



**2019 PREDICTIONS:
THE ANIMAL
SECTOR OUTLOOK**

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PET PLANNING

There was no more effective demonstration of the world's growing infatuation with our furry friends than the series of blockbuster acquisitions of veterinary chains last summer. Investors can sniff a good deal from a mile off, or many thousands of miles in the case of US confectionery giant Mars, which hopped over the Atlantic to snap up UK veterinary hospital chain Linnaeus Group and then over the North Sea to buy pan-European vet group Anicura. Private equity firm BC Partners hastily got into the game and grabbed VetPartners a couple of months later. And the year was rounded off with pan-European provider IVC acquiring emergency vet care chain Vets Now.

This means that 2019 is a good time for any of the smaller UK vet chains looking for further investment to both up their game and make sure they are effectively broadcasting the great work they are doing to catch the attention of Mars, BC Partners, IVC and other prospective investors.

The big beasts of the veterinary world themselves face a communications issue now they are growing so rapidly. They need to make a decision on how they brand themselves to reassure clients that their local vet clinic is still the friendly place they are used to visiting, while also highlighting the benefits being part of a bigger company brings.

Then of course there is the big challenge facing vet chains of all sizes in the UK: retaining vets, especially within the UK, given the uncertainty around what Brexit means for the UK's place in Europe. Morale amongst the veterinary workforce is famously low, with suicide rates four times the national average according to the British Veterinary Association. Stressful work and long hours, combined with relatively low pay, means that all veterinary providers have a significant task ahead of them to create an attractive working environment and vibrant workforce. Employers, particularly those sitting in HR at the big chains, will need to think hard about how they support and communicate that support to employees. Buying businesses will mean nothing if there are no vets to run the services.

POLITICAL ANIMALS

Not long ago Defra was regarded as a second-tier department – much of its work was implementing EU legislation, and with three full-time Ministers, it only came to unwelcome prominence when there were floods or it tried to sell off forests. Now this has changed considerably, with a big beast of the Conservative Party, Michael Gove, in place as Secretary of State, and four other Ministers.

In 2019 this Conservative Government, through Defra, will continue what in 2019 other political perspectives might call a progressive agenda on the environment, food, farming, and animal welfare. There are major environment, agriculture, fisheries and trade bills to go through Parliament, where the Government is often taking a radically different approach to the EU status quo.

Parliamentary battles are likely to include how, when taken together, these bills will coordinate or confound. Especially when it comes to maintaining domestic standards of food and whether animal welfare will be reflected in trade policy. There will also be much more detailed secondary legislation to scrutinise. The usual critical suspects are having to reassess their default responses: environmentalists are finding many things to like, and farmers are starting to step back from area-based subsidies and realising how they can get paid for providing public goods such as clean air and biodiverse landscapes.

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Domestic initiatives continue, with the Government announcing that in 2019 it will ban the third-party sale of puppies.

Brexit remains the elephant in the room (especially now Defra's Ivory Act received Royal Assent on 20 December 2018), with Michael Gove at the recent Oxford Farming Conference invoking fear (but not, he said, 'Project Fear') in farmers at the impact of no deal on British agriculture, with huge tariffs and long export delays. But British farmers, despite their real concerns, are wondering if the grass will remain as greener over in the EU.

The loss of the UK budget contribution means Common Agriculture Policy (CAP) payments are due to fall. And, there is an ongoing, full-blown spat between Commission and the European Parliament on devolving CAP implementation to member states.

As for where the grass is greenest, in the Republic of Ireland, no-deal preparations have finally started, as politicians have realised their rural (farming, horses) and coastal (fisheries) constituencies are waking up to the fact that if the EU builds its wall to the UK, it will affect Ireland as the UK is Ireland's land-bridge to the rest of the EU.

Over that border in Northern Ireland the €64,000 question on the minds of farmers, food processors and racehorse owners is if the Republic, the UK and the EU are all saying there will be no hard border, is that backstop a sideshow?

The most likely scenario is that the UK leaves the EU in March 2019 via an orderly Brexit, following eventual parliamentary approval of a modified exit agreement. The next most likely scenario is no Brexit / a second referendum, and the least likely outcome is an accidental 'no-deal' Brexit. With these two latter options, at the least ministerial and policy changes may occur, or even a change in Government, which could see a 'progressive alliance' between political parties introduce measures with really radical impacts for animal keepers.

Finally, in 2019 the animal sector needs to watch how the EU designs the detailed implementation of its Animal Health Law, its version of secondary legislation, for its full introduction in April 2021. This will fully revise trade and controls on farmed animals, horses, aquaculture and some pets, and their products, affecting the UK whether it is a part of the EU or not.