Ulster Bank

Financing the Pig Production Sector

Dr Anne-Marie Butler

National Pig Conference 2011

Overview:

- Ulster Bank
- Banking facilities/services available
- Preparing to meet the manager
- Recent activity
- Weaknesses of proposals

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- **Founded in 1836**
- **Wholly owned subsidiary of the Royal Bank of Scotland Group (RBS Group)**
- **241 branches & 58 business centres spanning both the Republic of Ireland and Northern Ireland**
- **Ulster Bank retail markets**
  - **Daily banking, borrowing, savings, insurance**
- **Focus on Agriculture & SME business**
- **Lending & Deposits**

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Ulster Bank Agricultural Department

- **Dr Ailish Byrne (Senior Agricultural Manager)**
- **Dr Anne-Marie Butler (Agricultural Manager)**
- **Our role:**
  - **Provide support & advice to Ulster Bank on all matters agricultural**
  - **On-site farm visits across 26 counties**
  - **Liaise with wider agricultural community – policy makers, consultants, advisers, researchers**

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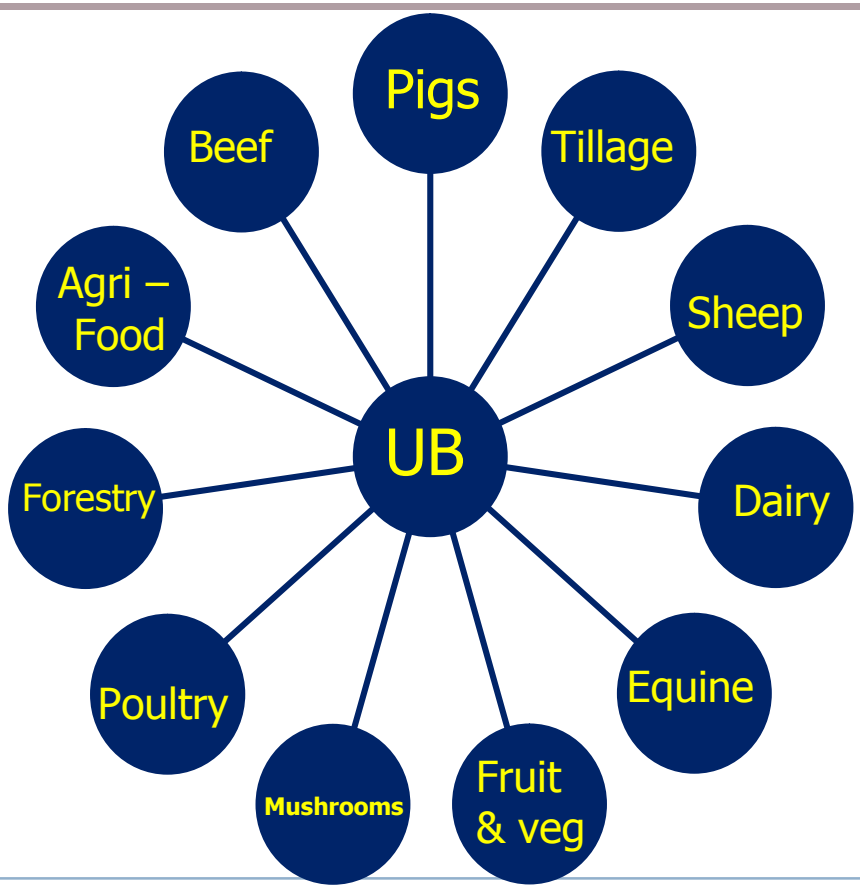
Sectors



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Preparing for a meeting with the Bank Manager

Bank Finance/Agri Lending

- **Short-term: To facilitate the day to day operations of the business**
  - Business Overdraft
  - Business Loan/Stocking Loan
  - Business Credit Cards

- **Medium-term: up to 7 years, usually for plant & equipment, buildings**
  - Business Term Loan
  - Leasing/Hire Purchase

- **Business Long-term loans: 15-20 years, fixed assets including land, buildings**
  - Bank Loan

Match financial products to the business need

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1. Farm Business Plan

- Three Strategic Questions:
  - Where are you now?
  - Where do you want to be?
  - How will you get there?

- Be honest

- Be specific

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1. Farm Business Plan

- Key Areas:

  - Detail existing business & experience
    - production costs, technical standards, efficiency factors, existing financial commitments
  - Detailed & realistic costings/budgets for each stage of development
  - Demonstrate repayment capacity

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2. Repayment Capacity

(This is an example)

Up to date, complete and accurate farm accounts:

— Net Profit	€40,000	
— Depreciation	€12,000	
— Interest paid	€16,000	
— Net Contribution from new investment	€15,000	
— Non-Recurring Legal Costs	€ 8,000	
		€91,000
— Less Living Expenses from Farm		€30,000
— **Available to Service Existing and Proposed Borrowings**		**€61,000**

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3. Repayment Capacity

- The most common problem arises when repayment obligations are not met when they fall due
  - Unforeseen events – input & product price changes
  - Cash-flow problems

- If you begin to encounter difficulty with repayments it is important that you contact your bank immediately so that corrective measures can be taken

- **Do Not Ignore It**

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3. Bank Statements

- Indicate:
  - How financial affairs are managed
  - If limit on the account is adequate
  - If borrowings are properly structured
  - The profitability of the business

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4. Security

- Must be valuable, saleable and assignable
- In farming this is land
- Loans usually up to 70% of value of security
- Legal charge

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5. Borrower Contribution (Equity)

- In farming, existing business very often represents the borrower contribution

- In a stand alone investment typically the bank expects 30% contribution

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6. Use of Outside Professional Advice

- Ulster Bank happy to see farmers using their adviser, consultant, accountant to help prepare/present their application

- However the bank lends to you – so

Make sure you are in control

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Summary - Bank Requirements

1. Farm Business Plan
2. Repayment Capacity
3. Bank Statements
4. Security
5. Borrower Contribution
6. Outside Professional Advice

Make sure you are in control

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Activity across the sectors

Current Activity

- Pigs
  - Price cost squeeze
  - Loose sow housing/Expansion
  - Optimism

- Dairy
  - New entrants/Expansion plans
  - Superlevy
  - Milk quota purchase

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Current Activity

- Tillage
  - Forward sale of grain
- Land purchase

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Common weaknesses of applications

Weaknesses

- 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!

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Conclusion

- Ulster Bank is a one stop shop for all your banking needs
  - Long term local relationships
  - Understanding customer business
- Experienced Agri advisors along with dedicated relationship managers
- Ulster Bank Agricultural Products, services & initiatives are designed to meet farmers needs

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Thank you for your time

Questions?