseas income. In short, as a country we can only have what we can afford so significant reductions in personal tax etc may be unaffordable.

On a personal level please keep in contact with us at the office with respect to how the year is progressing with respect to income and expenditure. Provisional tax payments can be revised down, estimates can be made to help constraints of cash flow.

For many of you over the past few years we have used a tax intermediary called Tax Traders which in its simplest description tax credits are bought after the event, so Tax Traders hold tax credits, we buy those tax credits, and those credits are back dated until the provisional tax payment dates as though they were paid on time. There is an interest cost associated with this but in essence it is less than use of money interest and late payment penalties that the IRD would be charging and helps to streamline your cash flow. If you are finding you are having issues with being able to pay tax etc, please contact the office and we can look at the options that you have with both the IRD and the ability to utilise tax traders.

Community

I am old enough to remember and fortunate enough to have been brought up in a small rural community where most people knew each other and had community groups such as Lions Club and Rotary etc often ensured the wellbeing of the community.

With burgeoning commitments of central government to solve infrastructure and societal woes of this country, many communities will feel left out. It is here where we need to return to those old fashioned values of selfless giving of time, supporting local businesses, schools and sport clubs etc become important.

By fostering a community collectively, you grow a voice which is essential in ensuring the services and support a rural community needs are provided and maintained by local and central government.

Farmers are the heartbeat of these rural communities by providing local businesses with opportunities to establish and grow. This has never been as important as in times of recession so look after each other and your community because farming communities are the backbone of New Zealand.

Good luck for the season ahead.

The Team at RJ Preston