

# MilkFlex

Loan information booklet



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta  
National Treasury Management Agency

Ciste Infheistíochta Straitéisí d'Éirinn  
Ireland Strategic Investment Fund



Rabobank

Finance Ireland Credit Solutions DAC trading as Finance Ireland, Finance Ireland Leasing, Finance Ireland Commercial Mortgages, Finance Ireland Agri and Finance Ireland Residential Mortgages is regulated by the Central Bank of Ireland. Company registration number 549222.  
Registered address Clerkin House, 85 Pembroke Road, Ballsbridge, Dublin 4, Ireland.

# MilkFlex Stakeholders

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## FINANCE IRELAND

**Finance Ireland** is Ireland's largest non-bank lender, specialising in Motor Finance, SME Leasing, Agri Finance, Residential and Commercial Mortgages. Established in 2002, the Group employs over 150 staff and has two large strategic shareholders, global investment firm PIMCO and the Ireland Strategic Investment Fund (ISIF).



**Rabobank**

**Rabobank** is a leading global food and agri bank. A cooperative bank based in the Netherlands, it has 8.6 million clients in 40 countries and €603 billion in total assets.



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Ireland Strategic Investment Fund

**The Ireland Strategic Investment Fund (ISIF)**, managed and controlled by the National Treasury Management Agency (NTMA), is an €8.7 billion sovereign development fund with a unique mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland.

ISIF differs from other pools of capital as it has a long investment time horizon and can act as a permanent or patient source of long-term capital. ISIF funding provides flexibility throughout the capital structure to meet changing capital needs in the marketplace.

# Introduction



MilkFlex is an award winning loan scheme designed to provide Irish dairy milk suppliers in the Republic of Ireland with an innovative funding product that helps protect farm incomes from the impact of dairy market volatility, seasonality and the impact of any disease outbreak.

The key feature of this innovative loan product is that it has inbuilt 'flex triggers' that can adjust the repayment terms in line with movements in milk price, thereby providing farmers with cash flow relief when most needed.

The interest rate charged on the Milkflex loan is currently a variable rate of 3.75% above the monthly Euribor cost of funds, with a Euribor floor of zero. There is also an arrangement fee of 1.25% (4.18% APR).

## Key features of MilkFlex include:

- Loan repayments are automatically deducted from the supplier's milk receipts by their participating co-op. The profile of repayments reflect the seasonal milk supply curve, with no loan repayments – interest or principal – during the low milk production months from December to March inclusive
- Loans are available for amounts of between €25,000 and €300,000 for a term of 8 years (can go to 10 years if flex triggers are used)
- No asset security is required
- Lending decisions are based on the merit of a farmer's business as opposed to the asset value of the farm, subject to meeting eligibility and underwriting criteria
- An amount is set aside within MilkFlex for new entrants to dairy farming
- Facilitates the reduction of principal and interest repayments by 50% for a six month period if the milk price is 28cpl incl VAT or below for 3 consecutive months
- Facilitates the reduction of principal and interest repayments by 100% for a six month period if the milk price is 26cpl incl VAT or below for 3 consecutive months
- Features repayments that are accelerated by 25% for a 6 month period when milk price is 34cpl incl VAT or above for 3 consecutive months
- MilkFlex is regulated under SME regulations (2015) and Consumer Protection Code (2012)



## Purpose of the loan

- Investment in productive dairy farm assets
- Farm infrastructure (milking parlours, animal housing, farm roadways, etc)
- Dairy livestock purchases
- Any work related to environmental schemes, low emissions slurry equipment (TAMS funded and non-TAMS funded) etc
- Grassland or land improvement, including reseeding and drainage works
- Technological improvements, e.g. milking robots, monitoring equipment etc
- Refinancing of any loan, cash or cashflow used in / on dairy farm projects, which commenced on or after 1st March 2014
- Working capital for dairy farming

# The Finance Ireland Agri Team

**The Finance Ireland Agri (FIA) team comprises of dedicated Agri Business Managers (ABMs) with specialist agricultural expertise who understand farming. The ABMs are regionally based and available for farm visits.**

We appreciate the importance of fully understanding agriculture to be able to deliver the best offering to meet your requirements, especially with milk price volatility and variations in weather.

Our ABMs are business managers with significant experience in the financial services sector and possess the following attributes:

- At least 10 years Agri Finance experience, having conducted farm visits for many years
- Are from a farming background
- Are graduates with most possessing an Agri qualification
- Hold the Qualified Financial Advisor (QFA) designation or equivalent

ABMs will assess all aspects of the farming enterprise by conducting farm visits and, in conjunction with the details provided in your application, make an informed recommendation to the dairy specialists in our Agri Credit Team.

The collaboration of our customer facing ABMs and our dedicated Agri Credit Team means that we can deliver decisions and solutions that will support the sustainability of your business.

We understand the importance of flexibility to grow your business and the specialist knowledge of our dedicated team, coupled with a tailored and unique product for the dairy market, enables us to work with your business to achieve success.

To find your local ABM please visit our website on **[www.financeireland.ie](http://www.financeireland.ie)**

# The Loan Application Process



## 1. Suitability Assessment

Before any farm visit can be conducted, the following is required to ensure meaningful engagement on the day of the visit and also the suitability of Milkflex for your business:

- 1.** Loan Amount & Purpose details
- 2.** Satisfactory checks with Central Credit Register, Stubbs Gazette and/or Experian Limited
- 3.** Contact with your accountant to provide financial information e.g. last 2 years business accounts and tax confirmation
- 4.** Obtain the most recent 3 years milk production data from your participating dairy co-op

**Note:** A new entrant to dairying will be required to hold a Green Cert or equivalent qualification.

You may contact Finance Ireland directly by phone, through a dedicated point of contact within your local co-op, or by visiting the Finance Ireland Website on [www.financeireland.ie](http://www.financeireland.ie).

On receipt of contact, we will provide you with our Privacy Notice outlining how your personal data will be processed.



## 2. The Farm Visit

Following the receipt of your initial data, Finance Ireland will contact you to arrange a mutually beneficial time to meet. At the farm visit the Agri Business Manager (ABM) will review all aspects of the farm enterprise. The ABM will ask the applicant to provide the following information at the farm visit:

1. Application form (this will be completed in conjunction with the ABM)
2. Most recent 12 months bank statements
3. Farm insurance details
4. Identification (copy of current passport or drivers licence for all applicants)
5. Proof of address (copy of recent utility bill dated within the previous 6 months)

Once all the above information has been provided the ABM will write a comprehensive farm credit report, make a recommendation to our dedicated Agri Credit Team and revert with a decision within agreed timeframes.





### 3. Accept loan offer and loan drawdown procedures

Once approved the successful applicant will receive a formal Milkflex loan agreement. Where the applicant accepts the loan agreement they will be asked to provide the following as part of the loan drawdown process:

1. A signed Milk Supply Agreement (MSA) between the participating co-op and the applicant. The minimum term of this MSA will be 8 years but may increase to 10 years, to match the loan term, if the flex trigger events are exercised during the term of the loan.
2. A signed Payment Instruction Letter authorising the participating co-op to deduct loan repayments from milk receipts.
3. In the case of limited companies, a signed letter of guarantee will need to be provided.

FIA will issue the loan directly to the applicant's nominated bank account. Generally, the whole process, from initial contact to loan drawdown can be completed in less than 1 month. However, this timeframe is dependent on the information requested being provided by the applicant in a timely manner.



# Annual Covenants

## Responsible Lending

An applicant's decision to apply for a MilkFlex loan is purely their own and made in the context of their financial and personal circumstances. Finance Ireland Agri will not encourage applicants to either apply for or drawdown a MilkFlex loan following loan approval.

FIA is a responsible and prudent lender and will adhere to the applicable provisions of the SME Lending Regulations 2015.

A key motivation of the MilkFlex loan product is to promote responsible lending that is economically viable and structured appropriately in terms of responding to the operating environment faced by the dairy farmer.

As a consequence of the design of the loan product and the rigorous underwriting criteria, FIA aims to ensure that those who apply for a MilkFlex loan, are well placed to repay their loans and build sustainable businesses. To ensure that the loan delivers an economic improvement at farm level, financing will be confined to productive dairy assets.

**A covenant is a legally binding clause in the loan agreement (Facility Letter) between the borrower and Finance Ireland. It outlines certain actions required of the borrower within specific timelines in the future.**

The purpose of a covenant is to assist FIA monitor the performance of a borrower based on information provided while the loan agreement remains outstanding.

Failure to comply with a covenant will be regarded as an Event of Default which may lead to the termination of the loan agreement and demand for immediate repayment of all monies outstanding to Finance Ireland including interest and other charges.

## Annual Review

FIA will require an annual confirmation from a MilkFlex borrower that their tax affairs are up to date. In addition, FIA reserves the right to request the following information on an annual basis:

- **Farm accounts** for the previous twelve months;
- Copies of **milk statements** for the previous twelve months;
- Aged listing of **outstanding creditors**;
- Copies of **farm insurance policy** confirming Employers Liability cover and Public Liability cover;
- Any other financial information deemed reasonable and necessary.

## Change of Circumstances

Borrowers are required to notify FIA of any event or circumstances that would have an adverse effect on the business, such as an outbreak of disease; environmental or animal welfare issue.

# Example of €100,000 MilkFlex loan (Without Flex Events)

Loan Amount	€100,000
Interest Rate	3.75% over monthly Euribor with Base Rate of 0%. Variable
Arrangement Fee	1.25% of the Advance
	€1,250.00
APR (Annual Percentage Rate)	4.18%
Term	8 Years
Annual Repayment	€14,488.51
Total Interest Payable	€15,908.09
Total Cost of Credit	€17,158.09
Total amount Payable	€117,158.09 (Inclusive of Arrangement Fee)
Repayment Profile	<div>High Season €2,173.28 (4 Payments per annum in the months of June, July, August, September)</div> <div>Low Season €1,448.85 (4 Payments per annum in the months of April, May, October, November)</div> <div>Off Season €0.00 (4 per annum in the months of December, January, February, March)</div>

You have the right to be supplied with on request and free of charge a copy of the credit facility letter.

As is standard practice for lending, your credit facility may be assigned or transferred to an independent regulated entity for the purposes of credit servicing.

# Example of €100,000 MilkFlex loan (With Flex Events)

	MilkFlex Scenario #1 100% reduction in year 1 (2 Flex Events)	MilkFlex Scenario #2 50% reduction in year 1 (2 Flex Events)
Loan Amount	€100,000.00	€100,000.00
Interest Rate	3.75% over monthly Euribor with Base Rate of 0%. Variable	3.75% over monthly Euribor with Base Rate of 0%. Variable
Term Increase	12 months	6 months
Annual Repayment	€15,041.27	€14,752.79
Total Interest Payable	€20,330.14	€18,022.32
Total Cost of Credit	€21,580.14	€19,272.32
Total amount Payable	€121,580.14 (Inclusive of Arrangement Fee)	€119,272.32 (Inclusive of Arrangement Fee)
Repayment Profile During Flex Event	No Repayment during the 12 month period	€1,106.46 (June, July, August, September)  €737.64 (April, May, October, November)
Repayment Profile After Flex Event	€2,256.19 (June, July, August, September)  €1,504.13 (April, May, October, November)	€2,212.92 (June, July, August, September)  €1,475.28 (April, May, October, November)
Additional Cost associated with Flex Event	€4,422.05	€2,114.23

Rates Correct as at 21st Oct 2021.

**Warning:** The cost of your repayments may increase.

You have the right to be supplied with on request and free of charge a copy of the credit facility letter.

As is standard practice for lending, your credit facility may be assigned or transferred to an independent regulated entity for the purposes of credit servicing.

**Warning:** If you do not meet the repayments on your credit facility agreement, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

Once you have drawn down the Facility, you will not have a right to withdraw from the Facility Letter.

You have the right to repay this Facility early in accordance with the terms and conditions.

# Frequently asked questions

## **How will loan repayments be collected?**

On the irrevocable consent of the milk supplier, MilkFlex loan repayments will be made by the participating co-op during the key milk production months and passed directly to Finance Ireland Agri. The precise amount of the deduction from the supplier's milk payment will be advised monthly to the participating co-op by the loan administrator, Finance Ireland.

## **Can a MilkFlex loan be used to fund land purchase?**

No, it cannot be used to fund land purchase. At eight years, the term of the MilkFlex Loan is not appropriate for financing land purchase in Ireland, given the prevailing level of land prices in Ireland.

## **What happens if milk supply ceases during the term of the MilkFlex loan?**

If a Supplier ceases to supply milk to the participating co-op or breaches his/her Milk Supply Agreement (MSA) during the term of the loan, he/she may be required to immediately repay any outstanding balance due on the loan.

## **Can a supplier repay the loan early?**

Yes, a borrower can elect to repay – in part or in full – his / her MilkFlex loan on any monthly payment date during the term of the loan. They will not incur any penalty or cost if they elect to do so.

## **If the MilkFlex triggers are applied for an extended duration, can the term of the Loan be extended indefinitely?**

No, the changes to the repayments are designed to allow milk suppliers adjust to the market. The loan period can be extended by a maximum of two years in total. This consists of the following:

When the participating co-op's milk price is 28 cents per litre (cpl) including VAT or below for three consecutive months, both the interest and principal are deducted by 50% for the following six months. This can be activated four times over the duration of the loan.

When the the participating co-op's milk price is 26 cpl including VAT or below for three consecutive months, MilkFlex loan repayments (interest and principal) are reduced by 100% for the following six months. This can be activated twice over the period of the loan.

In summary, all MilkFlex loans drawn down in 2020 will have to be repaid in full by 2030 at the latest.

### **Why are suppliers being charged 3.75% above Euribor?**

Some dairy farmers with low borrowings and large repayment capacity are reported to be in a position to avail of interest rates of below 4% in cases where they supply a large asset as security – eg land. The MilkFlex loan product does not require the farmer to lodge title deeds beyond providing permission for deductions at source from their milk payments. For a valid comparison, the MilkFlex loan rate should be compared to other unsecured lending products. Compared with mortgage debt, a MilkFlex loan will be cheaper and more efficient to execute.

### **Is life assurance a requirement before drawing down a MilkFlex loan?**

No, the MilkFlex loan product does not require the borrower to take out life assurance. However, we would encourage all applicants to seek independent advice from a Qualified Financial Adviser on whether they should have such a policy in place.

### **Are there any specific taxation implications of a MilkFlex loan?**

All borrowers are advised to seek independent tax advice from a suitably qualified adviser in relation to this loan scheme.

### **What happens if the Euribor rate increases?**

MilkFlex is a variable rate product that will move in line with Euribor rate, set at a floor of zero.

### **Can a farmer opt out of the price triggers?**

The triggers are applied automatically. However, a farmer can – without penalty – choose to make additional payments to fully or partially clear the loan.

### **Is approval for a MilkFlex loan required before an investment project can commence?**

No. Qualifying investments / projects can commence before the loan approval process is complete, but loans will only be advanced if all of the eligibility criteria are met.

### **What diseases trigger a reduction in the MilkFlex repayment?**

Any disease officially listed by the Department of Agriculture as a notifiable disease. The current list is: Bovine Brucellosis, Bovine Tuberculosis, Bovine Leukosis, BSE, Cattle Plague (Rinderpest), Contagious Bovine Pleuropneumonia, Lumpy Skin Disease and Warble Fly.



# FINANCE IRELAND

**For further information contact us today at:**

Finance Ireland Agri, 85 Pembroke Road, Dublin 4, Ireland.

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**[www.financeireland.ie](http://www.financeireland.ie)**

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