

**HSBC AGRICULTURE**

**Unlocking the Potential  
Banker's View**

**11 November 2015**

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**Banker's request**

Your objective is to provide evidence to demonstrate to the bank that your business will be successful moving forward.

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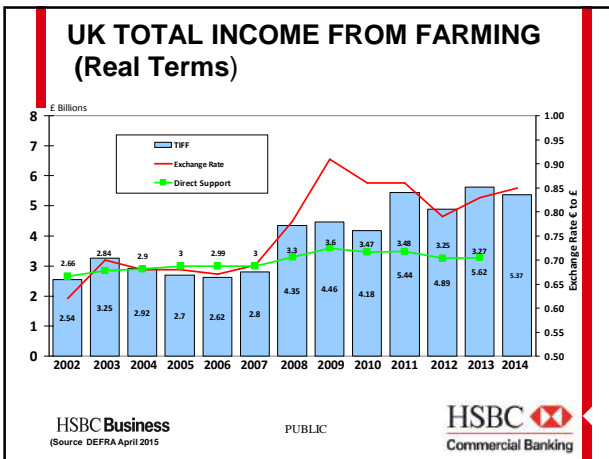
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### Exchange rates

- Sterling / Euro    Sept 2015            0.73p
  
- Sterling / Euro    Sept 2016    Forecast    0.76p

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### SECTOR ANALYSIS

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Source: Medium term changes in production based on official data e.g. Eurostat  
 Western Europe defined as UK, France, Germany, Denmark, Netherlands, Ireland, Italy, Spain, Portugal, Belgium & Luxembourg  
 Strawberries excludes Portugal, Denmark and Ireland. Apples excludes Denmark and Ireland.

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### Financial Performance

- Trend in accounts – comparison to the sector/prices/ one off events
  
- Conduct of business current account
  
- Cashflows min 12 months
  
- Budgeting/Benchmarking/Cost of Production (cash)
  
- KPI's

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### Benchmarking

Is that not what businessmen do.

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### Benchmarking/Budgeting

#### Range in costs of production

Costs of production	High performers	Low performers	Difference
Dairy herds	27.5ppl	38.0ppl	11.1ppl
Combined breeding finishing herds	£1136/cow	£1855/cow	£719
Lowland sheep flocks	£84/ewe	£167/ewe	£83
Specialist pig farms	£86/£100 output	£120/£100 output	£34
Wheat	£129/t	£200/t	£71
Oilseed Rape	£302/t	£405/t	£103
Potatoes	Range of £100/tonne*		

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### Long Term Fundamentals Managing Volatility

Year	Profit
Year 1	10
Year 2	60
Year 3	-60
Year 4	-10
Year 5	40

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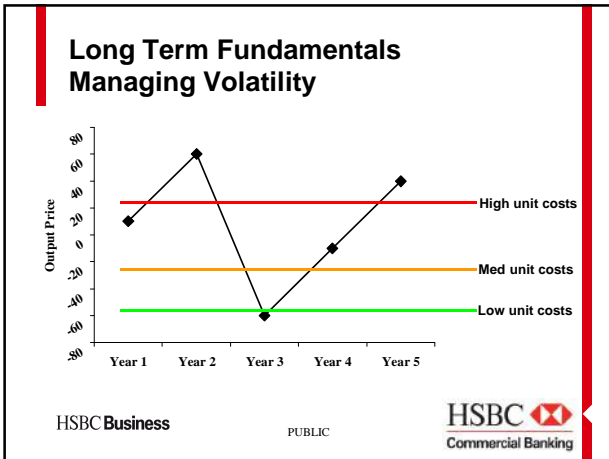
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- ### Who is your competition?
- ROI Dairy Farmer 35 cents per litre
  - Sterling /Euro exchange rate 0.74 / 0.85
  - UK Dairy price of 25p / 29.75p
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- ### Marketing of Product
- Contracts - price variations appear to be getting larger.
  - Security of contract
  - Financial/Market strength of the purchaser
  - Mitigate risks - debtor insurance
  - Market not simply sell.
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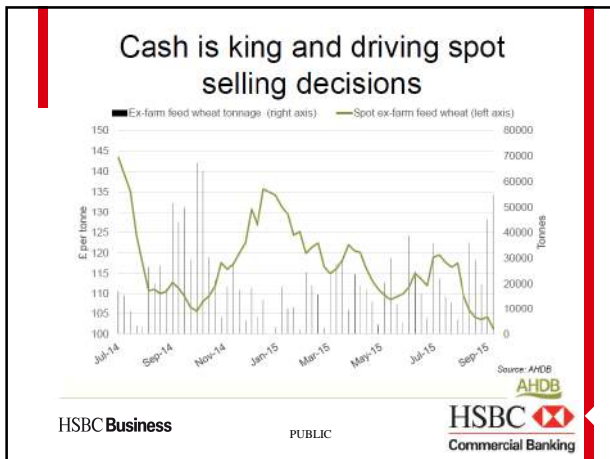
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- ### Management
- Management team – key drivers
  - Second tier management
  - Succession - do they have the skill set
  - Professional support
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- ### What do the best do?
- Great attention to detail
  - Technically efficient / sustainable (low cost producer)
  - Benchmarking/ budgeting essential (to understand competitiveness) - monitor
  - Manage cashflow
  - Seem to do everything better
  - Embrace new technology and ideas
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**Suggestions to assist next 12 months**

- Communicate early with your lender
- Interest only for period of time
- Provide cost of production
- Cashflow – highlights peak requirement
- Delay/postpone capital spend
- Cash is king – when profits return, repay debt.
- Discuss repayment terms with creditors
- Review all costs but be aware of cutting costs that will cause issues when good prices return.
- What is plan B?

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