

# Agri Matters

Supporting the Irish Agricultural Industry



Autumn 2016



# Welcome to our autumn edition of Agri Matters



Tadhg Buckley

2016 to date has proven to be a challenging year, with low output prices and difficult weather conditions a feature for many. Despite some uplift in prices in some sectors in recent weeks, farm cash flow pressure is likely to increase further over the coming months.

Our research indicates that approximately 2 in every 5 farmers are currently experiencing cash flow pressure, with almost one third expecting cash flow pressure in the next 3-6 months.

To any farmer experiencing or anticipating cash flow pressure the important thing to remember is that there are a number of support measures and stakeholders (including your bank manager) available to assist you during this time of short-term difficulty. I would like to encourage you to approach AIB at an early stage to see how we can assist you and your family, if support is required. Bryan Doocey, AIB Agri Advisor provides an article in this edition on some strategies that can be applied when dealing with potential cash flow pressure.

I would like to thank our external contributors to this edition of Agri Matters. Roberta McDonald from Aurivo shares some of the key lessons and insights she picked up on her international travels as part of her Nuffield scholarship. More locally, George Ramsbottom of Teagasc and the Irish Grassland Association highlights some of the key lessons to emerge from the recent Dairy Summer Tour.

Finally, Patrick Butterly, one of our Agri Advisors has an interview with two progressive young farmers, Derek McMahon and Conor McEntee, in which they share some of their experience of setting up their own farm businesses.

We hope you find something of interest in this edition.

**Tadhg Buckley**  
Agri Advisor

# My 5 take-away messages from 7 weeks travel with Nuffield



Roberta McDonald

**Roberta McDonald is the Aurivo Farm Profitability Programme Manager, the focus of which is on developing dairy farm families in the west and north western regions to improve farm profits. She has recently returned from travelling as part of her Nuffield Scholarship and shares her experiences.**

16 airports, 55 days and 19 flights later, on this once-in-a-lifetime trip, I wanted to summarise what I have learned and to put together my few thoughts on the trip. I travelled with a group of 10 other people, from Australia, New Zealand and Scotland. We've been to Indonesia, Japan, Israel, the Netherlands, Washington DC and Illinois. I continued on to Missouri and California on my own personal travel. Officially I will have a report on my topic in another year, so this is just an overview of my travels for the past few weeks.

## My Key Take-Aways

First things first, there is more than just dairy farming in this world! I admit that I have been caught-up in 'the glow' of dairy farming for a large portion of my life so far. The group trip I went on had 2 out of 11 from a dairying background, so after 6 weeks travelling together in buses, small vans and over a few quiet drinks you get to know about fish farming, rice, sugar cane, lamb and plant genetics very fast! If I come away with nothing else from all of this, it's that I have had my eyes opened.

### 1. We're out of excuses

If they can produce vegetables, fruit and milk in the deserts, we can definitely do it here. Whether they should be or not is a different question altogether, but in some ways every country has the right to try and feed themselves. There are such extreme conditions, environmental and political, that people are farming in. Thankfully we don't have barriers as difficult as this to overcome.

### 2. Thank goodness for RAIN

Every country we've been to has had some kind of an issue with water. Whether its farmers investing in desalination plants or boring down 1.5km for a well. Water is expensive in these countries. When these countries are fighting for water and investing in irrigation in years to come, what will we be doing? Still complaining about surplus water, or learning how to manage it? Although it's painful when there is too much of it, imagine a life spent looking for it to make a living.





### 3. A lot done but more to do

After seeing the good, the bad and the ugly from various countries it is clear that in Ireland we are doing some things well. However, having a dedicated agricultural body or a natural resource like grass doesn't mean that we stop to look at ourselves in the mirror. In some countries this has happened and industry has become stale while they keep stating how good they are. How do we self-assess, or act upon recommendations?

### 4. There is no 'BEST' template for food production

We need all types of farming. The argument between organic vs non-organic; small farms vs large farms is out of date, we need every type of farming and not just one type for the future of food production. On the road we see the increasing focus on the consumer and farms that are going down niche routes of food production which is great to see. However we need to open our eyes that if everyone diversified like this it wouldn't be a niche anymore. We all need each other, we are agriculture.

### 5. Be proud of our contribution

To the community, family, country, the world, it is often easy to look inward and not consider the implications for what we are doing. Food production is extremely important. How important is what you are doing to your local area? Places like Australia and the US have tiny populations in rural areas, what kind of a quality of life is there when people stop farming and leave? How often do we engage with the public about food? If we want future policy makers, officials and educators to understand farming, we need to meet them and tell them our story.

### What's Next?

As part of the Nuffield scholarship you do a minimum of 12 weeks travelling around the world. 6 weeks of travel with a group of scholars, and the remaining weeks are used for further international travel before writing up a report on your research topic. This enables you to visit people specific to your own research topic and bring back ideas and recommendations in your industry. I couldn't recommend travelling in this way enough. Having a structure on where to go, a focus on what we are looking for and most importantly travelling with such a diverse, exciting and positive group is absolutely invaluable.

To see more about my travels and Nuffield in general <https://glimpseofglobalag.wordpress.com>

**“Having a structure on where to go, a focus on what we are looking for and most importantly travelling with such a diverse, exciting and positive group is absolutely invaluable.”**

The Nuffield Farming trust in Ireland offers multiple scholarships every year to promote people working in the agricultural industry. The objective of Nuffield is to promote development, awareness and leadership in our rural and agricultural sectors for future advancement. It involves going abroad to seek out new ideas that can be brought home to improve how we work.

# Getting a handle on cash flow

**Bryan Doocey, AIB Agri Advisor, discusses the importance of managing cash flow and outlines three steps to dealing with cash flow pressure.**



Bryan Doocey

2016 to date has been a difficult year on many Irish farms with lower output prices evident across most sectors. Some sectors are operating below the cost of production which will inevitably put financial pressure on the farm business. AIB are very aware of the cash flow difficulties that many farmers are now experiencing and are likely to experience in the coming months and as such we are taking steps to ensure we can support our customer through these times of difficulty.

Research commissioned by AIB in May and June this year, identified that, irrespective of farm sector, 2 in 5 farmers (42%) were experiencing farm cash flow pressure. At the time one-third of farmers surveyed

indicated that they were likely to experience cash flow pressure in the next 3-6 months (Ipsos MRBI, 2016).

It is common for farmers to experience cash flow pressure during periods of low output prices and it is important to be aware that there are a number of support options available to you. Take the time to inform yourself by identifying the cause or causes of the problem and estimating the level of support you may require. Solutions are best tailored at an early stage and early contact with your bank, if support is required, is key.

When I meet farmers who are experiencing cash flow pressure I recommend a **three step** approach to deal with cash flow difficulties:

#### STEP 1

##### Understand the cause of the cash flow pressure:

It is important to understand the cause of cash flow pressure on your farm as this will give you a real insight into how your business is positioned in the medium term. While the low output price may be the trigger for the cash flow pressure currently experienced or anticipated, there may also be other reasons impacting on the farms cash flow including some of the following:

- Building up livestock from cash flow
- Retaining stocks (e.g. grain) in the hope of a price rise
- Carrying out capital expenditure from cash flow
- High level of bank debt / high level of bank repayments
- Farm has high cost of production (feed, fertiliser, labour etc.)
- High machinery costs
- Once-off expenses.

Once you have identified the cause (and/or causes), this will enable you to take corrective action to solve the current problem while also minimising the risk of it reoccurring.

#### STEP 2

##### Estimate the size of support required:

When planning ahead it is important to estimate how much additional financial support your business will require, if any. You will need to make certain assumptions around output price, performance, costs and living expenses. In general, the best starting point is to review the previous years financials and estimate based on previous performance. It must be noted that 2015 was a favourable year for animal performance and grain yield and it is best to be conservative when estimating 2016 performance.

A cash flow projection for the coming year will help highlight how much of a shortfall will arise (if any) and when it will arise. This will enable you to put the most appropriate solution in place for your business at an early stage. A simple cash flow budget for the remainder of 2016 from September to December can be calculated once you have up to date statements for all outstanding bills (feed, fertiliser, chemicals etc.). A cash flow planning template is available at [www.aib.ie/farming](http://www.aib.ie/farming), or alternatively use a pen and paper and have two columns on a sheet of paper with "income" and "expenses". Completing this simple exercise will highlight any potential cash flow issues facing your farm in the coming months.

#### STEP 3

##### Develop a solution:

Once you understand the cause of the cash flow pressure you will know whether it is a once-off, or an ongoing issue for you. Following the completion of a cash flow projection you will be able to work on developing a solution most appropriate to your needs. This will put you in a strong position if you are meeting your bank to seek support.

It is worth highlighting that the earlier you seek support from your Bank the more options that may be available to you. There are a number of options that should also be considered including postponing expansion / investment, controlling living expenses by taking a set allowance from the farm current account on a monthly basis, or placing recent capital expenditure (farm developments or increase in stock numbers) funded from cash flow on a term loan.

**AIB has a range of measures that are available to customers experiencing short term cash flow difficulties. If you are experiencing or anticipate cash flow difficulties, the important thing is to make early contact with your bank.**



# Key Learnings from the Irish Grassland Association Dairy Summer Tour



George Ramsbottom

George Ramsbottom, Irish Grasslands Association Council Member and Teagasc reviews this year's Irish Grassland Association Dairy Summer Tour.

With an estimated one third of milk in Ireland produced on either heavy or elevated soils, which have the potential to add complexity, cost and risk, this year the Irish Grassland Association, supported by AIB, decided to visit two farms producing milk on more challenging soils.

Sean and Liz O'Riordan, Kiskeam, Co. Cork and Conor and Eilisha Rathmore, Co. Kerry were host farmers for this year's Dairy Summer Tour the theme of which was **Dairying On More Challenging Soils**. The event gathered lively interest among the 400 dairy farmers and industry stakeholders in attendance.

## Host Farms

Annual rainfall on both host farms was in excess of two metres per year. Regardless of the divergence between land conditions experienced in both farms (heavy soils versus steeply sloping farm) the principle remains the same – to grow as much grass as possible. This was tackled on both farms in different manners to overcome the presenting circumstances.

Due to the nature of Conor's high altitude farm he now concentrates on soil sampling every year to keep a close eye on changes in soil pH and P and K indices as a lot of nutrients are lost with the sloping demographics. A successful drainage system has transformed one of Sean's wet paddocks into the highest yielding and driest on the farm. This paddock is now growing an additional 4.5tDM/Ha/year which

Sean reckons will give a return on investment in five years. While both farms were not at the optimum levels of soil fertility, both farmers had a plan in place to address deficiencies.

Both farmers have undertaken the necessary actions to maximise grass production against the elements and urged farmers to be aggressive at grassland management. They encouraged farmers to walk their farms weekly (every five days in Conor's case), get cows to grass early and assess the stocking rate on their own farms in a bid to make the most out of what they have available. An adaptable approach to grazing management is adopted on both farms with cows often out for a few hours during the day in early spring.

Both farmers shared their thoughts on the type of cow they want for their farms. The values were the same from both farmers – the cow must suit the system. As both operate a grass based system of milk production the emphasis is placed on good fertility and an ability to calve down to grass to maximise efficiency and increase longevity. Herd EBI figures were impressive on both farms at €178. These core values were clear to be seen on the day from the 6 week calving rate figures and the high level of milk solids produced – in excess of 400kg/cow in 2015 with minimal meal input.

Conor spoke about the ideal cow, 500kg cow producing 500kg of milk solids. Sean spoke of an 'invisible cow' medium sized, easy to maintain and with good milk solids and fertility.

Despite the challenges presented on the two farms, both farmers operate

a simple system concentrating on their stock and grass. They both alluded to using contractors in the busy months and skilled labour as required.

In assessing future dynamics, both farmers spoke of the importance of drawing up a plan and a financial budget. Given the current milk prices, Conor described this year as an 'endurance test' while Sean spoke about differentiating between necessary and unnecessary spending while sticking strictly to his core principles.

Before finishing up, Conor referred to the importance of life outside the farm gate. He shared how he looks forward to his annual winter break and advised those in attendance that time should be taken to see the world and develop oneself.



Conor Creedon and Sean O'Riordan, host farmers addressing attendees at this year's Irish Grassland Association Dairy Summer Tour.

## Summary



**Grassland management**, not location or land quality, is the principle driver of on-farm grass production.



Select a cow-type that is **appropriate** to the farm environment.



**Constant monitoring of soil fertility** is required particularly on more highly stocked farms and/or more difficult soil types. Annual soil sampling should be considered in order to closely monitor P, K and PH levels.



**Improving soil fertility and land quality** (e.g. through drainage) can give a very high return on investment.

## Banking on the Go

**Smartphones are changing the way farmers manage their businesses, with many useful apps readily available and easily accessible. The accessibility of your farm's data anytime, anywhere can greatly aid day-to-day management decisions on the farm.**

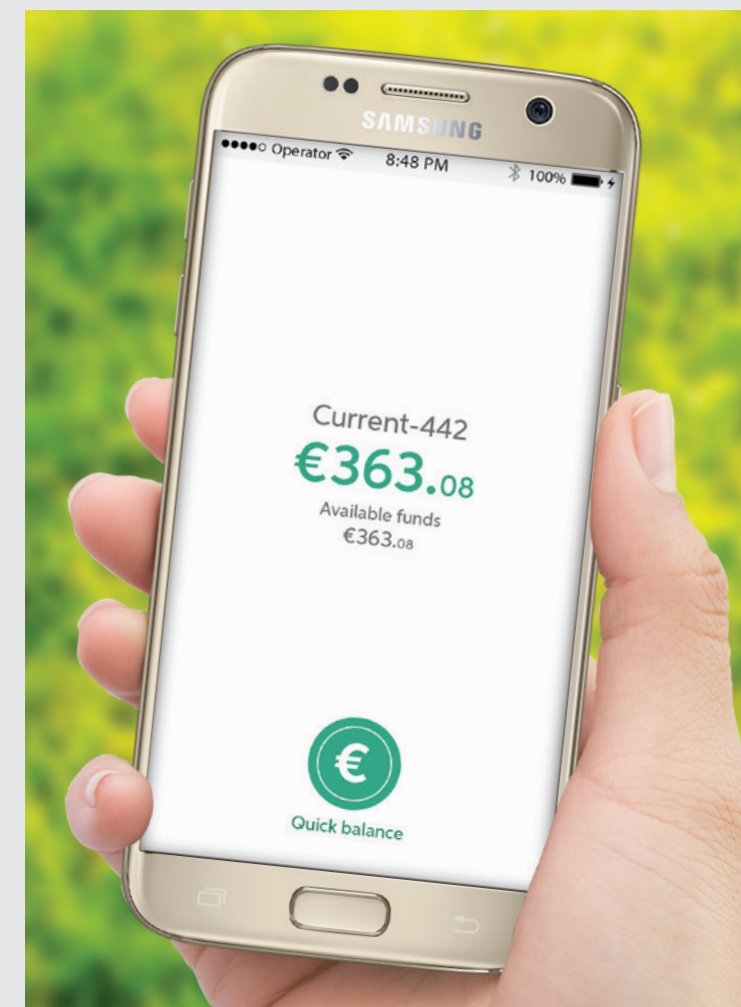
The latest wave of AIB Market Research shows that 91% of SME's are using online banking. 40% of farmers have used online banking in the past 12 months up from 25% in 2014. This is in line with additional research showing that 39% of farmers are now using apps to help manage their businesses (Ipsos MRBI, 2016).

### AIB Mobile Banking App

It's easy to be in control of your money with the AIB Mobile Banking App. As a registered AIB Phone & Internet Banking customer, you can securely check your balance, pay your bills and transfer funds whenever you need to, from wherever you are.

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- ✓ **Transfer funds:** Between your accounts, or to another Irish account\*
- ✓ **Pay bills\***
- ✓ **Looking for a specific transaction?** Search the past 24 months in Historical Transactions.
- ✓ **Payment Logs:** View your Payments made in & and out of your accounts
- ✓ **View and cancel** your Direct Debits and Standing Orders
- ✓ **My Spending** – get a quick overview of your income and spending for each month
- ✓ **Travel Note** – let AIB know when your card will be used abroad



To find out more visit [www.aib.ie](http://www.aib.ie)

\* Transaction limits apply. Beneficiaries or Credit Card bills must already be set up on AIB Phone & Internet Banking to transfer/pay via AIB Mobile Banking. New utility bills can be set up and paid via the App.

# Review & Outlook

2016 to date has proven to be a challenging year, with low output prices and somewhat difficult weather conditions a feature for many in the farming industry.

The long autumn evenings provide an opportunity to review and reflect on farm performance – both financial and technical – and to put plans in place for the weeks and months ahead.

The market and financial environment has been challenging and diverse through 2016. Output prices in many farm sectors have continued their downward trend, with declining input prices insufficient to compensate (Figure 1), meaning reduced incomes are likely on many farms this year.

An added challenge, and one few truly thought would materialise, is the decision of the United Kingdom (UK) to leave the European Union. The immediate impact has been a substantial weakening in the value of Sterling which directly impacts the competitiveness of our agri-food exports to our biggest trading partner. It remains to be seen what the longer term impacts will be but it is fair to say that there are little positives to this development.

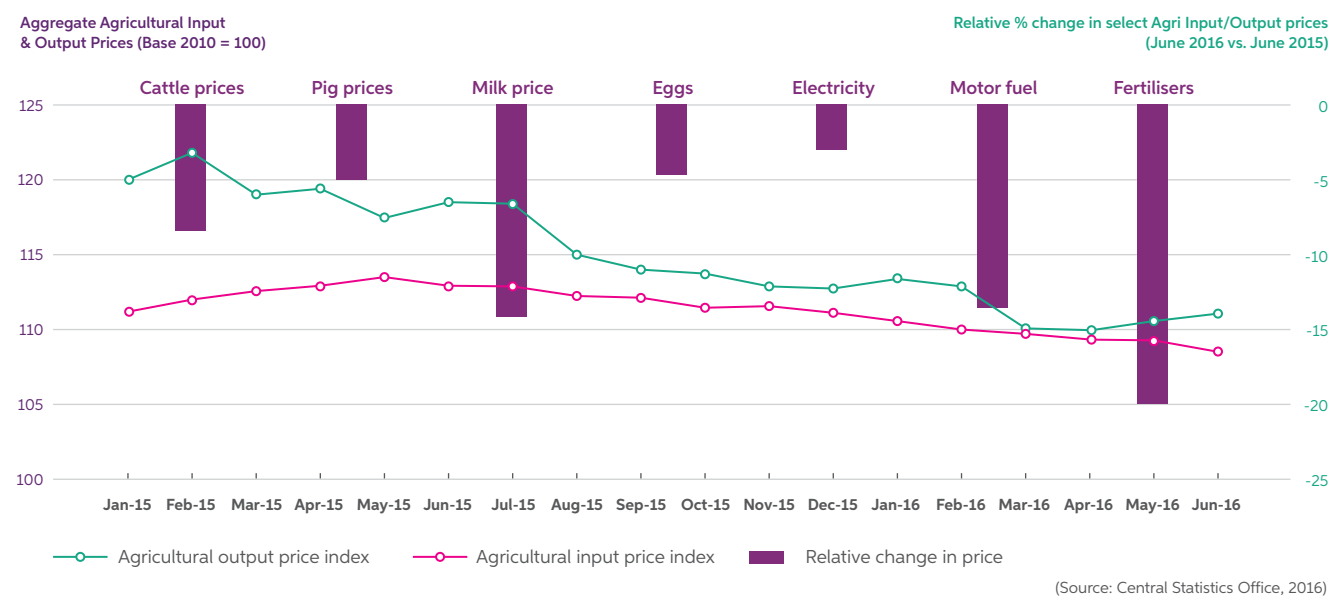
That said, recent comments that the UK will not begin the exit process until at least 2017 is positive, suggesting potentially no impact to direct payments for the remaining term of the existing CAP programme. This is of significant comfort given the fact that direct payments constitute some 65% of all farm incomes (and are of greater importance to some sectors).



## Dairy

Strong grass growth through much of the summer months in many parts, has resulted in continued milk production growth (April excluded owing to the carry-over of milk from the end of milk quota era) through 2016, albeit at declining rates. Milk supplies for the first half of the year (Jan-June) were running 10.3% (336 million litres) above 2015 levels of which close to 80% was derived from increased supplies in Q1 (Figure 2).

Figure 1: Relative trend in Aggregate Agricultural Input & Output Prices



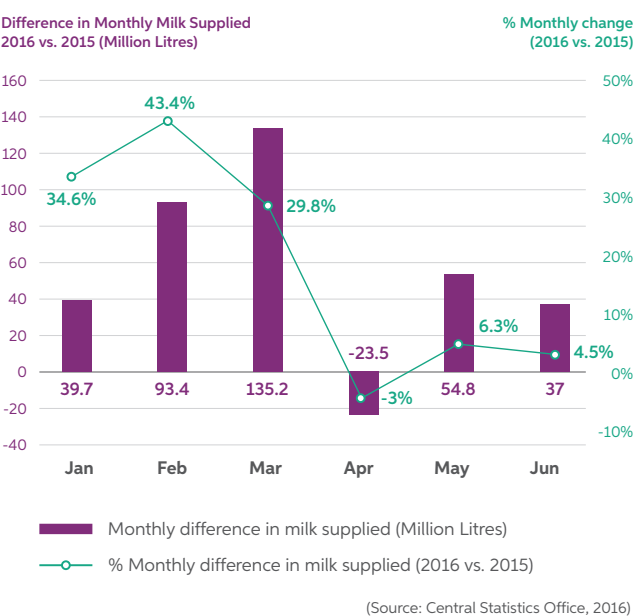
Taking the EU as a whole, milk supplies are also expected to increase by c.1% or 2 million tonnes, albeit with regional variation.

With higher Chinese and US import demand helping re-balance the world market, it appears the slump in dairy commodity prices has at last started to bottom out. However, it is likely to take some months before prices recover significantly as accumulated intervention stocks weigh on the market.

With the seasonal milk production peak behind us, any further uplift in milk price, although welcome, will be from a relatively low base, offering little by way of increased incomes or improved farm cash flow for many. Its true benefit is expected to be more apparent entering 2017.

With aggregate milk price likely to average 25c/litre for the year as a whole – at or below the cost of production for most dairy farms – farm cash flow pressure will likely become more prevalent in the coming months.

Figure 2: Relative change in Irish milk supplies January - June 2016 vs. 2015



## Beef

2015 was a relatively good year for the beef sector, with prices remaining relatively stable through the first quarter of 2016 at around €4/kg and increasing to a peak of c.€4.20/kg by mid-June. Matching typical seasonal trends, albeit more pronounced perhaps because of potential

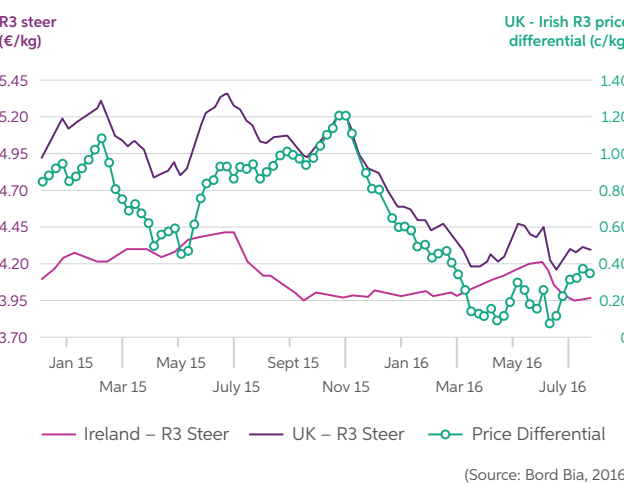
concerns surrounding Brexit, beef price has however followed a progressively decreasing trend since, stabilising somewhat in recent weeks as factory supplies remain tight. At €3.85/kg (beginning of September) R3 steer prices were over 5% below 2015 levels.

The Irish-UK beef price differential has been converging from its peak of €1.20/kg at the end of November 2015 to 9c/kg entering July, due principally to a declining UK price (Figure 3). There has been some uplift in UK prices in recent weeks (beginning of September), with the gap increasing to 35c/kg, equivalent to €122 for a 350kg carcass.

Mart reports suggest that livestock are coming for sale earlier than normal this year. Cumulative supplies at export plants to mid-August were running 3% (27,000 head) above 2015 levels, the increase particularly pronounced for young bulls (+29%), with only marginal increases in cow numbers (+4%) noted.

EU beef consumption rose by close to 2% in 2015 (to 10.7kg/capita), with similar increases expected in 2016. Its potential benefit may be negated to some extent by the increased supplies in the Irish market (though now expected below previous industry estimates); lower volumes of live exports recorded and uncertain British market dynamics – each of which may put further pressure on beef price for the remainder of 2016 thus impacting incomes on beef farms.

Figure 3: Irish and UK R3 steer price



To date, market demand for forward stores in particular has been somewhat more subdued than years previous – reflected in almost half the number of live exports going to Northern Ireland (down 16,000 head to mid-August). Quality Autumn weanlings, to date, are however fetching strong prices, offering some potential for suckler farms but the litmus test will be the extent of live export demand when increased weanling numbers come to the market towards year end.





## Sheep

Although declining somewhat from their peak, prices have stabilised and remain at €4.70/kg, similar to 2015 levels. Finishing dates are running behind previous years due to more difficult thrive conditions, with only marginal increases (1%) in throughput reported in the main export plants to the beginning of September.

Demand for smaller store lambs has been particularly strong among grass buyers in recent weeks, in part as beef producers consider the potential risk of Brexit, keeping increased sheep at the expense of cattle numbers to safeguard margins.

Given reduced input expenditure and stable prices in the sector, incomes on sheep farms are likely to be at least comparable to 2015 levels.



## Cereals

Tillage farms, despite increased yields, has experienced reduced market returns and relatively low incomes for the past three consecutive years.

With reduced plantings and a return to more normal yields, harvest output nationally is forecast to be back over 500,000 tonnes to more traditional levels – estimated at 2.1 million tonnes.

The situation is similar across many of the main grain producing regions in the EU, yet despite reduced area planted (-1.1%) and yields (-4.3%), the 2015/2016 global harvest is expected to be high – back only 1.5% to 2% on the previous record world harvest.

Given the global macroeconomic context; continued low crude oil prices and high global stocks (**Figure 4**), cereal prices – themselves approximately 10% below 2015 levels – are likely to remain at similar low levels during most of 2016/2017. When combined with a return to more normal yields, this will put further income pressure on tillage operations following consecutive low income years, particularly where farms are heavily reliant on leased land.



## Pigs

2015 was a very difficult year for pig farmers with average output price of €1.50/kg, the lowest annual average price since 2010 / 2011. Entering 2016, prices remained somewhat static until mid-April but since then, there has

been a significant strengthening in prices. However, even with this improvement, pig prices at €1.62, (beginning of September) are 12c/kg below the peak reached in mid-July 2014.

National supplies at the end of August were running over 5% above 2015 levels – driven by an increase in finished pigs +5%, as sows/boars were reduced by 10%.

Increased Chinese demand (+40% Jan-April 2016) and a tighter balance between EU supply and demand through the second half of 2016 should provide some degree of optimism for the sector to year end – with further increases in pig prices likely. This combined with favourable feed costs will provide a welcome relief from what has been a difficult period for the sector.

**Figure 4: Global Grain Availability (2007 – 2017)**



## Outlook

Overall, the outlook to year end continues to be challenging with income volatility again to the fore. Assuming positive weather conditions, lower input prices (feed, fertiliser and energy) will help reduce input expenditure on many farms, however with output prices for many sectors at best static, incomes on many farms will be below previous years. The impact at individual farm level will as always be heavily influenced by underlying levels of competitiveness and on-farm efficiency.

# Economic Outlook

**The Irish economy continues to grow at a strong pace. While the traditional GDP measure of economic growth has been heavily distorted by restructuring and balance sheet adjustments in the multinational sector (up 26% in 2015), key measures of the performance of the domestic economy are very encouraging.**

Core domestic expenditure, which excludes investment in aircraft and 'intangibles' related to intellectual property, grew by 4.2% last year. Meanwhile, consumer spending on goods and services rose by 4.5%.

Data for Q1 2016 show that year-on-year growth in consumer spending rose by 5% while retail sales and car registrations data, point to a continued strong growth in consumption in the second quarter.

In terms of the labour market, employment rose by 2.6% in 2015, while the unemployment rate fell to 8.9% from 10.2% at the end of 2014. Recent data show that employment rose by 20,000 in Q2 and this follows a rise of 16,000 in Q1 of this year. In annual terms, there was an increase of 56,000, or 2.9%, in employment to the second quarter of 2016. Encouragingly, the job gains were broad-based in nature.

The decline in unemployment has slowed this year, with the jobless rate standing at 8.3% in June and July. This reflects two positive developments; a return to net inward migration and more people joining the labour force and looking for work.

Other indicators of the economy's performance also indicate a robust picture. Tax receipts rose by 8.5% in the first seven months of the year and assuming that the Exchequer maintains a similar trend for the rest of the year, we could see a budget deficit of 1% of GDP, or below, by end 2016.

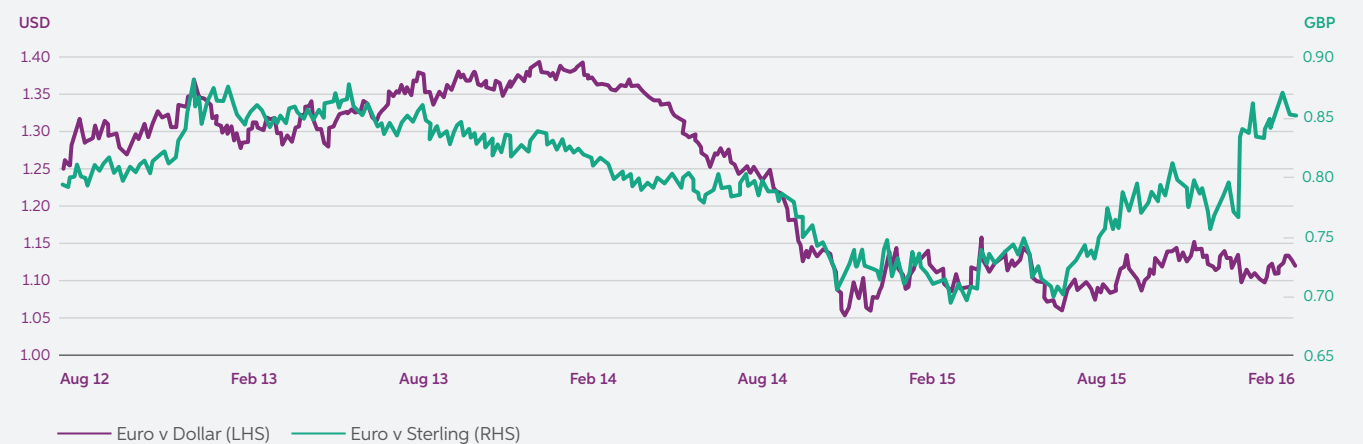
Meanwhile in terms of the property sector, housing completions were up 18% in the first half of 2016 compared to the same period in 2015. We would envisage completions totalling around 15,000 this year, however, the economy needs around 25,000 new homes per year to meet estimated demand.

**“However, we still anticipate that the Irish economy will continue to grow at a very encouraging pace over the next couple of years, in the region of 3-3.5%.”**

There have also been some signs that the dampening effect of the Central Bank's mortgage lending regulations may be waning. For example, mortgage approvals have risen strongly in recent months.

Leading indicators of activity, such as the Purchasing Managers Indices (PMI), point to a solid pace of growth at the start of the third quarter. The services sector index has been particularly strong, while 'expectations' in the

**Figure 1: Relative performance of the Euro against the US Dollar and Sterling**



construction sector remain very high. The ESRI/KBC measure of consumer sentiment has held up well, despite the UK vote for Brexit. However, PMI data do show a slower pace of growth in manufacturing in July and August.

The risks to the economic outlook are mainly external, most notably the UK's vote to leave the EU. The decision has created a great deal of uncertainty. However, it is important to note that there won't be any changes to the current institutional framework between EU/UK until the country officially leaves. Once the UK declares its intention to leave the EU (i.e. invokes Article 50 of the TEU), it will enter into a period of negotiation which is likely to last at least two years. Thus, Irish companies should continue to enjoy the same access to UK markets until at least 2019.

In the meantime, we are likely to see a slower pace of growth in the UK. The heightened uncertainty has also contributed to a sharp fall in the value of sterling. These factors are likely to lead to a lower level of demand for foreign imports in the UK and this will likely have a negative impact on Irish exports.

However, we still anticipate that the Irish economy will continue to grow at a very encouraging pace over the next couple of years, in the region of 3-3.5%. The economy will be supported by wage growth and very low inflation boosting real spending power, the steadily improving labour market, further recovery in construction, more expansionary fiscal policies, low interest rates and good growth in our large diversified export base.

In terms of currency markets, the UK referendum has seen the euro strengthen against sterling, with EUR/GBP rising from around 76-77p prior to the vote, to around 83-87p in July and August. While sterling has been stable recently, we could see renewed weakness in the currency if the UK economy slows and the Bank of England are required to ease policy further.

Meantime, the euro has generally traded in a \$1.10-1.14 range against the dollar this year. We could see the pair weaken over the coming months if the US Federal Reserve hike interest rates. Overall, though, we do not expect a breakout from the \$1.06-1.16 trading range that has been evident for EUR/USD since early 2015, unless the US Fed tightens policy more aggressively than the market currently expects.

**Table 1: Economic Forecasts – Ireland**  
Annual % Change Unless Otherwise Stated

	2014	2015	2016 (f)	2017 (f)
Real GDP	8.5	26.3	4.7	3.5
Real GNP	9.2	18.7	4.2	3.0
Consumer Spending	1.7	4.5	3.5	3.0
Government Spending	5.4	1.1	1.0	1.0
Fixed Investment	18.2	32.7	7.0	6.0
Core Domestic Expenditure	4.2	6.6	4.2	3.6
Exports	14.4	34.4	6.0	5.0
Imports	15.3	21.7	5.8	5.5
HICP Inflation (%)	0.3	0.0	0.1	0.5
Unemployment (%)	11.3	9.5	8.1	7.2
General Govt. Deficit (as % of GDP)	-3.7	-1.8	-0.8	-0.4

(f) = forecast

Source: CSO, AIB Economic Research Unit Forecasts

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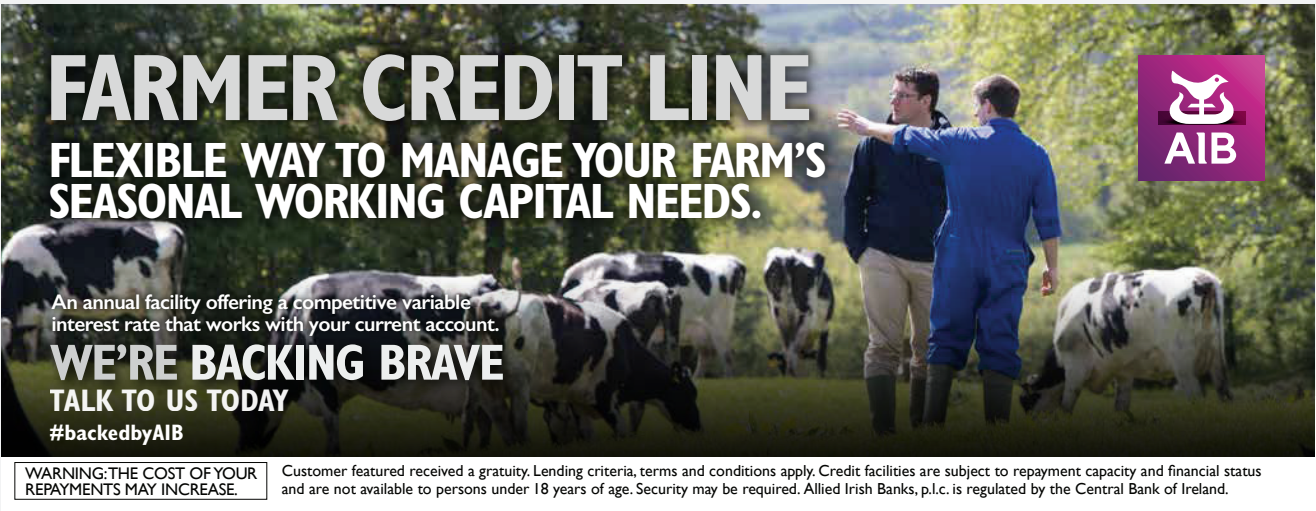

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# AIB 2016 Agri College Awards

Supporting young farmers in their educational pursuits, AIB, in collaboration with Waterford Institute of Technology, Teagasc, Greenmount and Private Agricultural Colleges, hosted two events in Waterford and Laois to acknowledge and reward students for their endeavour.

Shane Fitzgerald, a Waterford native, from Kildalton Agricultural College won the 2016 AIB / Teagasc All Ireland Best Farm Business Plan Award. His interview and farm business plan focused on progressively increasing an existing

dairy herd with a greater focus on grass measurement and utilisation.

Garry Clarke, a Galway native, studying at Mountbellew Agricultural College was awarded the AIB / Teagasc Best New Entrant Farm Business Plan Award for his interview and farm business plan which focused on converting to dairy and utilising crossbreds to increase output.

Finally, Charlotte English, a final year Waterford IT Land Management student and Cahir native, was the overall winner of the Waterford IT Land Management (Agriculture) Award

sponsored by AIB. She received the highest grade for her research project and presentation which focused on the milk composition produced from different aged lactating ewes.

Speaking at the Awards presentation, Bryan Doocey Agri Advisor AIB said: "We have been impressed by the quality and comprehensiveness of farm plans and by the confidence of the students we met as part of our initiative. The skills derived and lessons learned will prove beneficial to students in their future farming careers, particularly in the ever volatile markets in which we operate".

## Attributes of good business plans:

- Plan is a living document – current and up to date
- Clearly defined system
- Realistic growth and performance expectations
- Understand Impact on cash flow, profit and tax defined
- Investment aligned to long term goals of business – not changing goals or focus because of the availability of grant-aid support
- One true plan – not a different plan for the Bank and plan for the Farm.

If you are a Young Farmer / New Entrant why not register for the new AIB Young Farmer Bytes digital newsletter.

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Garry Clarke recipient of the AIB / Teagasc Best New Entrant Farm Business Plan Award pictured with Bryan Doocey, Agri Advisor, AIB; Professor Gerry Boyle, Director, Teagasc and Vincent Flynn, Mountbellew Agricultural College.



Pictured at the inaugural AIB Land Management (Agriculture) Awards in Waterford IT were Shane Whelan, AIB Agri Team with finalists Joe Mannion, Galway; Charlotte English, Tipperary; Brian Crowley, Cork and Noelle Chambers, AIB Waterford IT Branch and Dr. Tony Woodcock Agri Science WIT.



Winner of the AIB / Teagasc All Ireland Best Farm Business Plan Award was Shane Fitzgerald pictured with Bryan Doocey, Agri Advisor, AIB; Professor Gerry Boyle, Director, Teagasc; Tim Ashmore, Vice-Principal Kildalton Agricultural College and John Fitzgerald.



# Starting out in farming

Starting a career in farming can be challenging, particularly for those who do not inherit a farm. The entrance of young, well-educated personnel into our farming community is essential to further progress the Irish agricultural industry into the future. Patrick Butterly, AIB Agri Advisor spoke to two farmers, Derek McMahon and Conor McEntee, on their experience of setting up their own farm businesses.

Derek McMahon spent five years at college. He completed a Food Science diploma and subsequently completed an Engineering Degree in 2005. Following this, he worked as a CAD Engineer for 6 years. Then aged 27, Derek looked at his many options in deciding on his future direction and even considered emigrating, having obtained a visa to Canada. He decided to return home and establish his own farm enterprise as he had a desire to farm in his own right, as well as live in a rural community which had a lower cost of living, and in his view, offered a better quality of life than living in Dublin.

He returned home to farm in 2010, setting up his own 8,000 bird, broiler breeder poultry unit which supplied day old chicks to broiler finishers. Derek built a second 8,000 broiler breeder poultry house in 2015.

Conor McEntee commenced farming in 2001, then aged 22, on a small family farm in Stranooden, Co. Monaghan. Conor's parents had a small suckler herd and were mushroom growers during the 1980's/1990's when mushroom growing was carried out on small family run farms. Conor's father transferred 27 acres to Conor in 2001 and given the size of the farm, Conor looked at his options to earn additional

income. He commenced free range egg production in 2001 after setting up a 2,100-flock laying hen operation.

## Good preparation is key

Derek and Conor both pointed out that Banks sought detailed information from them as both were establishing new enterprises at the time. It is vital that farmers prepare well in advance of any meeting with their bank as at times, farmers can sell themselves short by not sufficiently highlighting the strengths of their proposal.

Derek advises that he could see that the Bank were impressed that he had detailed costing's completed of his planned development, supported by supplier quotations. He stresses to other young farmers the need to explain fully to your Bank the background to your farm business and to provide as much information as you can to support your case. "Have your work done, know your figures – know your development costs, your production costs and what your business is likely to make, and what the risks are associated with achieving this."

Conor echoed Derek's comments "Have your costing's and have your research done. Show you understand your business and its profitability and most importantly ensure your lender understands it."

## Establish a good track record

Although Conor has taken a more gradual approach to expansion than Derek, both farmers demonstrated an excellent track record in their careers which gave comfort that they could deliver on their business plans. Conor advises "to start building a track record as early as possible, particularly when you are young."



Patrick Butterly

## Carefully plan and monitor your budget

Derek recognises that his engineering degree and project management experience were very helpful in ensuring his new poultry unit was completed to plan. He advised that it would be very easy to allow overruns to occur on farm and that farmers need to be constantly monitoring costs to avoid this happening.

Conor adopted a low cost route in setting up his 2,100 bird free range unit in 2001 starting out in a small way, to reduce risk. Some own savings, combined with bank borrowings, funded the cost of establishing his enterprise. Conor subsequently built a second free range egg unit, comprising 6,500 laying hens, in 2010 and adopted a low cost route in using second hand equipment, combined with savings and loans to finance the build of this house. Conor has progressively expanded his farming operation from quite small beginnings and he has now commenced the build of his third free range 8,000 bird laying hen unit in recent months. In order to minimise risk with expansion, Conor has secured an outlet for his output with an egg-packing wholesaler.

Both Conor and Derek demonstrated from their previous experience the ability to manage their new operations and also ensure new developments were completed within budget. Derek advises you must make the commitment to work hard and cites attention to detail as critical to success. "Managing the operation and managing the business is critical, and if you don't look after the business, financial management is useless."

This does not mean that financial management is overlooked. Derek



Patrick Butterly, AIB Agri Advisor and Conor McEntee

advises he is continuously assessing and managing his cash flow. When his flock exits at the end of lay, he has no income for 4 months; a period when bills still need to be paid, meaning he must keep good control on costs and cash flow. Conor agrees that the farm operation must be treated as a business. Costs and cash flow must be controlled and monitored to ensure the business remains profitable and bills can be paid, when due.

## A good support network vital

Key to Derek's entry into farming was the support of his parents. His parents operated a small broiler breeder poultry enterprise along with a beef enterprise and he is grateful of the support from his parents in getting started and growing his business.

Like Derek, Conor acknowledges the key support of his family, particularly when he was starting out and in giving him the opportunity to set up in business at an early age, which he pointed out was a brave decision.

Conor was just 22 when 27 acres of land was transferred to him which is quite unusual in farming circles. Conor continues to get the support of his family and advises that it is important to have a strong network of support to continually improve your farm and management capability. Conor continually talks to other producers to stay abreast of latest industry developments and believes technology is very important in making his life easier. Conor also recently completed a 2 year part time poultry programme obtaining a Higher National Certificate.



Patrick Butterly, AIB Agri Advisor with Derek McMahon

## Challenges

Although well prepared and armed with third level education and work experience, Derek advises it was very hard when starting out. He has learned a lot in this short time about the challenges faced in establishing a new farm business. He advises that it is not something that should be entered into without considerable support, research, preparation and commitment and warns that setting up the business initially was not all plain sailing.

Having also expanded with a second house in 2015, Derek noted the additional workload of managing the existing business whilst managing the expansion was a significant challenge.

Conor's advice to young farmers starting out in business is quite similar to Derek – "prepare well and prepare in time." It is evident that Conor has worked hard in developing his business and he reaffirms that it has not been easy and it has taken much effort, time and commitment to get to where he is today. Although Conor says that hard work is necessary, he also highlights it is important to maintain an appropriate work life balance. Derek doesn't regret returning home and enjoys the stability of having his own business and still remains positive for the future of the industry.

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# FIND OUT ALL THE WAYS WE'RE BACKING FARMERS

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