Primary Production

All the activities that are associated directly with land and water such as animal husbandry, forestry, fisheries, mining, etc. are known as Primary productions.

A ***Primary producer*** is an individual, trust or company carrying on a primary production business, alone or in partnership. A primary producer is one who carry on a business undertaking:

- Plant or Animal Cultivation (or both)
- Fishing or Pearling (or both)
- Tree farming or felling (or both)




Animal Cultivation

Animal cultivation includes:

- maintaining animals for the purpose of selling them or their bodily produce, including natural increase.
- manufacturing dairy produce from raw material that you produced.
- commercial breeding of domestic pets, including dogs, cats, fish, chickens, and all other animals.

Livestock

Livestock is "the ***domesticated animals raised in an agricultural setting*** in order to provide labor and produce diversified products for consumption such as meat, eggs, milk, fur, leather, and wool".

- **Valuation of Livestock:**

The closing stock can be valued as Number of Livestock as on 30.06.20xx * Average cost.

$$\text{Average cost} = \frac{\text{Opening stock + Purchases + Natural Increase}}{\text{Total number of Opening stock, Purchases \& Natural Increase}}$$

For Example,

CATTLE							
	#	$			#	$	
Opening Stock	90	28,604.08	A/c #	Sales	40	81,576.95	A/c #
Purchases	40	48,601.05	A/c #	Killed for Rations		-	A/c #
Natural Increase	39		A/c #	Deaths	4		A/c #
Gross Profit/Loss		62,053.13		Closing Stock	125	57,681.31	
	169	139,258.26			169	139,258.26	
					-		

Avg Cost Calculation		
Opening Stock	90	28,604.08
Purchases	40	48,601.05
Natural Increase	39	780.00
	169	77,985.13
Avg Cost =	$ 461.45	
Natural Increase value:		20.00

- **Natural Increase:**

The cost of an animal hold as livestock that was acquired by natural increase is whichever of these you choose:

- actual cost of the animal
- cost prescribed by the regulations (ATO) as below.
  - cattle, horses and deer – $20
  - pigs – $12
  - emus – $8
  - goats and sheep – $4
  - poultry – 35 cents

- **Killed for Rations**

A value must be assigned to stock used as drawings; that is consumed on the farm. All the stock killed and taken for rations is included in the Working account in the calculation of Gross Profit for the year.
Valuation of Killed for Rations = Total number of livestock heads used for personal use X Average Cost of Opening stock

Depreciating assets used in Primary Production:

A primary producer **can claim an immediate deduction on the water facilities, fencing assets and fodder storage assets** that are incurred primarily and principally for the primary production business in Australia.

- **Water facilities** includes a plant or a structural improvement that is primarily and principally for the purpose (or incidental) of conserving or conveying water, including a repair of a capital nature, an alteration, addition or extension to that plant or structural improvement. Examples are as below:
  - Dams
  - Tanks
  - Bores
  - Irrigation channels
  - Pumps
  - Water towers
  - Windmill

- **Fodder storage assets** includes an asset or structural improvement, or a repair of a capital nature, or an alteration, addition or extension, to an asset or a structural improvement, that is primarily and principally for the purpose of storing fodder. It's for the use in a primary production business that conduct on land in Australia. Examples are as below:
    - Silos
    - Liquid feed supplement storage tanks
    - Bins for storing dried grain.
    - Hay sheds
    - Grain storage sheds
    - Above-ground bunkers.



- **Fencing assets includes** an asset or structural improvement that is a fence, or a repair of a capital nature, or an alteration, addition or extension, to a fence must have been incurred primarily and principally in a primary production business that you conduct on land in Australia.
  Examples are posts, rails, wire, droppers, gates, fittings, anchor assemblies, etc.