



Making an Informed Financial Decision

Outline

- ▶ Opportunities & Challenges
- ▶ Managing volatility
- ▶ Future intentions
- ▶ Applying for finance
- ▶ AIB supporting farmer needs
- ▶ Conclusion



The road ahead...

Greatest opportunities in next 3-5 years

- ▶ **35%** Increased output prices
- ▶ **30%** Increased output on the farm
- ▶ **26%** Reduced costs
- ▶ **22%** Increased animal performance / crop yields

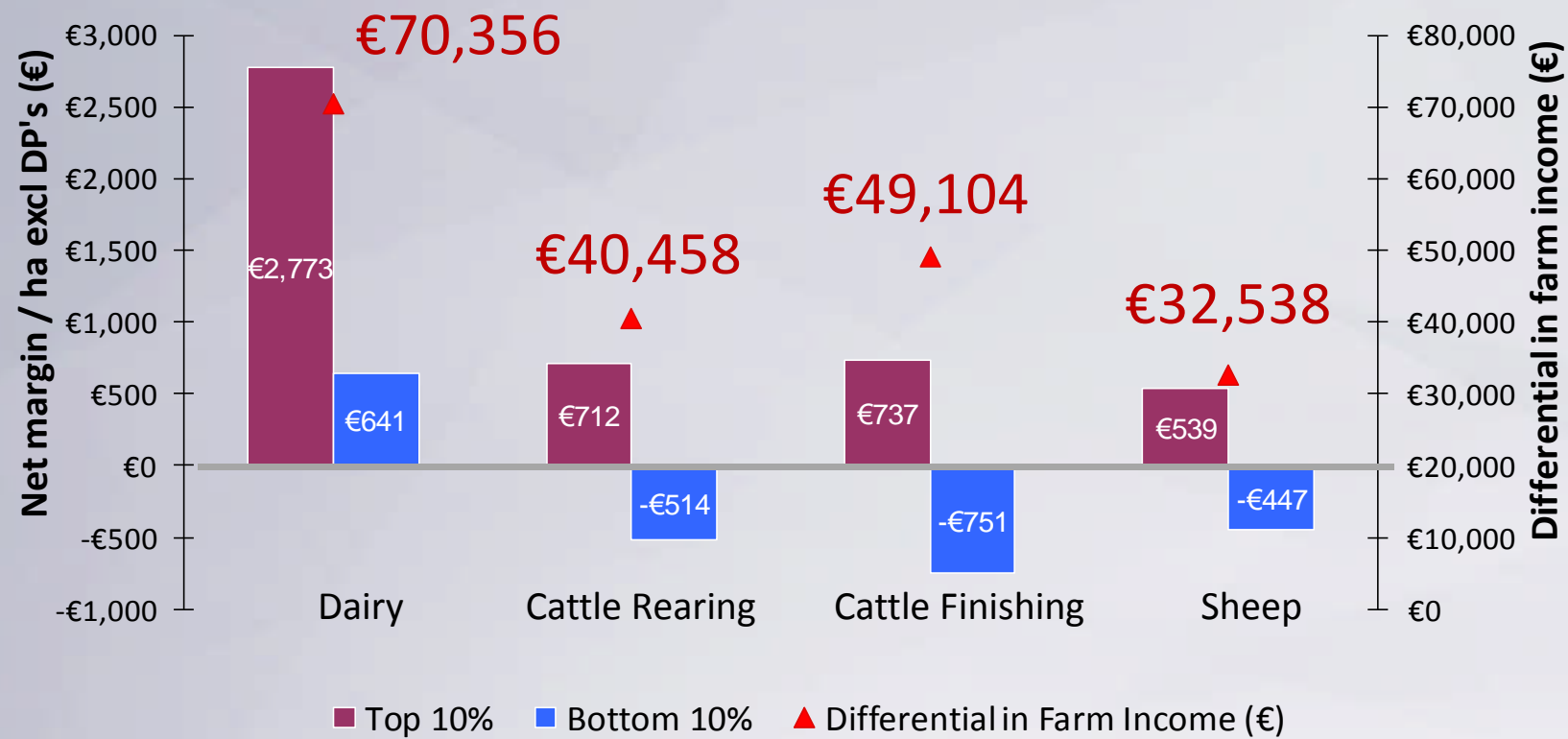
Greatest challenges in next 3-5 years

- ▶ **70%** Price uncertainty / fluctuations
- ▶ **43%** Rising input costs
- ▶ **37%** Profitability margins

Source: Ipsos MRBI Agri Financial Services Survey, 2015



Better before bigger



(Source: Teagasc Profit Monitor, 2013)

Note: Differential in farm income assumes an average farm size of 33 ha



Volatility the new norm

Family Farm Income



Source: National Farm Survey, various years



Manage the cycle

Put a plan in place to manage volatility

- ▶ Seek to improve competitiveness
- ▶ Build cash reserve during high-margin period
- ▶ Use bank finance to fund cash deficit periods
- ▶ Forward sell output
- ▶ Income averaging
- ▶ Forward-purchase inputs
- ▶ Limit capital expenditure from cash flow



Early engagement is key

- ▶ Take action
- ▶ Seek the necessary support
- ▶ Make early contact with your bank
- ▶ Number of options available
 - ▶ Temporary increase to working capital
 - ▶ Short term loans
 - ▶ Interest only periods where appropriate
 - ▶ Capital holiday on repayments
 - ▶ Restructuring borrowing period
- ▶ May be beneficial to involve family &/or successor

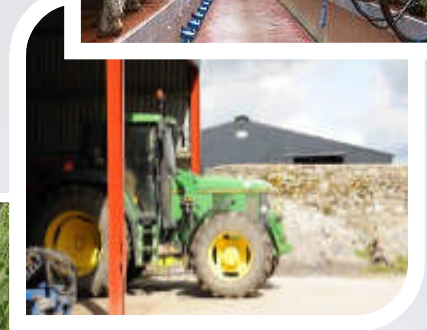
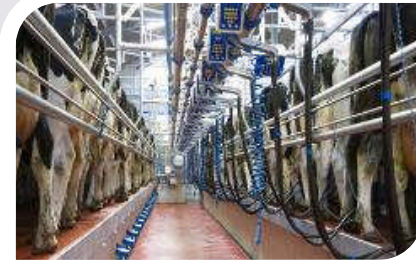


Future intentions



Your plans ...

- ▶ 1/3 plan to make an investment in their farms in the next 3 years
 - ▶ 42% plan to upgrade existing infrastructure
 - ▶ 36% plan to upgrade existing machinery and/or equipment
 - ▶ 26% plan to expand output capacity/without buying more land
 - ▶ 24% plan to buy/lease tractors and/or farm vehicles
 - ▶ 21% plan to invest in labour saving technologies



Source: Ipsos MRBI Agri Financial Services Survey, 2015



Considering farm investment?

- ▶ Ensure investment aligned to medium and longer term goals of business
- ▶ Investment should be carried out in a planned and sustainable manner
- ▶ Establish existing efficiency levels and address any inefficiencies – Better before Bigger
- ▶ Remember if it doesn't work out on paper, it is unlikely to work out in reality

Invest time in the planning process

- ▶ Structure any finance correctly – term and cash flow
- ▶ Consider staged investment, if appropriate
- ▶ Factor in time for cash gain to become evident
- ▶ Position yourself for the future
 - Technical skills
 - Financial management skills
 - People management skills
 - Build equity for future investment



Effect of term on repayments

Borrowing €	Interest Rate	Term (years)	Repayment €
100,000	5.5%	5	22,920
100,000	5.5%	7	17,280
100,000	5.5%	10	13,080
100,000	5.5%	15	9,840
100,000	5.5%	20	8,280

- Note:
- 1. Interest rate is assumed to be 5.5%. The interest rate assumed is an example interest rate which is being used for illustrative purposes only and may not reflect current bank interest rates.
 - 2. Figures used are for indicative purpose only



Applying for finance



Seeking finance

1. Come and talk to us

2. Gather necessary information to support your application

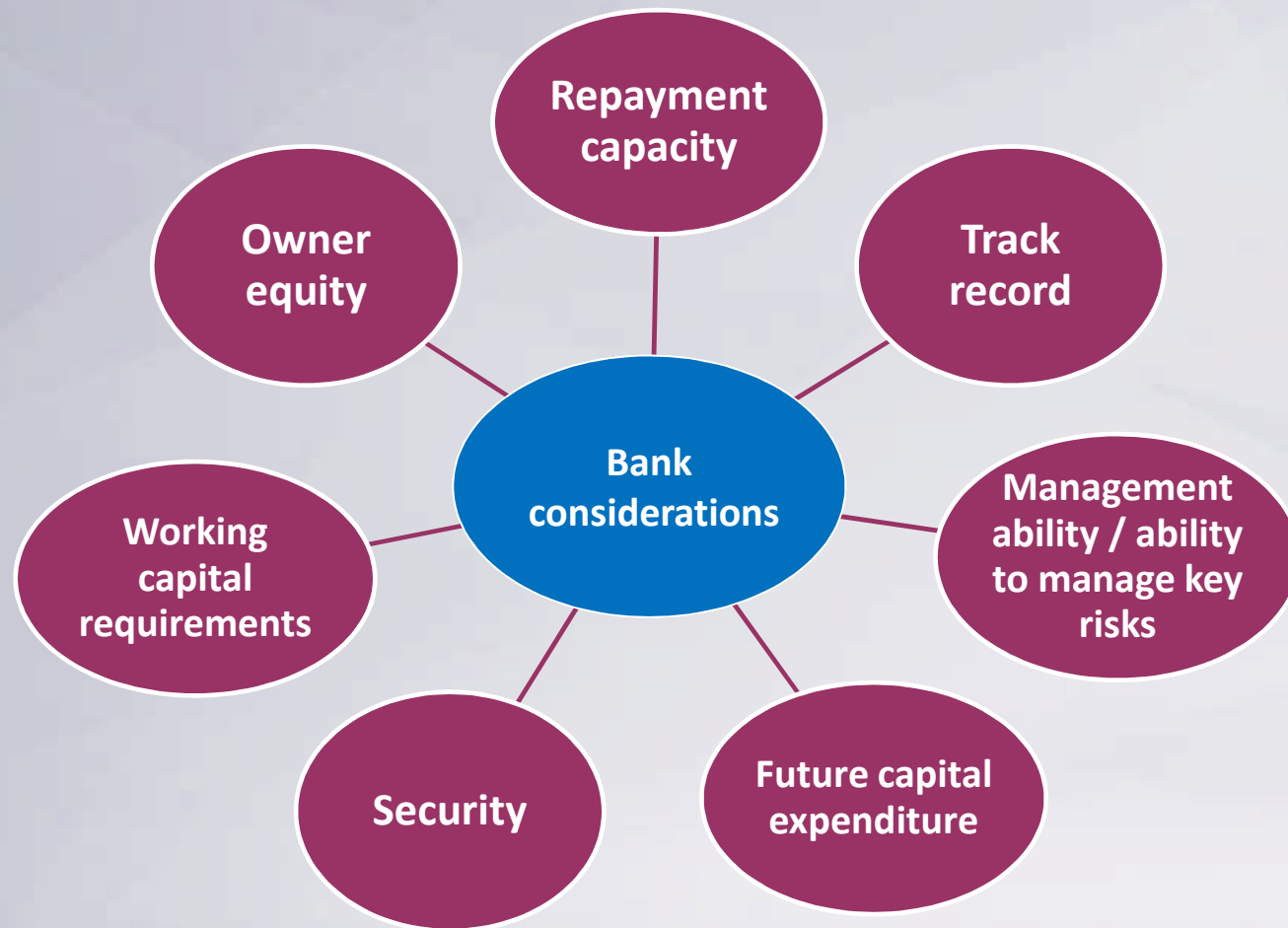
3. Meet with AIB to complete your application form

**Agri Lending
Application Form**

www.aib.ie/farming



What the bank considers



What a strong financial proposal looks like

- ▶ Contains up to date financial information
- ▶ Customer has full understanding of business
- ▶ Contains three to five year cash flow projections
- ▶ Quotations from a number of suppliers (if appropriate)
- ▶ Buffer in budget for over runs
- ▶ Repayment capacity will be analysed
- ▶ There will be an element of own capital input into the proposal



Preparation is key when meeting the bank

- ▶ Be well prepared with up-to-date information
- ▶ Utilise realistic growth and performance projections
- ▶ Vital to understand the difference between cash flow and profit
- ▶ Important to take account of tax implications of potential investment

Investment / Expansion – Common pitfalls

- ▶ Overruns in capital expenditure
- ▶ Capital expenditure undertaken from cash flow
- ▶ Short-term financing of long-term assets
- ▶ Loss of efficiencies following expansion
- ▶ Cash flow effect of increasing stock numbers organically

AIB supporting farmers needs

- ▶ Depth of knowledge and experience in dealing with farmers throughout AIB
- ▶ Flexibility to suit individual situations:
 - ▶ Repayments to match farm cash flow ✓
 - ▶ Repayment periods
 - ▶ 20 years Land Purchase ✓
 - ▶ 15 years Farm Infrastructure
 - ▶ 5 years Asset Finance
 - ▶ Interest-only period available ✓



AIB is backing brave


BACKING BRAVE
WITH OUR €500 MILLION AGRI FUND



Brave is in it for the long haul. That's why we have €500 million in financing for Irish farmers to expand their businesses until December 2015. It's just one of the ways we're backing farmers. It's just one of the ways.

WE'RE BACKING BRAVE
CALL 1890 47 88 33

#backedbyAIB @AIBBiz



In branch. On the phone. Online.

€500m Agri fund
c. €250m 2014

**48 HOUR
APPROVAL**

ON NEW BUSINESS LOAN AND OVERDRAFT REQUESTS
FOR AIB CUSTOMERS UP TO €30,000



WE'RE BACKING BRAVE
TALK TO US TODAY



48hr turnaround
<€30,000*

* We aim to provide a decision within 48 hours upon receipt of all required information. 48 hours excludes Saturdays, Sundays and Bank Holidays. If you are experiencing any financial difficulties, please talk to us in more detail so we can advise the best solution for you.*

**EXTENDED HOURS
FOR FARMERS**

CALL OUR DEDICATED TEAM ON 1890 47 88 33
8AM-9PM MON-FRI, 9AM-6PM SAT



Brave doesn't just work 9 to 5 or 9 to 5 Saturdays off. So our dedicated business and agri team don't either. It's just one of the ways we're backing farmers. It's just one of the ways.

WE'RE BACKING BRAVE
CALL 1890 47 88 33

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In branch. On the phone. Online.

Extended hours
1890 47 88 33



Conclusion

- ▶ AIB has strong positive outlook for sector, recognising some challenges ahead
- ▶ Efficiency must come before expansion – **Better Before Bigger**
- ▶ Volatility the new norm, and must be accounted for in plans
- ▶ Ensure you are making informed investment decisions
- ▶ AIB is committed to supporting development of the sector
- ▶ **Talk to us about how AIB can support your business needs**
 - ▶ In branch; Online: www.aib.ie/farming; Phone: 1890 47 88 33



AIB SUPPORTING FARMING

**WE'RE
BACKING BRAVE**

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In branch. On the phone. Online.

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Important Information

Lending criteria, terms and conditions apply. Credit facilities are subject to repayment capacity and financial status and are not available to persons under 18 years of age. Security may be required.

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