

1 August 2018

## USA – CANADA TOUR

### PITA ALEXANDER AND NICKY SMITH

(From 16/04/2018 to 16/06/2018 – 61 Days)

#### Suggested Key Data:

- |     |                            |     |
|-----|----------------------------|-----|
| (1) | Days involved with flights | 2   |
|     | Actual Travelling Days     | 54  |
|     | Non Travelling Days        | 5   |
|     | Total Days:                | 61  |
|     |                            | === |
- (2) Rental Vehicle – Cadillac Escalade – a bit bigger than we needed but very smooth to drive.
  - (3) Nicky's husband John died in November 2013. John and Nicky were sheep and cattle farmers at 'Kahutara' for 43 years on the Kaikoura end of the Inland Road between Waiau and Kaikoura.
  - (4) We shared the driving on a  $\frac{2}{3}$  /  $\frac{1}{3}$  basis approximately. Nicky was a good driver. Most farmer's wives are good drivers if only because they have experience off the sealed roads.
  - (5) Total kilometres travelled: 29,750 (18,486 miles). An average of 551 km per day.
  - (6) The currency disadvantage hurt. Our NZ \$1 was worth on average .6975 cents in USA and our NZ\$1 was worth on average .8850 cents in Canada – that is everything purchased/paid for in the USA with NZ dollars cost an extra 43% and everything purchased/paid for in Canada with NZ dollars cost an extra 13%.
  - (7) The price of petrol varied from State to State but in the USA it was an average around US\$2.85 per gallon. Their gallon is 3.78 litres so \$2.85 is 75 cents per litre. Allowing for the 43% currency cost this would represent around NZ\$1.07 per litre. Still a lot lower than the NZ cost per litre at home.
  - (8) We commenced driving at around 8.45am and drove most days until 6.45pm. But stopped for morning tea, lunch, afternoon tea and anything involving points of interest.
  - (9) Changed the oil in the rental vehicle three times (every 6,000 miles). Were stopped twice by State Troopers but ended up with no fines. Blew out two front tyres but coped with this, although the second State Trooper helped considerably in tyre changing, which on a busy road is not straight forward.
  - (10) From Los Angeles to Anchorage in Alaska it took 12½ days and is about 7,250 km. A long, long haul but low traffic volume for the second half and good sealed roads all the way. The temperature in Alaska was Nil degrees the whole time we were there.
  - (11) Frost 'heave' is a problem in parts of Canada, the Yukon and Alaska. Frosts heave up the roads and involve constant maintenance – a road worker said it was annual and never ending.
  - (12) Population:

USA	320 million
Canada	36 million
Alaska	700,000

There is no farming at least outside in Alaska – about 6 – 7 months snow every year – about 80% of food is brought in from Canada and other USA States – lots of fishing though. Eskimos only just visible – further north though many Eskimos are still nomadic and living off the land. Lots of beggars on street corners in Anchorage. Lots of rubbish along most roads in USA and Canada, a poor feature. Apparently there are big clean ups after snow melts as mentioned many times, but it does not answer how the rubbish gets there in the first place. Lots of big utilities which is all about snow – no old cars – lots of wildlife: elk, deer, bison, caribou, moose, brown bears, big horned sheep, racoons, foxes. Not many Canadians or Americans have actually been to Alaska.

- (13) Every time we came into a town in the USA we Googled Starbucks for coffee, toilet and hopefully the Wall Street Journal and the New York Times. If there were more than about 8,000 – 10,000 people then a Starbucks was possible. There are 13,930 Starbucks in the USA.  
In Canada we Googled Tim Horton's, which is very similar to Starbucks. There are 3,820 Tim Horton's in Canada and 811 in the USA.  
Both have good coffee, good toilets, good service but the food was a bit exotic for us.
- (14) Mr Trump is 50/50 in the USA. He has a big following and an equally big number not followers. He is a master of disruption, needs to 'zip it' much more, but wants to make America great again. Hard to really get a handle on him. Our NZ media and the USA media tend to focus on the negative issues he promotes which are numerous but not everything he is doing is negative. He is intending to follow through on his pre-election pledges. He is not a big reader and many Americans still do not know what to make of him even after 18 months in office. He is not presidential as we think of it. In an unusual way though the leaders of other countries are having to listen to him and respect him, if only because he is speaking from such high ground.
- (15) We drove from Alaska right across Canada to its most eastern town (Gaspé) then on to Nova Scotia and Maine. We then zig-zagged down the USA through 12 States to the Gulf of Mexico and flew out of Houston to Auckland (a 16 hour flight on Air NZ).
- (16) Each night we went out to a local restaurant and talked to a large number of Americans and Canadians and also talked to them during the day in cafes, service stations and motels. Always ask the motel owner/manager where they would take their husband/wife/partner out for a meal in town if it was their birthday – this is a sure fire way of getting to a good restaurant. Americans are still overeating – we had no desserts over the 61 days.
- (17) We found that at 70 mph (112.65 km/hr) that this was fast enough for us but we were slower than even the big trucks and were passed constantly each day. We kept off the interstate highways as while they were good when getting from A to B these were hard on the driver – the more scenic roads which Google and our Truckie map made clear were much better for us. Big trucks are everywhere, trains with three engines and 140 wagons full of coal were also common going East and West from Wyoming every hour of the day and night - going to both coasts.
- (18) The Northern States of America and all of Canada have snow on the ground 3 – 4 months of the year. Roads are always cleared but it is a constraint on people and business.
- (19) Driving on the right hand side of the road is bad enough but driving on this side at night is not a good idea and we avoided it as much as possible. The passenger in the front seat needs to help the driver as much as possible in American cities, which we tended to also avoid as the traffic is fast, constant and deadly for a New Zealander.
- (20) You need three credit cards going into USA and Canada – a spare one in case your main one fails and the passenger should also have one as backup. Your card may not operate at the pump so you have to prepay in most cases. Do not let anyone have your credit card in their possession, even for one minute. Some cash is also worth having. We found that our cards worked fine in ATM machines in Canada and America. At present currency rates long trips into the USA will cost more than you might anticipate.
- (21) There are around 12 million Mexicans in the USA, many of the adults doing a large percentage of the heavy lifting. The immigration issues on the border with Mexico are starting to look similar to the immigration issues in the Mediterranean. Many USA Mexicans repatriate money home to Mexico on a weekly or monthly basis. Not many Americans, in percentage terms, emigrate from America – an exact figure is not able to be obtained – I tried.
- (22) I have long found that the Wall Street Journal and the New York Times are two of America's best newspapers. I get the former online in Christchurch every day. A balanced, well written newspaper is worth its weight in gold, but many people around the world have so many issues on the home base and work base that taking the time to read well and widely just does not happen, even with the online advantage.

**What did we learn from our trip that maybe of interest to NZ people and NZ farming couples?**

- (1) It seems that 50% of all media coverage every day is about Trump or partly about Trump – after a while you get sick of it.
- (2) Interest rates and inflation are on the rise – about 25% - 30% of the 3yr, 4yr, and 5yr fixed rate loans that NZ Banks on-lend to NZ businesses and NZ people come from America – the increase though may be gradual.
- (3) The four key farm crops are:
  - Corn
  - Soya beans
  - Wheat
  - Hay

Approximately 14% of American crops are irrigated. The corn was looking good when we were there but it is early days – a drought has a major effect because of the importance of corn.
- (4) America has five million sheep and 90 – 95 million cattle. All dairy stock are inside on a 'cut and carry' arrangement.
- (5) The penetration of NZ markets into the USA is noticeable. We struck on menus: NZ white wine, NZ lamb rack and NZ mussels and there is reference in general terms on some menus to USA grass fed beef.
- (6) Many Americans think NZ is part of Australia – 50% did not know where NZ was. Approximately 38% of Americans have a passport, quite a number in the Midwest have not see the Atlantic Ocean and the Pacific Ocean or just one of them.
- (7) You see thousands of mobile homes – built in one piece, in many cases, on a long trailer and taken to a site and connected to power, plumbing and foundations. The average size is around 1,400 sq feet (140 sq metres) but some have decks added on later. I have been inside a number of these and they are sound and give a young couple a start. The ones I have been in were US\$80,000 - US\$100,000 all connected up – say NZ\$140,000. America has a lot of land so many of these mobile homes are all over the place with some in low value section areas.
- (8) Many cemeteries are on a slope with artificial flowers and are very well maintained. The best buildings in every small USA town are the bank (or banks). The church (or churches) and the fire station. Many of the churches now are far too big for the congregations involved but they are invariably in good order and with well maintained surrounds.
- (9) There are very few paling fences between houses. Ride on mowers are big business throughout and except in the Southern States, putting the winter's firewood together is big business. Quite a number said their annual firewood volume was 7 chords – costing around US\$1,750 - US\$2,000 – more like NZ\$2,500 - NZ\$2,750.
- (10) The house ownership in USA is broadly similar to NZ, about 62% - 64%. There are many retirement villages a long way from main centres. Many people without houses end up in these villages – with a caravan or big RV with a lean to, an ablution block, water, power, personal/community company with a shop or two within 10 – 20 miles.
- (11) Around 15,000 people in USA retire every day, that is around 5,500,000 every year. You see thousands of caravans and large RV's for sale everywhere but presumably they all get sold in due course.
- (12) Like Brexit, a lot of USA people feel they were left behind and voted for Trump. We found this issue surfaced every day in cafe discussions – you learnt quickly that people felt very deeply about it. Many people were going to work beyond 65 years of age.
- (13) About 30% - 40% of Americans are badly over weight. This comment applied also to 10% - 20% of the Starbucks and Tim Horton staff behind the counter as well, which surprised us. Maybe a function of free or low cost drinks and food.
- (14) The divorce rate in America is high, probably 33%. You strike a lot of men who are very comfortable with saying that they are happily divorced. A solicitor in America asked me why I thought divorce was expensive, his answer was: because it was worthwhile.

- (15) In June 2018 there were 4.5 million USA house owners (9.1% of the total) whose house mortgage was higher than the value of the house and section. They call this situation a home owner who is 'underwater'. This situation though is a big improvement on the low point in 2012 when 15.7 million homeowners or 31.4% were 'underwater'. What has brought about the improvement in the main is the 44.6% rise in home prices nationally since 2012.
- (16) The USA exported US\$19.9 billion of fuel and oil in April 2018 to other countries. The USA presently has a trade deficit (not agricultural trade), of US\$46.2 billion. Not too many years ago the USA was importing oil – now it is one of the world's bigger oil and gas producers.
- (17) A 37 year old orthodontist in Utah, USA, currently has a student loan debt owed by him of US\$1,060,945.42. He is not paying enough off to keep this loan from increasing from accrued interest each day by \$130. In 20 years the debt will be US\$2 million. There are 101 students in USA who each owe US\$1 million on their student loan – on the other hand the overall USA average student loan is US\$17,000, which would be not to dissimilar to NZ once you make the currency adjustment.
- (18) Trump is causing angst among many countries that the USA exports agriculture produce to. These figures for the 2017 year were:

		<u>% of total exported</u>	
Corn	Mexico	(27.9%)	} In 2017 year the USA exported US\$138 billion of agricultural goods and imported US\$116.7 billion leaving an agricultural trade surplus of US\$21.3 billion.
Soyabeans	China	(57.6%)	
	Europe	(7.9%)	
	Mexico	(7.0%)	
Pork	Mexico	(36.1%)	
	China	(7.4%)	
	Canada	(6.1%)	
Beef	Mexico	(14.4%)	
	Canada	(9.0%)	
Milk Powder	Mexico	(45.6%)	
	China	(5.7%)	
Fresh Fruit	Mexico	(27.2%)	
	China	(22.1%)	

- (19) There is never ending media reference to the wall that Mr Trump wants to put up on the USA border with Mexico. Mr Trump is not on his own here – Austria, Bulgaria, Greece, Hungary, Macedonia, Slovenia and others have built at least 800 miles (1,287 km) of walls/fences since 2015 to keep immigrants out. There is already about 700 miles (1,125 km) of wall dividing Mexico and the USA. At the end of World War Two there were seven walls in existence between countries. When the Berlin Wall fell in 1989 there were 15 different walls. Right now there are 77 different walls between countries.
- (20) The USA has been the policeman for the world for many years now and one wonders just how Mr Trump will react to this over time. The actual military personnel that the USA presently has in various countries right now is:

Japan	61,984	} This is the number of people – there will be an enormous quantity and value of ships, tanks, aircraft, guns, buildings and other equipment involved. It is easy to forget that in the North Korea/South Korea confrontation in 1950 that 33,000 Americans died and 100,000 were wounded. 48,000 died in Vietnam – the policeman for the world has paid a heavy price.
Germany	47,492	
South Korea	28,187	
Italy	15,395	
Afghanistan	14,000	
United Kingdom	10,525	
Puerto Rico	9,503	
Guam	9,350	
Iraq	5,200	
Bahrain	5,007	
	206,643	
	=====	

- (21) One of the issues you strike early on in any deep discussion with American farming couples is their annual family health insurance cost. The exact cost for the 2017 year for a family of four with the most popular health plan offered by employers for family coverage was US\$19,481, with this cost being split:

Employer	\$13,430	
Family	\$6,051	
	<u>\$19,481</u>	(NZ\$27,273 )
	=====	

The key point though is that some American farming couples do not have an employer connection unless one of them is working off farm for an employer. This is a colossal drag on an American farming couple where neither works off farm. It is hard to see where this will end as the average overall cost for the last 10 years has been going up by \$100 per month.

- (22) Mr Warren Buffett and Mr James Dimond (JP Morgan Chase) have made strong recommendations recently to the effect that corporate six monthly reporting is all that is required of big USA companies as compared with the present three monthly reporting in that this short term reporting is causing some decision making problems for the longer term.
- (23) The volcano and lava flows in Hawaii were not in our travel plans but there was much media coverage. Molten rock is called magna below the ground and lava when it is above the ground. 1,700 residents have had to leave their homes. It is not only the lava that incinerates everything it touches, the gases, some of which are sulphur dioxide, which reacts with water in your lungs and can form acid.

There are around 13 hot spots around the globe like Hawaii. It is easy to forget that there are 169 active volcanoes in the USA with some being in Yellowstone National Park. There are 1,550 active volcanoes around the world above sea level.

- (24) Another issue that Trump has been hammering away at is the inequality of income and the inequality of assets among many countries people around the world – with America being very much deep in this group. In NZ the average corporate salary would be exceeded about 7 – 10 times, maybe by the chief executive of that corporate, but in many countries this ratio could easily be 100 or more in a study in the USA of their big companies and not so big companies that ratio averaged between 275 – 492 (median/average). Worldwide media is going to keep throwing this data at us for years. The proposal of a universal basic income for all countries people once they reach say 25 years of age has been looked at and experimented with quite seriously by several well developed countries (Finland and Switzerland come to mind) – the cost though would be enormous.
- (25) In the Yukon in Canada we had a discussion with a man who had a large utility with three large long boat trailers stacked on top of one another, made in Miami, and he took a trip (15 days each time) taking them through to Anchorage in Alaska, about 13,000km. It turned out he was not what he first seemed. He was in charge of the USA snipers division and spent two terms in Vietnam. He said to get into that division you had to be able to consistently hit a basketball from 1,000 yards with a sniper rifle. He mentioned he had a spotter in Vietnam with him and any time he shot at anything they had to move immediately. The Vietcong had a bounty given to any of their men who killed a USA military dog or sniper. He said they partied every night they could because the life expectancy amongst the snipers was very limited. When he returned home he worked for a senior narcotics unit which was just about as dangerous as Vietnam. A number of his colleagues never got back home. One of his colleagues was caught in a Vietnam rice paddy area submerged in the paddy and water in the daylight when a snake bit him in the leg. He knew if he moved he was dead as they had spent some time looking for him. He survived just at night with special night goggles. The individual we spoke with said if it had not been for his wife he would never have integrated back in USA life as many of his colleagues didn't. He said when he was at home with his wife and if somebody knocked on their front door at say midnight that he was in a squat position beside their bed with a loaded pistol within one second – it took him three years to move on from this. He said he very rarely talked about his Vietnam history as it brought back too many memories of dead colleagues and the mental pressure of it all. I looked around to introduce him to Nicky who had just entered the restaurant but he had disappeared within several seconds. He was driving about 12 hours per day. He said that 48,000 of USA young men died in Vietnam and that they were still finding a few more each year.

- (26) The quantity of fruit and vegetables grown in California has to be seen to be believed. Thousands of acres of large machinery and Mexicans with big trucks taking produce out the gate to markets every few hours. One of the key issues when we got to Alaska and further North was that much of the fruit comes from California and you could trace exactly where the fruit came from on the package wrapping re where, when, locality, picking date and the actual producer/owner of the fruit. We lived on raspberries and strawberries for days and days.
- (27) I went into three pawn shops and two payday loan shops and spoke with the owners or managers for 30 – 60 minutes on each occasion. The key issues were:
- Most were open 5.5 days – some were 7 days.
  - The 7 day ones were open from 9.00am to 7.00pm.
  - Interest rates were 20% - 30%.
  - Pawn period is now 60 days – after that the item can be sold on the open market by the shop owner.
  - Profitability appeared to be about 50% from interest and 50% from the sale of the item, if not pre-pawned after 60 days.
  - The pawn lending rate was normally about 33% of its assessed current market value by the pawn manager.
  - All pawn shops are barred as they are broken into otherwise.
  - A pawn shop has a large well lit showroom area and a similar warehouse area behind, poorly lit, but attached, storing equipment that is still within the 60 day period and may be re-pawned, after the 59<sup>th</sup> day.
  - Hardest items to sell on the open market after 60 days were tools, tradesmen gear, etc. Easiest to sell was jewellery but each shop needed someone who could place a lending value on jewellery.
  - There were three queues operating in the payday loans shop – the owner/managers all said that 80% of their customers/clients were repeat customers/clients.
  - Quite a number of American families just cannot get to their next pay day quick enough.
  - The payday clients employers had to agree to the payday business having the right to make a direct debit on the client's wage payout, otherwise the payday firm will not lend.
  - They seemed to have a loss of about 3% on their pawn loans. Usually where they make a loan of say \$300 on an item, say a large generator which after 60 days is not re-pawned, they then hold it for a year and if not sold after a year they have a major clean out and if it was sold for \$200 then that is part of any annual loss.
  - There are thousands of pawn shops and payday loan shops around America. Usually a large older building with half a dozen car parks, about six staff and an owner or manager who is hard-nosed and has a very strong grip on money and people. There were quite a few female employees.
- (28) The USA has a population of about 69 times our NZ population. Its dairy operation, with all stock inside and what's called a 'cut and carry' operation, will remain as it is and the larger units in China are similar to America. America struggles to hold down good grass and with snow in the North their 'cut and carry' operation suits them with corn/maize being the key.
- Could America increase its agricultural output if it wanted to? I feel the answer is: yes, in some areas. Their unemployment figure presently is around 3.8%. Business start ups are more important in America than in NZ – enormous dollars and support. Synthetic meat, synthetic milk, synthetic leather, synthetic eggs, lettuce and salad support foods all grown in buildings on many floors on the outskirts of big cities – school lunches, etc.
- (29) In Anchorage I asked the waitress at a restaurant whether there were any nice looking men for her in this town. She said she hadn't met any yet but she said there is a saying in Alaska (there is a big surplus of men in Alaska because of the oil and gas industry) – "that the odds are good but the goods are odd". The total population of Alaska is around 700,000. There is no such thing as tearooms in USA or Canada. If you asked for a sandwich you received a blank look. Starbucks, Tim Horton's, the local garage and McDonalds is your cafe choice.

- (30) Several times we were told that climate control is going to muck up in due course, those areas concentrating on wine, chocolate and coffee. Big potential effect here for California. We loved the small, almost English, type towns which we struck if you follow the scenic type roads and keep off the interstate highways. We were surprised just how many Americans did like living in very isolated areas – we struck dozens of these people. Oil and gas companies are flush with cash at about US\$70 per barrel but are very careful where they are spending it. There were a lot of homeless people in Anchorage. Police are against you giving them food or money. The price of oil at US\$60 - US\$70 per barrel seems to represent a stable demand/supply situation.
- (31) The USA is 38% wooded which must be a major plus with its carbon issue. You get the feeling that Canada also is heavily wooded. It takes Canada about 80 years to get its timber/forestry mature compared with the NZ 25 – 27 years. You see a lot of logging trucks with very thin trees that apparently are all going for chipping.
- (32) You see very few NZ type vegetable gardens in USA and Canada. Certainly there is enormous grass and lawn mowing areas but the high and low temperatures and snow make gardens more difficult.
- (33) Getting through the Los Angeles customs took 2.5 hours. This is painful after a 13 hour flight and still having your rental car and some travelling to the first night's venue in front of you. It always surprises me just how many people have food and fruit in their luggage which customs always confiscates. Many people from Asian countries seem to be in this group.
- (34) I read all of the American newspapers and similar articles on financial issues. Retirement planning in the USA is big business. They suggest you do not withdraw more than 4% of your savings each year, have no debt when you retire, do not borrow after you retire, allow for one spouse at least living into their 90's, trim down your health insurance cover – but do not cancel it. Do not retire before you are ready, allow for 3% of your house value each year being spent on repairs and maintenance, do not lend too much to your children. 15% of retirees will spend \$250,000 on long term residential care. You will live longer than you think – the average 65 year old American will live, at present, another 19.4 years.
- (35) A retired farmer suggested to us that classic books are what people praise but do not actually read themselves. He also mentioned that much of American politics is like two bald men fighting over a comb. The back of his t-shirt said: 'Keep calm and farm on'. He also said that big boys do not cry but they can whinge though.
- (36) The USA has a lot of retired horses. At a local cafe someone made the comment that you should never tell anyone that you can shoe a horse – or in a group of men say that you can cook. This person also said that successful people get specific. You can really learn something from these sort of people if you listen long enough.
- (37) In the Yukon we struck gold miners who were going through old tailings with better equipment. One mentioned that it took him 10 days to get to his mine site and 10 days to get out again and he only had four months snow free to work the site. He always took one employee with him who was on a 70/30 split re gold found – no wages – but he mentioned that on his own a broken leg at his mine site was a potential death warrant. No wireless or cellphone coverage and 70 miles from the nearest road. He said the only plus on the site was you did not need a refrigerator.
- (38) Another gold miner who was waiting for the snow thaw in the Yukon said he was 68 years old, owned \$500,000 of heavy machinery, had two mining sites, his wife was long gone, he had mined the two sites for 30 years for about three months a year, had a helicopter pad at one site, had tried staying on one site during the eight months under snow but the bears were damn dangerous, it was 30 degrees below for weeks on end, he saw no other person for six months and even his two dogs get very depressed. Through all this though he said he owned a house in Vancouver, had \$4,000,000 invested in the USA sharemarket, had a son and daughter who thought he was mad but had both visited the mine site by helicopter, but only stayed with him for two days. He was an interesting character who spent the first 10 years of his working life as an engineer for the New York sewerage department. I asked him for his version of success and he said:
- (a) Get specific.
  - (b) Seize the moment.
  - (c) Commit to paper and revise.
  - (d) Feed back is important.
  - (e) Don't celebrate until the objective is reached.
  - (f) Be a relative optimist but accept that success won't come easily.
  - (g) Accept the road will be rocky

- (h) Know your breakeven point.
- (i) Focus on being better rather than being good.
- (j) Have grit.
- (k) Build your willpower muscle.
- (l) Don't tempt fate – there will already be enough obstacles.
- (m) Focus on: what you will do, not on: what you won't do.
- (n) Being successful is about reaching goals.

I felt the two hours with him was time well spent.

- (39) The amount of rubbish along most roads in Canada is camouflaged by the snow, a lot of people must be throwing rubbish out of their vehicles. Sleeping in your car in the Yukon/Alaska is not uncommon – it is all about heavy snow. Do not let your fuel tank get below 50%, a tow rope is worthwhile and keep your cellphone well charged, two spare tyres is also worthwhile – all of this advice came from a local state trooper.
- (40) President Obama let 68,000 immigrants in from South America in his term. Immigration is a topic that really stirs Americans – many are dead against it.
- (41) A discussion with two financial planners who had successful businesses – they talked about retirees needing three buckets:

Needs Bucket Wants Bucket Savings Bucket	}	Very hard for people to live within 50% of their disposal income just on fundamental purchases, regardless of cars, medical, debt reduction, entertainment, holiday.
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They argued that each family's emergency fund needs to cover 3 – 6 months of living expenses. On the other hand they acknowledged that about 40% of Americans would not cope with an unforeseen payment required of \$400.

- (42) It is interesting with the household net worth of countries around the world just where they are:

Switzerland	\$244,000	}	This data is in April 2018 and is in USA dollars.
Australia	\$163,000		
NZ	\$136,000		
Japan	\$120,000		
United Kingdom	\$108,000		
Italy	\$104,000		
Singapore	\$101,000		
France	\$100,000		
Canada	\$97,000		
Denmark	\$52,000		
USA	\$45,000		
Germany	\$43,000		
Sweden	\$40,000		

- (43) Solar power and turbine power, both renewable energy, are very obvious throughout the USA.
- (44) Many USA voters feel that long term Trump's objectives are sound and that he genuinely wants to make America great again. Time and time again when talking to these people they do not worry about his remarks, his actions, his twitters, his disruption, his volatility and his staff turnover. Several said that all of these points are minor and are part of draining the swamp. They acknowledge that he is not Presidential measured from most points of view. They also feel that the media focuses on the negative issues with him and misses the main event that he wants to bring with his ability to disrupt.



- (45) We had a discussion with two bankers in a cafe and I asked them for a few attributes of good operators. They said:
- Many millionaires drove very average cars for 30 years of their life.
  - They tend to focus on their strengths.
  - They give their colleagues/employees the ability to focus on their strengths as well.
  - One said: you cannot be anything you want to be, but you can be a lot more of who you already are.
  - Talent + investment = strength
  - Almost nothing works today with low numbers – a certain amount of scale is essential.
  - Personal finance is 80% behaviour and 20% knowledge.
  - Car leasing is the most expensive way to operate a car.
  - A new car can lose 60% of its value in the first four years.
  - Around 60% of USA credit card holders do not pay off the card at the end of each month or 55 day period.
  - Teenage children are the No.1 target of credit card companies.
  - Life Insurance can be a poor long term investment but a good short term investment.
  - Lotteries are a tax on the poor and also those who cannot do the maths.
  - Some assets depreciate at 15% - 20% a year.
  - Do not prepay funerals.
  - You must insure some things: life, house, car, boat.
  - The No.1 cause of divorce in USA is money – lack of it.
  - Income tax deductions are not a bargain.
  - The average deduction is worth 17% - 22% of the purchase cost.
  - Some men are all hat and no cattle.
  - If it is on your ass then it is not an asset.
  - The main problem for many people is between their ears.
- (46) Trump further made his money (like many others) in the Yukon – gold and silver in Dawson City and White Horse. We struck a section of 252 km on the Alaskan Highway with no fuel and the next day another stretch of 155 km. The permafrost area around Fairbanks in Alaska means your house foundation needs to be really well thought through, Quite a few are built on hills around the town but then they have a well (water) problem. When you get well into the boon docks the local newspaper is very local. 79% of the USA people are in urban areas. A young oil and gas engineer in Fairbanks said to me that you do not lose your girlfriend in Alaska – you lose your turn. In Canada some farming couples have done well overall from oil and gas – they now have wheat, wheat, wheat and oil and gas royalties and their sons are often off farm on high wages working for oil and gas companies, but come home for drilling/agricultural work and harvesting – home four months – off farm eight months.
- (47) Financial mathematics never goes away. If you start with one cent and double it every day then at the end of the 30<sup>th</sup> day you have amassed \$5,372,641. You could win bets on this calculation and formulae – I have run it several times on my computer and it is correct.
- (48) Retired employee pensions are very expensive for USA employees – some of their bigger companies have long term liabilities of billions of dollars arising from this – some States/Councils are similar. Our NZ National Superannuation of about NZ\$35,430 (gross before tax) for a NZ couple and about NZ\$23,400 (gross before tax) for a single pension is a better approach I feel, with their own savings/investments to make up any shortfall. This USA system (UK is in a similar bind with it) is a major business constraint in that some employees retired at 60 years of age and are living into their 90's and most of these pensions have a plus inflation index of some figure also.
- (49) You do not see many beehives from the road compared with NZ. Nicky puts honey in her tea and Starbucks and Tim Hortons also supply honey for this. A reduction in the number of bees around the world would have a very big effect on many of the world's plants.
- (50) We only really struck tipping in restaurants but many waitresses have a base payment of \$5 - \$7 per hour and need something more. If the service was good we tended to tip at around 15% - 20% of the other total restaurant cost.
- (51) In discussions with a Canadian cattle farmer he said a good beef cow for breeding would cost around \$2,000 - \$2,200 per head (Canadian dollars – their \$1 is worth about 13% more than our NZ \$1) and a nine month old calf was worth around \$1,500. He said he had just fixed a \$200,000 farm term loan for five years at 3.49%. He also mentioned that his farm house for insurance purposes was recently valued at \$382,196 for replacement.

- (52) Thunder Bay at the top of Lake Superior is sometimes referred to as the home of the Canadian Mafia – 109,000 population, logging and mining, 6 months snow, a good area to use your binoculars. ATM did not take Visa - don't wait until your cash runs out before stocking up. Some people behind the counter are not suited to their job – others very much are – this trait shows up within about 30 seconds.
- (53) In the boon docks in Northern Canada it is trucks, trucks, trucks – from Thunder Bay to Sault Ste Marie (700 km). We counted an average of 90 big trucks per hour – returning mostly empty. Food and supplies for Thunder Bay is all trucked in, some French speaking, no sheep, no cattle, no crop, gold mining (some diamonds), tourism and forestry, State Troopers (traffic officers) often deep in the boon docks. Big trucks often at 75 – 80 mph. In the boon docks you do wonder what everyone does. Many reply to this that up to 40% - 50% are retired and like the isolation. Not much wild life because there is plenty of food in forest – not much road kill either.
- (54) Hard to order coffee in Quebec due to very strong French population. Staff in Tim Hortons and Starbucks sometimes get an English speaking employee to deal with you if you want anything a little bit different. Canada seemed to us to be doing quite well economically. Along the St Lawrence waterway we struck a lot of small dairy farms – all 'cut and carry' and all high production. The Canadian Dairy Industry is much more regulated than the USA and for that matter NZ. Some towns are well stretched out – lots of land. Quite a number of motorcycles and cycles, no old cars. Quite a lot of potholes in otherwise good roads. Very few African Americans in Northern areas. It was surprising how many houses had no garages for cars. Firewood is big business – every house in Canada has a stack of firewood against the house usually. Like NZ fishing is very popular - almost everybody has a boat, almost every house also has a ride-on mower. Parts of Canada would need to bring in food – gardens are very small or non-existent.
- (55) A retired University Professor having coffee in Starbucks asked us as to what in NZ we saw as worldwide branding – our reply was:

McDonalds  
Shell  
Walmart  
Starbucks  
Kentucky Fried Chicken  
Subway  
Esso  
Best Western  
John Deere  
Ford  
Exxon  
General Motors  
Honda  
Harley Davidson

I am sure we will have missed a few here but he was surprised as to how deep our list was. He mentioned that a surprising number of Americans only had a vague idea as to where NZ actually was. He had been to NZ many years ago to a conference.

- (56) Every very small town in the USA has a Post Office, although mail deliveries in many areas are only three times a week. They handle a lot of mail going overseas and are sometimes very small stand alone buildings. Nicky though was back in NZ before her NZ family received her postcards.
- (57) The USA and Canada are deep into sport, ice hockey in particular. Skiing is big business with snow on the ground for 4 – 8 months of the year. America and Canada have a lot of lakes and waterways. Baches and jetties are along every lake shore, many are much more than baches. Many people seem to retire early. Met a 61 year old woman who owned the cafe where we had breakfast. She had never seen the Atlantic or Pacific Oceans and had only been to three other States, the cafe though seemed sound and profitable. She knew everybody by their first name, she liked Trump and felt that people and the media should stop bashing him. We suggested that the noisy Americans seemed to come to NZ but the ones at home were very friendly and much quieter. She said that this was something she had heard before. As you get further south you start to see big areas of soya beans, corn, wheat and pivot irrigation. Very few hay barns but more cattle, many farms with no fences, almost all crop.

- (58) Drove up Mt Evans in Colorado - 14,130 feet above sea level, fairly scary, highest sealed road I think in the World. Colorado, like Maine, is very scenic, lots of heavy money on houses, skiing sporting facilities and infrastructural. There are large areas of America and Canada that are wooded and large areas not farmed in any real way. There are casinos everywhere and a number of people in them for long hours which is disappointing. My phone had an app on it which advised the height above sea level which often surprised us – Denver for example is about 5,500 feet above sea level, as is the Grand Canyon.
- (59) Hay is the fourth biggest crop and is everywhere and much is carried on big trucks to dairy operations, feed lots and horse setups. You see very little gorse or broom whereas we would have expected to. There are lots of areas of low quality grass but there is a very low stocking rate. Free range eggs US\$3.25 per dozen, NZ orange roughly on restaurant menus. There are still a lot of road deaths in America from no seat belts being worn. In Ohio we read a sign saying that in the first five months of this year there had been 116 deaths on roads where no seat belts were being worn. We met a man in Hot Springs Missouri whose father had saved Bill Clinton from drowning many years ago. A woman at the next table who was a solicitor overheard the conversation and mentioned that she thought his actions were a shame. Bridges ice up in winter before the roads do. Chewing tobacco is still for sale and advertised.
- (60) There are 30 – 40 oil platforms in the Gulf of Mexico, with some heading for deeper water. Many Americans are never going to own their own home – same in NZ, although it is not PC to talk about this issue at home. Along the Coast from Mobile to New Orleans there is a great beach with all and any buildings since Hurricane Katrina in 2005 being rebuilt on 10 feet – 15 feet stilts (that is foundations). A lot of new building has taken place but there is still a lot of spare land. New Orleans will flood again and badly – it should never have been built where it was in the first place.
- (61) Something that is surprising in America is that the typical family farm had a household net income for 2017 year of US\$119,598 but this was split:

\$24,262	(on farm net income) (20%)
\$95,336	(off farm net income) (80%)
<hr/>	
119,598	
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In other words, 80% came from off farm sources. This is a key issue re their household health cover as referred to earlier and means they are financially resilient. The average USA family household net income is around \$80,000. Farm household net income has been above the overall country average for some 20 years.

- (62) A few facts relating to Canadian agriculture:
- 1 in 8 jobs are in agriculture – 2,100,000 employees
  - Second largest producer of barley in the World
  - Largest producer of blueberries
  - Produces 85% of the World's maple syrup
  - USA is its number one food export destination
  - Is the World's fifth largest export of agricultural production
  - Total number of farms: 193,492
  - Area in crop: 93,400,000 acres (37.8 million hectares)
  - Average age of farm operators: 55 years.
  - Average farm area: 820 acres (336 hectares)
  - Sheep numbers: 1,000,000
  - Number of dairy cows and heifers: 1,400,000
  - Number of dairy farms: 11,280 (average of 85 cows per farm)
  - Number of beef cattle: 6,883,906 (62,760 beef farmers)
  - Number of pigs: 14,100,000
  - Average land sale value: \$2,695 per acre (\$6,659 per hectare)
  - Total area of Canada that is farmable Only 7%
  - Average on farm value of plant and machinery: \$278,405 (Canadian dollars)
  - Total wheat area harvested is: 10,000,000 hectares
  - Has 9% of the World's renewable water supply
  - Recorded one of the World's lowest temperatures in the Yukon in 1957 at (-63°C) or (-81.4°F)
  - The typical Canadian family farm is not as strong financially as the typical USA family farm. A function of climate, options, lower scale and higher on farm debt.

## (63) A few facts relating to USA agriculture:

- Total number of farms: 2,060,000
- Average farm size: 444 acres (180 hectares)
- Total area of crop land: 253,100,000 acres (102,426,094 hectares)
- % of USA farms that are family operated: 97%
- Worldwide exports of agriculture: \$136,000,000,000
- USA farm subsidies: Approx (1/2) of 1% of Government budget.
- Around 39% of USA farmers receive subsidies: Mainly corn, soya beans, wheat, cotton and rice
- Just on 5,000,000 sheep: had 56,000,000 in 1945
- Dairy Cows: 9,390,000
- Total beef cattle (including calves) of: 94,399,000 (13% - 12,300,000 in Texas)
- Area of wheat harvested: 37,600,000 acres (15,216,203 hectares)
- Americans spend 10% of their disposal income on food - the lowest in the world
- The border with Canada is 5,525 miles long (8,911 km). The longest unprotected border in the world.
- The average beef cow herd is: 40 – 45 head.
- Beef cattle in feedlots is approximately 13,000,000 (about 13% - 14% of total)
- Major beef exports to Japan, Mexico, South Korea, Canada, Hong Kong, Middle East.
- The split of gross income from crop and gross income from livestock is approximately 50/50.
- Approximately 38% of USA farm land is rented.
- The average rent charge for pasture land is around US\$15 per acre (NZ\$37 per hectare) and for crop land is US\$135 per acre (NZ\$335 per hectare)
- 47% of USA exports go to China, Canada and Mexico
- Total USA farm debt in 2017 was US\$390 billion.
- The average term debt to gross assets on the typical family farm was 12.7% in 2017. This is low in NZ terms and means there is net on farm equity of around 87%.
- The average farm land value in 2017 was different for different States, etc but the overall average was \$4,000 per acre (NZ\$9,884 per hectare) for cropping land and \$1,250 per acre (NZ\$3,090 per hectare) for pasture land.

## (64) Where are most of the World's cattle:

India	303,350,000	head	} (Coming from USDA in 2017)
Brazil	226,037,000	head	
China	100,085,000	head	
USA	93,500,000	head	
Europe	89,250,000	head	
A number of other countries	185,778,000		
Total	<u>998,000,000</u>	(998 million)	

**In summary I have recorded a handful of features mentioned by farming couples and/or their direct advisors as to how they see future on farm issues:**

- (a) On farm profitability – lack of is a major constraint in about three years out of five (60%). The substantial off farm income is crucial.
- (b) Quite a number need one spouse working full time off farm.
- (c) Changing consumer preferences is getting harder to deal with. A change in their preference can take years to react to on farm.
- (d) Fresh water is the new oil – a comment made several times, even from non irrigators.
- (e) Annual family health insurance costs are heading towards being unworkable.
- (f) Less paperwork such that they can do more real work was a common comment.

- (g) Succession issues – for every one farmer under 35 years of age there are six farmers over 65 years of age.
- (h) USA farm trade is beyond their individual control but they worry endlessly about it – a real sleep stealer.
- (i) Labour – Mexicans are good workers but 50% of them are in the country illegally – another sleep stealer.
- (j) The USA as a country may be able to cope with the effect of Trump disruption for a year or so but the individual could not cope for more than probably one month. A survey came out while we were there saying that 47% of American people could not cope well with an unforeseen \$400 account coming onto their kitchen table.
- (k) An experienced rural banker said to us that rural America still had lots of opportunities to go well financially but 50% also went bust from these opportunities.
- (l) A lot of Americans are drinking less beer than 25 years ago – particularly the younger generation.
- (m) Young people do not want to work in the construction industry which is a problem for their housing industry.
- (n) Time and time again we received some very interesting comments and statements from USA and Canadian farming people. You come away feeling that the couple loved farming regardless of its profitability, would retire when their health folded, did not particularly want their children to go farming, iron disease was reasonably common, understood that they had sound net equity, although never seemed to have any money, and wished for the good old days to come back. Maybe similar thoughts and comments would apply for many NZ farming couples and close advisors.



**Pita Alexander**  
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