Agriculture Cash Flow Loan Support Scheme

Spending Review

October 2018

Contents

Executive Summary

Part A: Context, objectives and rationale of the scheme

A.1 Context

A.2 Objectives of the Review

A.3 Rationale for the scheme

A.4 Considerations for scheme development

A.5 Methodology

Part B: A review of the operation, expenditure and related outcomes of the ACSLS

B.1 Overview

B.2 Operation of the scheme

B.3 Expenditure on the scheme

B.4 Related Outcomes

B.5 Survey

Part C: Conclusions

Part D: Appendices

Executive Summary

During 2016, many European farmers faced cash flow difficulties due to lower commodity prices in some sectors. The EU milk sector was confronted with market disturbance due to a worldwide over-supply, which was exacerbated by the Russian ban on the import of agricultural products and foodstuffs originating in the EU. With this background of uncertainly, aid from the EU (Commission Delegated Regulation (EU) 2016/1613) of €350m was made available to member states; Ireland received €11,086,329.86 to provide exceptional adjustment aid to milk producers and/or to farmers in the beef and veal, pigmeat and sheepmeat and goatmeat sectors. The depreciation of sterling following the Brexit referendum added to cashflow pressures in the sector.

Exceptional Adjustment aid funds would normally be distributed on a per farmer basis which would deliver €11.1m in liquidity funding. DAFM, in cooperation with the SBCI, used this and national funding (€13.9m) funding to leverage a €150m loan scheme. This innovative loan scheme was developed based on the requirements of the EU Exceptional Adjustment Regulation (2016/1613) as a response to volatility in all sectors. SBCI did not provide funding directly, but along with COSME[1] (the EU programme for the Competitiveness of Enterprises and SMEs) provided the guarantee required to underpin the loan's flexibility and lower the cost of the loans for all primary farming sectors.

The ACSLS was the first publically funded risk sharing loan scheme involving the Department of Agriculture, Food and the Marine and represents an innovative use of the EU Commission and Exchequer funds as well as an innovative way to deliver public support via SBCI and the banks. The primary objective of the ACSLS was to provide farmers with a low-cost, flexible source of working capital, with the intention of ensuring the ongoing economic sustainability of viable farming enterprises. It provided an attractive cash flow support loan product as an alternative to more expensive forms of credit such as merchant credit and bank overdraft facilities and aimed to reduce the costs associated with running a business at primary producer level. This aligns with the EU Regulation 1613/2016 which funded the scheme, which states that "*Member States shall ensure that, when milk producers and farmers in other livestock sectors are not the direct beneficiaries of the payments, the*

[1] COSME runs from 2014 to 2020, with a budget of €2.3billion. COSME supports SMEs by facilitating access to finance through a Loan Guarantee Facility.

economic benefit of the aid is passed on to them in full". The interest rate was at a significant discount; however, this reflects the objective of the scheme of lowering the costs for the sector in line with the EU exceptional adjustment aid.

There was a positive reaction by farmers to the ACSLS which implied significant demand existed for low-cost flexible working capital finance. The final drawdown totals for the Scheme is that there were 4,249 applications totalling €145,041,686.70 with an average loan size of €34,143 and an average loan period of 46 months. Approximately €5m of the scheme was not drawn down by farmers due to, inter alia, the liquidity position of some applicants improving as a result of more favourable market conditions.

A 'customer satisfaction' research survey was undertaken as part of the review to measure the effectiveness of the scheme. The objectives of the survey were two-fold; to firstly estimate the impact of the 2017 ACSLS on the agriculture sector and second, to inform future development of any potential schemes. The outcomes of the survey were positive with three out of four users of the scheme rating it highly and 83% of the respondents finding the scheme to be effective. The full survey is attached in Appendix IV.

The development, operation and delivery of the scheme was successful. However on reflection delivering on a *"first come, first served"* basis may not have sufficiently targeted those most in need of unsecured working capital. This finding was invaluable into the design of Brexit Loan Scheme which has adopted to a pre-eligibility check completed by the SBCI (instead of the participating lending institutions). The pre-eligibility check streamlines the process whereby the SBCI ensure all applicants are eligible for the scheme and thus ensures the greater targeting of the scheme to eligible applicants.

The delivery of the ACSLS and the ongoing bilateral engagement between DAFM and the main banks is acting as a catalyst to encourage financial institutions to improve and develop new products for the sector. This year all three main banks developed dedicated offerings in response to the cash flow pressures arising from the effects of the weather on grazing and fodder stocks. A recently announced initiative by one of the main banks mirrors the ACSLS in offering a discounted interest rate (quoted at 3.86%) with extended and flexible repayment terms to deal with accumulated merchant credit. Similar term loans are available from the other two banks which increases the variety of finance options available to farmers. The ACSLS, has driven innovation and lower interest rates in the market.

Part A: Context, objectives, and policy rationale of the scheme

A.1 Context:

The agri-food sector is Ireland's largest indigenous industry, with a turnover of €26 billion, contributing 7.8% of Modified Gross National Income (GNI*) and it accounted for 11.1% of all merchandise exports in 2017. The agri-food sector has performed strongly in recent years with the value of food and drink exports reaching €13.6 billion in 2017, marking growth of over 70% since 2009. Employment in the agri-food sector accounted for an average of 174,400 jobs or 7.9% of total employment in 2017 with some seasonal variation. The majority of these are employed in primary agriculture, forestry and fisheries with the balance employed in the food processing sector (50,800), beverages (5,200) and wood processing (6,000). This is particularly important in rural and coastal areas.

During 2016, many European farmers faced cash flow difficulties due to lower commodity prices in some sectors. The depreciation of the pound sterling following the Brexit referendum added to these pressures. Also, the EU milk sector was confronted with market disturbance due to a worldwide over-supply which was not helped by the Russian ban on the import of agricultural products and foodstuffs originating in the EU. In the first four months of 2016, milk production in the EU, the United States and New Zealand increased by some 3.6mt, with less than 1 % of that volume being absorbed by additional exports.

As a consequence, prices of raw milk in the EU decreased further and downward pressure continued, reaching unsustainable levels for milk producers in 2016. In May 2016, average farm gate milk prices in the EU were 22 % below the average price in May of the years 2011 to 2015[1]. As a consequence, aid from the EU (Commission Delegated Regulation (EU) 2016/1613) totaling €350m was made available to Member States (Ireland €11.1m) to provide exceptional adjustment aid to milk producers and/or to farmers in the beef and veal, pigmeat and sheepmeat and goatmeat sectors[2].

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016R1613
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016R1613

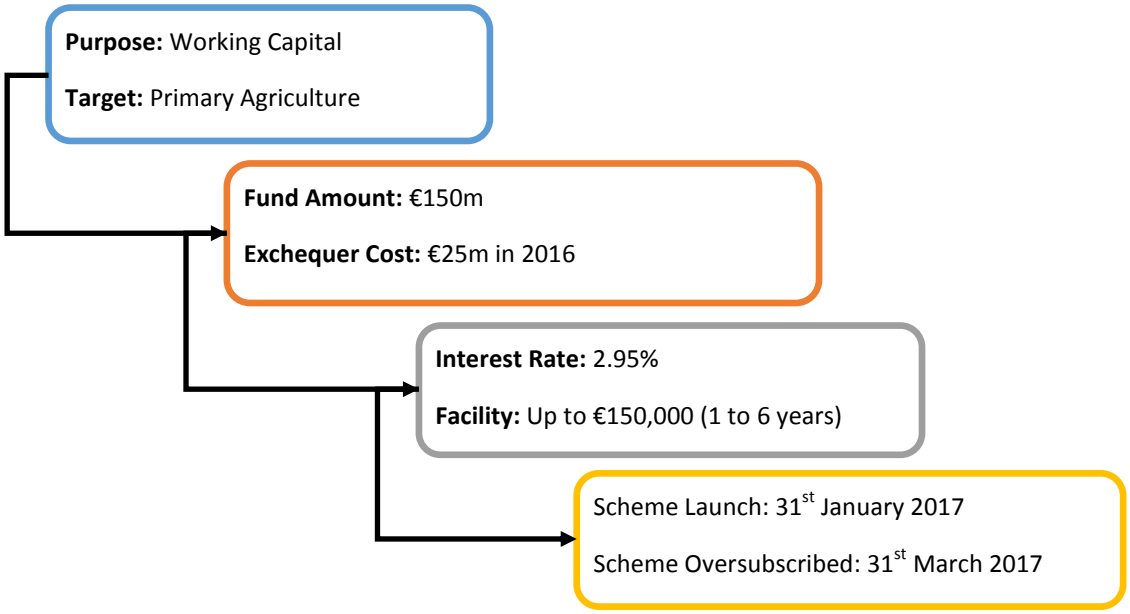
The EU were concerned that small farmers were particularly hit, putting at risk the social fabric of rural areas [3]. EU Member States were requested to design measures based on one or more of the following activities fostering economic sustainability and market stabilisation: freezing or reducing production, small scale farming, extensive production, environmental and climate friendly production, cooperation between farmers, improvement of quality and added value, and training in sound management methods.

Exceptional Adjustment aid funds would normally be distributed on a per farmer basis which would deliver €11.1m in liquidity funding. DAFM in cooperation with the SBCI used this funding to leverage a €150m loan scheme. This innovative loan scheme was developed based on the requirements of the EU Exceptional Adjustment Regulation (2016/1613) as a response to volatility in all sectors.

The scheme provided farmers with a low-cost, flexible source of working capital, with the intention of ensuring the economic sustainability of viable farming enterprises.

The sector has been seeking lower interest rates and more flexible finance and it was one of the identified priorities In the Programme for a Partnership Government[4]. DAFM had been exploring the concept of cash flow loans with the SBCI when Ireland received €11.1m from the EU's 'exceptional adjustment aid for milk and other livestock farmers'.

Key Features of the Agriculture Cashflow Support Loan Scheme



[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016R1613
[4] https://merrionstreet.ie/MerrionStreet/en/ImageLibrary/Programme_for_Partnership_Government.pdf

This was the first publicly-funded access to finance initiative supported by the DAFM. The SBCI used the €25 million to leverage the ACSLS. SBCI did not provide funding directly, but along with COSME[5] (the EU programme for the Competitiveness of Enterprises and SMEs) provided the guarantee required to underpin the loan's flexibility and lower the cost of the loans for farmers.

Following an open call for financial institutions to participate, AIB, Bank of Ireland and Ulster Bank were successful and distributed these loans (See Appendix III). Normal bank lending assessment criteria applied. These loans were defined as 'unsecured', thereby facilitating a more straightforward application process without the need to provide security.

The loans were disbursed on a "first come, first served" basis. In order to satisfy the requirements of the EU exceptional aid funding, applicants had to satisfy at least one eligibility condition[6] in order to qualify.

Each applicant applied through their bank of choice, from among the three participating banks (AIB, Bank of Ireland and Ulster Bank). In order to meet the eligibility requirements for the scheme each applicant must have had an active Herd Identifier or similar[7] and meet one of the key eligibility criteria. The eligibility criteria information was self declared by the applicants.

The ACSLS is to be used as follows;

- Working capital requirements
- As a more sustainable alternative to short-term credit facilities
- As an alternative to merchant credit. While this form of credit is flexible, it is expensive and unstructured. If this form of credit is left unmanaged, it may lead to paying excessive penalty interest payments on overdue accounts.
- The replacement of cash flow utilised for capital expenditure back to 2014

[5] COSME runs from 2014 to 2020, with a budget of €2.3billion. COSME supports SMEs by facilitating access to finance through a Loan Guarantee Facility.

[6] Application of environmental and climate friendly production methods, Implementation of schemes or projects aiming at promoting quality and value added, Implementation of cooperation projects and Training in financial instruments and risk management tools.

[7] Herd Identifier or Similar – includes also qualifying identifiers for the Pig, Poultry, Tillage and Horticulture sectors.

A.2 Objectives of the Review:

The objective of this review is to evaluate the operation, expenditure and related outcomes of the ACSLS. At this stage, the operation and reporting of the scheme is in year 1 of a 6 year scheme, which is not due to finalise until the 31st December 2023. This review will evaluate the following;

The impact to date in terms of the operation, expenditure and related outcomes *of the scheme*

The*se* were evaluated on how successfully it was delivered to the primary producer through the available inputs and via a survey.

Identify key conclusions from the scheme

The conclusions of this review will be used to identify practical recommendations to improve and inform any future schemes.

A.3 Rationale for the Scheme:

A.3.1 Alignment and Policy Rationale

The ACSLS is in line with the recommendations outlined in the Programme for Partnership Government[8] and the Food Wise 2025 Strategy[9], in which it recommended to "*Improve access to finance for agriculture, forestry and seafood producers and Agri-food companies*" with the specific action "*to explore additional innovative funding mechanisms and financial instruments, specific to the Agri-food sector, to complement existing mechanisms such as ISIF, SBCI and EIB, with a view to improving further competition in relation to credit provision*".

The Government has also committed to working with all the stakeholders, both at national and EU level, to address the issues of price and income volatility. The Governments Action Plan for Jobs also refers to the growth and sustainability of employment in the sector. As part of Budget 2017, the ACSLS was announced as part of a "three pillar

[8] https://www.taoiseach.gov.ie/DOT/eng/Work_Of_The_Department/Programme_for_Government/Programme_for_Government.html
[9] https://www.agriculture.gov.ie/foodwise2025/

strategy"[10] in response to income volatility alongside taxation measures and on-farm support schemes.

The primary objective of the ACSLS was to provide farmers with a low-cost, flexible source of working capital, with the intention of ensuring the ongoing economic sustainability of viable farming enterprises. It provided an attractive cash flow support loan product as an alternative to more expensive forms of credit currently available to farmers such as merchant credit and bank overdraft facilities and reduce the costs associated with running a business at primary producer level. This aligns with the EU Regulation 1613/2016 which funded the scheme, which states that "*Member States shall ensure that, when milk producers and farmers in other livestock sectors are not the direct beneficiaries of the payments, the economic benefit of the aid is passed on to them in full*".

A.3.2 Financial Instruments

DAFM commissioned an assessment of financial instruments (FI) to include stakeholder consultations in September 2016. The ex ante assessment was completed by Indecon in June 2017 *"Ex-ante Assessment of the Use of Financial Instruments within Ireland's European Agricultural Fund for Rural Development, and European Maritime and Fisheries Fund Operational Programmes[11]"* and this is published by DAFM. The scope to which DAFM could utilise financial instruments within existing funding mechanisms i.e. RDP and EMFF was limiting and this review has provided recommendations based on European comparisons and learning's for their potential introduction in the future.

The ACSLS was developed before any formal consideration of FIs in DAFM. The ACSLS while taking the structural model of an FI, was not developed as such. However the scheme has provided a model in which public funding has been used in an innovative way to deliver on public supports. An appropriately developed FI could also provide an alternative option which can be included in a suite of options including grants to supporting the agriculture sector.

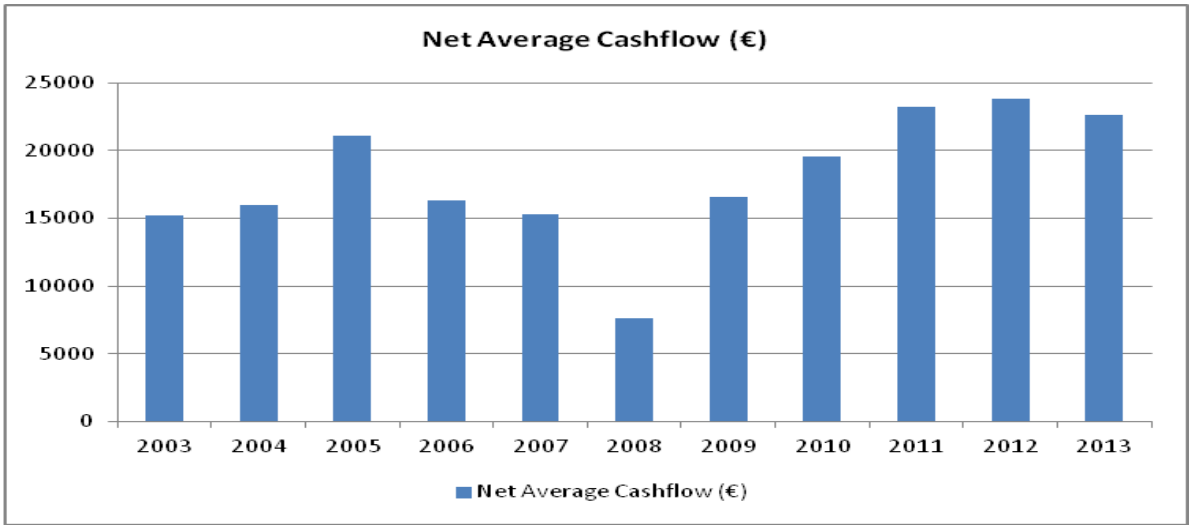
[10] https://www.agriculture.gov.ie/press/pressreleases/2016/october/title,102860,en.html
[11]https://www.agriculture.gov.ie/media/migration/ruralenvironment/ruraldevelopment/ruraldevelopmentprogramme2014-2020/financialinstruments/FinancialInstrumentsExAnteFinalReport130917.pdf

A.3.3 Cash Flow[12] and liquidity gap

The ACSLS enabled some Irish farmers to bridge the liquidity gap, which was created owing to unfavourable market conditions. The ACSLS provided an alternative option to more expensive forms of credit such as merchant credit and bank overdraft facilities.

The volatility in cash flow between production cycles is demonstrated in Figures 1 and 2. Market conditions can directly affect the cash flow of a farm business, as within any particular year outputs prices could vary depending on the market returns[13].

Figure 1: Net Average Cash flow of the average Dairy farms for the period 2003 to 2013

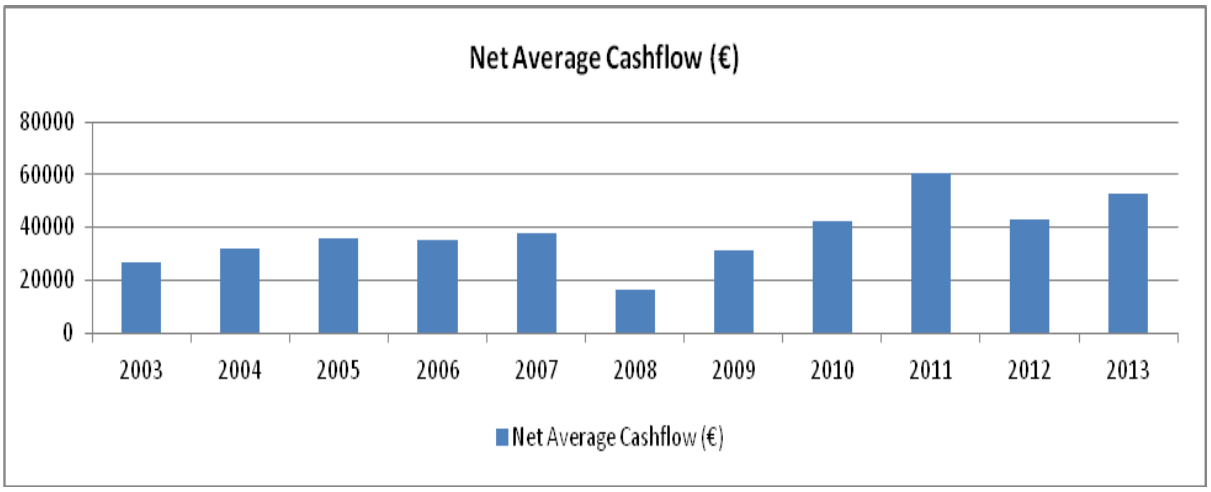


Source: https://www.teagasc.ie/rural-economy/rural-economy/national-farm-survey/national-farm-survey-results/multi-year/

[12] **(Cash Income – Net New Investment = Cash Flow) (**https://www.teagasc.ie/rural-economy/rural-economy/national-farm-survey/national-farm-survey-results/multi-year/)

[13] https://www.teagasc.ie/rural-economy/rural-economy/national-farm-survey/national-farm-survey-results/multi-year/

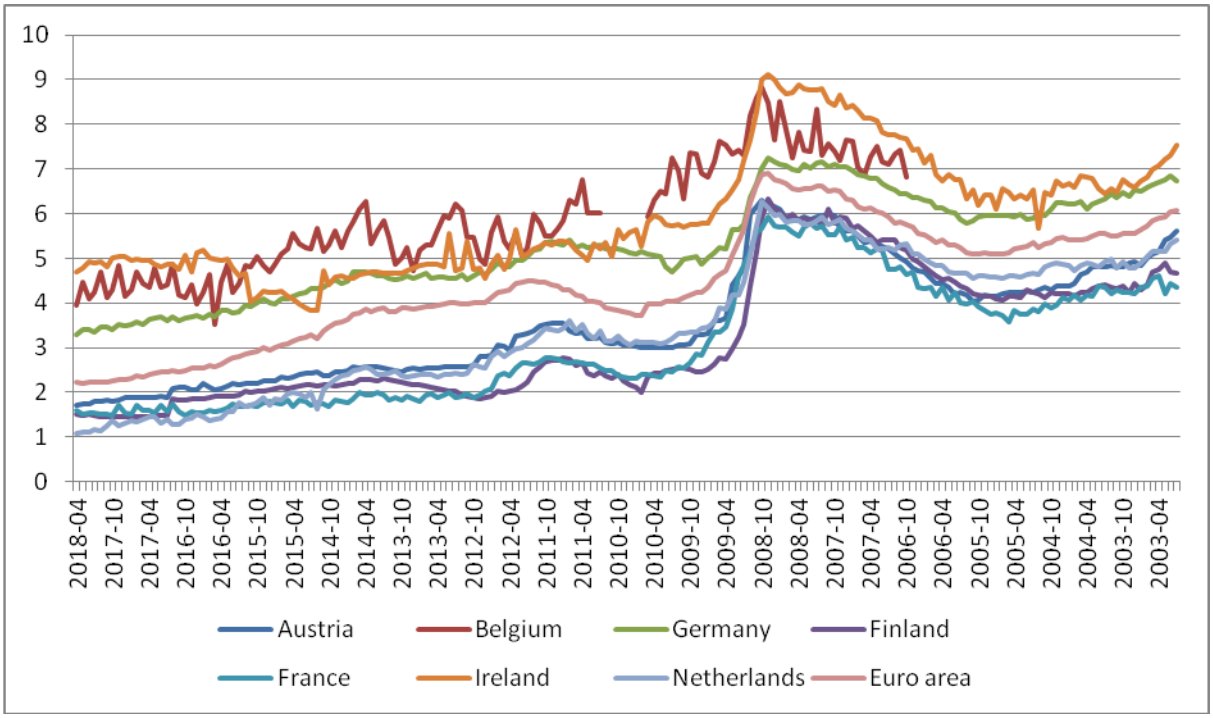
Figure 2: Net Average Cash flow of all production systems (Dairy, Beef, Mixed Livestock Tillage, Sheep) for the period 2003 to 2013



Source: https://www.teagasc.ie/rural-economy/rural-economy/national-farm-survey/national-farm-survey-results/multi-year/

In terms of working capital, many farm expenses which cannot be met from cashflow are financed by farmers using bank overdraft facilities or through merchant credit from their feed/fertiliser supplier (usually their local co-operative society). Both merchant credit and bank overdrafts are considered inefficient forms of credit. Interest rates on overdraft facilities range from 18% to 12% pa, with a 12 month repayment term (See figure 3 below). Merchant credit may be perceived by farmers as a more flexible form of finance, because it is relatively easy to arrange. Definitive data on merchant credit is not currently available but anecdotally run at 1.5% to 2% per month.

Figure 3: Eurostat Data on the average overdraft interest rate in seven European countries.



Source: Eurostat Data

The market difficulties such as price and exchange rate volatility affecting several key commodity sectors including Dairy, beef, pigmeat and horticulture in 2016 contributed to liquidity shortages for some Irish farmers, which continued into early 2017.

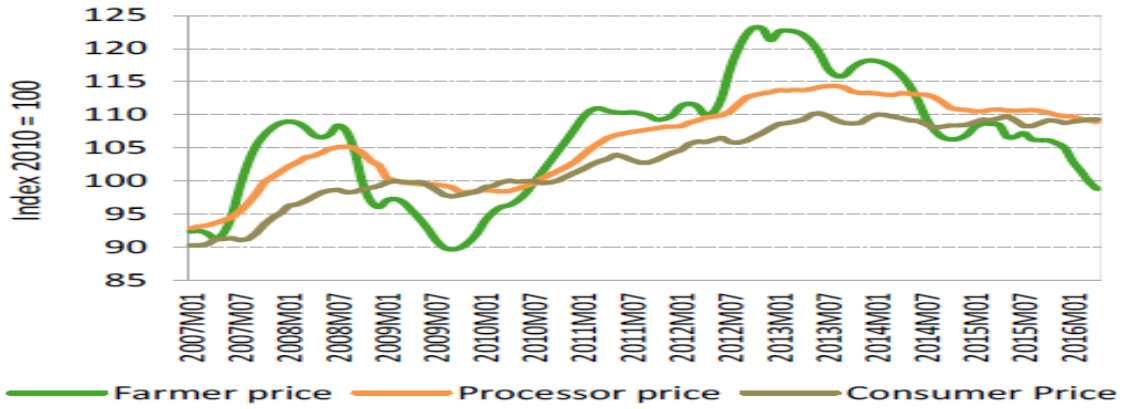
A.3.4 External Challenges

The effect of food price volatility can impact farmers disproportionately, compared with the food industry and consumers. DG Agri research[14] has shown that farmers experience significant price volatility and that agricultural prices paid to farmers have decreased steadily since 2014.

In April 2016, the price index for all agricultural commodities was 15% below its level in 2014. Over the same period, processor prices decreased by 4%, while the consumer price index remained relatively stable. The sharp decrease in prices paid to farmers was not been fully transmitted along the food chain and therefore, as shown in figure 4 below, has been borne by farmers.

[14] https://ec.europa.eu/agriculture/sites/agriculture/files/markets-and-prices/short-term-outlook/pdf/2016-7_en.pdf

Figure 4: EU farmer, processor and consumer prices for the period 2007 to 2016 inclusive

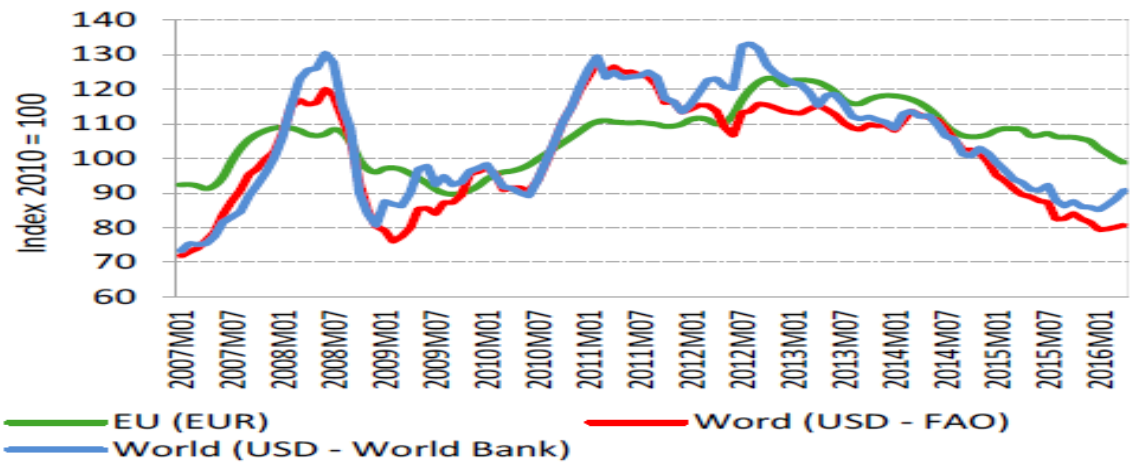


Source: DG Agriculture and Rural Development, based on Eurostat

The index (2010=100) of farmer prices moved from 90 mid-2009 to 123 at the beginning of 2013 back to 98 in April 2016 which illustrates the significant fluctuations over the period. The rate of decrease in processor and consumer prices over the period was less severe[15].

Commodity prices do not fluctuate uniformly; between 2014 and 2016 inclusive EU milk prices decreased by close to 30%, sugar and wheat (bread making quality) by 25% and pork by around 20%. By contrast, in April maize price was only 12% below its 2014 level, poultry 9% and beef 1%. Volatility in agricultural commodity prices is global; the performance of world markets is presented in Figure 5.

Figure 5: EU farmer price index, compared to FAO and World Bank Food Indexes for the period 2007 to 2016 inclusive



Source: DG Agriculture and Rural Development, based on Eurostat

[15] https://ec.europa.eu/agriculture/sites/agriculture/files/markets-and-prices/short-term-outlook/pdf/2016-7_en.pdf

A.3.5 Sectoral Challenges

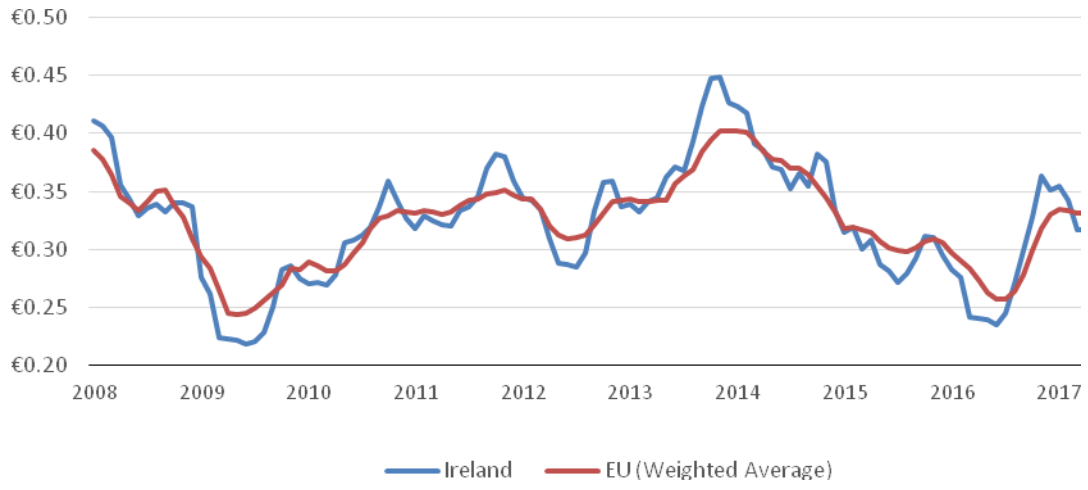
A review of the sectoral challenges has been outlined. While all sectors face challenges at an individual level, this section is critical in order to outline the issues experienced at primary producer level during the period of the development and delivery of this scheme.

A.3.5.1 Dairy Sector

Price volatility across production sectors arises from a variety of factors which include geo-political, climate and weather events. Commodity price volatility in 2016 saw low prices in a number of primary production sectors in Ireland and most EU Member States (See Figure 6). This situation had a serious adverse effect on farm incomes in Ireland, which was exacerbated by the significant fall in value of sterling relative to the Euro after the UK decision to exit the EU in June 2016.

Figure 6 below illustrates Irish milk price volatility in recent years (due to global market turbulence arising from tight supply/demand conditions).

Figure 6: Raw Milk Prices Ireland and the EU, 2015 – 2017 (Prices €/l)



Source: EU Commission, Milk Market Observatory

While the abolition of milk quotas in April 2015 facilitated opportunities for expansion on dairy farms, it has also posed challenges in terms of a demand for increased investment at farm level (with a volatile milk price environment). While prudent use of debt can be an

effective part of growing businesses, heavily indebted farms may be significantly exposed to milk price volatility, increased input prices and climatic variability.

Table 1 illustrates a Teagasc study[16] on the performance of 1,561 Irish seasonal calving dairy farms between 2008 and 2011, categorised according to the level of purchased supplementary feed. While milk production per cow and per hectare increased with increased purchased feed supplementation, milk production costs also increased and profit per hectare (€/ha) was reduced. The results show that systems of milk production that are less reliant on purchased supplementary feeds are more profitable. However, where unforeseen climatic events occur, such as the recent weather related events in 2018, the need for additional supplementation, and in the case of the current extended dry period in July 2018, complete substitution from a grass fed diet to a conserved forage and concentrate diet, has knock on implications on the level of grass grown and utilised as a result. This in effect reduces net profit per hectare as the cost of production rises.

Table 1: Systems of milk production differing in intensification

	2008	**2009**	**2010**	**2011**
Supplementary feed inputs (tonnes DM/cow)	0.35	0.70	1.14	1.70
Pasture utilised (tonnes DM/ha)	8.5	8.1	7.6	6.8
Milk solids yield (kg/cow)	359	376	391	419
Total costs (excl. own labour; cents/l)	18.0	19.2	20.7	22.1
Net profit (€/ha)	1298	1257	1180	1083

Source: Teagasc

Also, taking into consideration volatility of input and output prices and climatic conditions, strict cost control is important at farm level in the current post milk quota environment.[17]

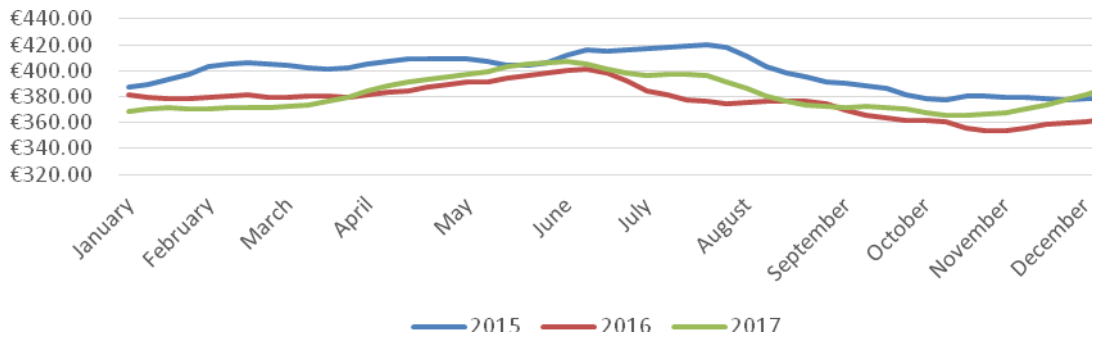
[16] https://www.teagasc.ie/media/website/animals/dairy/Print_Insert-No.1.pdf
[17] https://www.teagasc.ie/media/website/animals/dairy/Print_Insert-No.1.pdf

A.3.5.2 Beef Sector

The Irish beef sector currently accounts for over 30% of the value of Irish agricultural output at producer prices, with the dairy sector the only other sector of a similar scale.[18] The beef sector has experienced lower prices for 2015 and 2016 compared to 2017. 2016 was a year of significant volatility, with carcase deadweight prices rising from January to June 2016 and then dropping sharply through the end of the year.

Some of these lower prices from June 2016 onwards may arguably be attributed to the Brexit referendum and the depreciation of the pound sterling relative to the Euro. While the price volatility of the beef sector may not have been as pronounced as that of the dairy sector, this had a significant impact on the profitability of the beef sector in 2016. Figure 7 illustrates Steer prices from 2015 to 2017 inclusive, which is representative of the beef sector.

Figure 7: Beef Steer (R3) Prices, 2015 – 2017 (€ per 100 kg)



Source: Department of Agriculture, Food and the Marine

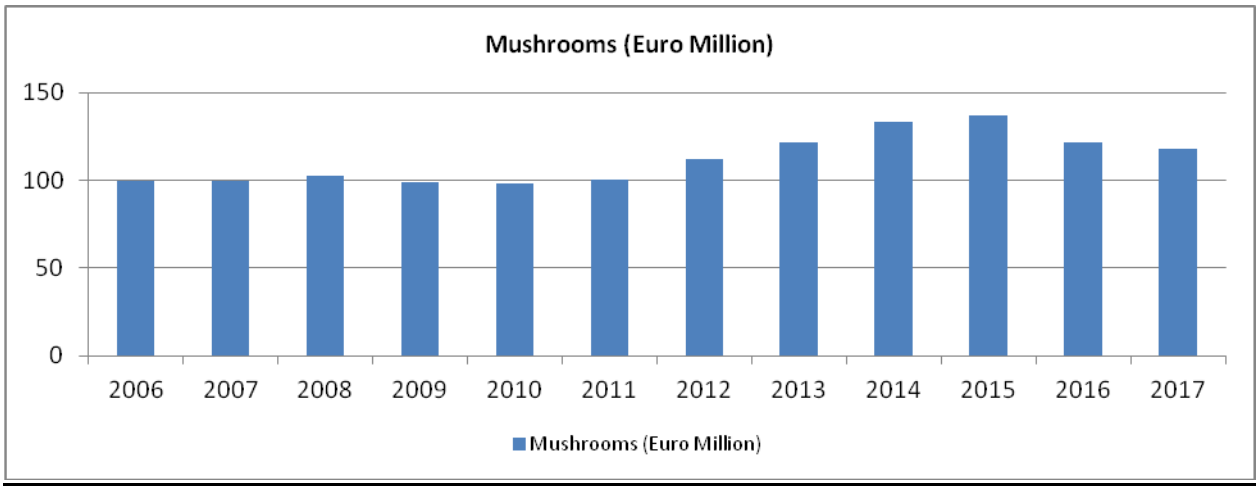
A.3.5.3 Horticulture Sector

The horticulture sector (including potatoes) contributed approximately €433m to farm primary output in 2016[19], a decrease of 0.5% compared to 2015. The impact of a depreciating sterling as a result of the Brexit referendum had a significant effect of reducing farm gate output volume particularly within the mushroom sector, where over 80% of production is exported to the United Kingdom which equates to an estimated €121m in exports. 2016 was a challenging year for the

[18] https://www.teagasc.ie/media/website/publications/2016/Beef-Manual-Section1.pdf
[19] https://www.agriculture.gov.ie/media/migration/publications/2017/AnnualReviewandOutlookFinal270717.pdf

Mushroom sector and had a major impact on mushroom grower profitability. Figure 8, updates the Preliminary Estimate of Output, Input and Income in the Mushroom Sector published by the CSO in March 2018

Figure 8: Output, Input and Income in the Mushroom Sector, 2006 - 2017

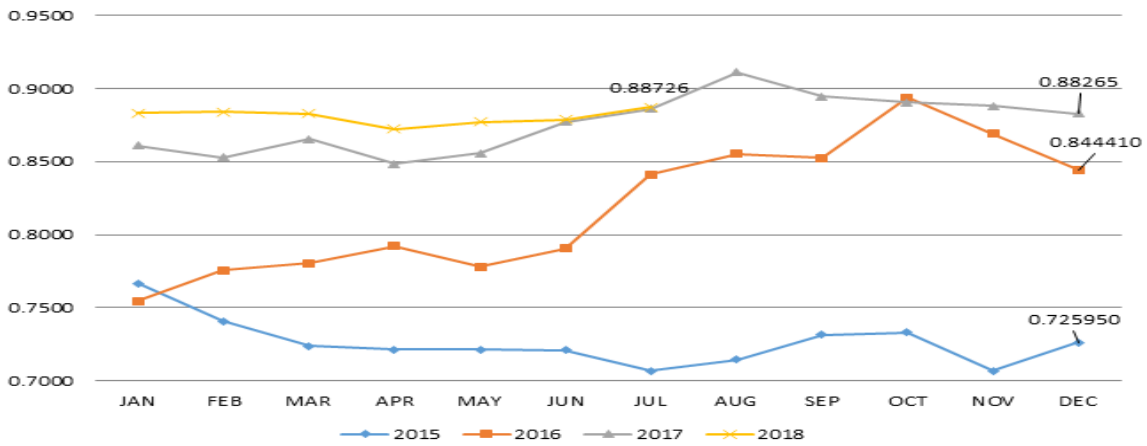


Source: CSO, Preliminary Estimate of Output, Input and Income in the Mushroom Sector, March 2018

A.3.5.4 Sterling Exchange Rate

The depreciation of the sterling relative to the euro is exemplified by the 14% fall from 0.78p sterling per euro in June 2016 to a 2018 average of 0.89p sterling per euro. This fluctuation is represented in Figure 9.

Figure 9: Sterling exchange rate for the period 2015 -2018.



Source:http://ezone/intranet/media/intranet/economicsandplanning/publications/AnnualReviewandOutlookFinal270717

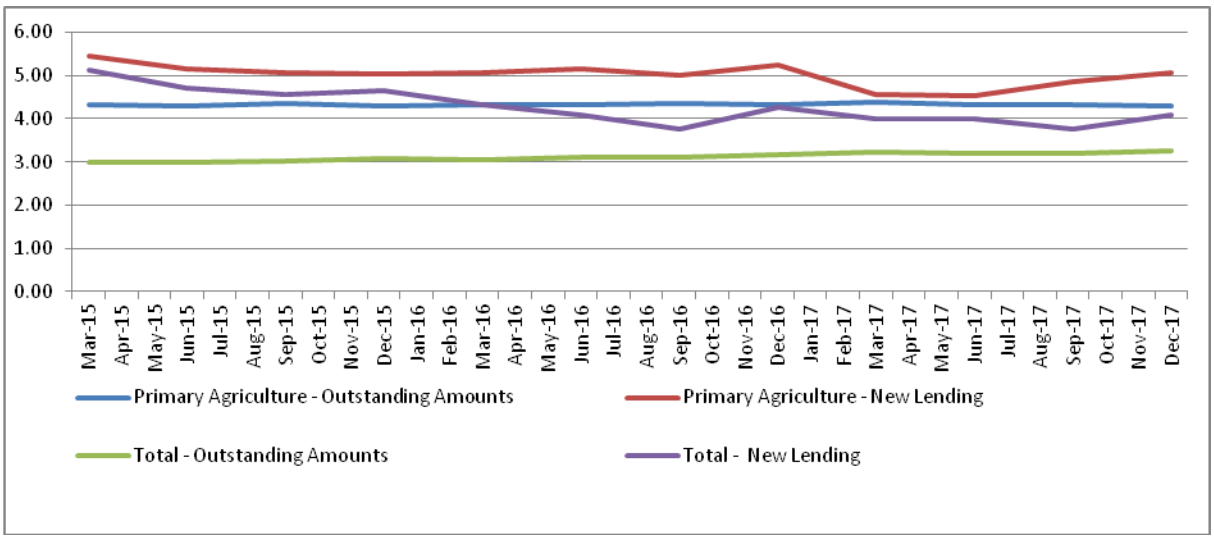
A.3.6 Interest Rates in Ireland

Although interest rates for the primary agriculture sector have been declining, at the time of the development of the ACSLS they were higher than the average across all SME sectors as demonstrated in Figure 10 below. Central Bank figures showed[20]:

- The average interest rate charged on outstanding amounts in the primary industries at the end of 2016 was 4.33% (up from 4.29% in 2015). The average for all other SMEs was 3.18%: a difference of 1.15%.
- The average interest rate charged for new lending in the primary industries at the end of 2016 was 5.25% (up from 5.05% in 2015).The average for all other SMEs was 4.19%: a difference of 1.06%.

Some of the difference in interest rates charged may be attributable to the profile of the loans, as loans to the agriculture sector tend to be smaller loans.

Figure 10: Interest Rates in Primary Agriculture in Ireland



Source: Central Bank of Ireland

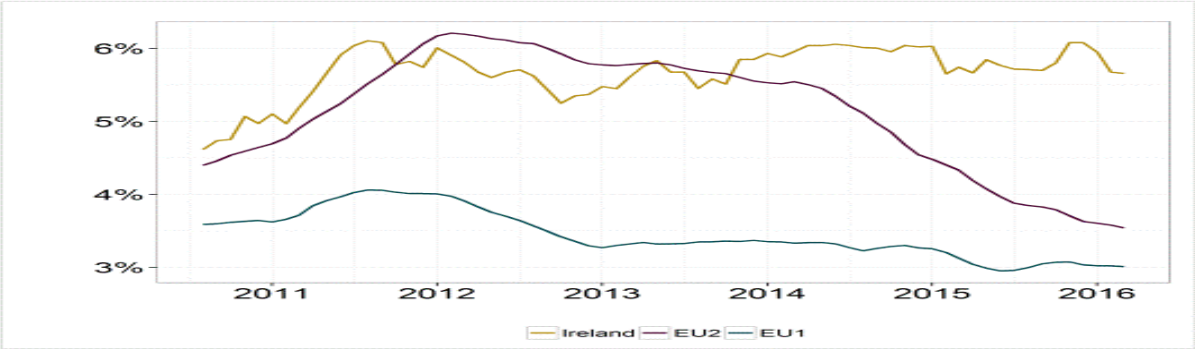
Interest rates offered to Irish SMEs in 2016 (including farmers), were significantly higher than equivalent loans in offered in other EU Member States. Ireland had among the highest

[20] Central Bank of Ireland

interest rates for SME loans in the EU, and the differential was particularly serious for smaller loan amounts (<€250,000)[21].

The Central Banks 2016 SME Market Report (H1) showed that average interest rates varied significantly across Europe for lending on loans below €0.25 million. Figure 11 presents the trend in interest rates on new NFC (non-financial corporation) loans below €0.25 million (the proxy for SME lending) in Ireland and EU1[22] and EU2[23]. Interest rates in Ireland were similar to EU2 prior to 2014. Since then, rates in EU2 have declined while they have remained close to 6% in Ireland.

Figure 11: Interest rates on NFC loans under €0.25 million (3-month moving average), euro area, August 2010 - March 2016



Source: Central Bank of Ireland

The EU 1 countries i.e. Austria, Belgium, Germany, Finland, The Netherlands and France have significantly lower interest rates than Ireland and the EU 2 countries i.e. Portugal, Italy, Spain and Greece. There are a number of important reasons for this, for example

1. Existing and predicted default rates on all SME lending. However, it should be noted that default interest rates for agriculture loans are quite low and historically have been)[24]
2. The concentration of the Irish banking sector.

As the data shows in Figure 11 there now seems to be a divergence developing between Ireland and the other EU2 countries. The establishment of the Strategic Banking Corporation

[21] Central Bank of Ireland; SME Report H1 2016
[22] EU 1 Countries are comprised of Austria, Germany, Belgium, Finland, The Netherlands and France
[23] EU 2 Countries are comprised of Portugal, Spain, Italy and Greece
[24] https://www.centralbank.ie/docs/default-source/publications/sme-market-reports/gns-5-10sme-market-report-2016h1.pdf?sfvrsn=8

of Ireland (SBCI) by the Government is intended to drive an additional level of competition in the market. In 2016, SBCI's loan rates were on average 1.5% lower than commercial market rates[25]

A.4 Considerations for scheme development

A.4.1 Administrative arrangements

The SBCI was established, following the 2008 financial recession, to operate as a state development bank with the intention of supporting Irish SME's access to finance. . DAFM are using the mechanisms available from the state to deliver this scheme.

The SBCI administer the scheme on behalf of the DAFM. The SBCI's goal is to ensure access to flexible funding for Irish SMEs by facilitating loan schemes such as the ACSLS. There are defined administrative arrangements in place which are governed by two agreements;

- A Memorandum of understanding between the SBCI and the Minister for Agriculture Food and the Marine" which outlines the commitments of both organisations and;
- An operational model for the scheme, which outlines the procedures on how the scheme operates.

A.4.2 State Aid

DAFM and the SBCI collaborated to ensure applicants were compliant with state aid regulations. DAFM at the outset of the scheme design sought to capture data to comply with EU Regulations.

The Scheme was made available to farmers in the dairy and other livestock sectors under the Commission Delegated Regulation (EU) 2016/1613 of 8 September 2016 providing for exceptional adjustment aid to milk producers and farmers in other livestock sectors. Outside the livestock sectors the loans operate under de minimis state aid regulations (Commission Regulation (EU) 1408/2013 of 18 December 2013). Under this regulation farmers are subject to a de minimis state aid limit of €15,000 per undertaking which includes other de minimis aid incurred by the SME in the last 3 financial years. If a farmer

[25] https://sbci.gov.ie

has incurred state aid during the period he/he may not be able to avail of the maximum loan size of €150,000 loan but may be able to avail of the scheme at lower loan levels.

A.4.2 Government Exposure

The cost of the ACSLS is €13.9m in national exchequer funding and EU Exceptional Adjustment Aid (EU Regulation 1613/2016) of €11.1m. The Scheme used €25m of public funds in total, which was supported with a counter guarantee through SBCI and COSME with a counter guarantee, which leveraged €150m of the banking institutions funds to deliver the scheme.

The Government's exposure in this arrangement was capped, in that 80% of losses on each loan would be covered by the State (through SBCI) up to a maximum portfolio loss cap of 15% (so up to a max of 80% of 15% of the c€145m of funds that were drawn down under the Scheme) and all other losses will be covered by the three partner on-lender banks (AIB, Bank of Ireland and Ulster Bank). However, it should also be noted that there is potential for unused funds to be returned at the end of the scheme, i.e. any unused guarantee funds could be returned or recycled in some new scheme.

A.4.3 Eligibility for the Scheme

In order to satisfy the requirements of the EU exceptional aid funding (EU Regulation 2016/1613), applicants had to satisfy at least one of the following eligibility criteria in order to qualify for the scheme:

- Application of environmental and climate friendly production methods
- Implementation of schemes or projects aiming at promoting quality and value added
- Implementation of cooperation projects
- Training in financial instruments and risk management tools.

Also, each applicant must have had an active Identifier which is to be declared at application stage. In order to provide assurance nationally and to the EU Commission, a Standard Operating Procedure (SOP) was developed which provides the evaluation and control procedures of the ACSLS. The SOP provides an outline the DAFM controls and monitoring activities in implementing the scheme. A control programme was implemented which included the identification of the risk management factors of the scheme. A sample of

applications (minimum 5%) was selected for audit and the appropriate eligibility criteria were assessed and verified.

Based on preliminary findings to date in the assessment of a sample of applications (n = 353) selected under the risk management factors for audit, the following profile of eligibility criteria were found;

	Total
Application of environmental and climate friendly production methods:	
Is the applicant participating in an agri-environment scheme as part of Ireland's current or last Rural Development Programme (i.e. GLAS, BDGP, AEOS, REPS, Organic Farming Scheme or a locally-led EU agri-environmental scheme).	**128**
Implementation of quality schemes or projects aiming at promoting quality and value added:	
Is the applicant a certified member of a Bord Bia Quality Assurance Scheme.	**144**
Is the applicant a certified member of a Quality Assurance Scheme run by a co-operative, processor or producer representative body.	**63**
Implementation of cooperation projects:	
Is the applicant a member of a DAFM-registered Farm Partnership.	**28**
Training in financial instruments and risk management tools	
Has the applicant completed or is participating in DAFM's Knowledge Transfer Programme or previous programmes such as BTAP and STAP (and specifically, the financial management elements of those programmes).	**29**
Has the applicant participated in financial training given by Teagasc (including the Cash Flow module included in recent farm walks), and can produce a certificate to this effect.	**23**
Has the applicant participated in financial training from another body (e.g. co-operative, processor, farming organisation, producer representative body or other providers of training) relating to the eligible agricultural sectors, and can produce a certificate to this effect.	**7**
Number of Schemes Satisfied	
1 scheme only	**130**
2 schemes	**60**
3+ schemes	**47**

All the applicants selected for audit satisfied as least one of the eligibility criteria under the scheme.

A.4.4 Alignment with other state supports

DAFM is a member of the SME State Bodies Group and its subgroup the Communications Group which are cross-government initiatives. The State Bodies Group has specific responsibility for Action 61 of the Action Plan for Jobs[26] and focuses on enhancing awareness amongst SMEs and entrepreneurs of State business supports to raise their financial capacity in either starting a business, or in growing and expanding an established business.

The purpose of the Communications group is to ensure effective communications in relation to the practical steps taken by Government departments and state agencies to help SMEs access financial supports and access general business supports. The SME State Bodies Group helps to ensure there is no overlap or duplication with other Government programmes.

A.5 Methodology

This Review followed the principles of the Public Spending Code and the recommended programme logic model (Appendix I). It is a desk based analysis. Descriptive data was assimilated included to show the take up rate and the level of funding drawn down.

This is further supplemented with an independent survey which estimated the impact of the scheme. The survey incorporated some of the requirements in the EU regulations and was managed by the SBCI through REDC and contributes to the growing body of research intended to inform future policy making in the area of access to finance. This paper explores context, objectives and rationale of the scheme, the expenditure, operation and additional related outcomes of the scheme, the survey of farmers on access to finance and conclusions.

[26] https://dbei.gov.ie/en/Publications/Publication-files/Action-Plan-for-Jobs-2017-Table-of-Actions.pdf

Part B: Analysis of the operation, expenditure and related outcomes of the Agriculture Cash Flow Support Loan Scheme

B.1. Overview

The Strategic Banking Corporation of Ireland (SBCI) invited banks and other lenders to take part in the ACSLS through the issue of an "Open Call" for financial institutions to apply for designation as a lending partner.

The evaluation of primary producer for a loan was carried out by the banking institutions delivering the scheme. Farmers who applied for the scheme did not necessarily qualify automatically for a loan. The banking institution evaluated each application on an individual basis and normal lending terms and conditions apply. These included;

- A review of the farmer's credit rating
- A review of farm accounts for the three previous years
- Confirmation of an applicant's tax affairs.

On the basis of the application for funding and additional information outlined, the underwriters of the individual participating bank assessed a farmer's ability to meet the terms of the loan requested.

There was a positive reaction by farmers to the Scheme which implies significant demand exists for low cost flexible finance. The scheme finished and all loans had to be drawn down at the end of 2017 in line with EU regulations concerning exceptional adjustment aid. The banks made €150million available but there was a portion of loans approved and available to farmers but not drawn down; because of the nature of the Scheme, it was not possible to make the unused portion available to others. It should be noted that one of the banks reported that they made some loans available to farmers at similar terms (interest rate) outside of the Scheme.

The final drawdown totals for the ACSLS is that there were 4,249 applications totalling €145,041,686.70, with an average loan size of €34,143 and an average loan period of 46 months.

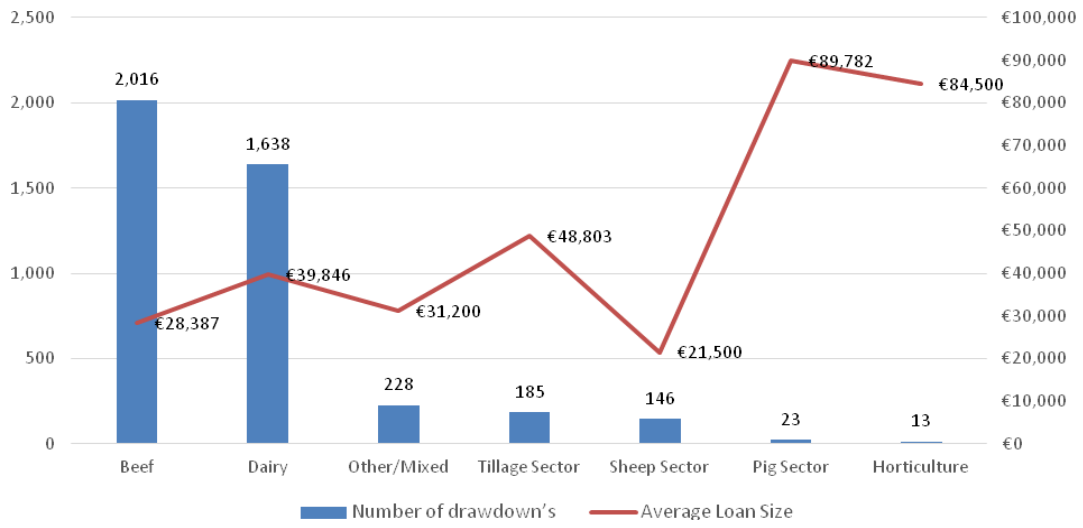
B.2. Operation of the ACSLS

The ACSLS was evaluated through a number of metrics:

B2.1. Number of loan drawdown's and the average size of the loan

Figure 12 illustrates the number of loan drawdowns and the average size loan across the sectors supported under the scheme. The majority of loan drawdowns were approved and drawn down in the livestock sector, i.e. 4051 (95%).

Figure 12 Number of loan drawdowns and the average size loan across the sector supported.



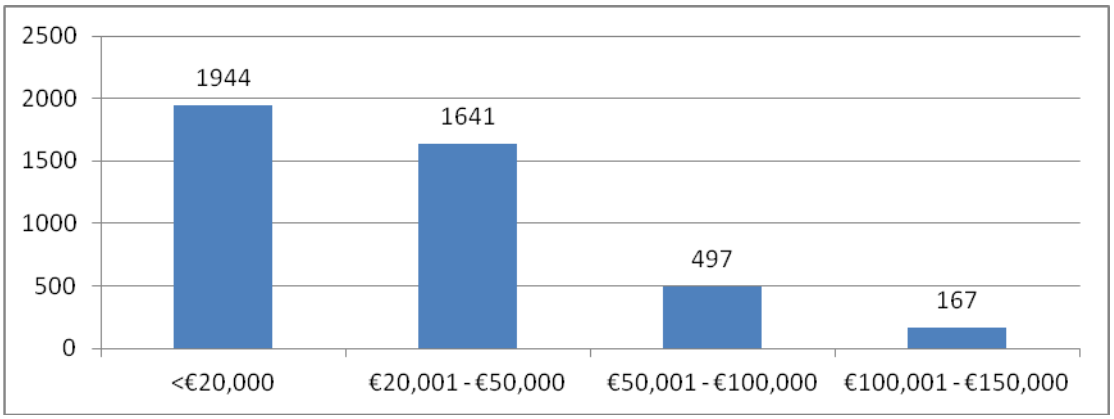
Source: Department of Agriculture, Food and the Marine

B.2.2 Average loan drawdown

There were 4,249 loan drawdowns in total as illustrated in Figure 13. These have been categorised into four loan categories as follows:

a. <€20,000
b. €20,001 - €50,000
c. €50,001 - €100,000
d. €100,001 - €150,000

Figure 13: Number of loan drawdowns categorised by loan size (N=4,249)



Source: Department of Agriculture, Food and the Marine

In total 3,583 (84%) of the loans were for less than €50,000. This broadly aligns with the average loan size for the scheme, which was €34,143

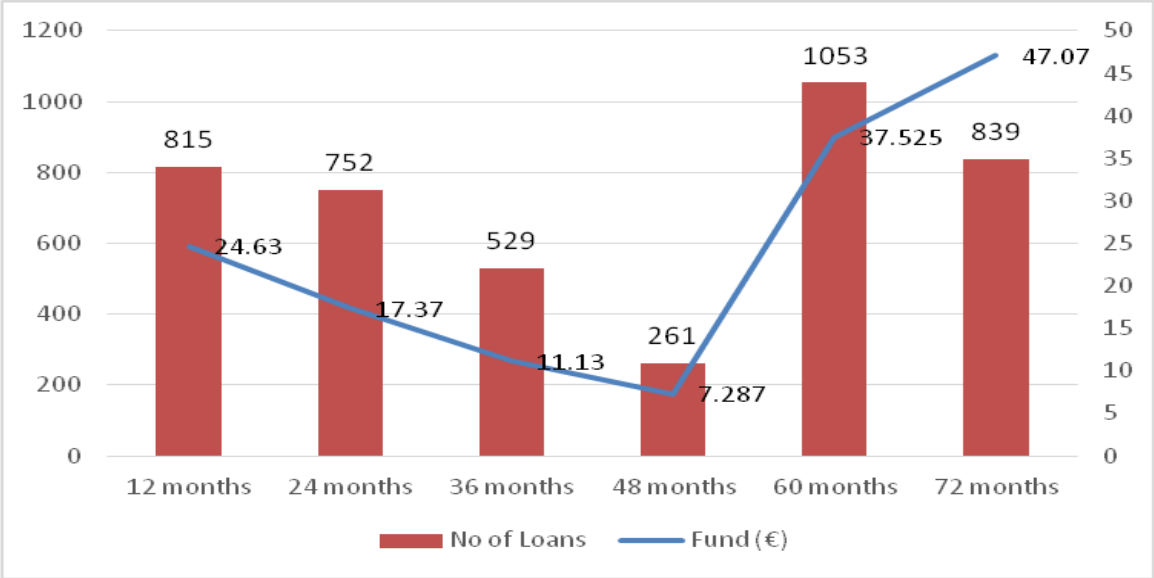
B.2.3 Interest Only option

There was an interest only option available under the scheme. This was available for a period of 18 to 36 months and must have been accepted at the beginning of the loan term. This further demonstrates the flexibility of the scheme. A total of 243 primary producers availed of this option.

B.2.4 Duration of the Loan

The average loan term for the scheme was 46 months. The breakdown is presented in Figure 14;

Figure 14: Duration of the loan.



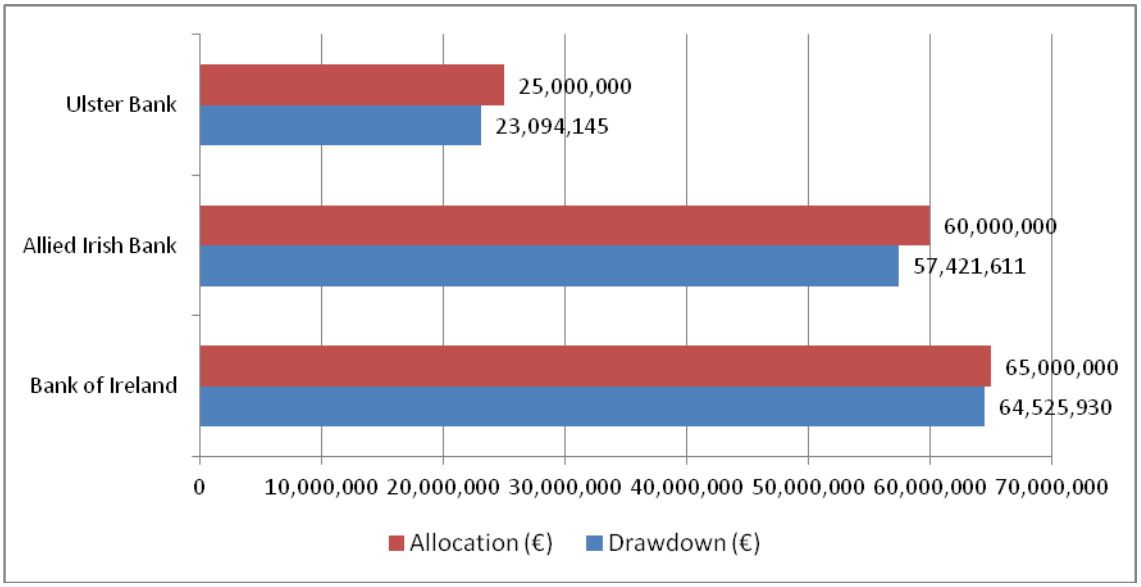
Source: Department of Agriculture, Food and the Marine

The ACSLS delivered a range of approvals over designated periods. 44.5% of loans for a period of 60 months or longer which may indicate that scheme applicants sought longer term working capital in order to manage the different levels of volatility in individual sectors.

B.2.5 On Lender – Primary Banking Institutions

The scheme was delivered and distributed through SBCI via Bank of Ireland (€65m), Allied Irish Bank (€60m) and Ulster Bank (€25m). €145m (96%) was drawn down from the scheme as follows;

Figure 15: This illustrates the allocation and drawdowns for each lending institution



Source: Department of Agriculture, Food and the Marine

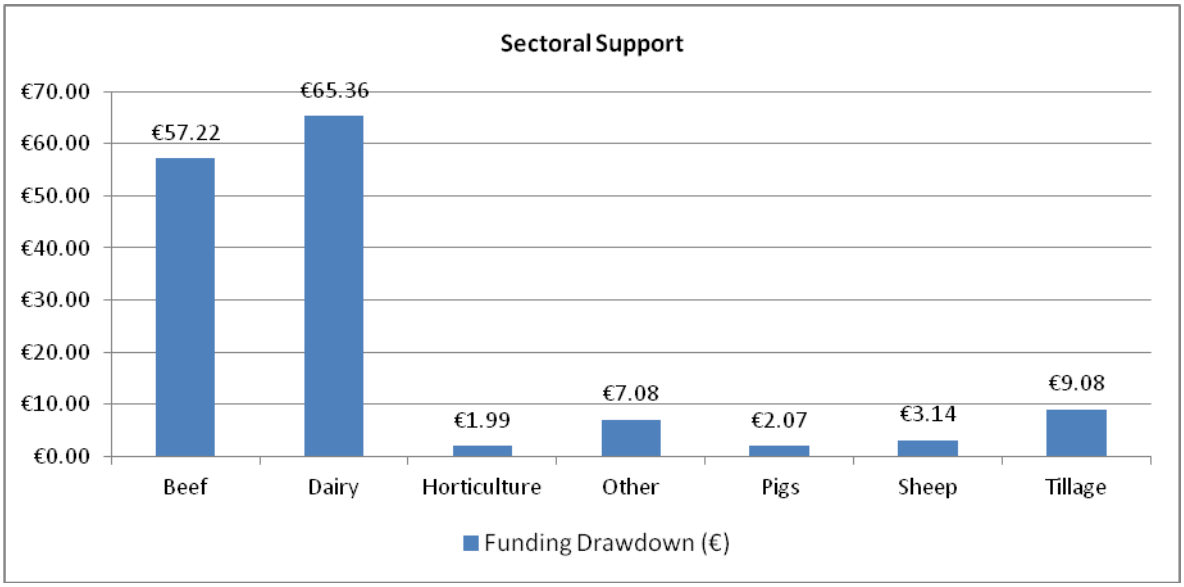
In total, 96% of the scheme was drawdown which demonstrates the considerable success of the scheme.

B.3 Expenditure on the scheme

B.3.1. Sector Supported

Of the total €145m drawdown the livestock sectors accounted for €134.87m (93%) of the overall scheme. The remaining non-livestock sector accounting for €10.13m (7%) as outlined in Figure 16.

Figure 16: Fund allocation by Sector



Source: Department of Agriculture, Food and the Marine

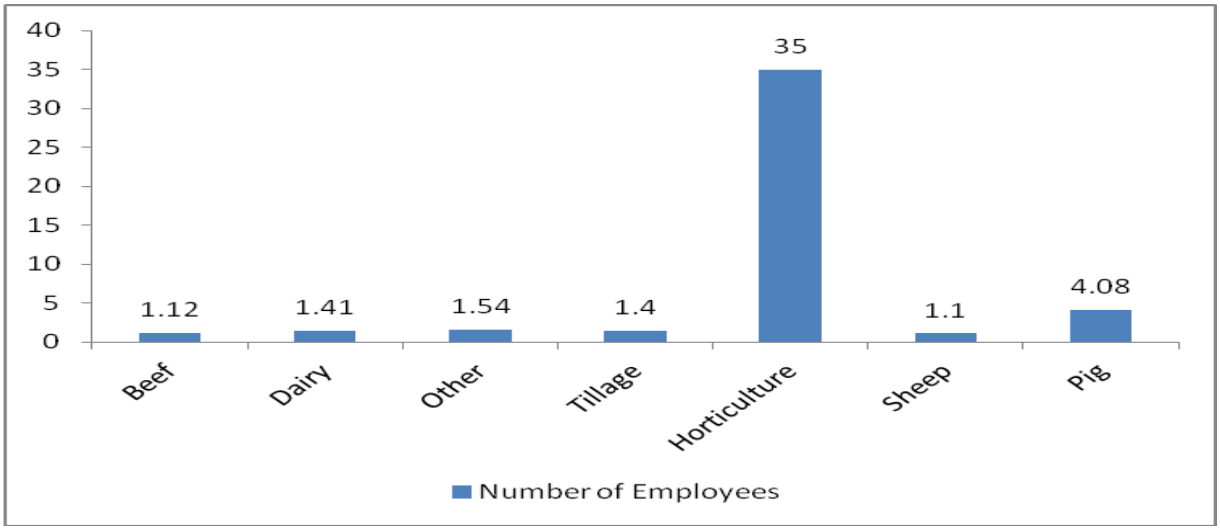
B.4 Related outcomes

B.4.1 Employment

The Government has committed to assisting all viable small and medium enterprises operating in Ireland to support growth and employment in the economy. Figure 17 illustrates the profile of employment across sectors for the scheme. While the average full time equivalent across all sectors is 1.34 employees (including business operators), individual sectors such as the pig and horticulture sectors demonstrate the additional labour requirements of the businesses and as such reflect the greater requirement for working capital as also outlined in Figure 11. Overall the scheme has supported 5,893 jobs[27] based on the number of primary producers successful under the scheme.

[27] www.sbci.gov.ie

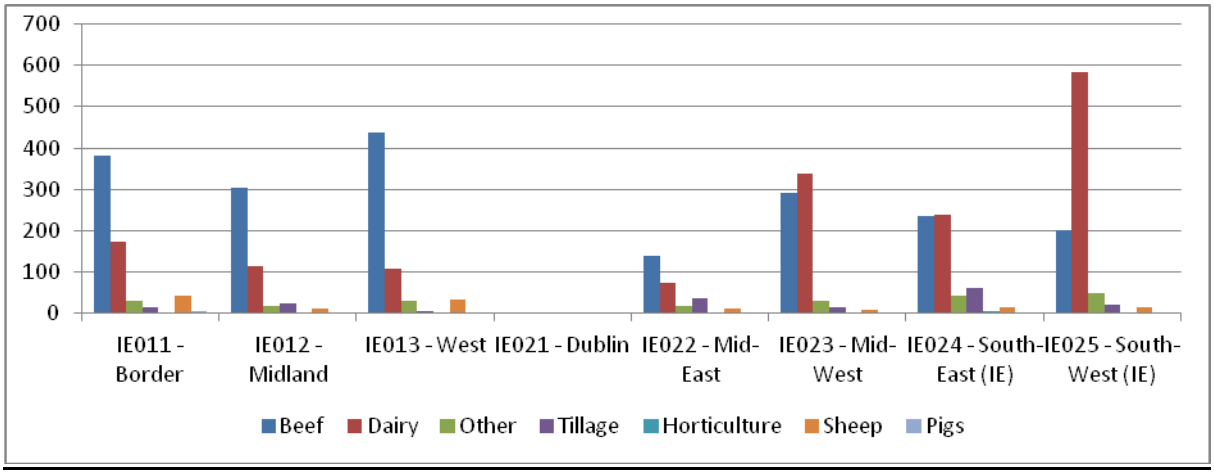
Figure 17: Profile of employment across sectors for the scheme (Jobs supported: 5,893)



B.4.2 Regional and Sectoral Assessment

Figure 18 shows the regional breakdown of loans drawn down under the ACSLS. On a regional level, the sectors supported mirror the profile of the primary producers within the regions outlined.

Figure 18: Regional loan drawdowns across sectors supported

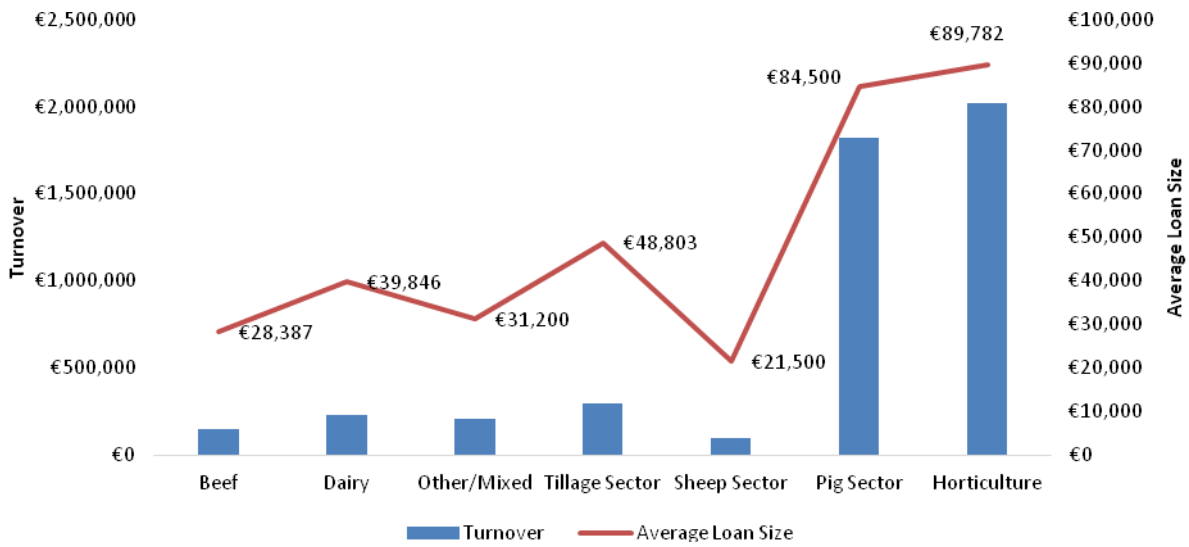


Source: Department of Agriculture, Food and the Marine

B.4.3 Cashflow

Figure 19 illustrates the average loan size by sector and how this compares to the average annual turnover of the primary sector supported.

Figure 19: Profile of loan size and average turnover of the primary sector supported



Source: Department of Agriculture, Food and the Marine

The trend profile suggests primary producers were supported pro-rata based on their annual turnover and working capital needs.

B.5 Survey of farmers on access to finance

REDC were commissioned to deliver a 'customer satisfaction' research survey about '*your experience with Access to Finance generally and the 2017 Agriculture Cashflow Support Loan scheme".* The survey consisted of a sample size of 500 farmers with 250 interviews to be completed from those farmers who secured finance under the ACSLS and 250 from RED C database of leads (i.e. to represent non-participants).

To ensure a representative sample of farmers in the country, the following quota samples were applied which were informed by the Farm Structure Survey 2013. In order to undertake the survey, a questionnaire was developed that provided a comprehensive set of questions that capture farmer's current experience with access to finance and also the experience of farmers who were successful in the ACSLS.

The survey was subdivided into six main areas of interest:

1. Awareness and Uptake of Loan Scheme
2. Satisfaction (Users)
3. Impact of the Scheme
4. Future Uptake
5. Compared to other forms of finance
6. Brexit

The objectives of the survey were two-fold:

a. Estimate the impact of the 2017 ACSLS on the Agriculture sector

b. To inform future development of any potential schemes.

The outcomes of the survey are positive. There are a number of key messages that can be considered for future schemes:

- The awareness of the scheme could have been enhanced as 70% of non-users surveyed were unaware of the scheme. There were calls for more advertising of any future potential schemes with advertising on TV, trade press, and local radio suggested.

- The Scheme appeared to resonate more with larger farm sizes and in the Southern, Eastern region of the country. Smaller farms, non beef farm types, and Border Midlands West (BMW) region more than likely did not access the scheme due to lack of awareness. This highlights the need to target these groups and regions with any future potential loan scheme launches.

- The loan scheme was mostly used for reducing the cost of debt of the farm and for ongoing working capital needs.

- 87% loan users accessed the loan scheme through their main bank without looking elsewhere

- The findings indicate that of those surveyed, 3% of those who applied did not qualify and only 2% did not get it because they were late. This is strong evidence that fund size was appropriate

- Over half of loan users accessed via BOI, with a higher association with smaller farm sizes and lower loan amounts
- The average length of loan received was 3.4 years, with the average length of loans tending to increase with farm size.
- 3 out of 4 users of the scheme rate it highly, 83% find it to be effective
- Farmers have indicated their concerns about Brexit (3 out of 5) and based on responders, they feel the loan scheme addresses their future financial concerns.

The ACSLS was primarily used for reducing the cost of debt on the farm and for ongoing working capital needs. There are indications that this is related to farm size, with larger farms tending more to use the scheme for reducing costs, while smaller farms using more so for ongoing working capital needs. The full survey is attached in Appendix IV.

C. Conclusions

C.1 Conclusion 1 – Concept of scheme

The ACSLS was the first initiative involving the Department of Agriculture, Food and the Marine to provide funding to leverage working capital including as an alternative to merchant credit. While this form of credit is flexible, it is expensive and unstructured. If this form of credit is left unmanaged, it may lead to paying excessive penalty interest payments on overdue accounts. This was a risk sharing loan scheme and an innovative use of the EU Commission and Exchequer funds which leveraged and delivered €145m to the primary sector. It is also an innovative way to deliver public support via SBCI and the banks. The interest rate was at a significant discount for the ACSLS; however, this reflects the objective of the scheme of lowering the costs for the sector in line with the EU exceptional adjustment aid.

C.2 Conclusion 2 – Operation of the scheme

The scheme was delivered on a *"first come, first served"* basis. As applicants contacted their bank and confirmed their eligibility, each loan was evaluated and approved on its own merits. However, it may not have sufficiently targeted those most in need of unsecured working capital.

This was a key learning obtained from this scheme and provided both SBCI and DAFM with valuable input to the design of Brexit Loan Scheme. A revised procedure was adopted which included a pre-eligibility check which is completed by the SBCI (instead of the participating lending institutions). The pre-eligibility check streamlines the process whereby the SBCI ensure all applicants are eligible for the scheme and thus ensures the greater targeting of the scheme to eligible applicants. The SBCI capture the scheme eligibility data and process loan applications and provide the following functionality:

- SME/Small Midcap Eligibility Check
- Scheme Eligibility Check
- State Aid calculation and;
- Capture of SME/Small Midcap Loan data.

The change in procedure ensures that when an applicant applies for a loan, the eligibility check ensures that each loan is targeted to the objectives of the scheme. It also ensures that information submitted is provided on a 'real time' basis to the SBCI. This and other administrative improvements can be carried into potential future schemes.

C.3 Conclusion 3 - Impact of the Scheme

The delivery of the ACSLS and the ongoing bilateral engagement between DAFM and the main banks is acting as a catalyst to encourage financial institutions to improve and develop new products for the sector. This year all three main banks developed dedicated offerings in response to the cash flow pressures arising from the effects of the weather on grazing and fodder stocks:

- "Drought Support Package" - BOI
- "Weather Fund" – Ulster Bank
- "Working Capital Support" – AIB.

A recently announced initiative by one of the main banks mirrors the ACSLS in offering a discounted interest rate (quoted at 3.86%) with extended and flexible repayment terms to deal with accumulated merchant credit. Similar term loans are available from the other two banks.

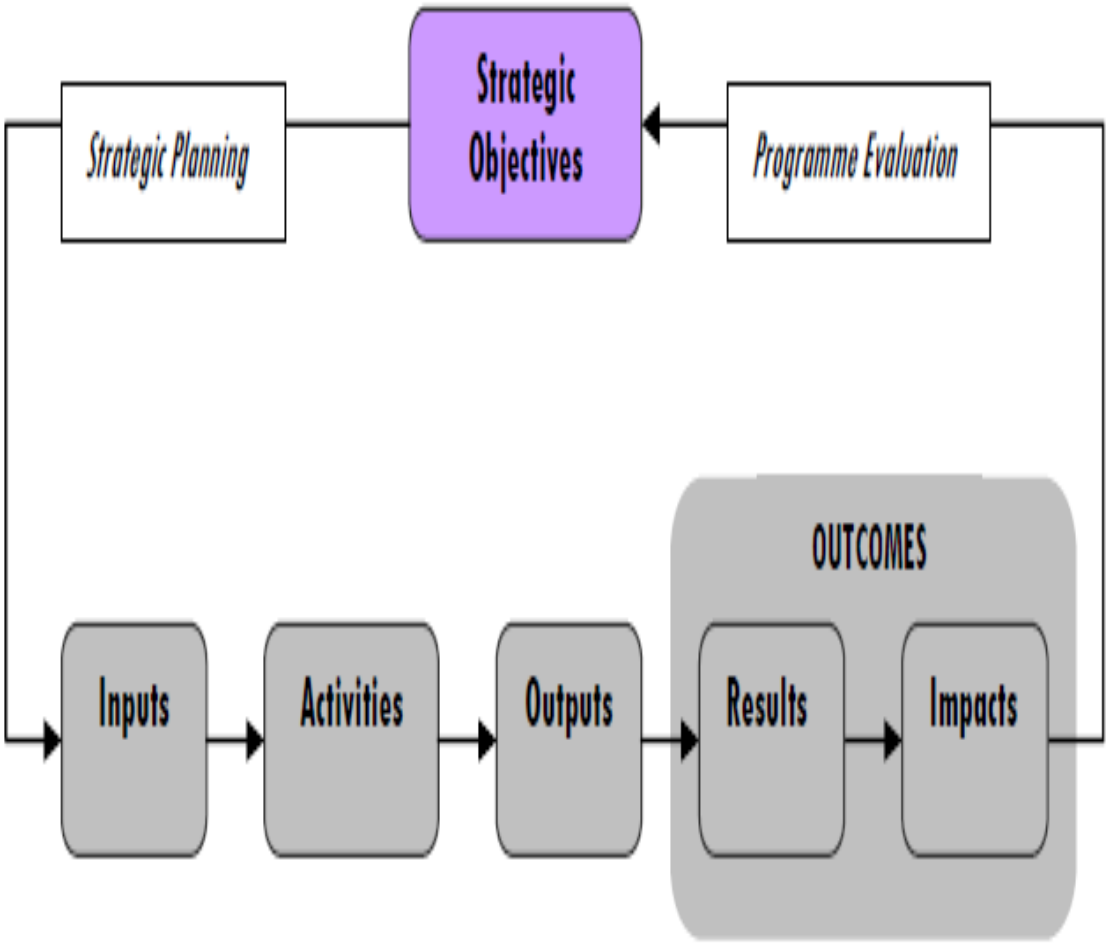
Also in response to the current situation on fodder, regarding co-op and merchant credit, Glanbia, Dairygold and Kerry Agribusiness have all introduced recent initiatives on credit facilities for their suppliers.

"Cultivate" is an initiative of a group of Credit Unions that provides short to medium term loan opportunities built specifically around the growing needs of farming members.

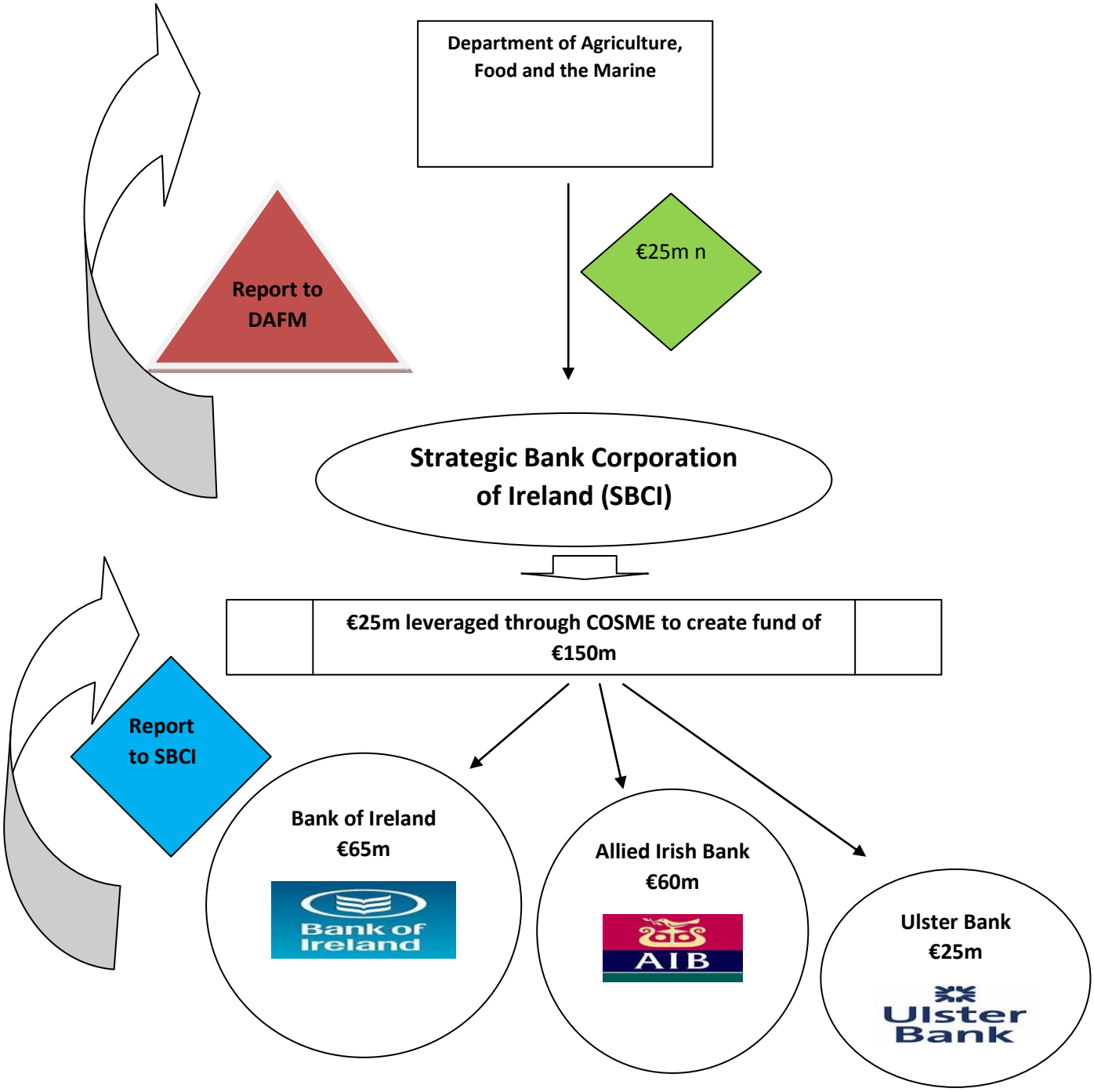
There are a large variety of finance options available to farmers currently in the market. The ACSLS, made possible by funding and state aid cover provided by the CAP, has driven innovation and lower interest rates in this area.

D. Appendices

Appendix I- Programme Logic Model



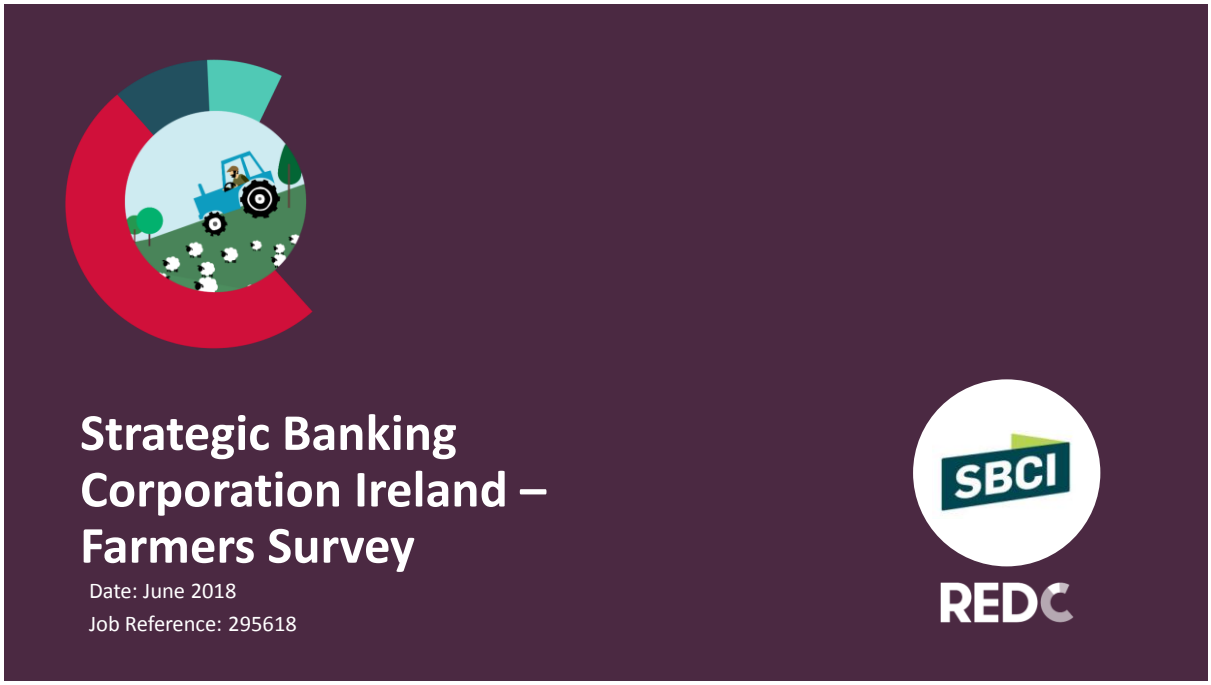
Appendix II - Agriculture Cashflow Support Loan Scheme (Flow Diagram)

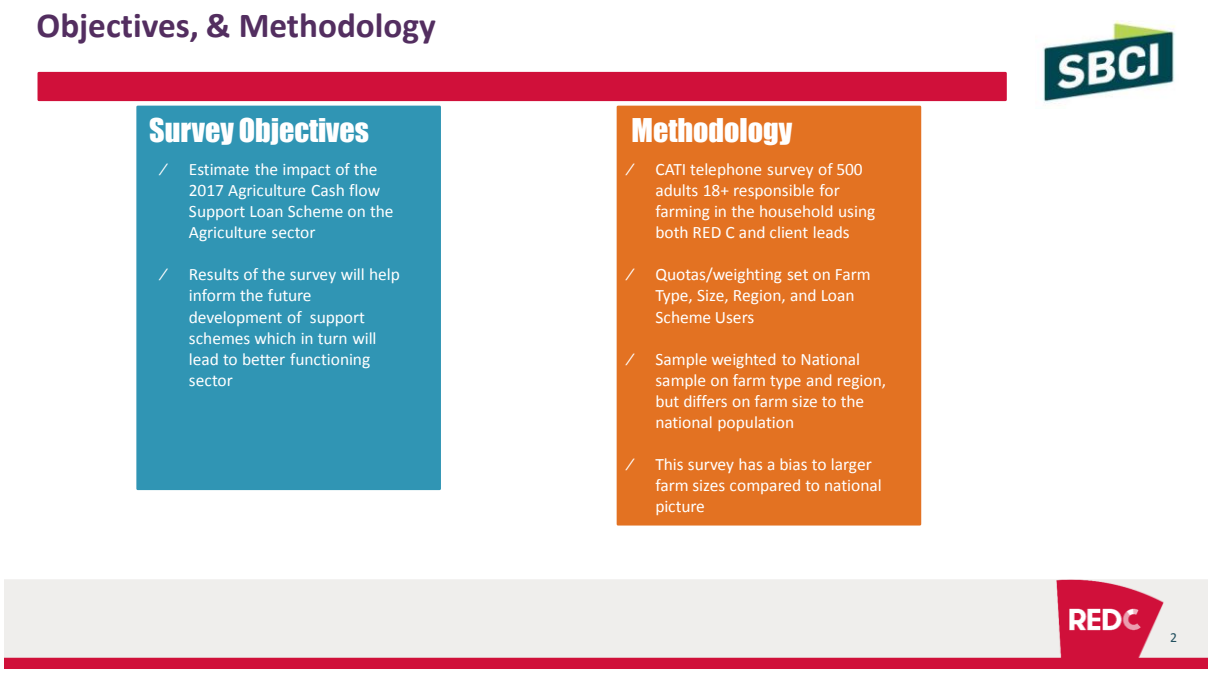


Appendix III: Key Data for ACSLS

Data Evaluated on Agriculture Cash Flow Support Loan Scheme						
Borrower NUTS Code	**Primary Agricultural Activity**	**Num Of Employees**	**Scheme Facility Amount**	**Facility Term**	**Grace Period (months)**	**On Lender**
IE011 - Border	Beef	Full Time equivalents	>€20,000	1 to 6 years	Interest Only Option	Ulster Bank, Bank of Ireland Allied Irish Bank
IE012 - Midland	Dairy		€20,001 - €50,000			
IE013 - West	Other (define 'other'. Is this 'mixed farming?)		€50,001 - €100,000			
IE021 - Dublin	Horticulture		€100,001 - €150,000			
IE022 - Mid-East	Pigs					
IE023 - Mid-West	Sheep					
IE024 - South-East (IE)	Tillage					
IE025 - South-West (IE)						

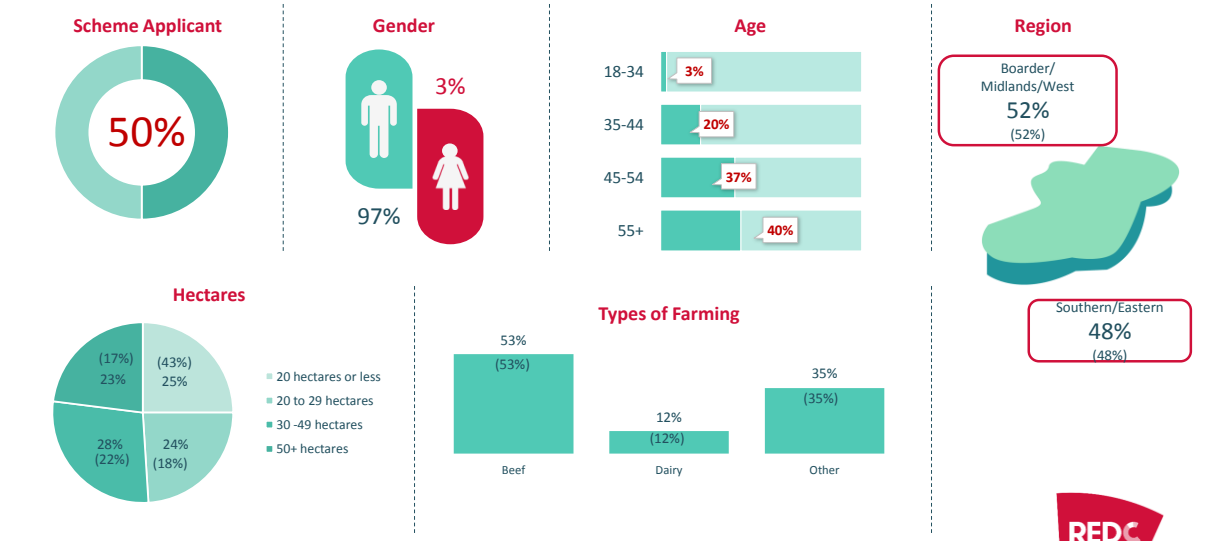
Appendix IV: SBCI Survey





Who is in our sample?

(Base: AI Farmers – 500)



() Profile of Farms Farm Structure Survey 2016

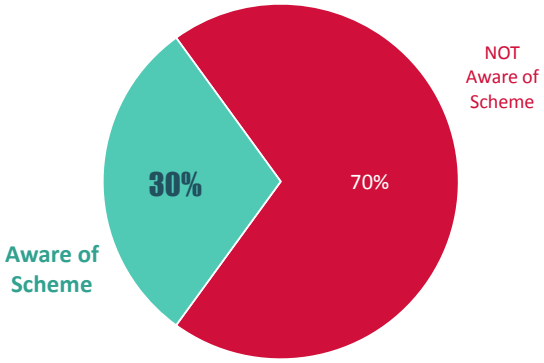
3

Awareness of Loan Scheme

(Base: Those Who Have NOT Accessed Scheme; n=250)

Non Scheme Farmers

(Base: Those Who Have NOT Accessed Scheme; n=250)

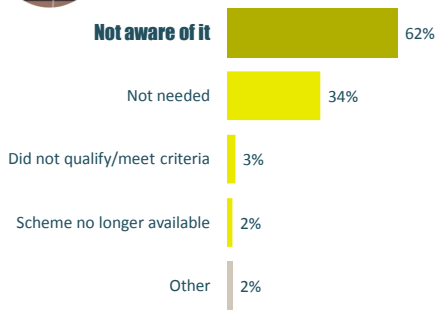


Awareness amongst those who did not access the loan is significantly lower with less than 1 in 3 being aware.

REDC

Reason For Not Accessing Scheme

(Base: Those Who Have NOT Accessed Scheme; n=250)



	FARM TYPE			FARM SIZE				REGION	
	Beef (n=116)	Dairy (n=22)	Net: Other Farm Types (Excl. Beef & Dairy) (n=111)	Less Than 20 Hectares (n=86)	20 - 29 Hectares (n=63)	30 - 49 Hectares (n=62)	50 Or More Hectares (n=38)*	BMW (n=125)	Southern & Eastern (n=124)
Not aware of it	53%	45%	76%	82%	65%	42%	47%	69%	56%
Not needed	42%	43%	23%	17%	30%	53%	46%	27%	40%
Did not qualify/meet criteria	5%	7%	1%	1%	4%	2%	8%	4%	2%
Scheme no longer available	3%	4%	0	0	0	4%	5%	1%	3%
Other	1%	5%	3%	1%	3%	3%	2%	1%	3%

* Low base size

Awareness is the top reason why farmers did not access the loan scheme, with 3 in 5 not aware – highest among smaller farm sizes and in BMW region. There is also a sizable proportion who feel they did no need it.

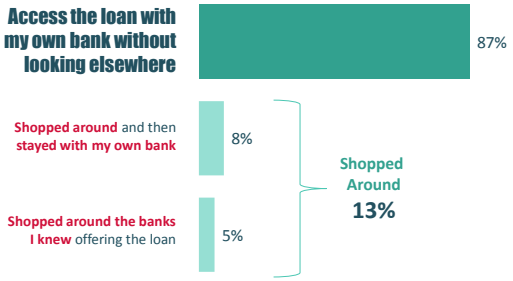
(Q.3)

REDC

Actions Taken When Seeking Loan

(Base: Those Who Have Accessed Scheme; n=250)

Access the loan with my own bank without looking elsewhere
Bank of Ireland 92%
AIB 85%
Ulster Bank 78%



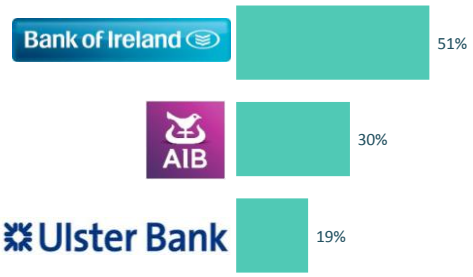
	Farm Type			Farm Size			Region	
	Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
Access the loan with my own bank without looking elsewhere	88%	84%	87%	85%	84%	94%	87%	87%
Shopped around and then stayed with my own bank	7%	10%	10%	12%	8%	5%	7%	10%
Shopped around the banks I knew offering the loan	4%	7%	5%	3%	8%	3%	6%	4%

When seeking a loan, the majority of farmers stayed with their own bank without looking elsewhere, with just over 1 in 10 shopping around.

REDC (Q.4) 7

Bank Loan Was Accessed From

(Base: Those Who Have Accessed Scheme; n=250)



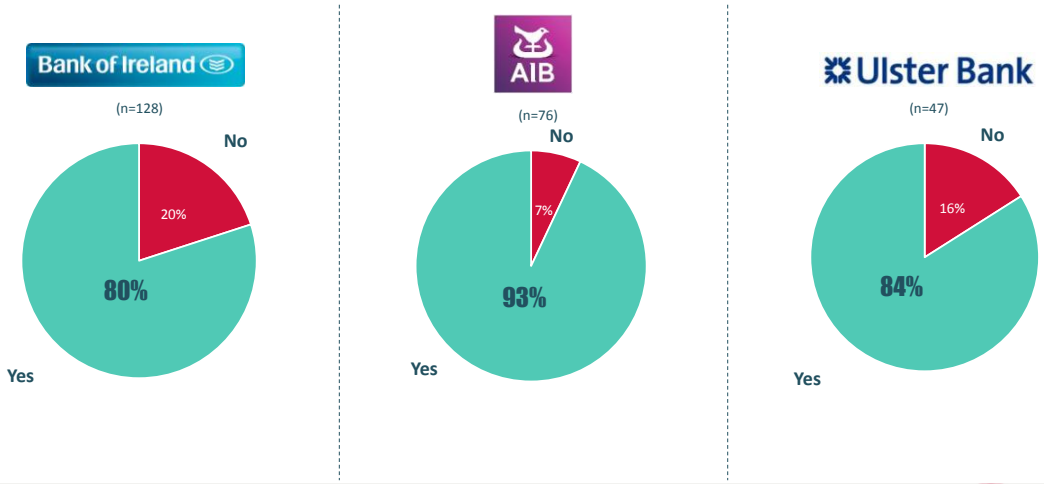
	Farm Type			Farm Size			Region	
	Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
Bank of Ireland	54%	39%	51%	64%	50%	37%	55%	46%
AIB	34%	48%	10%	29%	33%	29%	17%	45%
Ulster Bank	12%	13%	39%	8%	17%	34%	27%	9%

Over half of all loans were provided via Bank of Ireland. AIB loan uptake significantly higher in Southern/Eastern region compared to BMW.

REDC (Q.5) 8

Ability to access level of funding required

(Base: Those Who Have Accessed Scheme From Each Bank)

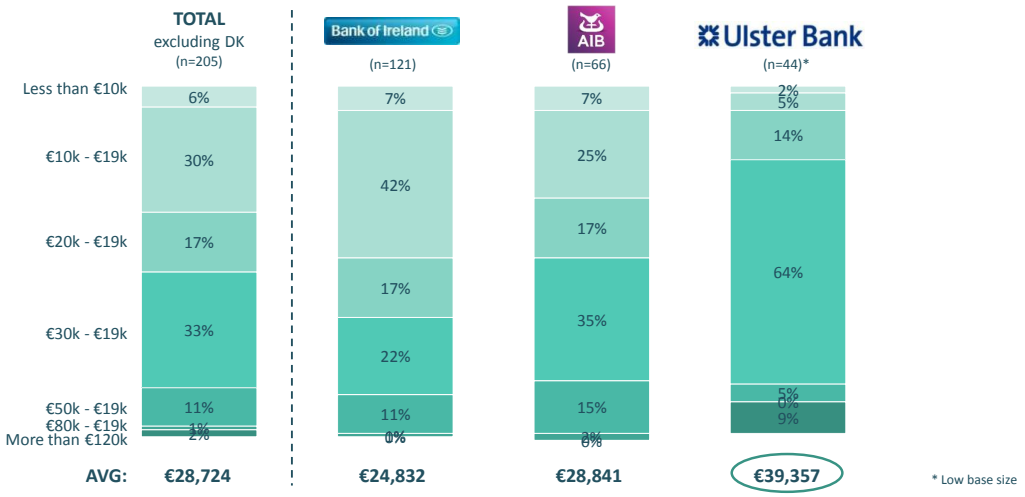


Majority of Farmers were able to access the level of funding required through the banks however 1 in 5 access via Bank of Ireland were not able to access the required level of funding.

REDC (Q.6) 9

Level of funding received

(Base: Those Who Have Accessed Scheme From Each Bank & Remember How Much They Received; n=231)



Those receiving their loan from AIB tended to receive higher loan amounts than those with Bank of Ireland, with suggestion that those with Ulster Bank received higher than average loan amounts.

REDC (Q.7) 10

Length of loan Received

(Base: Those Who Have Accessed Scheme; n=250)

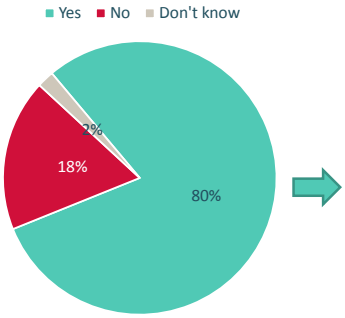
The average length of loan received was over 3 years. Average length of loan increase with farm size.

(Q.8a)

11

Whether Loan Received was length requested

(Base: Those Who Have Accessed Scheme; n=250)



% YES length was requested			
Farm Type	Beef	(n=148)	80%
	Dairy	(n=38)	73%
	Net: Other Farm Types (Excl. Beef & Dairy)	(n=63)	84%
Farm Size	Net: Less Than 30 Hectares	(n=96)	78%
	30 - 49 Hectares	(n=77)	78%
	50 Or More Hectares	(n=77)	84%
Region	BMW	(n=150)	78%
	Southern & Eastern	(n=70)	82%

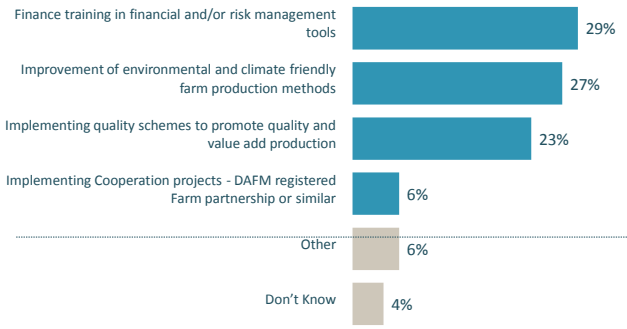
4 in 5 Farmers received the loan for the length that they requested – slightly higher for larger farm sizes.

(Q.8b)

12

Category applied under

(Base: Those Who Have Accessed Scheme; n=250)



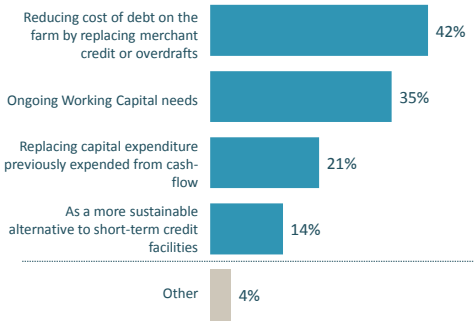
	Farm Type			Farm Size			Region	
	Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
Finance training in financial and/or risk management tools	24%	31%	40%	26%	29%	34%	31%	27%
Improvement of environmental and climate friendly farm production methods	28%	30%	21%	20%	30%	32%	28%	26%
Implementing quality schemes to promote quality and value add production	26%	26%	16%	26%	24%	20%	23%	24%
Implementing Cooperation projects - DAFM registered Farm partnership or similar	5%	5%	8%	7%	6%	3%	7%	4%
Other	9%	1%	2%	12%	3%	2%	6%	7%
Don't Know	4%	2%	6%	2%	10%	2%	3%	6%

Those accessing the loan were most likely to apply under Finance training, particularly for larger farm sizes. Improvement in environment production methods also high at 27%.

REDC (Q.9) 13

What Loan Scheme Was Used For

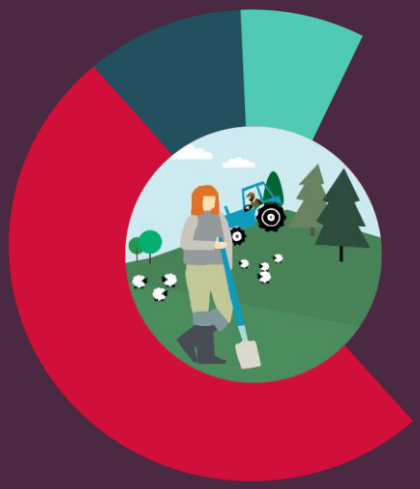
(Base: Those Who Have Accessed Scheme; n=250)



	Farm Type			Farm Size			Region	
	Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
Reducing cost of debt on the farm by replacing merchant credit or overdrafts	41%	38%	45%	37%	43%	46%	45%	37%
Ongoing Working Capital needs	41%	31%	23%	49%	22%	31%	33%	38%
Replacing capital expenditure previously expended from cash-flow	22%	29%	12%	17%	23%	23%	21%	20%
As a more sustainable alternative to short-term credit facilities	13%	11%	19%	14%	12%	17%	13%	16%
Other	5%	0	6%	6%	5%	2%	4%	5%

The loan scheme was mostly used for reducing the cost of debt on the farm and for ongoing working capital needs. There are indications that this is related to farm size, with larger farms tending more to use the scheme for reducing costs, while smaller farms using more so for ongoing working capital needs.

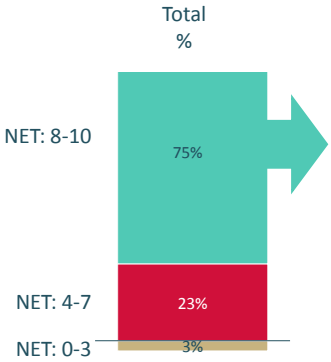
REDC (Q.10) 14



Satisfaction with Scheme

Rating Of Loan Scheme

(Base: Those Who Have Accessed Scheme; n=250)



NET 8-10

FARM TYPE			FARM SIZE			REGION		BANKS		
Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)	AIB (n=76)	BOI (n=128)	UB (n=47)*
75%	70%	78%	80%	67%	75%	77%	72%	71%	73%	85%

* Low base size

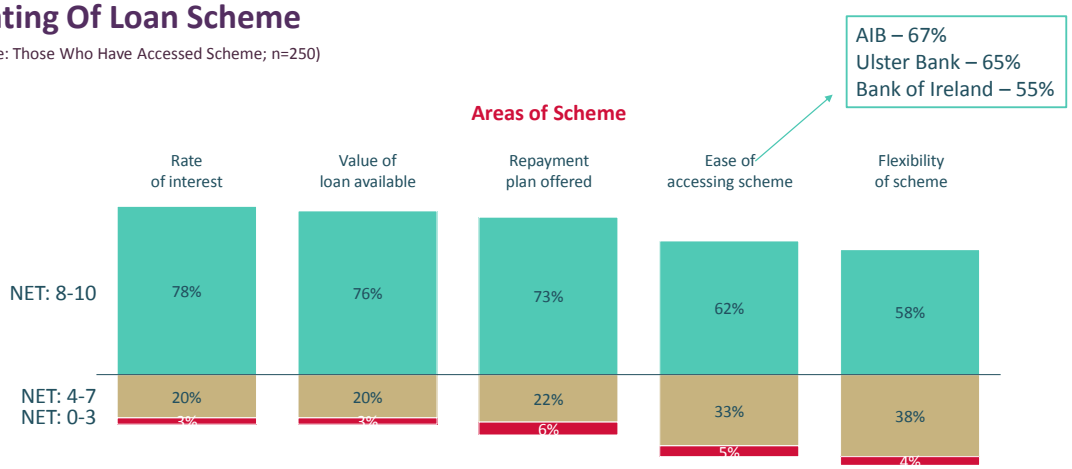
3 in 4 farmers who have accessed the loan scheme rate it highly, with little disparity between farm type, size, or region. Those access via Ulster Bank have higher satisfaction.

(Q.11)

16

Rating Of Loan Scheme

(Base: Those Who Have Accessed Scheme; n=250)



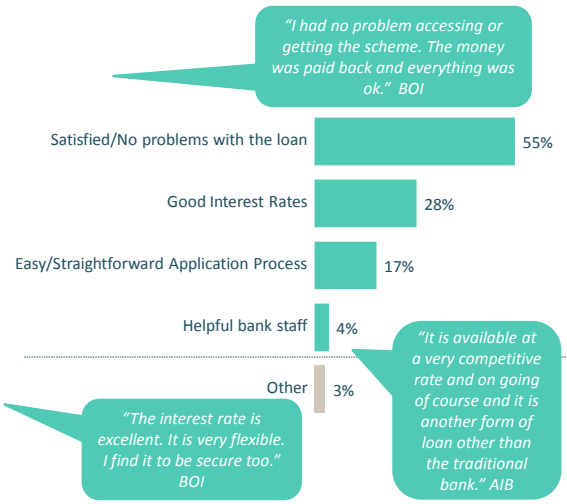
The loan scheme's interest rate, value of loan available, and repayment offered are the most highly rated.

(Q.13)

17

Reason for high level of Satisfaction

(Base: All Those Rating Loan Scheme 8-10 out of 10; n=187)



	FARM TYPE			FARM SIZE		REGION	
	Beef (n=110)	Dairy (n=27)*	Net: Other Farm Types (n=49)*	NET: Less Than 30 Hectares (n=77)	NET: 30+ Hectares (n=110)	BMW (n=108)	Southern & Eastern (n=83)
Satisfied/No problems with the loan	50%	35%	79%	51%	58%	68%	40%
Good Interest Rates	29%	40%	20%	32%	25%	27%	30%
Easy/Straightforward Application Process	20%	27%	7%	17%	18%	15%	20%
Helpful bank staff	4%	3%	7%	5%	4%	1%	8%
Other	3%	9%	0	5%	2%	2%	4%

* Low base size

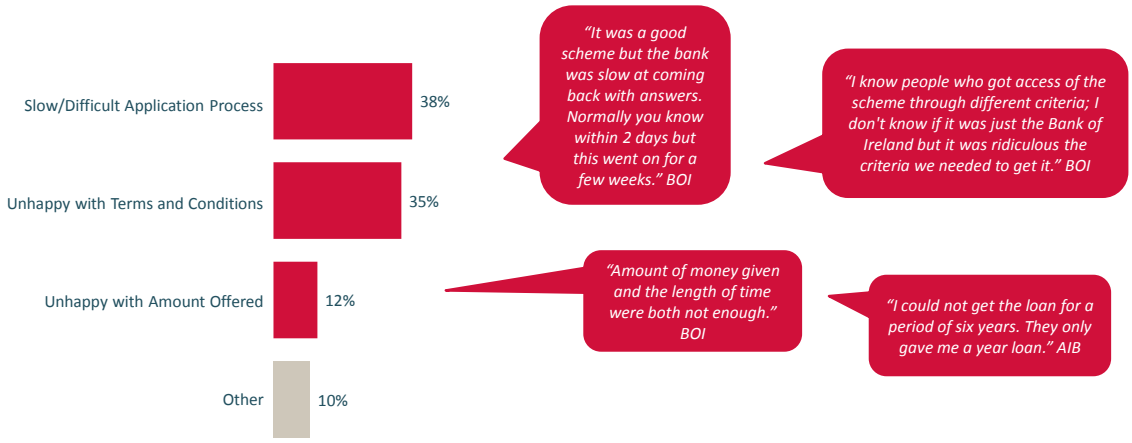
Not having any problems with the loan scheme was the main reason for high levels of satisfaction amongst farmers who used it, while the good interest rates featured as well albeit less prominently.

(Q.12)

18

Reason for low level of satisfaction

(Base: All Those Rating Loan Scheme 0-7 out of 10; n=63)



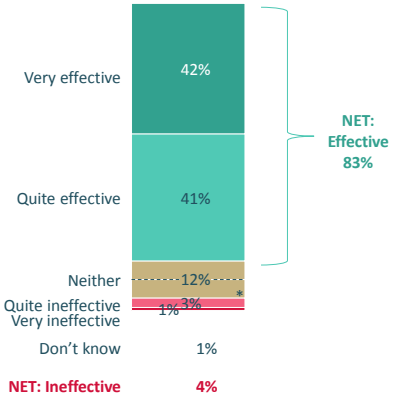
Challenges experienced with the application process and also the terms and conditions were reasons for dissatisfaction, with some suggestions that the long wait time was a contributor.

(Q.12)

19

Effectiveness of Scheme

(Base: Those Who Have Accessed Scheme; n=250)



FARM TYPE			FARM SIZE			REGION	
Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less Than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
79%	87%	88%	76%	84%	90%	88%	77%

The scheme is seen as being very effective by 4 in 5 farmers who have accessed the loan scheme.

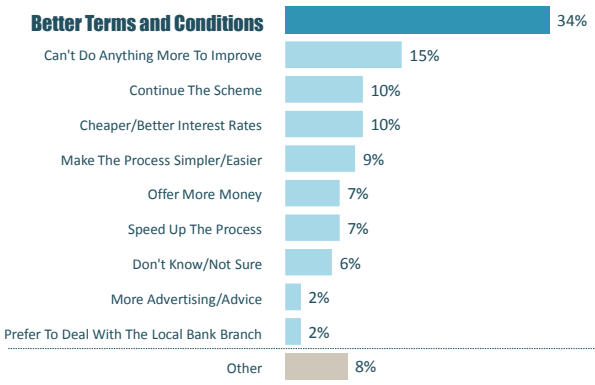
(Q.14)

REDC

21

How Scheme Can Be Improved

(Base: Those Who Have Accessed Scheme; n=250)



Farm Type			Farm Size			Region	
Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
36%	36%	28%	31%	41%	31%	34%	34%
18%	19%	4%	23%	5%	15%	10%	20%
12%	7%	10%	13%	14%	4%	9%	12%
7%	15%	14%	8%	12%	12%	13%	7%
9%	10%	7%	7%	12%	7%	8%	9%
10%	9%	1%	6%	11%	6%	7%	8%
6%	2%	11%	3%	8%	11%	4%	10%
9%	-	4%	10%	9%	-	9%	3%
3%	3%	-	4%	-	1%	1%	3%
2%	4%	2%	3%	-	3%	2%	1%
-	2%	29%	1%	-	25%	15%	1%

1 in 3 who have accessed the loan scheme feel that better terms and conditions would help improve the scheme, with other ways not featuring as prominently.

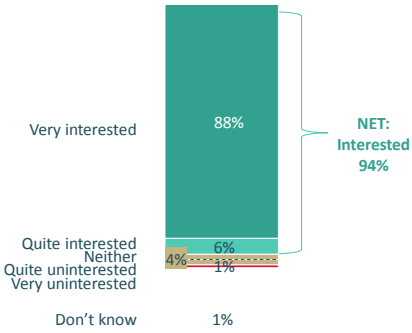
(Q.15)

REDC

22

Interest In Similar Loan Scheme In Future

(Base: Those Who Have Accessed Scheme; n=250)



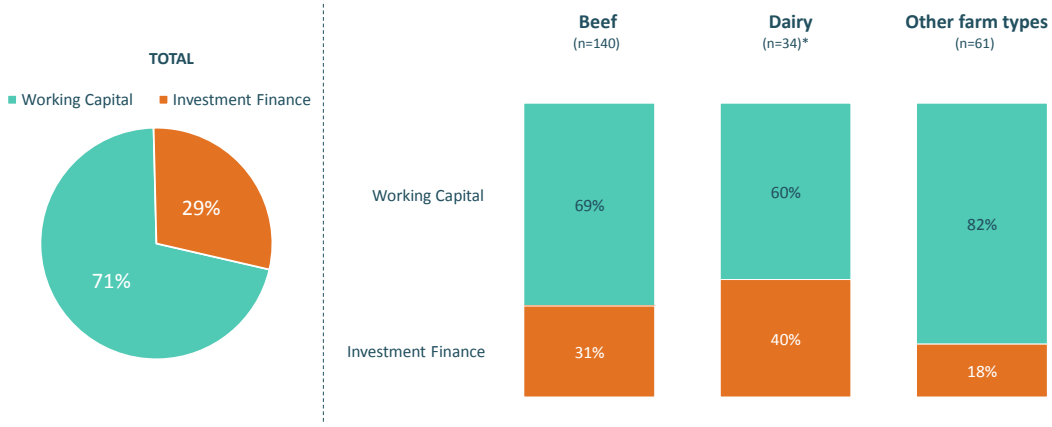
FARM TYPE			FARM SIZE			REGION	
Beef (n=148)	Dairy (n=38)	Other types (n=63)	NET: Less Than 30 Hectares (n=96)	30 - 49 Hectares (n=77)	50 Or More Hectares (n=77)	BMW (n=135)	Southern & Eastern (n=115)
94%	89%	96%	96%	95%	90%	96%	91%

There is a very high level of interest for a similar loan scheme in the future, with nearly all farmers who have participated being interested.

REDC (Q.16a) 23

What Farmers Would Use Loan Scheme For

(Base: Those Interested In Similar Loan Scheme In Future; n=235)



* Low base size

Working capital is the clear preference for what farmers would use a similar type loan scheme for.

REDC (Q.16b) 24

Best options to increase uptake of a similar loan scheme - I

(Base; Those Adults 18+ in Household Responsible For Farming; n=500)

		FARM TYPE			FARM SIZE				REGION	
		Beef (n=265)	Dairy (n=60)	Net: Other Farm Types (Excl. Beef & Dairy) (n=175)	Less Than 20 Hectares (n=125)	20 - 29 Hectares (n=120)	30 - 49 Hectares (n=140)	50 Or More Hectares (n=115)	BMW (n=260)	Southern & Eastern (n=240)
Better advertising of the scheme	42%	44%	32%	41%	58%	40%	38%	29%	39%	45%
Increase length of repayment - currently capped at 6 years	33%	35%	42%	28%	29%	33%	37%	34%	35%	31%
Explain the features and benefits of the scheme better	32%	32%	29%	32%	28%	47%	28%	24%	31%	33%
Explain who the scheme is specifically targeted to	23%	25%	26%	19%	28%	25%	23%	15%	26%	20%
Increase the cap on the loan available - currently set at EUR 150,000	18%	23%	28%	7%	14%	22%	19%	18%	17%	20%
None of these	14%	7%	9%	25%	15%	5%	11%	24%	18%	9%

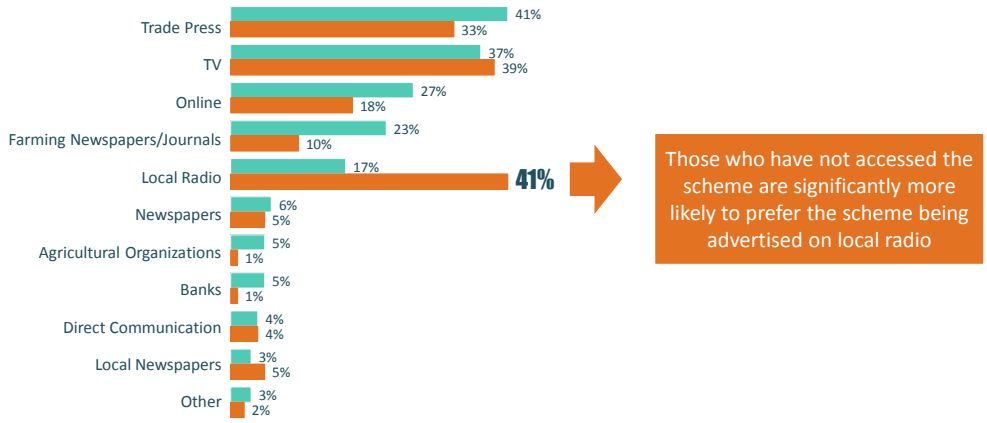
Better advertising of the scheme is main suggestion called for in order to improve uptake of a similar loan scheme in the future. Also increasing the length of loan repayment and explain the features and benefits of the scheme is also called for

(Q.17)

25

Where loan scheme should be advertised more

(Base: All Who Feel The Scheme Advertising Should Be Better Advertised; n=210)



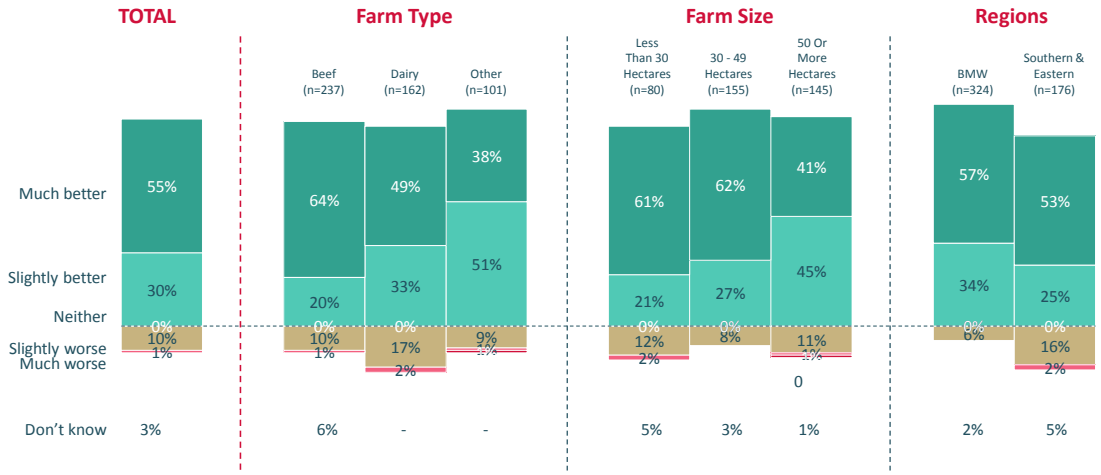
Amongst those who think the loan scheme should be better advertised, accessors think it should be advertised more via trade press and TV, while non scheme accessors prefer local radio and trade press. This suggests a strategy incorporating all 3 of these mediums could help improve awareness.

(Q.18)

26

How Scheme Compares to other Forms of Finance

(Base: Those Who Have Accessed Scheme; n=250)



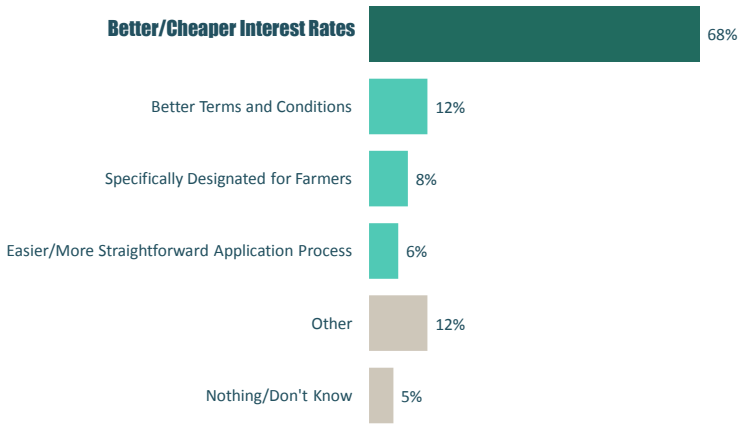
Users of the scheme overwhelmingly feel that the scheme is better than other forms of finance

(Q.19)

27

Why Loan Scheme Is BETTER

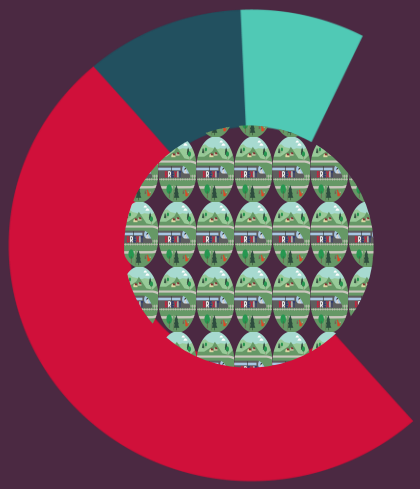
(Base: Those Who Think Loan Scheme Is Better; n=212)



Cheaper rates is the primary reason why farmers feel the loan scheme is better than other forms of finance.

(Q.20b)

28

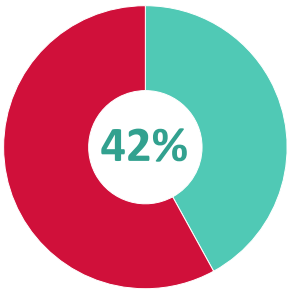


Brexit

Brexit – Likely to Impact Farms Access to Finance In Future?

(Base: Those Adults 18+ in Household Responsible For Family; n=500)

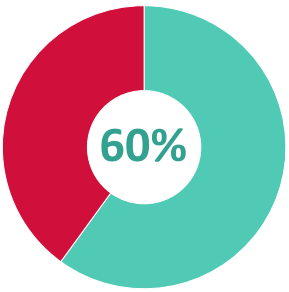
% Likely to impact



Does Loan Scheme Address Concern on Finance as a Result of Brexit?

(Base: Those concerned about Finance as a result of Brexit; n=210)

% Think Loan scheme addresses concerns



2 in 5 Farmers are concerned Brexit will have a negative impact on access to Finance for their Farms in the future.

(Q.21)

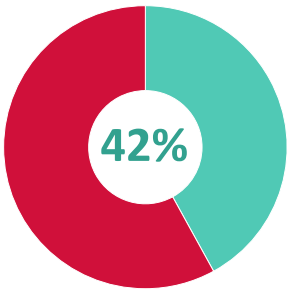
30

Summary

Brexit – Likely to Impact Farms Access to Finance In Future?

(Base: Those Adults 18+ in Household Responsible For Family; n=500)

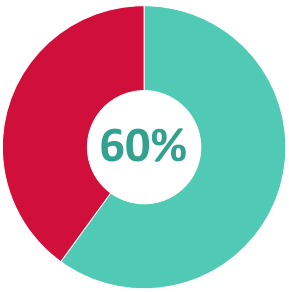
% Likely to impact



Does Loan Scheme Address Concern on Finance as a Result of Brexit?

(Base: Those concerned about Finance as a result of Brexit; n=210)

% Think Loan scheme addresses concerns



2 in 5 Farmers are concerned Brexit will have a negative impact on access to Finance for their Farms in the future.

(Q.21)

30

Summary

Key Take Outs – Farmers Survey

1 Potential to increase awareness of scheme as 70% of non users are unaware of the scheme.	**5** The average length of loan received was 3.4 years, with larger farm sizes tending to receive longer length loans.
2 Scheme appears to resonate more with larger farm sizes and in the Southern, Eastern region of the country	**6** 3 out of 4 users of the scheme rate it highly, Even more find it to be effective.
3 4 in 5 loan users accessed the loan scheme through their main bank without looking elsewhere	**7** Better terms and conditions are a clear way to improve the scheme
4 Half of loan users accessed via BOI, with a higher association with smaller farm sizes and lower loan amounts	**8** 3 in 5 farmers concerned over Brexit feel the loan scheme addresses their financial concerns.

REDC 32

Key Actions – Farmers Survey

1. Awareness of the scheme among non loan application was low. Calls for more advertising of future potential schemes. Advertising on TV, trade press, and local radio is suggested.
2. Smaller farms, non beef farm types, and BMW region are more likely to not access the scheme due to lack of awareness. This highlights the need to target these groups and regions with any future loan scheme launches.
3. To improve user satisfaction going forward, it will be important to improve the terms and conditions offered and to speed of up the process by shortening follow up response times.

REDC 33

THANK YOU

REDC

Appendix V – IGEES Spending Review Process

Quality assurance process

To ensure accuracy and methodological rigour, the author engaged in the following quality assurance process.

☑ Internal/Departmental

- ☑ Line management
- ☑ Spending Review Steering group
- ☑ Other divisions/sections
- ☑ Peer review (IGEES network, seminars, conferences etc.)

☑ External

- ☑ Other Government Department
- ☑ Steering group
- ☑ Quality Assurance Group (QAG)
- ☑ Peer review (IGEES network, seminars, conferences etc.)
- ☑ External expert(s)

☐ Other (relevant details)