Patron HRH The Princess Royal

UK Agriculture
A Brief Overview

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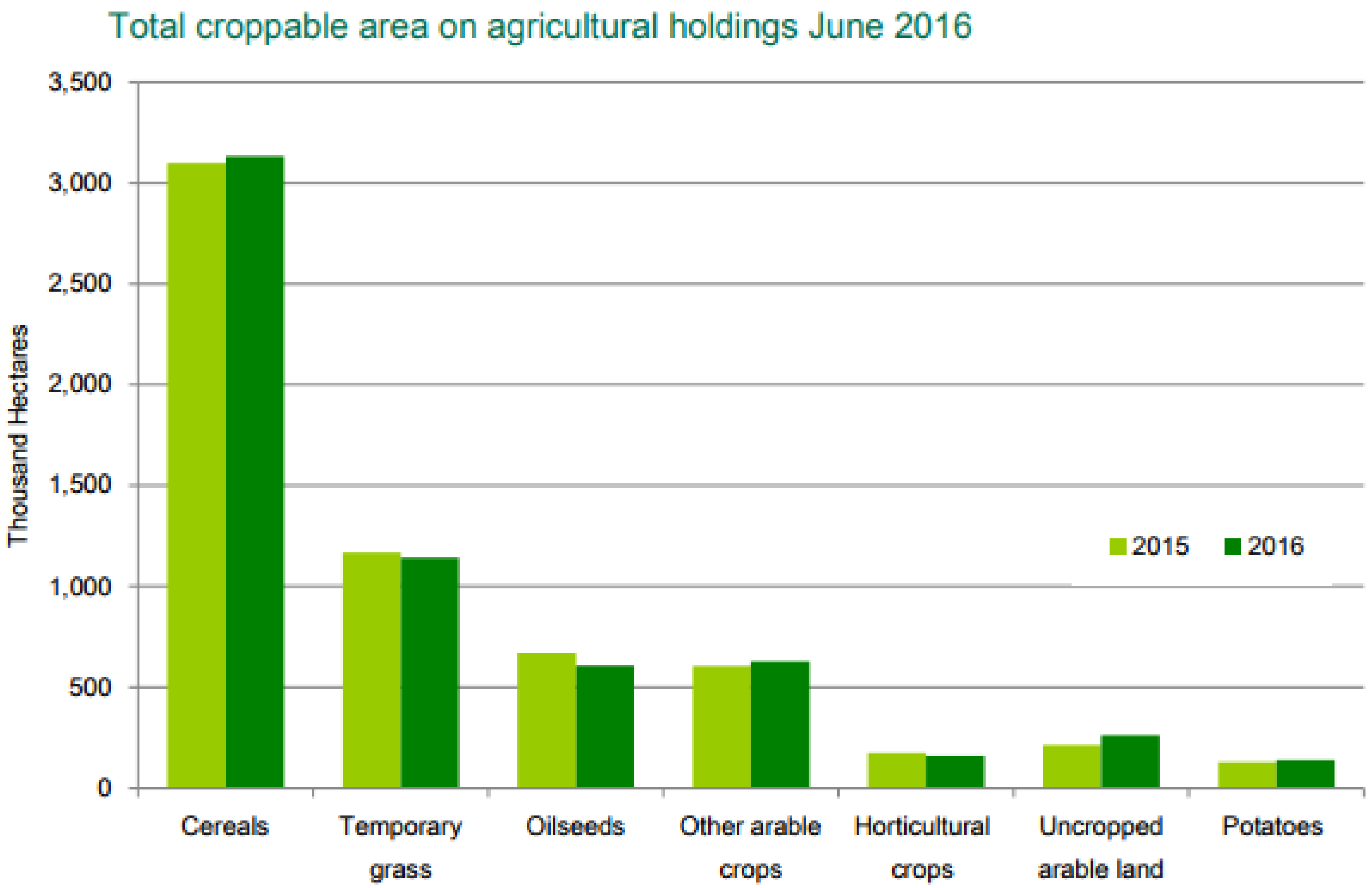
GB = England, Scotland & Wales
UK = As above plus Northern Ireland

British Isles includes the Republic of Ireland

Agriculture is devolved so each UK nation has its own policies but UK is the EU member state

UK land use, crop areas and livestock numbers (2016)

- The Utilised Agricultural Area (UAA) is 17.4 million hectares (71% of land)
- 508,000 hectares are farmed organically, down from 521,000 in 2015
- 52% of croppable area planted as cereal crops (3.1 million hectares) whilst the area of oilseed crops is just under 610,000 hectares
- 64% of UK farmland is only suitable for growing grass (mainly in the north and west)
- The total number of cattle and calves was just over 10 million. The dairy herd is relatively stable at 1.9 million cows.
- Sheep and lamb numbers were 33.9 million (breeding flock 16.3 million)
- Total pig numbers were 4.9 million whilst the total number of poultry stood at almost 17.3 million


Total croppable area on agricultural holdings June 2016
Thousand Hectares
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2015
2016
Cereals
Temporary grass
Oilseeds
Other arable crops
Horticultural crops
Uncropped arable land
Potatoes

Number of Holdings

Hectares	No. of holdings (thousand)	Hectares (thousand)
Under 20	101	726
20 – 50	43	1428
50 – 100	32	2316
100 +	41	12994
Total	218	17463
Average area (ha)		80

Large differences between different UK countries – Scotland average size 109 ha, whilst Northern Ireland 41 ha.

Age of Farmers

- Agriculture has an ageing workforce, average age 59
- The proportion of young people aged less than 35 working in the industry was around 3%
- But government statistics relate to the holding and often a holder is not the current farmer

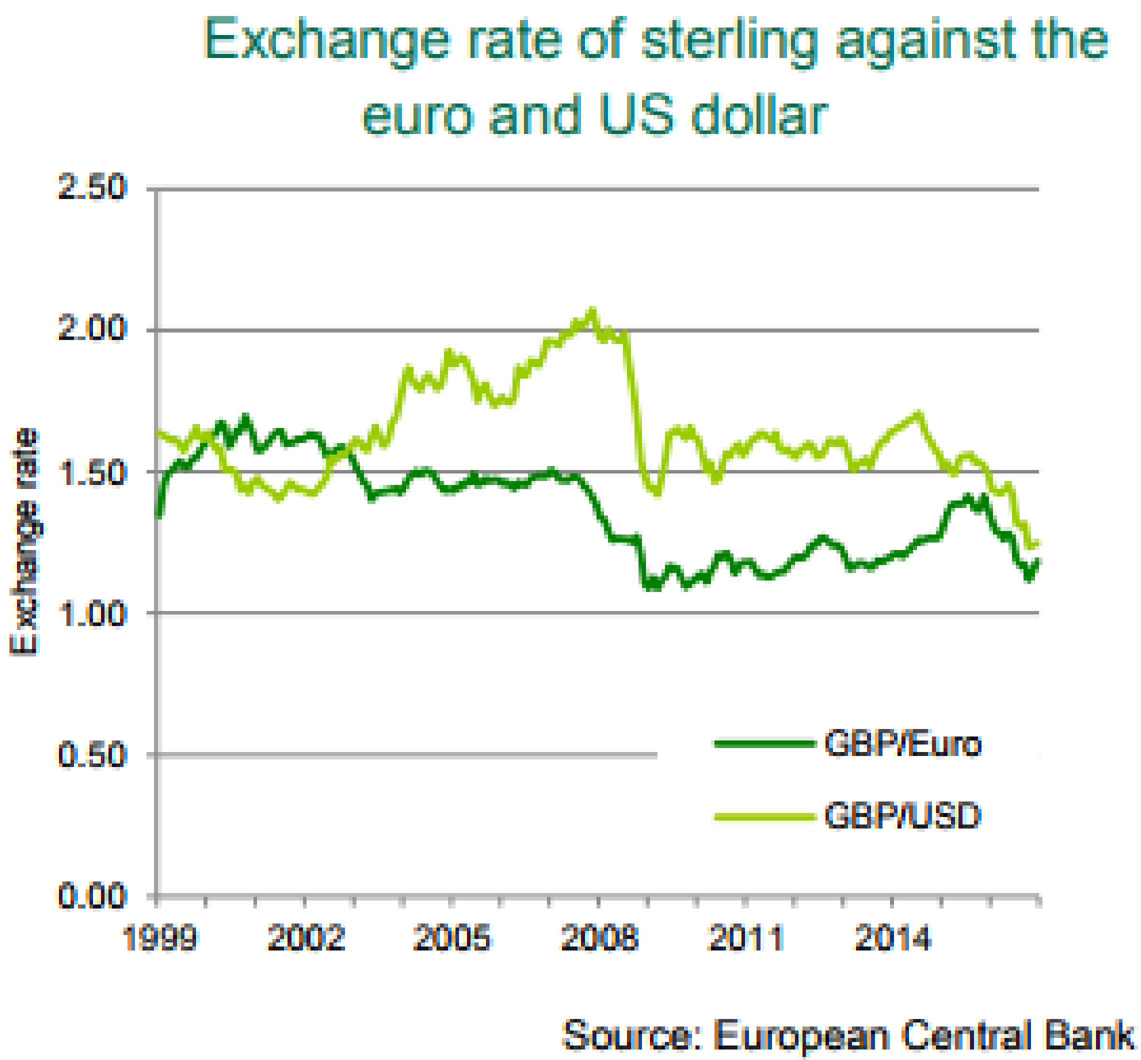
Income & Productivity

- Total income from farming was £3610 million in real terms
- Farm Business Income (FBI) varies greatly with over a quarter of UK farms failing to make a positive FBI whilst 16% of UK farms had a FBI of over £50,000

The Importance of Basic Payments Scheme to British Agriculture (%)

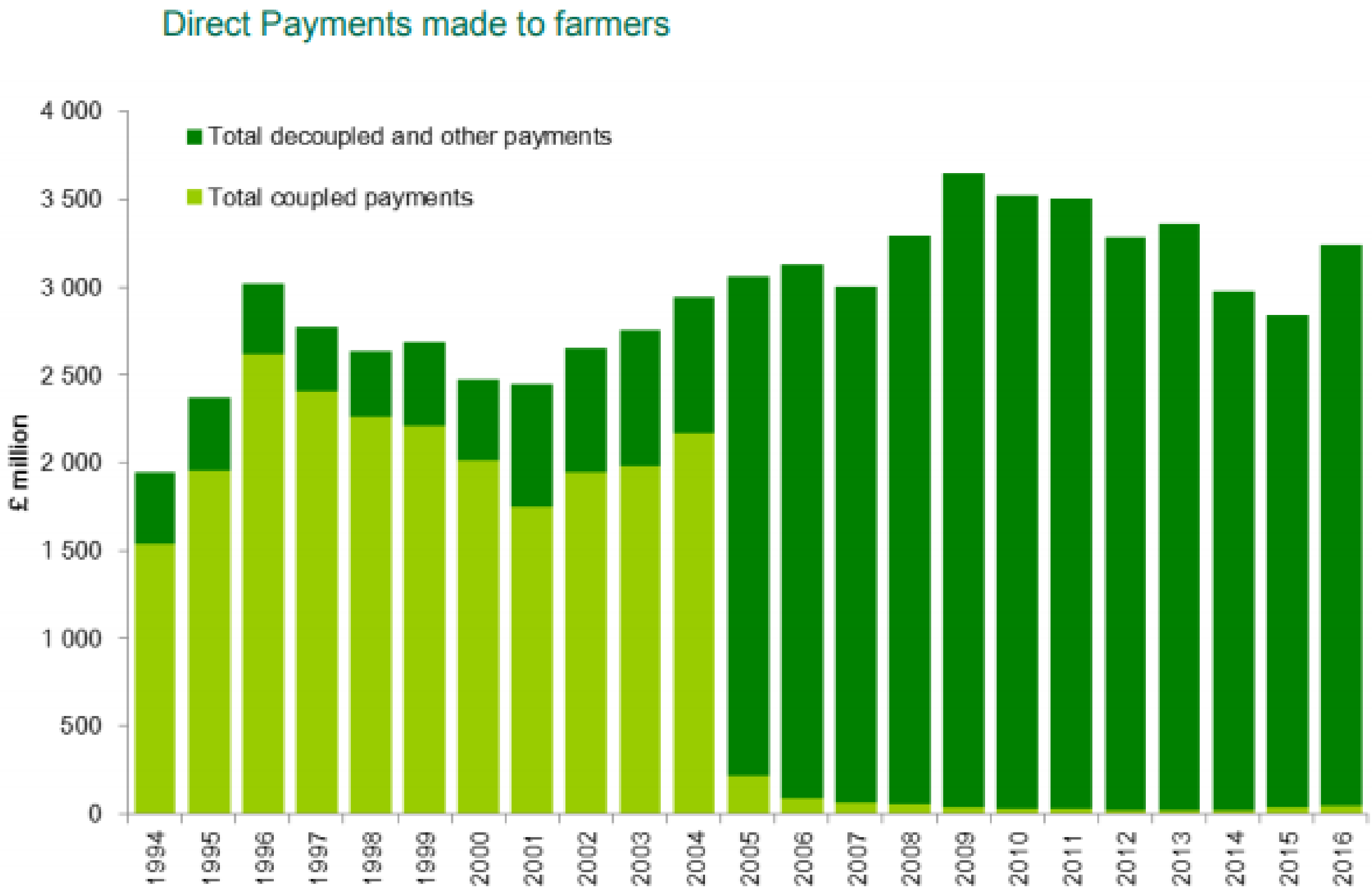
Farm Type	Dairy	Lowland Grazing	LFA Grazing	Specialist Pig	Specialist Poultry
Agricultural activity	30	- 91	- 56	17	64
Agri-Environmental schemes	9	35	51	11	1
Diversification	13	48	12	24	28
Basic Payments Scheme	48	107	93	47	7

(Defra, Oct 2016)


Exchange rate of sterling against the euro and US dollar
2.50
2.00
1.50
1.00
0.50
0.00
Exchange rate
1999
2002
2005
2008
2011
2014
GBP/Euro
GBP/USD
Source: European Central Bank

BREXIT

- On 23rd June 2016 the UK voted in a referendum to leave the European Union (EU). Article 50 was triggered on 29th March 2017 to start the process of leaving the EU.
- UK farmers will continue to receive support through the Basic Payment Scheme & Rural Development Funding until we formally leave the EU and payments will then be matched by the UK government until 2020.
- After that.....

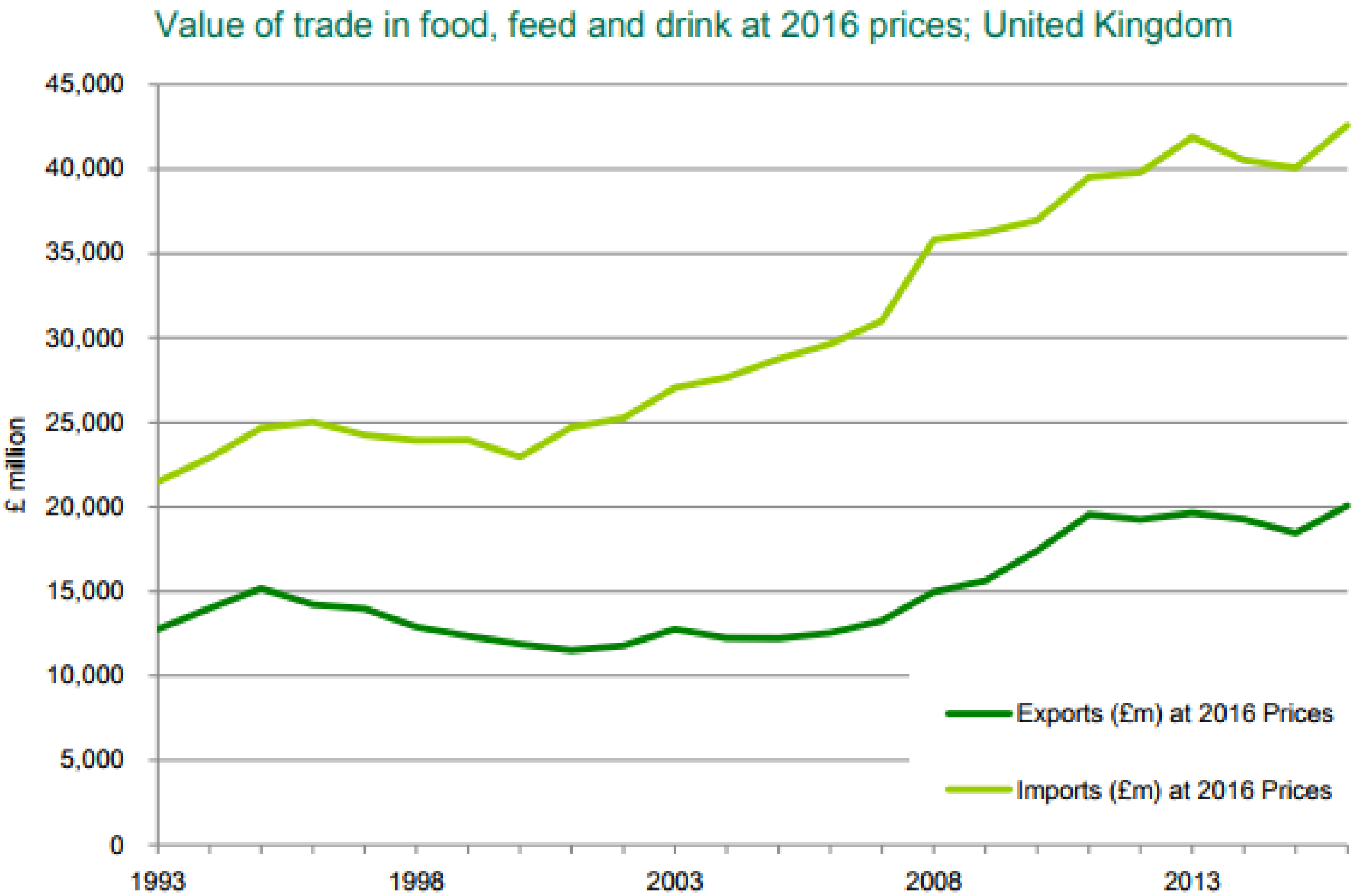

Direct Payments made to farmers
Total decoupled and other payments
Total coupled payments
£ million
4 000
3 500
3 000
2 500
2 000
1 500
1 000
500
0
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016

Environment

- Agriculture is a key driver of both positive and negative environmental impacts
- Between 2000 & 2015 application rates of N&P fertilisers to grassland have shown an overall decline
- Estimated soil nutrient balances for N&P have fallen by 21% and 47% respectively during same period
- Agricultural emissions:
  - Of nitrous oxide have fallen by 10%
  - Of methane have fallen by 11% during this period
- In 2015 the population of farmland birds was less than its 1970 level

Overseas Trade

- In 2015 the UK exported £20.1 billion value of food, feed and drink but we imported £42.6 billion
- Thus the trade gap in food, feed and drink widened to £22.5 billion
- Principal destinations for exports were Irish Republic, USA, France and the Netherlands
- The most important countries of despatch for imports into the UK were the Netherlands, Irish Republic, France, Germany and Spain
- Whisky has the highest export value, totalling £4.1 billion

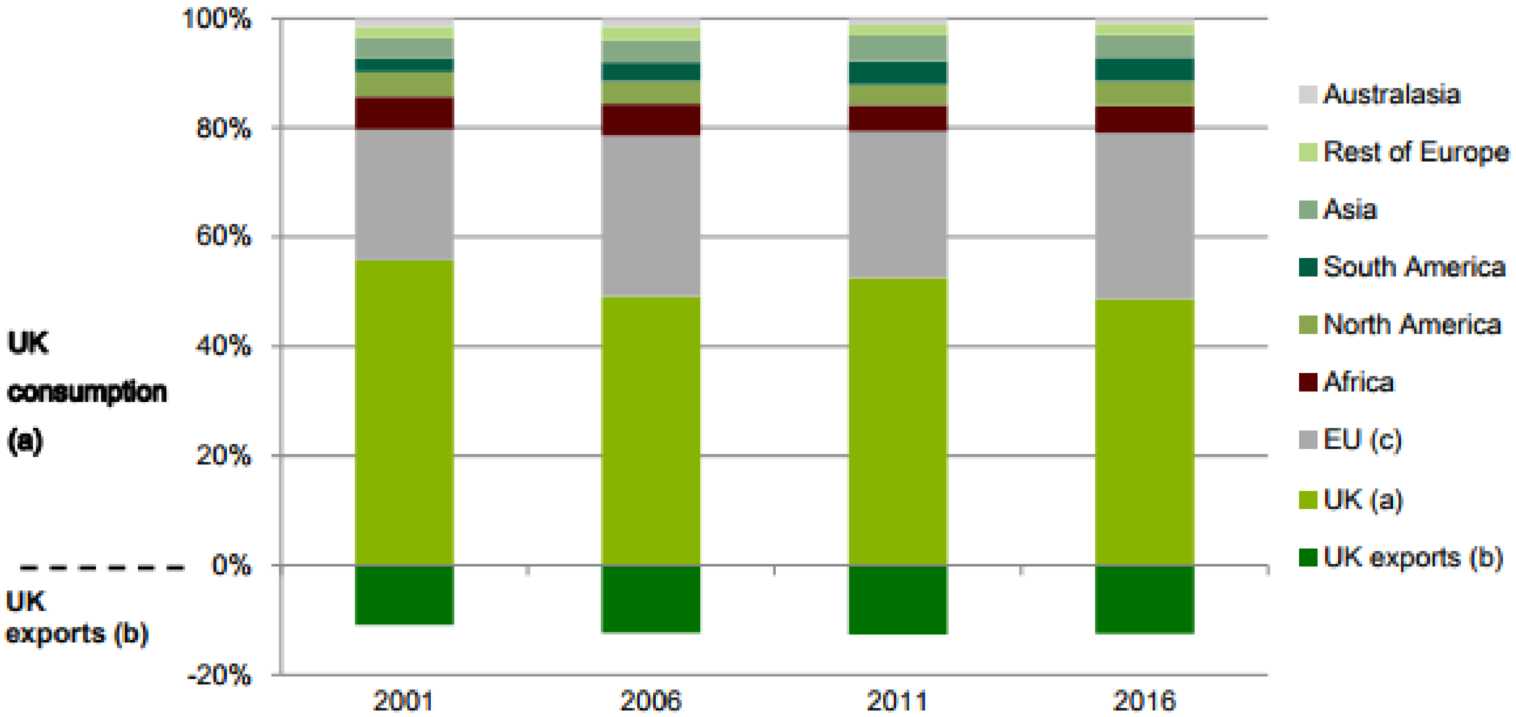

Value of trade in food, feed and drink at 2016 prices; United Kingdom
£ million
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1993
1998
2003
2008
2013
Exports (£m) at 2016 Prices
Imports (£m) at 2016 Prices

The Food Chain

- In 2015 the UK agri-food sector accounted for a total estimated Gross Value Added (GVA) of £109 billion or 6.6% of national GVA
- Employment in the agri-food sector is around 3.8 million or 13.2% of total workforce in employment
- UK self sufficiency

UK self sufficiency	2016	1996
– % of all food	60	68
– % of indigenous type food	76	82

Origins of food consumed in the United Kingdom: 2001, 2006, 2011, 2016



Based on the farm-gate value of raw food.
(a) Consumption of UK origin consists of UK domestic production minus UK exports.
(b) UK exports are given as a percentage of total UKconsumption.
(c) Membership of the EU increased between 2002 and 2013, from 15 to 28 countries.

EU 28 Member States

- In 2016 the UK was the largest producer of sheep and goat meat, accounting for around 39% of EU production
- UK was the third largest producer of wheat, milk,beef and veal behind France and Germany
- Almost a quarter of all pig meat was produced in Germany

UK Agriculture – A Snapshot

- Going through a period of rapid structural change – fewer producers, larger farms
- Price volatility now an issue across all sectors
- Supply chain relationships improving but fair returns for all in food chain still an issue
- No National Plan unlike virtually all other major developed countries
- Inevitable that UK will follow a North American model. 20% of producers will produce 80% of produce. The rest will be paid to keep countryside "the way it works"
- BREXIT – the great unknown

2020 Vision – The Keys To Success

- Continued technical improvement by farmers
- Continued investment by processors
- Better market focus, responsiveness and equity throughout the supply chain
- Improved consumer engagement, understanding and acceptance of the industry
- Sufficient margins to facilitate capital expenditure, a willingness by the banks to lend for it and its efficient implementation by farmers
- A consistent flow of trained, motivated and competent people throughout the chain
- Greater understanding, acceptance and vision from policymakers