

Making an informed farm financial decision

13 April 2015

Help for what matters

 **Ulster Bank**

Overview

- Bank Finance – Agri Lending
- Securing credit: the application process
- Common weaknesses of proposals

Sectors



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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:

- < 5 years: generally used to purchase short life assets, such as machinery and sow/dairy/suckler cow herd; pasture improvement
- 5 -15 years: Generally provided for fixed asset improvements e.g. specialised farm buildings/sheds, milking parlours

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Bank Finance / Agri Lending

Business Long-term loans:

- 15 – 20 year Bank Loan for fixed assets, namely land

“Match financial products to the business need”

Important Information:

- Lending criteria, terms & conditions apply
- Credit is available to over 18s only
- Security may be required
- Overdraft is repayable on demand

Agriculture Proposition

Young Farmer's Start Up Package

- Start-up packages dedicated to young farmers, designed with the under 40's in mind.

Dairy Expansion Loan

- To help you avail of the opportunities the abolition of EU milk quota provides

Pasture Loan - Help in achieving growth for your farm

- Up to €60,000 per customer
- Term of 1 – 5 years

Accredited Staff

- Agri trained & Accredited with Chartered Banker


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The Application Process

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1. Agri. Lending Application Form

- Must be completed for all agri. lending application.
- Farm, Personal and lending application details are required.
- You can complete this form with the assistance of your bank manager or with the help of a Business Professional.
- Your Bank Manager will inform you of any further documentation that may be required to support your application.



**Agri Lending Application
Republic of Ireland**

Thank you for your recent enquiry in relation to credit facilities. We require this application form and agreed attachments to consider your request.

You can complete this form with the assistance of an Ulster Bank Relationship Manager or you may wish to complete the form with your Business Professional in advance of arranging a meeting with Ulster Bank.

To set up a meeting call your Relationship Manager or any Ulster Bank Branch/Business Centre.

Please note – when filling out this form please use the tab and arrow keys to move between the relevant fields. Ensure you do not use the return or enter keys.

Contents

SECTION 1 FARM / BUSINESS DETAILS
SECTION 2 PERSONAL DETAILS
SECTION 3 APPLICATION DETAILS
SECTION 4 CONSUMER PROTECTION CODE, DATA PROTECTION NOTICE AND DECLARATION

Three easy steps to applying for business lending with us

1. Set up a meeting time with a Relationship Manager at your local branch
2. Complete as much of the details requested within this form before your meeting
3. Gather any further supporting documentation or information that the Relationship Manager might advise during your meeting or that the bank might ask for at a later stage

SME - This application form is specifically designed to support any SME loan requests. An SME is currently classified as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or annual balance sheet total not exceeding €43 million.

Your information
For details of how we and others use your information, please look below and in the accompanying Terms and Conditions or contact your Relationship Manager.

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2. 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

2. 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, contingency, cash flow
- Demonstrate repayment capacity

3. Repayment Capacity

- 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 | <u>€8,000</u> |
| | €91,000 |
| Less Living Expenses from Farm | <u>€30,000</u> |
| Available to Service Existing and Proposed Borrowings | €61,000 |

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
- Personal circumstance
- 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**

4. 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

5. Security

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

6. Borrower Contribution (Equity)

- In farming, existing business very often represents the borrower contribution
- In a stand alone investment typically the bank expects 30% contribution

7. 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*

Summary - Bank Requirements

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

Make sure you are in control

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Further Areas to Consider

- Bank Arrangement Fees
- Security & legal fees
 - Legal Charge
 - Delays due to security/title perfection
 - Incorporation
 - Rights of residency, maintenance of family members, access
- Professional Valuation Fees
- Life Cover & Serious Illness cover may be required and assigned to bank
- Guarantee(s) required – Independent Legal Advice

Common weaknesses in applications

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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!



Thank You

13 April, 2015

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 **Ulster Bank**

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