

Supporting TAMS II farm investment

Farmers are continually looking at how best to position their farms for the future. We expect farm development supported by grant aid under TAMS II to continue over the coming months as farmers take the opportunity to upgrade farm facilities and equipment.

While it is important to make the most of opportunities as they arise, it is also important to devote adequate time to the planning phase - understanding the costs, how the investment will be funded and the time period to completion, are some of the considerations.

Using Finance to Support Your Tams II Grant

25 year old Pdraig Keane, a new entrant to dairy farming availed of TAMS grant aid when building his new milking parlour. Pdraig says “we were able to draw down the 40% TAMS I grant for the milking equipment and then looked at getting 60% grant aid for a cubicle shed under TAMS II. We got approval for the cubicle shed the week between Christmas and New Year and we had started building on the 15th of January”. Pdraig advises that he spent two years researching and planning the investment before he started to construct his new milking parlour and cubicle housing, viewing other dairy farm set-ups and seeking advice from other dairy farmers.

A loan from AIB enabled Pdraig the opportunity to fund a long-term development for his farm without placing a burden on his short term cashflow. Pdraig recalls approaching the bank for finance “We had a detailed farm plan which we completed for the farm as part of the new entrant scheme and that helped a lot. Once the bank saw our figures and that we had two years under our belt they were happy to get involved”.

What Should You Consider Before Investing?

While many farm investments will contribute to increased profitability in the long term, it is important to note that they can place some pressure on the farm current account. This is particularly the case where some of the investment is funded from cashflow. Two of the main causes of cashflow pressure, we find in AIB are the short term financing of long term assets, or customers trying to repay a loan for capital expenditure items over too short a time frame.

To get a realistic idea of the potential cost involved take time to visit similar projects and get quotations from a number of reputable suppliers, using detailed specifications where possible to reduce the risk of having to pay over the odds for ‘extras’ at a later date. Given farm investments often take longer to complete and cost more than originally planned, it is also prudent to include a contingency cost of around 10-20% in all plans. Before undertaking any farm investment, you should consider completing a cashflow forecast. A useful cashflow template is available on www.aib.ie/farming

What Supports Are Available?

At AIB we recognise that many farmers will be seeking to avail of TAMS II and we have a range of financial supports available including finance to bridge the receipt of grant aid for up to 12 months and competitive interest rates with flexible repayment options for funding

the non-grant portion of the investment. Our farm investment guide discusses the key steps to consider when planning your investment, while our costings template and TAMS II Finance Calculator will help you understand the net cost of any investment, after accounting for any grants due. For more information visit aib.ie/tams

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