

24 September 2018

UNITED KINGDOM AGRICULTURE - BREXIT 29 MARCH 2019

A FEW THOUGHTS AND COMMENTS FROM ALL OF THE MEDIA COMMENTS

AND THE PROPOSED SPLIT-OFF DATE OF 29 MARCH 2019

(All dollar (\$) references are in NZ currency)

- | <u>(1) UK data</u> | <u>EU data (excluding the UK)</u> |
|--------------------------|-----------------------------------|
| People 66 million | People 447 million |
| Sheep 34.8 million | Sheep 50 million |
| Dairy cattle 1.9 million | Dairy cattle 21 million |
| Beef cattle 1.6 million | Beef cattle 86 million |
- (2) Number of farms – 300,000 in UK – 11,900,000 in Europe.
 - (3) Overall EU agricultural subsidies to the UK - around \$5.6 billion.
 - (4) UK agriculture employs around 400,000 people (around 1.5% of the workforce).
 - (5) Around 70% of UK land is used for farming.
 - (6) Subsidy payments to date have been split, firstly, a major portion based on the average size of the farm and, secondly, what farmers do to look after the environment - a type of enhancement payment.
 - (7) EU subsidies to the UK make up 61% of farm income in England - the figure for Wales and Northern Ireland is 80%.
 - (8) Even with the subsidy payment, 16% of UK farms made a loss in recent years - without subsidies, the overall loss figure would have been 42%.
 - (9) Around 67% of UK farmers have off farm income sources.
 - (10) The UK only produces around 75% of the food it eats.
 - (11) Around 20% of UK agricultural labour force are immigrants - many are seasonal workers.
 - (12) Small farmers in the UK are particularly vulnerable regarding subsidies - that is, they very much need these receipts to survive.
 - (13) Around 13% of UK greenhouse gas emissions come from UK agriculture - the New Zealand figure is more like 48%.
 - (14) A large UK farm is described as being above 100 ha - this makes up 22.4% of all farm holdings in the UK – a large farm in the EU would be above 50 ha.
 - (15) The UK and EU exchange rate can affect their agricultural prices significantly - same comment would apply in New Zealand also.
 - (16) In 2015, the UK had a significant deficit in its trade of agricultural products re imports and exports.
 - (17) NZ exports to the UK are \$3.1 billion and NZ imports from the UK are \$2.2 billion.
 - (18) The EU agricultural exports are around \$248 billion and their agricultural imports are also around \$248 billion.

- (19) Agriculturally, fresh fruit and vegetables are their biggest imports and whisky is their biggest export.
- (20) There is a lot of friction regarding 78% of the EU subsidy payments being based on the actual farm land area - from an administration perspective, this approach makes some sense - somebody each year making a decision on how much each UK farm deserves to get regarding an environmental enhancement payment would be a very complicated decision - it would soon develop into a real argument.
- (21) Agriculture, forestry and fishing as a percentage of gross value added in the UK have been steadily declining since 1971.
- (22) Around 40% of the EU's present budget ends up in agriculture in different forms - approximately \$106 billion per year.
- (23) The EU total agricultural budget of \$106 billion represents about \$207 from each of the 513 million EU citizens - the figure in the USA is around \$109 per USA citizen.
- (24) The EU has a special trade deal with Canada (called the Comprehensive Economic and Trade Agreement - CETA) which removes tariffs and quotas on 97% of the EU's imports from Canada.
- (25) If Brexit takes place, then the UK government has agreed to keep paying UK farmers some \$6.4 billion per year in subsidies - they want to make a higher percentage than in the past though directed to reward environmentally responsible land use - I find it very hard to see how this would work from an administration/distribution perspective each year.
- (26) The UK manufacturing sector has been losing just on 100,000 manufacturing jobs per year for some years now.
- (27) Apart from other issues, Brexit will leave the EU with a \$18 billion gap in its annual budget.
- (28) In the EU, agricultural tariffs average 12% compared with 4% on other goods - there is a lot of talk inside the EU about reducing these subsidy and tariff issues but very little real action - any change would take years and would need to protect these EU farmers in a very real way.
- (29) Right now, the UK agricultural sector's likely direction after Brexit is still unclear.
- (30) There are around four options talked about regarding UK agricultural policy after Brexit, but really when you get down to it, only "a market orientated model" would provide a platform and open spaces for the UK to benefit from free trade on a more global outreach.

Comments

- (1) The UK has more people than New Zealand (about 14 times more), has more sheep than New Zealand (about 7,500,000 more) but less dairy cattle and less beef cattle. New Zealand people have a good reputation in the UK for their work ability and in places like London, the wage/salary rates are much higher than here, but to a fair extent they need to be.
- (2) Another Brexit referendum would probably reverse the first one, but this is looking unlikely.
- (3) The UK Labour Party is pretty much sitting on the fence with Brexit and has been like this for several years now.
- (4) If the EU give away too much ground with Brexit, they could easily have problems with Italy. France and Germany will tend to be the two main stable EU forces.
- (5) Deep down, immigration from Africa is causing enormous problems and crops up in Brexit discussions about every ten minutes.
- (6) The UK's possible subsidy/enhancement payments to its farmers after Brexit, which will be essential, could have a cost of, perhaps, \$96 per man, woman and child (population of 66,000,000).
- (7) The whole Brexit issue is not just about money. It includes immigration, travel between countries, trade, currencies, tariffs, quotas, judicial issues, crime laws, and last but not least, politics - with this last one possibly being the most difficult.

- (8) Many people in the UK and also in the EU dislikes Brussels with a vengeance - it has gradually got worse. There is a message here - to a much lesser degree, Washington also has it.
- (9) What good will come out of Brexit - this is an impossible question. There will be some, but right now it would not be easy to be too specific - if the UK also had moved its currency to the Euro instead of staying with the Pound, it's hard to see how Brexit would get across the line, but that point is irrelevant right now.
- (10) The cost referred to in the media that the UK would have to pay the EU for a so called clean break, but workable break is talked about at \$80 billion - heaven knows where this might end, but at this figure it represents a cost of around \$1,212 per man, woman and child in the UK.
- (11) The average size of Farm Holding in the EU is around 17 ha - in the UK around 57 ha.
- (12) How long has the UK been in the EU - 43 years.
- (13) The core free trade figure is that the EU currently purchases 44% of UK exports and supplies 53% of UK imports.
- (14) What would appear to be the five key issues with Brexit succeeding:
- Trade
 - Migration
 - Divorce Bill talked about (\$80 million NZ)
 - Rights of citizens (1.2 million UK people live elsewhere in EU)
 - Border with Ireland (Northern Ireland to leave with UK but Southern Ireland to remain in EU)
- (15) All my life with key assets/houses/farms/commercial property, I have found that it is the initial purchase cost that very often determines the sound history or otherwise of an investment - maybe Brexit has some of these characteristics.
- (16) It is said that an Eastern Monarch once charged his wise men to invent him a sentence to be ever in view and which should be true and appropriate in all times and situations. They presented him the words 'and this too shall pass away' - how much this expresses - how humbling in the hour of pride - how consoling in the depth of pain - and Brexit too shall pass away.

The Worldwide Currency Exchange Rates as at 17 September 2018 are as follows:

(a)	\$1 (US)	=	£0.8596 (Eur)
(b)	£1 (UK)	=	\$1.3081 (US)
(c)	€1 (Eur)	=	\$1.1634 (US)
(d)	\$1 (NZ)	=	€0.5632 (Eur)
(e)	\$1 (NZ)	=	\$0.6554 (US)
(f)	\$1 (NZ)	=	£0.501 (UK)
(g)	£1 (UK)	=	\$2.00 (NZ)
(h)	\$1 (US)	=	\$1.53 (NZ)
(i)	€1 (Eur)	=	\$1.77 (NZ)



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