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Glanbia Co-operative Society and partners launch new €100m 'Glanbia MilkFlex Fund' to offer flexible, competitively priced loans to dairy farmers

- **Innovative product will provide finance for growth with in-built milk price volatility protection**
- **First fund of its kind to offer dairy farmers access to finance through non-traditional lending structures**

Glanbia Co-operative Society ('the Society'), the Ireland Strategic Investment Fund, Rabobank and Finance Ireland announce the planned creation of a new €100 million 'Glanbia MilkFlex Fund' ('the Fund'). The Fund will offer flexible, competitively priced loans to Glanbia milk suppliers with loan repayments which can vary according to movements in milk price.

The first fund of its kind to offer Irish farmers access to finance through non-traditional lending structures, the purpose of the Glanbia MilkFlex Fund is to provide Glanbia milk suppliers in the Republic of Ireland with an innovative funding product that helps protect farm incomes from the impact of dairy market volatility.

A key feature of this innovative loan product is that it will have inbuilt 'flex triggers' that can adjust the repayment terms in line with movements in Glanbia Ingredients Ireland's (GII) manufacturing milk price, thereby providing farmers with cash flow relief when most needed.

Rabobank, the Ireland Strategic Investment Fund, Finance Ireland and Glanbia Co-Operative Society plan to invest in the Fund while Finance Ireland will also originate the loans and manage all aspects of the Fund. Subject to underwriting criteria, the interest rate charged on the loans will be a variable rate of 3.75% above the monthly Euribor cost of funds (with a Euribor floor of zero).

Speaking at the launch today, EU Commissioner for Agriculture and Rural Development, Phil Hogan said: *"I am very pleased to launch this new initiative aimed at providing access to flexible, competitively priced finance for dairy farmers. This new model of funding for milk suppliers is an international first and will mitigate the investment risks for milk suppliers. The Glanbia MilkFlex Fund comes as a welcome addition to the Fixed Milk Price schemes offered by Glanbia. It will be a valuable tool in assisting dairy farmers to manage income volatility, which is particularly challenging for family farms across the EU. Using innovative financial instruments to help farm families across Europe is a key priority for me and the Glanbia MilkFlex Fund can serve as an important pilot project in the drive to roll out such instruments."*

Commenting, Minister for Agriculture, Food and the Marine, Simon Coveney said: *"I welcome this initiative which will help suppliers cope with global dairy market price volatility. While any decision to invest must be based on sound financial planning, it is important for farmers to be able to access affordable financing in a timely manner. I welcome the creation of this innovative funding mechanism and the role of the Ireland Strategic Investment Fund as a co-investor, alongside Rabobank, Finance Ireland and Glanbia Co-op in making it available to Irish dairy farmers."*

The loans will have a standard term of eight years, but may be extended by up to a maximum of a further two years when volatility triggers are enacted. The key features of the proposed loan product are:

- A temporary reduction in loan repayments, when the GII manufacturing milk price falls below 28 cent per litre (including VAT) for three consecutive months;
- A moratorium on loan repayments for a period, when the GII manufacturing milk price falls below 26 cent per litre for three consecutive months or when the outbreak of a notifiable disease reduces milk output materially on the previous year and;
- An increase in loan repayments, when the GII manufacturing price goes above 34 cent per litre for three consecutive months.

Siobhan Talbot, Group Managing Director of Glanbia said: *“The creation of the Glanbia MilkFlex Fund complements our existing successful Fixed Milk Price schemes, by delivering competitively priced and appropriately structured dairy farm finance. This product is designed to match the cash flow generated by a dairy farm enterprise, with no repayments during certain times of low prices and increased repayments at times of high prices. We are very appreciative of the support of our partners - the Ireland Strategic Investment Fund, Rabobank and Finance Ireland - in bringing the Glanbia MilkFlex Fund to market.”*

Eugene O’Callaghan, Director of the Ireland Strategic Investment Fund added: *“The Glanbia MilkFlex Fund utilises our inherent flexibility and delivers an innovative funding solution that supports the ambitious growth agenda of Ireland’s agri-food sector, as set out in the Food Wise 2025 strategy. This new Fund provides a model for the Ireland Strategic Investment Fund to participate in other such funds in the dairy industry and across the agri-food sector.”*

From a milk supplier perspective, other key features of the Glanbia MilkFlex Fund include:

- Loan repayments will be automatically deducted from the supplier’s milk receipts by GII. The profile of repayments will reflect the seasonal milk supply curve, with no loan repayments – interest or principal – during the low milk production months from November to February inclusive;
- Loans will be available for amounts of between €25,000 and €300,000;
- Loans will be unsecured however repayments will be made by as a priority deduction from milk payments;
- Loans can be drawn down for investment in on-farm productive assets to support an existing or growing dairy farm enterprise (including livestock, milking platform infrastructure and land improvement);
- Lending decisions will be based on the merit of a farmer’s business plan as opposed to the asset value of their farm, subject to meeting eligibility and underwriting criteria;
- There will be an amount set aside within the Fund for new entrants to dairy farming;
- In order to qualify for access to the Glanbia MilkFlex Fund, a supplier must maintain a valid Milk Supply Agreement (MSA) with GII for the term of the loan.

Subject to completion of the legal documentation, it is expected that the Fund will be made available to farmers from May 2016.

Speaking after the event, Kevin Knightly, CEO Rabobank Ireland said *“Rabobank is delighted to be involved in this initiative, through its dual role as transaction structurer and as the largest single investor. We pride ourselves on our deep understanding of the food and agribusiness market globally, and our willingness to spend time with clients and strategic partners in developing bespoke solutions, with the Glanbia MilkFlex Fund being a great example of this.”*

Finance Ireland’s Chairman Billy Kane concluded: *“As lending specialists, we are delighted to have a key role in managing what is a very innovative funding option for Glanbia’s suppliers and we would like to see this type of funding option extended to other suppliers in the future.”*

Finance Ireland will host a series of workshops in the GII catchment area in April to provide information to milk suppliers interested in making an application for funding from the Glanbia MilkFlex Fund.

Finance Ireland will manage the origination of loans from the Fund and will require a clear business case in order to justify the lending decision. Each applicant must meet eligibility and underwriting criteria. None of the other investors will be involved in lending decisions, or in the provision of advice or otherwise to individual suppliers in relation to participating in the Fund.

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NOTE TO EDITORS:

The detailed terms and conditions on which the loans will be made available will be set out in documentation to be sent to milk suppliers on behalf of the Fund. Additional features of the proposed loan product include the following:

- Should the GII manufacturing milk price fall below 28 cent per litre (cpl) (including VAT) for three consecutive months, both principal and interest repayments, where due, will be automatically adjusted downwards by 50% for the following six months. This mechanism can be activated a maximum of four times during the term of the loan;
- Should the GII manufacturing milk price fall below 26 cpl for three consecutive months, all loan repayments, where due, will be automatically suspended for six months. This mechanism can be activated a maximum of two times during the term of the loan;
- Should the GII manufacturing price rise above 34 cpl for three consecutive months, loan repayments, where due, will increase by 25% for the following six months. This mechanism can be activated a maximum of four times during the term of the loan;
- Upon an outbreak of a notifiable disease which reduces a borrower's milk volume output materially on the previous year, the loan repayments will be suspended for the following six months;
- The loans will have a standard term of eight years, but may be extended by up to a maximum of a further two years.

A loan set-up cost of 1.25% will be deducted from the approved loan.

Glanbia Co-operative Society Limited is the largest individual shareholder in Glanbia plc, with approximately 36.5% of the issued share capital of the Company. The Society is Ireland's largest and most valuable Co-operative, with over 16,000 members and a current value of €1.9 billion.

Glanbia Ingredients Ireland Limited is a 60:40 joint venture between Glanbia Co-operative Society Limited and Glanbia plc, the publicly quoted global nutrition company. It is the number one dairy processor in Ireland, processing 2 billion litres of milk and exporting dairy products to over 60 countries.

The Ireland Strategic Investment Fund (€7.8 billion) has a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State. It is controlled and managed by the National Treasury Management Agency (NTMA).

Rabobank is the world's leading global food and agri-bank. It is a cooperative bank based in the Netherlands, with 8.8 million clients in 40 countries and €670 billion in total assets. Rabobank's offices in Ireland are in Charlemont Place, Dublin 2.

Finance Ireland is a privately owned diversified financial services Group based in Dublin. It has a team of experienced agri-finance professionals.