

## Let's Talk About ..... the Rural Sector

***There has recently been a number of government initiatives regarding rural issues. Regulations around these have been formulated and will come into force over the next few years. These will impact the rural sector and include:***

### **Winter Grazing**

This focuses on animal welfare and aims to outline best practice. There is likely to be increased compliance activity in monitoring farmers in areas where soil types are heavier and as a result, farmers may not be able to winter graze on outside pastures due to the mud created.

This may mean a move to wintering barns or pads and a cut and carry situation of feeding. It is likely there will be a shift in feed requirements from less open field crops to more silage, baleage, hay and straw. This will lead to increased costs, reduced wintering capacity in livestock and costly alternatives with capital expenditure on barns and feed pads. Farmers, remember that feed costs are deductible in the financial year that they happen. The cost of barns and pads will be capitalised and depreciated over their useful life and, as a result, no immediate deduction for tax purposes will occur.

### **Healthy Waterways**

The winter grazing challenge has been included in the Healthy Waterways proposal with the aim to set national standards for intensive winter grazing on forage crops. An example of some factors applied in the current discussion papers are:

- Slope threshold - where no more than 5% of the property or 30 hectares (whichever is larger) has a slope of 10 degrees will allow for winter grazing provided standards are met.
- For those areas all winter grazing must be set back from the edge of the waterways by 5 metres.
- Pugging of the ground must be no more than 10 cm.
- There will also be standards applied to progressive styles of grazing on slopes, exclusion of stock from critical contaminant source areas and re-sowing of land as soon as possible.
- There are ranges and thresholds in the proposed standards and it is clear that consent for winter grazing will be required where farming practices are above the thresholds.



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Other areas that the Healthy Waterways discussion document focus on are:

- In-stream limits for nitrogen and suspended sediment.
- Restrictions on land use change.
- New rules around stock exclusion and setback distances (distances from waterways).
- A mandatory freshwater module as part of farm environment planning.
- Introduction of a nitrogen cap.

The introduction of these standards is likely to have significant cost implications for many farmers. Some of these costs will be deductible in the year where expenses were incurred. In view of the considerable amount of capital expenditure that is likely to be required, it is possible that Inland

Revenue may look at the re-classification of some of the required expenditure as an operating expense.

There may also be legislation which will enforce limits on increasing productivity from land by intensification or increased fertiliser use.

As the timeframes allowed for submissions has now passed we hope that those affected by the proposed legislation have expressed their concerns. These submissions will have an impact on the outcome of the final proposal. More detailed information on these environmental issues is available from a number of sources including the Ministry of the Environment website: <https://www.mfe.govt.nz/> as well as other rural sites such as Beef and Lamb NZ: <https://beeflambnz.com/>.

***By Simon Curran. Simon is a partner of MCI & Associates. He has been involved with farming all his life and it's his passion! The combination of hands-on experience plus his knowledge equals sound advice for farming and commercial clients alike. Simon is heavily involved in a range of community activities and, like all good country folk, whether it's business or community, he's happy to go the extra mile.***

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