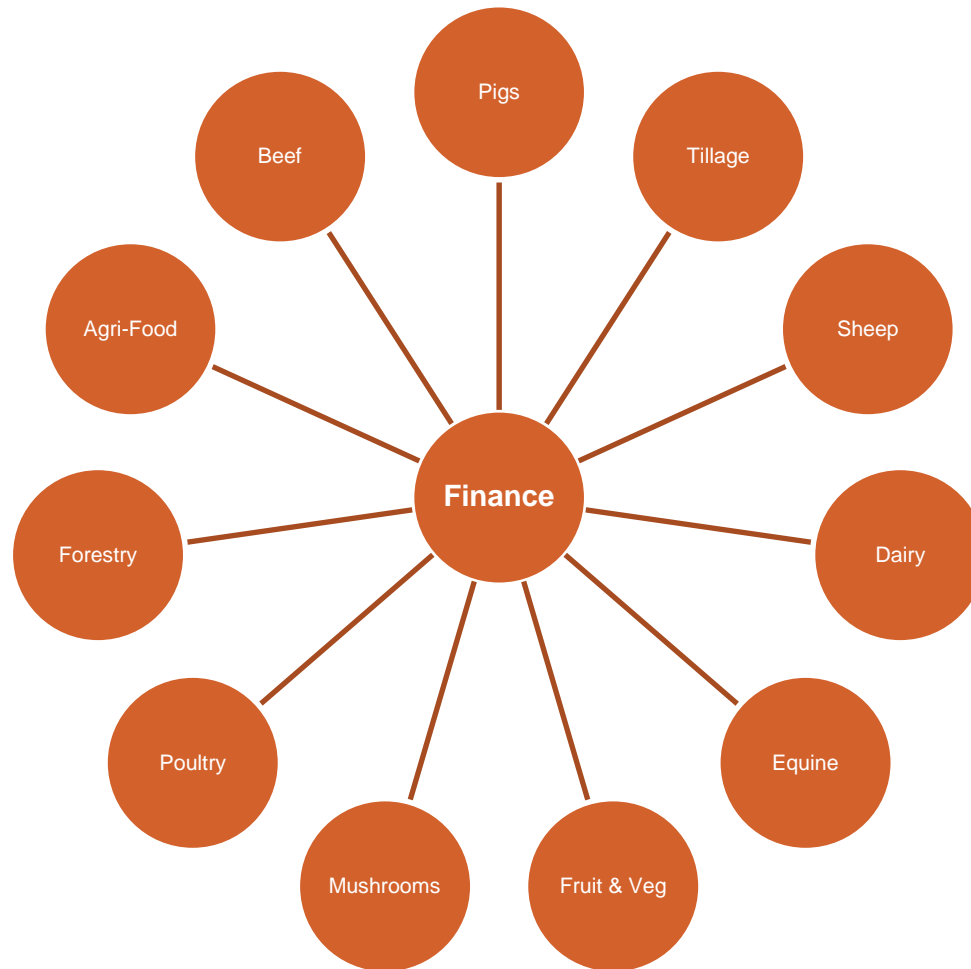




Preparing for a meeting with your bank manager

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Sectors



Overview

- Succession
- Recent activity
- Financial Products
- Securing credit: the application process
- Common weaknesses



Agricultural Succession - Scenarios



- Identified successor & succession process has begun
- No identified successor and children have chosen not to farm
- Successor identified but no formal process or managerial input from the successor – parents retain all control

Agricultural Succession

- Have an honest & open conversation

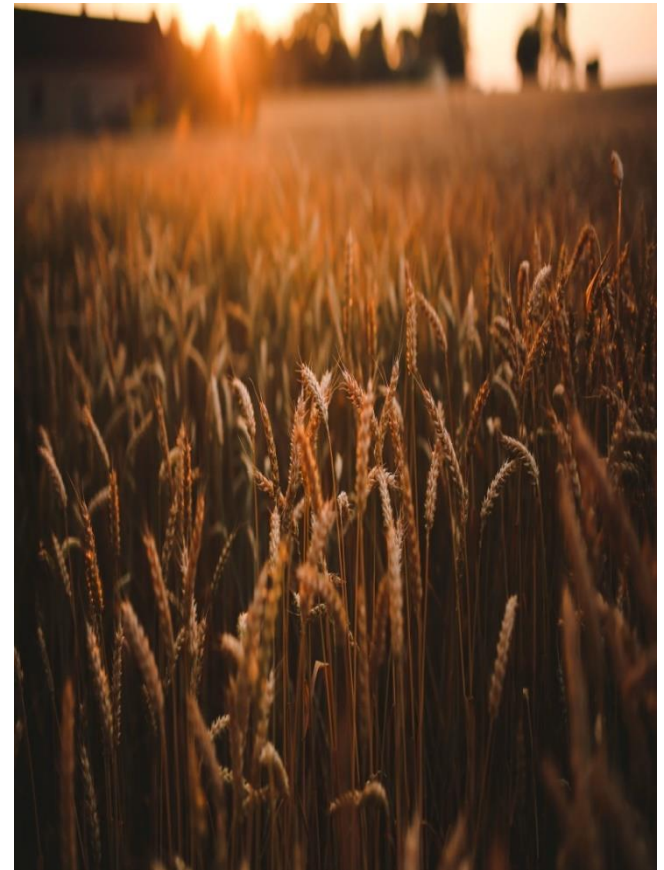
- Existing debt
- Planned debt
- Living expenses
- Distribution of assets
- Other siblings
- True feelings



- Bank needs to understand who is liable for the debt

Activity

1. Land sale/purchase
2. Milking parlours – TAMS grant
3. Robotic systems - confined
4. Stock funding
5. Poultry
6. Pig sector



Financial Products

1. **Overdraft (4-8%)**
 - Heart of the business
 - Should revert to credit
 - Statements interesting insights
2. **Stocking loans/Credit line (4-8%)**
 - 12 month facility
 - Revolving facility
3. **5 – 10 year facilities (4-6%)**
 - Cows, grazing infrastructure, pig, poultry cap ex
4. **Land purchase (4-6%)**
 - 10 – 20 years



Pricing

- Cost of funds + Margin (e.g. 0.58% + 4%)
- Cost of funds vary across institutions
- Secured v unsecured lending
 - Typically greater than €50k
 - Solicitor fees
 - 'Three way close'
 -
- Arrangement fee (1% of loan)



Appetite & Repayment Capacity

- Appetite Statements

Risk appetite

- Debt Service Capacity (DSC)

e.g. 1.2, 1.5, 1.8

- Variance in milk price, beef price, pig price etc



Planning is crucial



**Blend of
experience
&
youth**

Emerging structures

1. Partnerships
2. Limited companies
3. Share farming
4. Lease arrangements
5. Contract rearing
6. Hybrids

Be informed

The Application Process - Bank Requirements

1. Agri Lending Application Form
2. KYC Documents (Proof of Identity, Address, etc.)
3. Farm Business Plan
4. Repayment Capacity
5. Bank Statements
6. Security (Loan to Value 70%)
7. Borrower Contribution
8. Outside Professional Advice
9. Acknowledgement of Bank's Terms and Conditions & associated fees

Make sure you are in control

Common weaknesses in applications

- Poor preparation for meeting
 - “I never really worked out my costs of production”*
 - *“I don’t have time to analyse my accounts”*
 - *“I’ll happily look after the technical side but I just don’t like the financial side”*
- Lack of timely, relevant information
- Present all the facts
- Understand your proposal
- Have your homework done!

For the advisor

- Seek to understand all the detail
 - Not always easy
- Repayment capacity key
- Interest only max 24 months
- Stress testing the budget
- Realistic assumptions
- Contingency plan (20%)
- Past performance is a great indicator of future performance

