DÁIL ÉIREANN

AN COMHCHOISTE UM THALMHAÍOCHT, BIA AGUS MUIR

JOINT COMMITTEE ON AGRICULTURE, FOOD AND THE MARINE

Dé Máirt, 4 Meán Fómhair 2018

Tuesday, 4 September 2018

The Joint Committee met at 2.30 p.m.

MEMBERS PRESENT:

Deputy Jackie Cahill,	Senator Paul Daly,
Deputy Martin Kenny,	Senator Pádraig Mac Lochlainn,
Deputy Charlie McConalogue,	Senator Michelle Mulherin.
Deputy Willie Penrose,	
Deputy Thomas Pringle,	

In attendance: Deputies Seán Canney, Michael Collins, Michael Fitzmaurice, Danny Healy-Rae, Mattie McGrath, Margaret Murphy O'Mahony, Carol Nolan and Kevin O'Keeffe..

DEPUTY PAT DEERING IN THE CHAIR.

Fodder Shortages and Drought Issues: Discussion

Chairman: I welcome everyone to the meeting. Apologies have been received from Deputy Marcella Corcoran Kennedy and Senator Tim Lombard. I remind members, witnesses and those in the Public Gallery to ensure that mobile phones are turned off.

Today's meeting is being held to discuss issues concerning the ongoing fodder shortages and the drought issues being experienced in farming communities in certain parts of the country. We will have two sessions. In the first session, we will have the Minister for Agriculture, Food and the Marine, Deputy Creed, and in the second session, we will have representatives from the banks and the Strategic Banking Corporation of Ireland, SBCI.

I welcome the Minister for Agriculture, Food and the Marine, Deputy Michael Creed, and his officials for appearing before the committee to discuss these very important issues. Members are reminded of the long-standing parliamentary practice to the effect that members should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

I ask the Minister to make his opening statement and after that I will ask members to put their questions on that subject.

Minister for Agriculture, Food and the Marine (Deputy Michael Creed): I thank the Chairman and the committee for the invitation to address this afternoon's meeting. As members will know, 2018 has presented the agricultural community with some of the most challenging weather conditions in recent memory. Significant storms and an exceptionally wet spring period was followed almost immediately by two months of exceptionally dry hot weather. This placed an unprecedented level of pressure on fodder supplies on livestock farms but also significant challenges for the wider tillage and horticultural sectors. Over the last number of weeks, thankfully, there has been some welcome return of rainfall and more normal growing conditions in some regions and this is now providing conditions that will be beneficial in terms of late season production. While welcoming the improvement in growth conditions, I would like to give the committee a full account of the actions and measures that have been put in place to support the sector in meeting this challenge.

Following the fodder difficulties of last winter and the spring I put in place a stakeholder group, chaired by Teagasc, which included representatives from the co-ops, banks and farm bodies, among others, to co-ordinate advisory messages to farmers this summer. At that time, its clear focus was around replenishing depleted stocks of fodder. During the summer period, I requested that the group co-ordinate advice on managing grazing and fodder conservation throughout the extended period of extraordinarily dry weather and I personally engaged with the meetings of this group. In addition to co-ordinating advice, the group has also delivered a range of initiatives, including zero-interest credit facilities by some co-operatives to members to support the necessary purchase of feedstuffs and fertiliser, along with price rebates by some co-operatives on the main feed and fertiliser inputs for when the growth returns. Furthermore, tailored practical advice is being shared across the group on dealing both with the current weather and on filling the significant fodder gap.

On 26 June, I asked Teagasc to launch a national fodder survey through its client network, as well as clients of the other fodder group stakeholders. Initial results indicated a national fodder deficit of 18% but Teagasc estimates that the national fodder deficit was closer to 28%

as a result of additional supplementary feeding taking place at the time. Based on this survey evidence, the overall priority was to conserve as much fodder nationally for the coming winter when the opportunity arose and to take advantage of growth as it resumed. This would be supplemented by imports as required. A further survey is being undertaken to provide an updated position and this will be repeated again later this autumn giving us a clear view of progress.

A dedicated helpline was established to provide advice to farmers affected, thereby providing valuable guidance and an opportunity to share the challenge. This support was supplemented by a series of local meetings or clinics by both Teagasc and the major co-operatives where farmers obtained direct support from advisers on the spot. This helpline service and local clinics were open to all farmers, including non-Teagasc clients.

I met the main banks on issues relating to the agrifood sector and to highlight the need for access to finance for farmers. They gave a commitment to service the financing needs of the sector and specialised response products have been introduced.

In July I highlighted the difficulties facing Irish farmers with my EU ministerial colleagues at a meeting of agriculture Ministers in Brussels and on 24 July, I met Commissioner Hogan and briefed him on the impact on Irish agriculture of the dry spell. I secured early agreement from the Commissioner to pay higher advance payments this autumn following this meeting. Advances for Pillar 1 and 2 payments will be increased to 70% and 85%, respectively, resulting in €260 million in additional cashflow for farmers at a vital time of the year. I also proposed certain flexibilities for participants under the GLAS scheme, which would replenish their fodder stocks for the winter period. I am delighted to have secured the agreement of the European Commission for these measures, which are now in place since last Saturday, 1 September, and which together bring a potential additional 270,000 ha into fodder production. Specifically, the two measures are first, an amendment to the specifications for 2018 to provide for the use of low input permanent pasture parcels for silage or hay production in the period 1 September 2018 to 1 December 2018. There are 37,800 GLAS participants with the low input permanent pasture action covering an area of over 269,000 ha. The second relates to the environmental management of fallow land. For 2018, off-takes will be permitted on a once-off basis in the period from 1 September 2018, after the nesting season, to 1 December 2018.

For those farmers growing catch crops to fulfil obligations under the ecological focus area, EFA, element of the greening scheme, flexibilities have been secured with regard to the species sown and the time period for which the crop must remain in the ground.

On 3 August, I announced a €2.75 million fodder production incentive for tillage farmers. This is a new measure aimed at encouraging tillage growers to actively engage in the fodder market by increasing the production of fodder this autumn on lands that could otherwise lay fallow over the winter months. This measure will provide an incentive of €155 per ha for tillage growers who grow a temporary crop of short rotation grasses for fodder production over the winter months and €100 per ha for those growing catch crops such as fodder rape, turnips and brassica crops. Currently, more than 23,000 ha of catch crops are supported under the agri-environment scheme, GLAS. This additional funding commitment aims to incentivise a doubling of this area. I am confident this measure will support tillage farmers to supply into the market for fodder. Tillage farmers are a critical part of our agricultural sector who supply the brewing and distilling industry, as well as grain to the feed industry and straw to the livestock sector while also delivering other benefits. This measure is therefore focused at supporting tillage farmers, who also have encountered a difficult spring and summer while also aiming to maximise additional short-term fodder production.

Following agreement with my Government colleague, the Minister for Planning, Housing and Local Government, an extension to the closed period for spreading of chemical and organic fertilisers has been granted. This is in place to allow farmers to capitalise on autumn grass growth for fodder production. This extra two weeks will allow application of manures up to 30 September and 31 October, respectively, and again maximise the opportunity for grass and fodder production.

Additionally, given the identified shortfall in national fodder availability, I announced details of a €4.25 million fodder import support measure for autumn 2018. The measure will reduce the cost to farmers of imported forage including hay, silage, haylage, alfalfa and others from outside the island of Ireland. The measure will operate through the co-operatives or registered importers and will cover forage imported from 12 August 2018 to 31 December 2018 and will be subject to EU state aid, *de minimis*, rules. I wish to confirm that while the measure will operate through the co-operatives or registered importers, the beneficiaries will be farmers who need supplies of fodder.

I announced in budget 2018 that my Department is considering the development of potential further Brexit response loan schemes for farmers, fishermen and food businesses, following on from the success of previous schemes. My Department has worked with the Department of Business, Enterprise and Investment, the Department of Finance, the Strategic Banking Corporation of Ireland, SBCI, and the European Investment Bank and European Investment Fund, to develop a longer-term capital financing loan product to be available to farmers, fishermen and SMEs, including food businesses. I hope to announce progress on the agrifood elements of this loan product soon.

On the working capital needs of farmers, I continue to liaise closely with the main banks and other stakeholders. I believe the loan schemes delivered by my Department to date have stimulated the development of welcome new initiatives on both short and longer-term credit by financial institutions and some dairy co-operatives. I have encouraged these initiatives and will continue to keep working capital requirements under review.

It has been a very challenging year, including mentally, for farmers who are coping with the conditions. I am confident that taken together, the range of measures I have introduced to date, which are primarily targeted at producing as much fodder as possible from our own land, provide the most effective response to a fodder shortfall. It is also important to recognise that the support that was made available through the helpline and workshops that have been organised by both Teagasc and the co-operatives was invaluable in allowing farmers discuss the challenges on their own farms. A problem shared is a problem halved.

Chairman: I thank the Minister for his opening statement. Deputy Cahill was the first member to indicate and the next was Deputy Penrose.

Deputy Jackie Cahill: I thank the Minister for appearing before the committee. He concluded by saying that a problem solved was a problem halved. He has undertaken some initiatives but the financial undertaking needed to tackle this problem is far greater than what the Government has done thus far. I welcome some of the initiatives that have been undertaken but the situation on Irish farms is dire. We are completely dependent on a good autumn of grass growth and a good spring. There was frost this morning in my county, and we are still in a drought situation. The first signs of autumn are coming and we are relying on grass growth at the back end to get us out of the situation we are in. It is not going to happen.

The situation on farms is extremely serious. Farmers are under great pressure. There is a huge cashflow problem and a huge level of merchant debt. We probably had the worst spring in a long time and debt levels were already high by 1 May. Unfortunately, farmers have been feeding at winter levels all through the summer and consequently, merchant debt has risen to enormous levels. Large tax bills are due to be paid in October, which will also put severe pressure on cashflow, contractors are waiting to be paid and all that is without the living expenses of keeping a household going. There is no cashflow and farmers are under extreme pressure.

The Minister referred to debt levels at co-operatives and to co-operatives giving money out, which comes at a great cost. Can we expect co-operatives and merchants to keep carrying the level of debt that the industry is currently experiencing?

It is disappointing, to say the least, that the measures promised in the budget in respect of low-interest loans still have not been put on the table. We need them as quickly as possible. They were discussed in the context of Brexit. They were envisaged to try to offset some of the huge challenges that Brexit will present. We are in a situation where there will be huge demand for credit. As a Minister, Deputy Creed cannot renege on his responsibility and he cannot leave it to the banks, co-operatives and merchants to organise this because it will not happen. When the low-interest loans were announced in 2016, I remember saying in the Dáil that the amount of money put aside would not be nearly enough to cater for the demand that was there. I was ridiculed at the time and informed that there were adequate funds. Unfortunately, I was proved right within a couple of days because the money was taken up rapidly.

If we have another scheme of low-interest loans put in place, which there has to be, the demand will be absolutely massive. Bank of Ireland announced a scheme today in which it is talking about making €100 million available to farmers at something of the order of 3.8%. We need low-cost finance and we cannot just abdicate our responsibility to the banks to administer this. When what was promised in 2016 was done, many of the farmers who needed the money the most, who were under the most pressure, were not able to get access to it. That cannot be allowed to happen. I take it for granted that we will make a significant amount of low-cost money available to farmers. If we do not, our whole industry will crumble. Contractors, private merchants and co-operatives will not be able to carry the burden. We have to ensure that the money gets to those who need it the most.

The importation of fodder is not a matter of dropping one bale here and one there as happened in previous springs. Farmyards will need to have loads of fodder delivered by articulated lorries. We are talking about significant shortages. Teagasc figures from June are now irrelevant because we had seven to eight weeks of winter feeding on an awful lot of farms during June, July and August where huge quantities of what should be fed next winter have been used. I was reading an article in the *Irish Farmers' Journal* on building up grass supply for the autumn. To say that the position in this regard is frustrating for those of us who are still in drought situations would really be understating it. There is no facility to build up a grass bank because growth cannot match the demand and nor will it do so. Temperatures are starting to drop and there is no hope of that happening. We have seen the problems with live exports to Turkey in the past couple of days. There have been predictions in the agricultural media about the beef stock coming from the dairy herd and what price they will make at the end of this year. The predictions that the agricultural media are making in that regard are frightening in the extreme.

We have to get live export markets going again. We have to put competition in place for those cattle, whether weanlings or year-and-a-half animals, and put some competition back into that trade. Every boatload that we could move out of the country would have a twin impact

in that it would obviously reduce the demand for fodder here but also put competition into the trade at ringside. Unfortunately, that is completely lacking at the moment. People who traditionally bought stores will be selling what fodder supplies they have to those who are out of fodder and will take the profit they can make from selling the fodder rather than buying store cattle. That is a huge problem which is coming down the tracks extremely quickly. Resources have to be put into Bord Bia to see where we can get live exports going and it has to be done as a matter of urgency.

Meat factories are letting down the sector. Unfortunately, they have an impeccable record in this regard. As soon as drought hit in late June and early July, they immediately dropped prices. This week, they dropped prices in the factories again and the predictions are that they will be cut further next week. Factories need to be monitored in order to identify what exactly is the return in the marketplace. I am convinced that there is no reason why factory prices should be reduced in the way that is happening at present. Some farmers put cattle into sheds in the summer to try to reduce the demand for grass on their farms. Some of their cattle are now getting ready for slaughter and factories are making unjustified cuts. The Minister set up a beef forum a couple of years ago. If ever there was a need for a beef forum, it is now. We need to examine exactly what the market is returning for beef and let the factories show that the price reductions being made are warranted. It has really shaken confidence in the trade to have these price drops happen at this time. That demands serious scrutiny and the factories cannot be allowed to exploit the situation. The feed lots and the price for which they will be able to fill those lots at the end of this year will put those factories in a hugely advantageous position next spring in the context of manipulating the price to farmers.

I also want to mention the pig sector. It can be forgotten, but it is under huge pressure. Feed prices are rising and unfortunately the price for pigs has dropped fairly significantly. It is a sector which is under extreme financial pressure. I know it is restricted to a small number of producers, but it is under huge pressure and needs aid and help to survive. When Brexit hit, the mushroom sector was badly affected. The pig sector is under massive pressure and needs an aid package to get over this. The availability of raw materials for concentrates for the back end of this year and next spring will become a huge issue. This drought is not just an Irish problem, it is a worldwide issue. We have seen the price of concentrates lifting significantly. That will cause huge pressure. When one hears our millers talking about whether they will have the raw materials available next February and March, it really sends a chill up one's spine. That needs to be examined and all possible routes for getting raw materials for concentrates need to be explored. We need to build up a stock to ensure we have enough in this country.

The Minister has extended the spreading of fertiliser for two weeks and that is welcome. The cartel that operates in respect of fertiliser prices has been shown again clearly, with fertiliser prices rising significantly. As soon as demand for fertiliser goes up, the price automatically goes up. Those involved are exploiting the situation. Farmers are under dire pressure for cash and are being forced to pay more for fertiliser. This matter needs to be examined. For what price should fertiliser be sold? Why, when demand is at its highest, does the price for fertiliser always rise?

We see that other countries, including Germany and the United States, have stepped in and given a significant amount of money to their farmers to get them through the crisis. This Government has to step up. The three main challenges on which we have to focus are: to get finance at a low cost to farmers; to get fodder into the country; and to get live exports out of the country. Farmers are often accused of crying wolf and exaggerating the effects of a crisis. This crisis

is immense. It is putting families under huge mental pressure. The mental strain that farmers are under is severe. Our industry needs help more than ever before. We face major challenges. We talked in this room about the challenges relating to Brexit. We depend on weather to get us through this. We need a good back-end to the year and we need an early spring. Most of all, farmers need immediate financial help.

Deputy Willie Penrose: It is apparent that extreme climatic events will be part and parcel of our lives going forward. They will be the order of the day. It is going to have to be all hands on deck to deal with what is to be an ongoing crisis over the next period of time, which I stated at this committee last January and before that in November. It is very important that everybody plays a role, including the farmers, as to management of stock and various matters. I know the Minister is very committed to Food Wise 2025 and so on. I would like to see these things achieve their objectives, but they should be subject to review in the context of the targets that have been set.

I welcome some of the things that the Minister has been doing. He has not been idle. I do not subscribe to that idea. The extension of the greening measures from last week to help alleviate the fodder crisis and the Minister's work with the EU Commission in that regard, in allowing farmers to consider some winter crops as cash crops, is extremely important. Allowing some of those cash crops to be pure crops rather than mixtures are all very practical issues to shorten the eight week period. Much of this can be achieved. The EU, however, is a bit slow. I was disappointed as everything is going to be retro-active if one is to take steps. Deputy Cahill is correct. This is not just an Irish problem. This is now Europe-wide. What worries me about that is that some of those places and sources from where we were able to potentially import fodder will no longer be available. That is a cause of concern and is something that has to be taken account of.

The fodder transport measures were previously very important for farmers in the west and north west in helping to deal with glaring fodder deficits there, with money being provided for transport costs. The Minister is clearly looking at this in terms of the €4.25 million. The first measure is a typical Department one. There were more red lines and bells and whistles to it that rendered it almost self-defeating. I believe the Minister is removing a lot of these in this respect as he extends this nationally, and gets rid of any restrictions that might be there, which I believe is important.

I live in a predominantly beef area and the factories are behaving as expected. They hammer people into submission and they increase their prices at a whim. They have their own feed lots to bring their cattle on stream so as to ensure that farmers get less and have to take less and become price-takers. Some farmers in the beef industry will see that it is more profitable to sell their fodder and to get rid of their cattle. Funnily, many dairy farmers are eager to purchase the fodder, so they have a ready-made market which would be a more profitable. That is a worry because our beef industry is absolutely critical in terms of rural employment and the generation of rural income. We need to watch out in relation to this issue.

If one wants to have a bullseye impact, the Minister will have to do away with his reticence to consider meal vouchers. They will be critical in the future. I am aware of the reasons the Minister is concerned. It is important to have it targeted but it is one of the few ways to proceed. There may not be a huge element of fodder available to import because of the widespread nature of this crisis. The meal voucher will, therefore, have to be looked at in this regard. I am aware of some of the work that is ongoing and that some of the co-ops are working with their members and charging zero interest rates and so on, but I only hope that more of them do that.

One of the concerns I have is in regard to the banks. I do not believe a word they ever say and I notice they have many schemes in operation. I noticed that the last time they came in here, they said that there was not a big uptake in overdraft interest. How could anyone take up overdraft interest? I had occasion to ring up about overdraft interest in recent weeks and I nearly fell off the chair. They are charging 8.5% interest and if one is a business, I was told it would be 13%. They make Al Capone look like a decent boy who would not rob anybody. They will come in here and will be almost in tears. I have had enough of them. The Government is letting everybody down. We proposed the Sparkasse model to take on those boyos. A shower of bureaucrats drew up a report, the points of which will be repudiated over the next number of weeks. This report was written by people who were intent on ensuring that the pillar banks would be protected. The SBCI was involved in administering the low-cost scheme. I read two weeks ago that there are no banks interested in getting the money from it when they can get it cheaper in the markets. This is another waste of time. It is time to hijack them and send them off into oblivion. Bring in something like the Sparkasse model where money can be provided in sectoral and regional areas for farmers, for other self-employed people, for innovation and for business. That is what has to be done. This is going to be an ongoing problem.

Deputy Cahill is correct. Low-cost schemes for farmers are absolutely critical. The last one was at 2.95% interest rate and was a very good scheme. I am aware that the Minister has many issues to deal with. I am aware that many people come in here and pretend that one does not have to deal with *de minimis* rules and such matters. The Minister has to deal with many issues and I understand that and I will not try to get a headline and say he can do this or that. The low-cost scheme, however, is absolutely critical. I do not want the Minister, however, to be depending on the banks because they are legalised robbers. They are getting money for nothing in that they are paying out nothing on deposits. One nearly has to pay them to store that money. They then seek to charge 8% or 9%, which is ridiculous. It is no wonder that there is nobody taking that money.

Very often farmers and self-employed people have tor resort to overdraft facilities. Why would one resort to that when it is that type of money is charged? I do not want any crocodile tears from the banks when they appear here in a few minutes. They will be telling us all sorts and sizes. I do not want to be listening to that type of nonsense. I have had my fill of them. If I had my way, they would have competition with the Sparkasse model and that would put a bit of steam under them. There are too many vested interests within Government, however, to make sure that does not happen.

I want to conclude by saying that it boils down to the provision of money at affordable rates. When money goes over a 3% interest rate, one is in trouble on a farm. The returns are not there. Those cattle farmers I spoke to need about €4.40 or €4.50 per kilogram to try to make the cattle pay, and they do have not a chance of making that with the way the beef factories operate. One needs some way of getting imported fodder and I am concerned about that as this a Europe-wide issue. In fairness to the Minister, he is trying to tackle that. He did not sit on his hands. He was working during the summer, as I know from contact I made with him in relation to this issue, and I acknowledge that.

The Minister has to look at the meal voucher situation and see if that can be introduced. It should be part of the Teagasc review and studies. It should be looked at to see how it can be achieved. Overall, the approach should be all hands on deck. We have a management situation as well and we have to be careful. We all know what it is going to take. We all know we are into seven tonnes per animal in the winter period and that is at least a six month period, if

not more. We have to manage this at farm level and take cognisance of the overall global and climatic environment that we are all now faced with.

Chairman: I thank the Deputy. Before we go back to the Minister and to the other members, I have a couple of questions I would like to put to him. I was neither horrified nor surprised when I read in the *Farming Independent* this morning that County Carlow is the driest county in the country at the moment. Myself and Deputy Cahill are arguably in the eye of the storm. The south east is the area where there has been the greatest difficulties in the past number of both weeks and months. The concern I have for the future is that the south east has been the most productive area in the country in terms of producing fodder for the rest of the country. Traditionally, it supplied the west of Ireland in particular with hay, silage and whatever else. That will not now be available as there is not enough in the south east to look after the animals in the south east, let alone the rest of the country. There may have been a reference earlier by Deputies Cahill or Penrose to the idea of a small supply of fodder coming in from other countries. My understanding is that it is scarce enough abroad currently. How will we look after what is in the south east, let alone the other parts of the country? With the greatest respect to Deputy Penrose, whom I admire in many ways, meal vouchers to look after the highly productive area in the south east will probably not achieve much. Other options might need to be considered in that regard.

What is the Minister's opinion on the potential difficulties there may be with high culling rates over the next number of weeks that might have a knock-on effect on the price of cattle in factories? The Minister indicated there is another review ongoing or a census of fodder. Will there be any positive progress in this respect over the next number of weeks? The second cut silage was due to be cut in the first week in August but we will be doing well to see it cut in the middle of September, which is now a fortnight away. Growth has slowed, although there has been some rain recently. We are heading for a challenging time in the next number of weeks.

Deputy Michael Creed: I thank Deputies Cahill and Penrose, as well as the Chairman, for their questions. I should emphasise that I acknowledge that it has been extremely challenging inside the farm gate physically, financially and from a general well-being perspective for a profession that is practised substantially in isolation. We should never underestimate that particular aspect of this challenge. The overwhelming emphasis in everything that I and the Department have been trying to do over the past several weeks has been about closing the deficit ourselves and using all the instruments and leverage available to us.

There already has been some commentary on imports but we should bear a couple of factors in mind. We have put forward a substantial package to support imports between now and the end of the year. We anticipate it will be approximately 85,000 tonnes, which is a multiple of what was imported earlier in the spring. The cost is €4.25 million and it is likely to be only a fraction of the deficit. It is the most expensive aspect of the initiatives announced but it was deliberately the last of those announced to date because we did not want to raise the matter of imports to the level that it would be seen as the solution to the fodder crisis. Even if we commandeered all the trucks and boats, we could not import enough if we were at it flat out from now until May Day next year. That is even if the volume of fodder needed was available, and there are issues around its availability. This is not just an Irish problem. There were forest fires in Greece and Portugal, as well as in the Arctic. It is an issue. Culled cows in Sweden have an impact on the price of beef here and it is normally a strong market for us in the summer. This is a pan-European matter. Interestingly, in that context, we have recently concluded an overall analysis for the Commission requested of every member state on the impact of this issue. It is

a problem for the whole of western Europe.

Deputy Penrose correctly indicated that we are living with the realities of climate change, namely more frequent and intense extreme weather events. In the past two years we had issues with the harvest of 2016, flooding in Donegal in August last year, the events of this past winter and the drought. We had Storm Emma and Storm Ophelia. It is the effect of climate change. I thank each and every participant in the stakeholder group, as it really worked in identifying issues and proposing solutions. I include colleagues in the Department and those in Teagasc, as well as the farm organisations, banks, dairy processors, co-ops and advisory services, including Teagasc. Each of those were constructive and proactive. There are a number of deliverables from the stakeholder group but the most significant action of the group was to give advice to farmers. The advice continues to be to avail of every opportunity between now and the end of the growing season to conserve the maximum amount of fodder that we can before we take stock.

The Chairman made a point about the south east and all the indications are that the soil moisture deficit is highest in the south and south east in particular. That clearly has an impact on the capacity to conserve fodder for the winter ahead. This is why concessions relating to the GLAS regulations are very important. Previously, migration of fodder might have been from the south and south east to the north and north west, to some extent. Generalisation is dangerous but many of the participants who will now benefit from the relaxation of regulations under GLAS, particularly with respect to low-input permanent pasture, are in the areas of the country not as challenged by the drought as the south and south east have been. There was a maxim during the economic war or the Second World War that there would be "one more cow, one more sow, one more acre under the plough". Farmers in certain areas may have sufficient fodder for themselves but they should use every opportunity between now and the end of the growing season to conserve as much fodder as possible because there will be a domestic market for it. Certainly the 270,000 ha liberated from the normal regulations under low-input permanent pasture between now and December offer significant potential in conserving fodder. We should look at that.

The import of fodder will play a part and as I mentioned, we have €4.25 million set aside for that, anticipating it will bring 85,000 tonnes of fodder. To put that in context, in the spring we imported 16,000 tonnes or 18,000 tonnes. We are anticipating a substantial ratcheting up of the volume imported, although it is nowhere near meeting the shortfall. The resolution to the shortfall is still, substantially, in our own hands and in what we can conserve between now and the end of the year.

Live exports have always been a priority and I can provide some figures to Deputy Cahill, as they are still important. A total of 188,093 live cattle, comprising 102,672 calves and 85,000 adult cattle, were exported during 2017. That represented a 30% increase on 2016 numbers. To date in 2018, live exports are up by 30% on 2017 numbers, with an increase of 46,366 head. In the year to date, 151,687 calves were exported, a 50% increase on the same period last year, with 42,424 adult cattle being exported. The record is there. I acknowledge its importance, and that is why significant effort has gone into those live exports. There was an initiative regarding the veterinary export fee and the export of calves has significantly increased. Those markets are very important. North African countries and Turkey are really important for weanling exports. We continue to engage, whether it is with the Turkish, Libyan or Egyptian authorities. We are engaged across all potential markets. There are visits that have concluded or are imminent, and contact is ongoing because of the importance of the sector. It is a significant part of the com-

petition within the beef sector. I share the Deputy's commitment to ensuring that live exports remain really important. On finance, I listened with interest to Deputy Penrose and I know that this committee intends to engage with the banks and others soon. Access to finance is important and we have had a number of achievements in this area, including the initial €150 million loan fund for working capital which benefitted 4,249 farmers. It is not the panacea for the fodder sector. Deputy Cahill made the observations that the fund was insufficient and that those who really needed it most did not get funding. He must bear in mind, however, that whether one is referring to a State-sponsored or banking sector initiative, repayment capacity will always be part of the eligibility criteria. In terms of the pillar banks which were partners with SBCI and the State in the last scheme, repayment capacity was an issue for anyone who applied and the loans provided were low-interest. Deputy Cahill referenced the fact that new loan products have been launched in the market as recently as today. I did a quick calculation on a three-year repayment of a €30,000 loan for working capital under the latest initiative by one of the pillar banks in comparison to the State's €150 million loan initiative and the difference in repayments is €12 per month. Our objective with the initial €150 million scheme was to address the problem that existed while also acting as a stimulus to encourage greater competition in the industry and, to be fair, there is evidence that the industry is responding. The credit union movement is also responding. Deputy Penrose made reference to other models of financing that were under consideration but the credit unions have responded too. There are now several products available to the agricultural sector from credit unions which is welcome because all additional competition is important. This is not just about the banks but also about what the co-ops themselves have done. All of them have responded, either by providing low-interest or zero-interest credit facilities.

The Department of Agriculture, Food and the Marine is not a comfortable fit with providing banking products. We responded because there was a deficit and initiated the €150 million loan scheme. A €300 million fund was developed in conjunction with the Department of Business, Enterprise and Innovation and 40% was ring-fenced for the agrifood sector. We are developing a product for capital investment for the industry as well. It is clear now that the industry is responding in a competitive way and I look forward to the committee's engagement with the pillar banks and SBCI later today. Context is everything and in the context of the capacity to be competitive, we were impacted by the crash through which we went through. That said, there is evidence that relative to what we did with State assistance and the €150 million loan fund administered through SBCI and delivered by the pillar banks, that those banks are somewhere near that themselves in terms of their latest product offerings. That is a sign that there is a degree of competition in the market, which is really important.

I touched on the fact that fodder problems are Europe-wide and Deputies Penrose and Cahill asked whether concentrates would be available. It is the case that there is a shortage in Europe because of climate issues but recent reports indicate that the global supply is sufficient. Grain production is growing in Russia, the USA and in South America but Europe is in deficit. My conversations with the co-operatives rather than with private millers indicate that they have been active in the market in terms of forward buying and so forth. I am not hearing anything alarming at this stage in terms of the capacity to source fodder but we will keep the matter under observation.

Interestingly, in the context of the Chairman's point about culling and Deputy Penrose's references to Food Wise 2025 targets, Glanbia conducted a survey of its own supplier base recently which indicated, notwithstanding the challenges, that there is no significant rush by farmers involved in the survey to use culling as an instrument to manage their way through the situation.

Dairy production is back up and, in fact, is ahead of where it was this time last year. While farmers are impacted financially, they obviously see some advantage in continuing to milk cows for the longest possible period to drive income. They do not see culling above and beyond the normal routine culling of cows as necessary. I would make the point, however, that in terms of overall efficiency, we need to keep improving genetic merit, whether in beef or dairy.

The Chairman comes from a strong tillage area. The target under the tillage initiative is 25,000 ha. There is a strong take-up from the seed houses and, in fact, they estimate that they have sold seed equivalent to a lot more than 25,000 ha in recent weeks. Some of the resolution in the Chairman's own area of the south and south east may come from that partnership between tillage growers and livestock farmers.

Chairman: I thank the Minister. Deputy McConalogue is next, followed by Senators Paul Daly and Mulherin.

Deputy Charlie McConalogue: I thank the Minister and his officials for attending today to discuss the very real crisis facing the farming community. At the outset, I wish to express my disappointment with the fact that this meeting was not convened earlier. We requested a meeting with the Minister and his officials in mid-August but the earliest available date was not until today. Overall, the situation facing farmers is causing real fear. The farming community is under immense pressure because of the unprecedented weather conditions with which it has had to deal in recent weeks and months. We have had two fodder crises in the last five years but we have never been in a situation where we were discussing a looming winter fodder crisis in September. Last spring it was not until very late in the day, in April, that there was a recognition by the Minister and the Department that there was a real fodder crisis. Until that point in time, the default position was that there was enough fodder in the country but we saw what happened in that instance. Following on from that, with fodder reserves completely depleted, we now have a situation where we have a very real problem facing us in the year ahead.

I ask the Minister to clarify his view and that of his Department on the current fodder situation in terms of the actual deficit. The Minister indicated in his opening address that initial Teagasc estimates indicated an 18% deficit rising to 28%. The Minister has indicated that an assessment is ongoing at the moment in terms of the rest of this year and what can possibly be made up and saved over the coming weeks will feed into that. Certainly we all hope that it will work out as well as it can but given that the Teagasc assessment and report to the Minister indicated a deficit of 28%, that is a massive shortfall to make up. The Minister indicated in his response to Deputy Cahill on fodder imports that the objective is to provide 85,000 tonnes through the fodder import scheme. He also indicated that he expected that to represent only a tiny fraction of the overall need. I would like to hear more from the Minister about how he envisages the rest of the deficit being made up and where he sees that coming from. A few short weeks ago, the deficit was reckoned to be at 28%. We do not know at this stage how early the winter will be or how late the spring will be. The more time goes on, the further our options for addressing it will shorten. That is a real problem.

On this occasion, there is more pressure across northern Europe and our neighbouring countries in respect of feed and fodder supply. Whatever comes in at the start of the winter and over the harvest period will be important because as the winter goes on, if it is harsh, it is going to be very difficult to source supplies. Unlike in previous years, when we go looking for it it may simply not be there. The Minister might update us on how the fodder import measure is going at the moment. How much is actually coming in? It is now that it needs to be coming in, not later on.

Deputy Cahill outlined the key aspects that are needed. Without a doubt, first and foremost is credit flexibility for farmers to be able to get through the crisis winter that is facing them. Also key is getting fodder in and getting cattle out. I know live exports always have to be a priority. What engagement has the Minister had with Bord Bia in terms of increasing the number of cattle that can go out in the next weeks?

We will hear from the banks later on about where they are at from a commercial point of view in terms of their own products. The budget last year allocated a €25 million Brexit loan fund. We are now just a few weeks away from the next budget and there is still no sign of that being delivered. This reflects exceptionally poorly on the Minister and the Government in terms of a total lack delivery.

The Minister indicated that he is pleased to see that rates are somehow coming down. He stated that was an objective of his introducing the previous loan fund, which was snapped up very promptly. An objective of the Department over the next period has to be to deliver real support to farmers to help them through the winter ahead. It is not sufficient for the Minister to say that he has seen a drop in interest rates from banks over the last months. It has to be an objective of his Department to ensure that a suite of supports is there to help farmers get through what is going to be a very difficult winter. To that end, the Minister needs to be delivering another loan fund tailored specifically for the farming community. The Minister indicated that repayment capacity will always be key in terms of how the banks work with their customers. What happens this year for some of those farmers who will be struggling with repayment capacity and will not be able to show they can meet repayments? Undoubtedly, if things do not improve, there will be some farmers in this situation. What suite of measures will the Minister provide to ensure they can be better supported and given the increased flexibility they may require to get through the year ahead?

I believe we are going to need a hardship fund to support farmers who will find themselves in very particular difficulty. In Germany over the last weeks, the Minister for agriculture has introduced a drought compensation fund to help farmers who have suffered from the impact of drought and have seen, on average, a 25% drop in crop yields. I remind the Minister of his own Teagasc figures indicating that forage and fodder yields for this year are down 28% at this point.

On the catch crop support, in respect of which some feedback indicates take-up has not been what was expected although the Minister seemed to indicate otherwise in his comments, can he give us further clarity? It can be looked at again and that needs to happen very quickly to see if further supports can be provided. On the low-input permanent pastures flexibilities for GLAS schemes, which 40% of farmers are in, the Minister has indicated that the flexibility there is that fodder can be gathered between September and December. What is happening in respect of fertiliser inputs for those crops and that land mass, which amounts to almost 300,000 ha? I understand the Minister did engage with the European Commission with regard to facilitating additional fertiliser flexibility to be applied on that land. As things stand, the maximum is 32 units per acre or 40 kg per hectare. Without application of fertiliser, there is not going to be much to gather off that over the next period to try to help the situation.

Senator Paul Daly: I welcome the Minister and his officials. A lot has been covered. We are all on the ground and know the situation we are in and how it has evolved. People tuning in to today's meeting are not doing so to hear what I have to say on the thing. They are all very well aware of it. They will have been cocking their ears for what the Minister might have had to say. Unfortunately, there is nothing new in what I have heard. While I welcome a lot of what was done, I do not think it is anywhere near enough. The Minister's statement did not highlight

the depth of the crisis that exists out there. He needs to be talking to individuals on a one-to-one basis about their own circumstances. We are only at the tip of the iceberg.

When we had Teagasc before the committee at the end of last winter's fodder crisis, it was recommending to farmers to build up a two-month feed buffer for the coming year. Then we walked into a drought which I know Teagasc did not orchestrate and could not have predicted. Now the figures indicate that we are 28% down on the normal year, irrespective of getting our two-month buffer for the winter that could lie ahead and to replace stocks that were used up last year to get over the winter crisis then.

All we are hearing about is importation. Sky News would not be very agriculture-friendly but last night, for the first time in a long time, it featured the drought crisis in agriculture in the UK. There is no point in going to the UK. Wherever else we are targeting to import this fodder, the UK farmers are going to be there also along with farmers and agricultural co-ops from the different countries that have been mentioned in which there is also a fodder crisis because of drought. There is going to be a queue in Russia if the food is available there. We need specifics as to what quantities are available for import and what quantities we have pinpointed and targeted and on which we have first call, and at what price. If there is more than one person interested in buying any commodity, the price is going to increase. There is going to be a queue of countries going to wherever this limited forage is. Importation is nice on the ears and can be relieving to hear about but it is not the solution. It ticks the box and lets people think it will be a solution down the line but, realistically, it is not the solution.

I welcome the schemes the Minister has introduced already. In respect of low-input permanent pasture, what the Minister is going to take off that will satisfy hunger. However, the biggest issue we have, as I know from being on the ground, is the quality of what is gathered up. There are fellows making second-cut silage at the moment that should have been made a month ago. As Deputy Cahill has already said, we were down to 3° Celsius last night. The quality is going to be gone out of that grass very soon. It will get cattle over the line and keep them alive but without supplement, without a meal voucher or some system of supplementing that forage, cattle are only going to be kept alive. It is obvious on the ground. I am from a suckler farmer area. In some areas, farmers are ashamed of the calves they will bring in to wean off cows shortly. A cow that is living on clay and hay in the month of July will not produce a good weanling. In many cases, that is obvious. Farmers have run out of money to buy supplement. Farmers who would creep feed in normal years are not doing so this year because they have had their money tied up from the back end of last year to purchase additional fertiliser. With the best will in the world, a person running any business at a loss will not be able to pay back a loan no matter the interest rate on it. Suckler farmers, in particular, are facing an enormous loss this year. In many cases, the cows went out in poor quality because they were getting feed that was only keeping them alive at the back end of last year, they were only maybe coming around a small bit with a flush of grass when the grass disappeared again and now they are coming in with poor quality calves. There are the domestic economic issues in Turkey which will have a serious effect on the live exports and now the traditional fatteners, who might have bought weanlings off suckler farmers, are looking at their figures, and the price of fodder and forage, and they have some such available, and are beginning to decide that they might have a better year if they buy no cattle and sell the feed to the dairymen.

The Minister quoted the figures. It is said, "There are three kinds of lies: lies, damned lies, and statistics". Dairy production is up, but at what cost? Deputy Cahill is a dairy farmer and he will tell the Minister his milk is up over the past couple of weeks, but what meal is he feeding?

What is it costing him? If one burns the candle at both ends, it burns out eventually as it meets in the middle. This perfect storm is only escalating. We are at the tip of the iceberg.

I was hoping the Minister would come in with something new today, but he did not. Anything that is there we have heard already and if the Minister is talking to men on the ground, they will tell him anything that is there will not do it. Men and women, and families, out there are in desperation. At this stage, for many of them it is about keeping their animals alive until next spring and paying debts, and hoping that they have a better year next year. The 70% payment coming in October will be gone before it comes. It is still owed since last spring, never mind the summer. The contractor is owed. The co-operative is owed. Using the suckler herd as the example, the income from the sales at the end of the year will be down also which adds to the perfect storm.

We need a lot more action. Much of what is going on is unprecedented but this is just the start. We cannot merely talk about promising imports as the solution when the dogs in the street know what we are talking about importing is not out there, and if it were, there would be a queue to buy it. Can we afford it?

Senator Michelle Mulherin: I met a group of farmers last week. It would be fair to say they represent a broad geographical spread but, mainly, from the south and the south east. Coming away from the meeting, one could not be but impressed by the stress that these farmers are under, not only about feeding animals but also the financial pressures. As one man put it, it is not only a question of no fodder - they have not funds to pay for fodder - as in some cases, because of their financial situation, they have no funds to pay for loans.

The credit side is critical. At this point, it is a key issue to be addressed. The Minister mentioned making a low-cost loan available to farmers shortly but the reality, as the figures in co-operatives and merchants would bear out, is that they are carrying more debt than ever, not only on account of now but in the past year. There is a cash flow problem across the board in this sector and a cash injection is required. I am very concerned.

The Minister mentioned the previous loan scheme that offered low-cost loans to farmers but capacity to pay is an issue. I take the point that not all farmers' circumstances are the same but some farmers are under severe mental pressure. From some of the stories we are hearing, it is quite desperate. We must adopt a holistic approach to cater for farmers in all circumstances so that in some critical cases, they do not feel like they have no place to go. They must have some place to go. They have no control over the weather. Many of them have ramped up dairy production. They have invested big time. They are repaying considerable loans and now they have this problem before them. The impression I got is that the finance side of it has to be sorted out and there has to be room for them to manoeuvre to restructure existing loans. That is critical.

Not everybody is being accommodated by merchants or the co-operatives. Not everyone is in a position to be accommodated. We all talk about the high interest rate overdraft cost of working capital. Notwithstanding the efforts that are being made, unless we put something clearly on the table that farmers can subscribe to that is away from the vagaries of the lending market and the banks, we are not tackling the fundamental component of the problem we have here which goes beyond fodder.

I welcome the work the Minister has been undertaking in Teagasc, the fodder production incentive and the fodder import support measure. Colleagues here have underlined the fact that there is a problem throughout Europe and there has been a drought throughout Europe, and it

is not as straightforward as being readily able to access fodder elsewhere. We are in the eye of the storm and we have not taken all the steps we need to navigate our way out of it as safely as we can. There is a storm.

We also are faced with people shortly being asked to pay their preliminary tax bill. I refer to dairy farmers who will be asked to pay tax on the basis of whatever their incomes were last yea and to farmers who generally pay tax. In my part of the world, many farmers do not end up paying tax such is the low income that they receive. They were, however, in a position to cut second silage and are hoping to save it but the reality is, if one has suckler cows and beef, the farmers on whom they rely to finish off these animals do not have money to buy them. A few farmers I spoke to at Balla mart on Saturday last commented on the absence of the buyers who are normally there and that they are not happy with the prices they are getting for their animals currently. This has a knock-on effect. Farmers in the west rely on farmers elsewhere who are most badly impacted by the lack of fodder. There has to be some dialogue with the Revenue or there has to be some flexibility in dealing with these farmers. The Revenue, above all bills, is most feared for good reason. This is another financial difficulty or hardship coming down the line for these farmers.

On the crisis fund set up by the German Government, the Minister mentioned that Teagasc is seeing a national fodder shortage at this stage of 28%. In July, Dairygold in Munster conducted its own survey and came up with 25%. There is no reason to believe it is not worse. It would be in keeping with the figures of Teagasc. Bearing in mind that some farmers do not have the ability to repay, I wonder at what point the Minister will make decisions about making a similar fund available for farmers who are in dire straits because of the situation they find themselves in. It is serious for some farmers.

That brings me to another issue. Many of these farmers were concerned, not just for themselves but for their neighbours, about the emotional and mental pressure on farmers. They were concerned as to whether farmers are being reached out to in an appropriate and proper way, not only through words and counselling and support which we all know is important, but through solutions. There must be a port of call for solutions. They should know that there is always a solution, and that the Minister, working with all the agencies available to him, can bring about these solutions. Farmers must be reached out to further as some people think they are in a very dark place at the moment. They are in a hole. I urge the Minister to take action as soon as possible, especially on the credit side.

Deputy Michael Creed: The work of the stakeholder group, the Department, Teagasc and, indeed, myself has been ongoing across the summer and through the month of August. The question Deputy McConalogue poses is how to close the gap. There is no single instrument that will close the gap. I could not agree more with Senator Paul Daly that imports alone will not solve the problem. The fear was that in flying that flag, we would import and people would see it as the solution. It is not. It is only a small part of it and an expensive one at that. The real solution, in so far as there is a solution to be had, is to use every available opportunity between now and the end of the growing season, whether by availing of our tillage initiative or our low-income permanent pasture concessions in the context of GLAS participation. In that context, our negotiations with Brussels on GLAS concessions and LIPP were about securing payments which for those farmers are worth €85 million per annum. We want to ensure that we secure the payment, deliver the environmental benefits under the scheme and have it liberated for the period post 1 September for a harvest. We have managed to secure the payment, which is really important, and, where it was previously not eligible, farmers now have those lands available for

harvest. That is 270,000 ha. I acknowledge that a lot of it is not suitable and will not deliver baled silage, but some of it will and that is part of the solution.

Tillage is also part of the solution, as is culling. There is a host of instruments which need to be used to get us out the far side of this. There is no single one. In many instances, it will depend on the circumstances in the individual farmer's yard. I emphasise that a significant part of the solution relates to those who may determine that they have enough themselves for the winter, but who may not be inclined to avail of the flexibility. They should really look at the opportunity presented to them now because the migration will not be from the south east. In fact, if there is surplus fodder anywhere in the country, it will be moving in that direction I suspect. That is why those concessions are really important. In terms of delivering and if cash flow is the problem, €1.3 billion will be paid to farmers between now and the end of the year across pillar 1 and pillar 2 payments. That is on the basis of the concessions secured in Brussels to pay them earlier and to pay them at the maximum rate. That is an important cash flow. While members may counter that it is their money and it was coming anyway, it is coming earlier and it is coming at the maximum permissible rate. As such, it is additional cash flowing to the system, which addresses part of the problem.

Senator Paul Daly referred to clinics and one-on-one advice. That is one of the things the stakeholder group delivered. If one was buying any of the farming publications over the last several weeks, one saw significant advertising on the appropriate measures to take. That has been supplemented by co-operatives on the ground organising meetings for their client bases and through the organisation of advice by Teagasc for its clients as well as those who are not its clients on a free basis. There are tailored messages for individual farmers, including one-on-one advice.

The Senator's said there was no point going to the UK. That safety valve is not as reliable as it was because the UK faces similar challenges. The point was made about where we were at regarding imports. The funding will cover approximately 80,000 tonnes. As I understand it, approximately 17 importers, co-operatives and others, are approved under the scheme and approximately 40,000 tonnes has already been identified by some of the key players. Some is already in the country and options have been taken elsewhere. Whereas the announcement on these negotiations was made some weeks ago, we were in constant contact with all of these parties, in particular the bigger importers and processors with established track records. They were aware of our thinking and deliberations on all of these matters and they have been out in the marketplace to source fodder and to take options. I cannot emphasise too greatly Senator Daly's point that this is really only a small part of it. The best chance we have of getting out of this is to avail of the window of opportunity provided between now and whenever the growing season ends. Whether it is sooner or later, we must maximise every opportunity through the tillage scheme, farmers getting a second and, where possible, third cut, and GLAS concessions. GLAS may not be an opportunity for oneself, but it may be for one's neighbour or someone else.

I refer to the credit issue. As I said, we will be making an announcement in the context of the engagement we have had with all of the partners on the next loan, which is a capital investments piece. It is not a working capital piece. I dealt with the issue around working capital earlier and the response of the industry in that regard. However, it is also the fact that all co-operatives have responded in some shape or form, which has been really important.

I have dealt with the issue of live exports. We continue to engage, not only with Bord Bia, but directly on these matters through officials in my Department with competent authorities in

other jurisdictions. It is not so much a function of Bord Bia, albeit it has a role to play. A great deal of the engagement is at a technical level between officials and that continues whether it is Turkey, Libya or anywhere else. Those meetings have been continuing. The proof of our commitment to live exports is in the figures.

Senator Mulherin spoke about credit. I have engaged with the banks around the need for them to respond. They can outline that response in detail themselves. That engagement has also been about understanding the financial pressure farmers are under and engaging with farmers, not late in the day but in anticipation of issues around repayment capacity and parked interest to take account of that. I was encouraged by what I heard, but I also made the point to the banks that one client with his or her hand up to say he or she was not treated well would cause a problem for all of us. I have been reassured by the banks that they appreciate the concern and have responded by way of product. They are also prepared to respond by way of engagement directly with individual clients who may have difficulties. It is extremely stressful and difficult and I appreciate the looming deadlines in terms of tax returns and tax liabilities which are also important. Farmers should be aware that there is someone they can talk to about those issues.

On the income tax code, we have also introduced an opt-out in the five-year income averaging scenario, which some farmers find beneficial, albeit it is not for everyone. It is a consequence of an understanding of the way farming works. It is volatile and in some years one can experience a significant drop in income. The opt-out from income averaging is important in that context.

Chairman: Before I move on to the next speaker, I note the potential cost of whatever product is being imported. Obviously, we were traditionally dependent on our nearest neighbour for imports but the fact that they will now come from further afield will, I presume, involve an extra cost. Is there any indication of that cost at this stage?

Deputy Michael Creed: Our support is approximately €50 per tonne on imports. My understanding is that the destinations are substantially France, Spain and Italy for alfalfa primarily.

Deputy Thomas Pringle: I thank the Minister for his responses. I will not go over what has been said because it has been dealt with comprehensively by people who probably know a great deal more about farming than I do, which is positive.

I have a few questions. One relates to an ongoing issue that arises ultimately from climate change. There have been extreme weather events over the past year and the Minister has said a number of times that this will be the norm from now on, or that he expects that something similar will be the norm. In terms of taking a long-term view on this crisis, what is the Department's view on stocking levels nationally? Will they have to be controlled or even reduced? I am reminded of previous years when I was a member of this committee and the discussion was about increasing the milk quotas. There was enthusiasm at that time about the volume of beef that would be available and that dairy farmers could grow without limit. Before it had even happened, however, there was a reduction in prices and so forth. At what stage do we have to start considering controlling the herd or moving back, and what impact will that have? What long-term view has the Department taken on considering that, if weather events are going to be the norm rather than the exception?

With regard to the banks and the cost of finance, how much of the finance that is being made available is to pay the banks for providing the finance? How much can that cost of finance to farmers be controlled and what would be the impact of that?

Deputy Martin Kenny: The Chairman will appreciate that I am trying to run between two committee meetings. I welcome the Minister and his officials. The issue with fodder is that almost every year there is a fodder shortage in the north west. That area is traditionally where it has always happened, mainly due to rain and bad weather. This year we have a unique situation where it is occurring mainly in the south east due to an absence of rain. The situation is reversed. As Deputy Penrose said earlier, it points to the change in the climate, the impact that is having and the unpredictability of that. We have to deal with the crisis. I appreciate that the Minister has brought some measures forward but he will have to go much further to deal with this comprehensively.

A point was made earlier about cereal crops and the need to get more feed produced. One of the problems is that farmers in the areas that traditionally produced feed and cereal are now going into dairy farming and they are taking feed rather than producing it. That problem will have to be recognised and forward planning will have to be undertaken if that is to continue. The price of feed will be an issue, not only here but also internationally. When we import feed, we have that problem as well. The Department has opposed meal vouchers but I spoke to the Minister about this even last year. If the Department met with the merchants and came up with a solution to deliver feed directly to farmers at a keen price, it would work. Teagasc can identify the people who need it. The best way forward is to do something that will put feed directly into the hands of the farmers who need it at this time.

Forage is an issue because we need more of it. The idea of growing a winter crop on the land that traditionally would be left bare over the winter is a welcome part of the solution. In my part of the country, people are busy with good grass growth and cutting good second cut and third cut silage. In the north west, the land holds the water well, unfortunately.

Deputy Michael Creed: I was there recently.

Deputy Martin Kenny: It holds the water well and that means we continue to have growth. Even though we did not have a great deal of rain, we had a lot more than other areas. As the Chairman pointed out, what is traditionally the most productive part of the country is the part that is suffering currently. The solution to this will have to be getting feed and fodder in from abroad to some extent, as well as long-term planning. We need to plan for this if we expect that these changes are going to happen. We have seen over the past five or six years that the change in climate has generally been about more rainfall over a longer period of time, with a wetter harvest or wetter spring and farmers unable to get as much pasture or fodder as a result. This is a unique situation and we hope it does not return every year even though people like hot summers.

A drainage scheme would resolve this in the areas that usually have that problem. If a scheme was put in place, particularly on marginal land in the north west, we would extend the pasture period, get more land into meadow and get more forage from it. That would help in the future. It might appear to be the reverse of where the problem is now but that part of the country is usually the area where we encounter this problem.

It is essential that farmers can secure finance at a keen and proper rate. My big gripe with the banks is that they are borrowing money from the European Central Bank at the same rate as every other bank across Europe yet they are charging three and four times the level of interest. That applies to everyone, including farmers and everybody who has a mortgage. It is daylight robbery and something must be done about it. It is not this committee's job to do something about it but there must be a recognition nationally that we have a problem with our banking

sector. It is screwing the public and must be held to account for it. Unfortunately, the Government has not held the banks to account. That must happen, and quickly, because it is a problem not only for agriculture but for every other sector, including the possibility of developing an innovative sector that will hopefully bring rural Ireland back to life.

Is the Minister prepared to buy the fodder farmers need? Is he prepared to ensure that a scheme is put in place, be it through vouchers or otherwise, to get feed to farmers who need it quickly so they know they can keep their stocking rates up? Many farmers are in a position where they will sell their cattle quickly and not keep them because they do not have the fodder for them. The problem in my part of the country is that the farmers are now producing weanlings and nobody is buying them. The weanlings were traditionally fattened in the midlands and the south east and those farmers will have little or no fodder for the winter. There will be a crisis there as well as the prices are going to fall hugely. We are faced with a crisis and there must be a long-term solution to it. There also must be a means of dealing with the immediate problem.

Deputy Kevin O'Keeffe: I thank the Chairman for arranging this meeting. I welcome the Minister. He has not been sitting on his hands but more has to be done. Incentives are being provided but they are not good enough. The Minister said he will bring forward the EU payments again. The payments have been brought forward in the past couple of years. If right was right in accounting, farmers should expect a second payment this calendar year given that we have brought the payments forward so much in the past few years. We are allowing farmers to dig a deeper hole for themselves. All financing will go back again into the banks for finance and refinance. Ultimately, those loans must be paid back. We are only prolonging the agony for many farmers who have faced various crises in the past couple of years, such as price volatility, wet weather and now drought.

Not enough has been done to highlight the problem that exists. The country should be more aware of it. They could see how important agriculture is to this country. The reason I bring this up is that Senator Paul Daly mentioned earlier that from watching Sky News and Euronews, which I also watch, he saw that as early as last July, the British were talking about a climate summit for British farmers in London and there has been no word about what is happening in Ireland. Two weeks ago the Germans were quick out of the blocks with a major package for their farmers. I know it is a bigger country but agriculture as a percentage of GNP and GDP does not have the same importance there but at the same time, they were prepared to throw out this enormous package to all sectors of the agricultural community. I add one proviso through the Chair to the Minister and it goes back to his predecessor. Tillage farmers were being compensated for the loss of crops in Germany. I remember when I came here first as a Teachta Dála in 2016, I met tillage farmers from the south west who had lost their crops through soil drift and they got no recognition whatsoever. The Government failed to acknowledge the need to give them compensation - they did not get one penny for the loss of crops in that time - whereas we can see the position in other EU countries. While the Minister is always saying we must abide by the EU rules, which is fine, it looks as though other countries have a way of bending those rules and looking after their own. We should be seen to do more on that.

There is emphasis given to the issue of the farm loans. We are going down the road where the Minister will have to find somebody from the Department to facilitate some write-offs in needy cases to ensure the viability of the farm family in rural Ireland. Deputy Penrose raised the possibility of meal vouchers earlier and he is half right. I am open to correction but I remember one of the last loan schemes the Department issued to farmers in need. I think I am

correct in saying that the needy farmers were not able to access those loans at the time. The Minister might have come back to the Dáil to state all the money was drawn down but did the right farmers get it? Did those who needed it get the money? It is all fine to say the book was closed and all of the money went out but do those schemes work properly to the benefit of the small farmer and the farmer who is badly hit by the issues currently at stake?

I have been concerned for the past couple of months. While I do not suggest the Minister is sitting on his hands, the major industrial sources were playing down this crisis. I refer to one of the major farm journals from four or five weeks ago. I bought it one week and I thought I had the wrong year's edition. There were only one or two items in it referring to the drought crisis we were suffering in the south and south east of the country. It hardly carried an article on it and only made one or two references. I am open to correction on that but I scoured through the paper to see if I was reading the right one because there was a crisis out there. I took part in farm discussion groups in my own area and I acknowledged that some farmers were getting away fine but it could be seen in the mentality of other farmers that they were under severe pressure trying to cope with the situation. The issue had been played down too much. The Department should be doing more on the ground. The Minister should look at the issue of write-offs where there are cases that need it.

Does the Department see a slow uptake in applications this year for the targeted agricultural modernisation schemes, TAMS, for payments or works? Has the Department noticed a change in the economic drive for farmyard investments? That will give a good insight into the economic impact it is having on rural Ireland because that affects farmers and builders and legal services as well. I do not wish to knock the Minister but I feel this crisis has been played down too much.

We might be here talking about a short-term solution but the Minister himself touched on the point that bringing in fodder will not be the solution and will not cover our food shortage. Does he have other solutions in mind, such as culling livestock? There is no point in saying we have a shortfall without having answers going forward. There is no point in finding out on Christmas Day that we might have to go to the factory with extra cattle because there is no fodder. I want to know what the overall plan is for the future. Grass only grows so much every year and only so much can be saved. The Minister should consider write-offs in individual cases and more importantly, a credit scheme should be provided through the co-operatives and the merchants because they are the people who know the farmers better than any bank manager working a computer above in Ballsbridge. They know where the feed is needed and where the credit is under pressure.

Chairman: I thank the Deputy. I have two more speakers but I will revert to the Minister first.

Deputy Michael Creed: To take up Deputy O'Keeffe's comments, we look at it from different perspectives. Sometimes I pick up the media commentary on this and I have a different reaction in this regard to that of Deputy O'Keeffe. That is not motivated by having a thin skin towards commentary on the efforts we have been making but rather the fact that all of this is played out in a transparent context with our competitors in the international marketplace. We make a lot of play out of our sustainable credentials, and rightly so, and this is a challenge for us that others in the marketplace could exploit. That is why we need to be measured in our commentary on it. That is not to mask the challenge in any way, it is not to pretend that it is not anything other than what it is but we need to be conscious that we export the overwhelming majority of what we produce in all commodity areas and we have quite good credentials in terms

of our sustainability. I take the point that Deputy Penrose is making in terms of our targets and sustainability. By any international comparison, in dairy we are very good. While we have room to improve in beef we are quite good by international comparison also. If, however, we put this up in lights, there are competitors in the marketplace who will use that to their advantage. However, by and large the commentary has been measured and focused on the issue and resolutions to it. It has not been ignored, certainly not in the farming media that I have seen.

Deputy O'Keeffe asked an interesting question about TAMS. As we were paying out about €1 million to €1.5 million a week on TAMS grants the last time I checked, it is still a substantial interest in investment on farms. We have a current tranche of TAMS open. I have not seen the figures but it is due to close in another couple of days or a week but there is no indication that there is a slowdown of interest from farmers in investing. That is tied into this reason for a capital investment product.

The Deputy asked me whether I have a plan for culling. I do not. Some of the advice would suggest that in certain circumstances, culling is an instrument that could be used but that is an issue for every individual farmer to make a decision on him or herself, whether it is in the dairy or beef side. We need to have the most efficient herd that we possibly can and we need to play to our strengths in terms of sustainability and things like grassland management. We have had initiatives in the past like the Grass10 initiative. Grass measurement is hugely beneficial as an instrument but unfortunately very few farmers use it. Milk recording is an instrument in our dairy industry which is efficient but it could be more efficient and the low level of milk recording is a disappointment in the dairy industry because the knowledge on solids and proteins is at the farmer's fingertips along with all the other details that are needed to make informed decisions. We can do an awful lot more to improve our sustainability credentials.

The Deputy made the point that the wrong fellows might have received the credit the last time around. I have heard that point made before but repayment capacity for any loan will be an important criterion and banks operate on a commercial basis. They are ultimately for profit.

Deputy Kevin O'Keeffe: Very big profits.

Deputy Michael Creed: We had a situation where the banks did not make profit and it was a more problematic issue for us.

Deputy Willie Penrose: They stole €64 billion from us. The Minister should not dig a hole for himself.

Deputy Michael Creed: There are two sides to that debate.

Deputy Willie Penrose: They have the hardest faces one could ever meet.

Chairman: We will deal with that in the next part.

Deputy Willie Penrose: Did the Minister intend to buy fodder?

Deputy Michael Creed: No. The Department approves applications to be an importer. As I said earlier, we have approximately 17 approved importers at the moment, between co-ops and others. Normally people will have a track record in previous import regimes. I think it is approximately 17 at the moment that have been approved. They are the best-placed people. They are in the marketplace and they have contacts from previous import regimes in that area.

I have dealt with Deputy Pringle's point, but it is an ongoing issue. We are in the middle

of a Teagasc audit on the current state of play and what the shortfall will be. We will have a further one before the end of the year to quantify what exactly the shortfall is. I hope all these initiatives will close the gap of the deficit. That, along with other devices, will hopefully get us a resolution to this.

Chairman: I now call on the two final speakers, Deputies Murphy O'Mahony and Fitzmaurice.

Deputy Margaret Murphy O'Mahony: I commend my Fianna Fáil colleagues on this committee for asking to hold this meeting. It is a pity the Minister did not make himself available sooner but we are where we are. I understand he is a busy man but I hope he understands the worry that farmers in Cork South-West and across the whole country are experiencing. I know in his heart he does. I thank the Chair and the committee members for allowing me to speak today. I am not on this committee but I travelled all the way from west Cork to speak here and also to speak at the committee discussing post offices. Both are crisis points for the people of west Cork.

At the start of the Minister's opening statement, he spoke about the extreme weather. We had extreme rain and drought, and there is no denying that. I know he is a good Minister but, good and all as he is, he cannot control the weather. What he can control is his reaction and action to the weather. He can also control the reaction and action of his Department. I would like him to take that on board. Any time I hear him speaking about the fodder shortage, he mentions the weather quite a lot. We all know what has caused this but we need action from the Minister and his Department.

I welcome some of the measures he has introduced, such as extending the date for the spreading of slurry. With respect, this did not cost anything. I ask him today to open the purse strings wider and bring in measures that will help the farmers in west Cork with whom I deal every day. They are worried.

On the low-interest loans, which were already committed to, what is happening with them? This time, unlike the last time this scheme was run, when they do come in will the people who deserve the money most get the money? It did not happen the last time this scheme was introduced. It is essential that those who need it most receive the money. When this was last run, constituents of mine paid up to €700 to accountants to get help to fill out the forms, but most of them were shot down. On top of not getting a low-interest loan, they had a bill of €700 to pay their accountants. Some of their neighbours, whom we all know did not deserve it as much as the people who were turned down, did get the loan. I would like the Minister's comment on that.

Immediate action needs to be taken, but we also need to plan for the future. We had extremes of weather for the past couple of years, and it seems it will happen again. In west Cork this morning there was a slight frost, and this is only 4 September. I presume we are in for a cold, and possibly wet, autumn and winter. Immediate action needs to be taken now but also for the future over the next few years. We need to plan. I recommend the Minister take a leaf from the book of the German Government and the German Minister for agriculture, and take a more proactive approach.

Chairman: I hope the Deputy will not start giving the weather forecast on a regular basis because that does not sound promising. Finally, I call Deputy Fitzmaurice.

Deputy Michael Fitzmaurice: I thank the Minister for his presentation. I would like to clarify a few things. He said there were approximately 17 approved operators for bringing in feed from outside the country, including co-ops. We are hearing stories, and the Minister might be able to enlighten me. As he is aware, in most parts of the country people who had lorries were bringing the feed from A to B, and that was their business. Obviously, the feed is not there. We are hearing from what I would call the small operators, who are not co-ops but are privately employed people who have spent their whole lives at this work, that they are not able to get through this ream of paperwork. I noted the Minister said they have a track record. They are not able to get through this paperwork to bring in fodder or get approved. Will he clarify that situation? Can it be made less cumbersome?

The Minister may remember that three, four or five months ago I mentioned the low input permanent pasture. As he knows, last winter farmers had to get rid of stock and some of them were left with a lot of grass. This is where we need to be proactive rather than reactive. There was an opportunity early in the year where there was a plethora of grass, where people had sold stock and did not have fodder. With the low input permanent pasture the grass was growing well but they were not allowed to cut it. Now they are. One wonders why we could not have got that for them then.

There is another thing we need to keep an eye on and I ask the Minister to talk to the banks about this. The banks are the first ones to get the single farm payment. The Minister said farmers will get money, which is great. They will get 85% a bit earlier. To call a spade a spade, however, in December they will get the same money they were owed although it might be a little quicker. The banks will get it first. The contractors and the co-ops will be hanging because the banks will swoop first, as we are well aware. I ask the Minister to talk to the banks to ensure they are not pulling everything out and leaving nothing for the other side. In fairness to co-ops, they had help last winter but they cannot keep going.

There is no simple solution to this, and no one will solve it overnight. The factories know that at the moment there are many culled cows coming out. They are doing the usual things that factories do at this time of year. They have pulled the price of cattle. In many factories, they are refusing to kill any carcass which is over 440 kg. It is skullduggery. The price of lamb has been dropped. For one good deal, perhaps to get more stuff growing somewhere else, the store lamb is in trouble at the moment. The guy who may be sowing this crop now used to always buy them for the stubbles but they are not buying them now, so the store lamb is in trouble at the moment. The factories for both lamb and cattle are using their usual tactics. They know farmers are under pressure. We are hearing stories. It is not my county, in particular, but people in the dairy sector are culling many dairy cows, and what they are doing to them is criminal, in my books, with the prices being offered. A move must be made there, led by the Department and the farmer organisations. The factories have much to be accountable for in what they are doing at the moment, and especially with the price of cattle. I know the weanlings are coming out at the moment. A really fancy weanling out of a two-star or three-star cow is making good money, but the plainish ones are unsellable in many places.

Many people are concerned about the depreciation of currency in Turkey and the difficulty in trading there; that needs to be addressed.

We talked about credit. The Minister said that banks are commercial entities and we know what they have done over the years. The small family farm with a small payment got damn all money in the different loan systems. It is also important to keep them going. I offer a solution. GLAS does not have the number of participants anticipated. There is a budget there. Can the

Minister kick that into gear? We now know that suckler cows have just gone downhill based on the number of calves registered. Will the Minister bring in the €200 payment for suckler cows? If he does not, areas in the country will be decimated.

I was out this morning on a tractor and baler on hire, baling for farmers. We are getting five to six bales second crop. In parts of the country, on more marginal land, between the first bit and the piece they have taken up again, farmers are coming near to having enough fodder. In other parts of the country it is nearly the opposite of last year - for example, in the south and south east farmers are in big trouble. There is some dryish rocky land in our neck of the woods that has not returned.

Some type of Government support needs to be introduced. We now know the consequences of less grain having been sown. We have the decimation of the suckler herd which has been denied for a long time, but is happening. I will outline a factual case. The Minister and his officials have power in this regard. I know of farmers who had slurry in the shed last spring. They had to spread slurry with the tanker - they might have ploughed two or three loads. They had mostly bad land with a bit of a hill and the tanker left a mark. Anyone would know the weather we had last winter and the pressure experienced by farmers. An inspector came out and gave a €2,000 penalty. Can this be reviewed? We talk about the money coming - 85% by Christmas. However, these penalties, some of them nonsensical, represent money not coming to a farmer. With the best will in the world, going through the appeal process will take a few extra months. Can the Minister do something about that?

I ask the Minister to get stuck into the factories straightaway. I know that they will give every excuse in the world. As the Minister pointed out, some farmers can cull a certain amount, including old ewes and cows, and they can fatten a certain amount of cattle. However, with the price of cattle as it is, people who never held them are trying to hold them over because they are so bad in places, especially the plainish cattle. The factories have to step up to the mark. While they might be able to make hay this year on the back of the farmer because they know they are caught in a situation, down the road if the farmer does not have the cattle for them, they will also be gone. We need to look at the bigger picture of what is going on.

The Minister talked about giving credit. Many farmers' loans have been sold on to vulture funds. For once, as a State, as a Government and as politicians, we need to do something to try to finance some of these people to allow them to hold on to their farms, rather than heading for "landlord" Ireland.

Chairman: Before coming back to the Minister, I wish to make some brief points. In the discussions so far today we have heard a lot about the future. We have all seen, particularly in my part of the country, many young, enthusiastic, energetic and skilled people enter into the industry, particularly the dairy industry, in recent years since the abolition of milk quotas. I fear that those young individuals, whom we need in the industry for the future, will get badly burned this year because of what has happened and the extra costs that will be incurred. We need to ensure they are in a sustainable position for the future. If we do not have them in the future, we will be in serious trouble.

As we discuss CAP in coming months, is it now time to consider an insurance-type scheme in the longer term to deal with these types of issues? We have these discussions on a six-monthly basis. Unfortunately there is volatility if there is too much rain, if there is no rain, if it snows, etc. We need a discussion on an insurance-type scheme to deal with these matters once and for all. We should have a pot of money that in the event of a fodder crisis or other crisis can

be accessed to deal with these matters.

We have had much discussion about the farmers with greatest need for whatever scheme may come down the line. I would argue that those who need it most are the most productive farmers because of difficulty in the productive area. Will they be in difficulty because of the state aid rules? They may have acquired the low-cost loans last year. Will they have reached their limit because of those state aid rules?

We have many targets in respect of Food Wise 2025. As the Minister mentioned, there has been increased production with dairy yields up again. Should we now have a detailed review of those targets? In a previous meeting the Minister spoke about the industry's targets. Is it now time to look at this from the ground up? The industry seems to have led and been driving these targets up to now. Do we need to look at where we are going in the future the other way round - from the ground up?

Deputy Michael Creed: I sincerely thank the members for their contributions and will deal with the points raised by Deputies Murphy O'Mahony, Fitzmaurice and the Chairman. Deputy Murphy O'Mahony raised the issue of access to finance. She instanced the case of paying €700 to an accountant to make a loan application to a bank. People can judge for themselves the wisdom of doing that. I certainly was not aware of any obligation in that scheme for that level of input when making the application. A person who is refused it always feels aggrieved and understandably that product was oversubscribed. There are new products in the market now and I know representatives of the banks will address the committee shortly. I will not make further commentary on that.

I wish to address a few points Deputy Fitzmaurice made, lest they be allowed to stand as fact. We reopened GLAS and took in everybody who applied. We have achieved the 50,000 target. There is not an unspent number there. We took in everybody who wanted to join the scheme. There is now a proposal to reopen it.

Deputy Michael Fitzmaurice: What about the payment of €200? Some €250 million a year was laid out.

Chairman: I will let the Deputy come back in a minute. The Minister should conclude first.

Deputy Michael Creed: The Deputy also made commentary about the store lamb trade. My understanding based on the advice available to me is that on the contrary the store lamb trade is quite strong at the moment.

He referred to the decimation of the suckler herd. I do not know what his definition of decimation is. I acknowledge there has been a reduction in the suckler herd. The greatest reductions came in counties Cork, Waterford, Carlow and Kilkenny. I think Carlow was the top county in number. In some instances I suspect it was because of migration from dual enterprises to an entirely dairy enterprise. In other instances people just moved from one enterprise to another. The reduction of 6% or 7% in the most recent figures I saw does not constitute decimation. I acknowledge that issues arise regarding the Common Agricultural Policy and how best to support the industry in future and I am open to engaging on those issues. It is important, however, that we base the debate on facts.

The general issue of factories has arisen several times. The Department has been warned numerous times by the Competition Authority that it has no function in that regard. I will just make the point - the position is somewhat different on the dairy side because most of the dairy

processors are owned by farmers - that there is a symbiotic relationship between the beef factories and beef farmers. They need each other and people should be aware of that in the context of the current difficulties.

On supports, the point has been made about the early payments but we have also provided an additional €25 million for the disadvantaged areas scheme for payment this year. That should be beneficial in the Deputy's constituency. We have also skewed that payment deliberately in favour of those on more marginal land. That should deliver.

The Deputy also asked why there was not earlier movement on low input permanent pasture. The reason was that we did not want to jeopardise the payment, for which €85 million is available. We wanted first to secure the payment and then liberate the land for additional fodder production. It would have been a shallow victory if the land had been released from the regulations but farmers had not been paid. The payment for that option is worth approximately €85 million. I think that covers most-----

Deputy Michael Fitzmaurice: I asked a question on hauliers.

Deputy Michael Creed: I am sorry. In regard to the importers, we have an open mind about approving applications provided the applicant can assure us that he or she can meet the *de minimis* requirements and administrative procedures necessary in respect of the scheme, which are the same for everybody. It is not just the dairy co-operatives; other non-co-operative structures have also received approval to import. We are not in any way prejudiced against anybody. Applicants must prove they can work the scheme administratively in the way that is necessary for our records in respect of the *de minimis* nature of the support being delivered to individual farmers.

Chairman: Deputy Cahill wishes to make a brief point.

Deputy Jackie Cahill: I referred to meat factories exploiting farmers. The Minister is reneging far too easily on his responsibility in this regard. We have a beef forum which can surely determine what is a fair price. The factories dropped prices again this week, which was completely unwarranted. Everything we hear on the grapevine indicates they intend to reduce prices again next week. They cannot be allowed to exploit farmers in this way. Fairness in price is the least we can demand from factories when farmers are under such pressure.

I also mentioned the pig industry, which is under dire pressure at the moment and is caught in the eye of the storm. Increasing feed prices are having a major impact on the pig industry. Although the number of farmers involved is small, it is an important industry for the country and it needs help. Pig and bacon prices are down but the increase in feed costs is having a serious effect on the industry.

Deputy Michael Creed: I am not sure what the Deputy has in mind regarding what I should do with the factories or beef operators. I am clear in respect of the-----

Deputy Jackie Cahill: If we compare the beef industry with the dairy industry, there is a basket of dairy products and we know to within half a cent what a litre of milk is worth. In this day and age, we should be able to calculate what the market is returning for beef and determine, within €20 or €30, what a carcass is worth and if a fair price is being paid. The beef forum should be able to do that. We should be able to determine what the returns are in the market given that we can do this on the dairy side. Various indices show what different products are worth and we can determine what a litre of milk is worth to within a fraction of a cent. Surely

we can do the same on the beef side in this day and age.

Deputy Michael Creed: The point I am making about my function is that I cannot tell the beef factories to pay a certain amount next week. There is a difference in the ownership structure. The co-operatives are owned by the-----

Deputy Jackie Cahill: I am not saying the Minister can determine the beef price. Surely the beef forum can decide whether the recent drop in price is justified because in my view it is not. We are told prices will drop again next week. The factories are using increased cattle numbers to exploit the price.

Deputy Michael Creed: We track the prices here relative to the prices across the European Union to allow us to compare like with like. We are obliged to make weekly or monthly reports on that to the Commission. Our prices often stand up in respect of comparability, by which I mean the price paid to farmers here relative to prices paid elsewhere. Bear in mind that a processor here exports 90% of what it processes to get it to market whereas other processors in Europe are slaughtering for a market on their doorstep. We are the biggest net exporter of beef in the northern hemisphere, with a small domestic market. I take the Deputy's point, however. It is important that the industry recognises the challenge farmers are facing.

The Deputy's other point was on the pig industry and I apologise for not responding earlier. I met representatives of the pig industry recently and they raised a number of issues with me, which are under consideration.

Chairman: Will the Minister comment on the idea of an insurance scheme?

Deputy Michael Creed: I apologise for not responding on that point, which the Chairman raised in his contribution. We are one of the few EU member states that does not have an insurance-based model for dealing with circumstances such as fodder shortages and drought as part of its toolbox under the Common Agricultural Policy. Given the frequency with which events like this are occurring, that option should be examined and the Department is doing so the context of the next CAP reform. The Chairman also raised the issue of young people. We need young people in the industry and we have instruments in place to encourage that, for example, young farmer supports and higher levels of grant aid under the targeted agricultural modernisation schemes, TAMS. The insurance model has much to recommend it.

Chairman: I thank the Minister and his officials for appearing before the committee today. I hope we will not have to address this issue again in a couple of months. That will depend on the weather and as Deputy Murphy O'Mahony noted earlier, the outlook is not encouraging in that regard. I hope she is wrong. We will suspend briefly.

Sitting suspended at 4.48 p.m. and resumed at 5 p.m.

Chairman: I remind witnesses, members and those in the Public Gallery to make sure their mobile phones are turned off completely as they interfere with the recording and broadcasting technology.

We are here to discuss the fodder difficulties and the drought situation in the country from the farming point of view. I welcome from Bank of Ireland, Mr. Seán Farrell, head of agricultural business banking, and Mr. Pierce Butler, head of sectors; from Allied Irish Bank, Mr. Tadhg Buckley, head of agriculture, and Ms Margaret Brennan, head of small and medium enterprise, SME, sector strategy; from Ulster Bank, Dr. Ailish Byrne, head of agriculture, and Mr.

Eddie Cullen, managing director of the commercial banking division; and from the Strategic Banking Corporation of Ireland, Mr. Nick Ashmore, the chief executive. I thank them for appearing before the committee today to update it on what additional steps are being taken by the banks to assist the farmers who are impacted by the fodder and drought difficulties.

Before we begin I remind everyone of the rules in respect of privilege. Witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable. I am aware that the witnesses were in the Public Gallery for the first part of the meeting and am sure they are aware of the procedure.

I invite Mr. Butler from the Bank of Ireland to make his opening statement.

Mr. Pierce Butler: I thank the Chairman and committee for the invitation to speak here today. I will give a general overview and then hand over to my colleague, Mr. Farrell, to talk specifically about the supports we are providing for customers in the farming sector.

Bank of Ireland is the largest lender to the Irish economy, having lent €14.1 billion during 2017, and has been lending more than 50% of the new lending flow into the sector. We also have the largest retail bank network in Ireland with more than 250 branches throughout the country, which demonstrates how strongly we are embedded in communities. While retaining our branch network we have also made changes to how we serve our customers by enabling our staff to become more mobile in their communities and to meet our business and farmer customers at their premises and farms. This mobility and agility is more convenient from a customer perspective and gives our staff the opportunity to better understand each customer's business and how best we can meet their banking needs. We have a mobile lending team of more than 115 people, including dedicated agrispecialists available to support colleagues and customers with individual funding requests. We also provide direct lending over the phone, lending to business customers, including farmers. The direct lending service provides loans of up to €120,000 to customers without the customer having to come into a branch. Our unique combination of a great digital presence and a footprint in 250 communities across the country means we can be more responsive to, and flexible in meeting, our customers' needs.

The committee may have seen recent announcements that the bank created 100 new customer-facing roles earlier in the year as part of an overall strategy to increase the number of people in customer-facing roles. We have also announced that 100 branches are being upgraded so that there will be an all-day counter service in those branches. We have listened carefully to feedback from our customers to understand how we could improve the service we provide and have taken these steps as a result of that.

I will now hand over to my colleague, Mr. Farrell.

Mr. Sean Farrell: I thank the Chairman for the opportunity to address the committee today and outline how we in Bank of Ireland are supporting our agricustomers in this very challenging year. When we were here in May we advised that agriculture was our largest stand-alone business sector and that we are committed to meeting our customer's needs across all enterprises and this remains very much the case. We noted at that time that investment appetite among our customers had been affected by the challenging weather this spring and that we had yet to see significant increases in demand for working capital from our farming customers.

This trend has continued and while there have been some increases in overdraft utilisation levels during July and August, less than 20% of approved limits are currently in use. We absolutely appreciate the extent to which our customers around the country, and particularly in the south and east, have been affected by the summer's drought and that fodder shortages and deficits remain a real challenge for livestock farmers and that yields have also suffered for our arable customers. Reduced growth and yield mean extra feeding and increased costs. We can help customers in several ways to fund this additional cost and manage their cashflow over the coming winter and spring. We understand that much of this cost has been financed initially by means of co-operative and merchant credit and we believe that for some farmers it may not make sense, or be possible, to repay all the extra costs incurred in this year in their current working capital cycle and that they may need to spread these increased costs over several years. To this end, I am glad to advise that Bank of Ireland has today launched a €100 million agriflex fodder support fund which has been specifically developed to respond to the needs of farmers affected by the challenging weather conditions over the past year. It provides farmers with extended repayment terms of up to three years compared with 12 months for a normal stocking facility, a discounted interest rate of 3.86% and will be available for applications up to 31 March 2019. This new loan finance is available to farmers seeking finance for additional fodder, for feed and for fertiliser that they have already purchased but have yet to pay for, or which they plan to purchase in the coming months. The extended repayment term of up to three years combined with a discounted interest rate will support farmers in meeting additional costs and ease difficulties around cashflow.

We are also identifying those farming customers whom we consider may be most impacted by the summer drought and in greatest need of financial support and we have introduced a dedicated outbound customer care calling programme to these customers to advise them of options available to support cashflow which include our new fodder support fund. Separately, many of our agricustomers also have loans with other financial institutions some of whom are no longer lending in this market. To deal with this we introduced an agriloan refinance package in June through which we are offering customers the option to move these loans to Bank of Ireland. We can generally match their existing interest rate and cover the bank legal fee and valuation fees associated with the move.

By moving these loans, customers can then use security transfers to help fund further development of their farm business.

Bank of Ireland participated in the Strategic Banking Corporation of Ireland, SBCI, cashflow loan support scheme in 2017 and we successfully lent €65 million to our customers in partnership with the SBCI. Farmers are not eligible to apply for the current SBCI Brexit scheme. However, as we heard earlier, should another farmer-focused scheme come onto the agenda in 2018, we will look to support and participate as we have with previous SBCI and Government lending initiatives. Our approach is that where we believe a customer has a viable farm business, we need to support him or her through short-term cashflow challenges such as those being

experienced in the current year. This support may take the form of some of the initiatives that I have mentioned already. In certain cases it may entail the provision of an increased overdraft limit or indeed a stocking loan. We can also offer customers interest-only repayment options to reduce their annual debt funding requirements.

Bank of Ireland is taking a pro-active approach to supporting customers, with all of our front-line staff acutely aware of the challenges they are facing. We are actively asking customers to let us know if they believe they are likely to need extra working capital or other support. We will look to put the required facilities in place for them.

Despite the weather difficulties faced by farmers this year, we retain a generally positive outlook on this sector. Commodity prices for most sectors have held their own or increased this year, and Irish agriculture retains competitive advantage in many ways, not least of which is a low average debt level across the overall sector. Through our nationwide teams, we are committed to supporting customers and will continue to do so in the coming weeks and months as we work with all sector stakeholders.

I thank the Chairman and the committee members for the opportunity to address the committee. We will gladly answer any questions that the committee members may have.

Mr. Tadhg Buckley: I thank the Chairman and members of the committee for inviting AIB to discuss with the Oireachtas the cashflow challenges that the ongoing weather-related difficulties have created for Irish farmers and their families. My name is Tadhg Buckley. I am head of agriculture with AIB and I am joined by Ms Margaret Brennan, head of small and medium enterprise, SME, sector strategy with AIB.

Agriculture is an integral part of AIB's business. With about €1.7 billion in lending, the bank holds over 40% of total outstanding lending balances to the sector in Ireland. Supporting the sector, we have a nationwide agri-advisor team of 15 agricultural science graduates providing financial and technical expertise to our front-line staff as well as engaging directly with customers. This team has substantial experience in dealing with farm income and cashflow difficulties, particularly during 2009 and 2013 when farmers faced similar challenges to those currently impacting the sector.

The last 18 months have been a most challenging period for Irish farmers. Weather-related difficulties have been ever-present during this time with all extremes experienced, including severe wet periods, substantial snowfall and a sustained drought. A combination of increased meal and fodder feeding, lower yields and higher input prices has resulted in farmers across all regions and sectors, including both livestock and tillage, being impacted. This is a key differentiator from previous crises which were often more sector-specific or region-specific. AIB is working proactively to support our farming customers in overcoming any financial challenges they currently face. While the sector is currently experiencing cashflow pressure, AIB continues to maintain a positive long-term view of the sector and will assess repayment capacity based on long-term output and input prices rather than the current situation.

In recent months AIB has undertaken a number of initiatives to encourage farming customers who may need financial support to engage with us. These initiatives include a communications programme with local press articles and online articles to urge farmers to identify their winter requirements and engage with the bank where additional cashflow support is required. Since weather difficulties emerged in late 2017 we have regularly briefed all front-line staff on the challenges facing our farming customers and on AIB's range of cashflow options, which are

available to help overcome these. We intend to continue both internal and external communications in the coming months to help ensure our customers remain informed on how AIB can support them through this current difficult period.

Moreover, local drought response task forces have been formed in the regions most heavily impacted, with customer contact programmes initiated in these regions. A fodder cashflow survey has been undertaken of farmers attending the AIB Irish Grassland Association dairy summer tour and the Tullamore Show to better inform AIB of the type of challenges facing our farming customers. AIB's agri-advisory team has participated and presented at a number of fodder-related events across the country, including industry workshops and discussion group meetings. This team is planning several further workshops in conjunction with the Irish Farmers Association, IFA, and Teagasc in the coming weeks. In addition, a fodder shortage panel discussion was held at the Tullamore Show, with participants from across the industry offering advice on how to deal with current on-farm challenges. We plan to roll out further initiatives shortly. The primary focus of these will be on helping our farming customers to estimate the likely financial impact the current weather-related difficulties will have on their business and outlining the various options available to our customers to overcome any financial challenges they are likely to face.

Customers can engage with our team of 280 business advisors throughout the country. These are available through our branch network, on the phone or online at *www.aib.ie/farming*. In addition, our dedicated 15-person agri-advisory team has a nationwide presence and is supporting both our front-line staff as well as interacting with customers who are seeking cashflow support. This team is a touch point for distress cases as they come to light. We are also very conscious of the stress the current difficulties can place on the overall well-being of farmers and their families. We ask any farmer who is under severe cashflow pressure to contact the bank and we will prioritise that request urgently. Extended contact hours are available for farmers via our customer phone line, 1890 47 88 33. This is available from 8 a.m. to 9 p.m. from Monday to Friday and from 9 a.m. to 6 p.m. on Saturdays.

AIB has a range of financial options to support our farming customers. These include 48-hour decisions on business loans, farmer credit lines, overdrafts up to €60,000 for AIB customers and flexible working capital finance by way of an AIB farmer credit line, which is currently available at a variable interest rate of 3.5% to 5% to all directly and indirectly-impacted sectors, such as the pig sector. I refer also to our PromptPay working capital facility, which allows farming customers to spread payment of Revenue liabilities, accountancy fees and pension payments over an 11-month period. We will retrospectively finance capital expenditure or breeding herd expansion which is already funded from cashflow in 2017 over terms of up to seven years. We offer interest-only periods in the form of capital repayment holidays where appropriate.

To date we have had a substantial level of proactive one-to-one engagement with customers on cashflow. In many cases, farmers have indicated that they will require additional cashflow support over the coming months but are currently focusing on the day-to-day operational challenges that the drought has placed on their farm businesses. Accordingly, we anticipate the level of cashflow support requests to substantially increase as we progress through autumn and winter. We have no limit on the amount of working capital, in the form of the farmer credit line, PromptPay or longer-term loan finance, available to support farmers through this short-term challenge. Our advice, as it has always been, is to engage with the bank early if additional finance is required. We will work with the customer to find the most appropriate solution for individual circumstances.

AIB continues to engage with stakeholders across the farming sector to address the current difficulties. We participated in the fodder action group in the north-west last winter and are currently part of the Teagasc interagency fodder group. In addition we are partners of the Teagasc Grass10 programme, also supported by the Department of Agriculture, Food and the Marine. This programme focusses on improving efficiencies in grassland production, a key element in helping to avoid a repeat of the fodder shortage currently affecting the country and maximising the grass growth potential to year end.

In conclusion, AIB recognises the challenges currently facing the sector and the role we will play in helping our customers overcome them. Experience has taught us that no single solution will suit all farms. Accordingly we will work with our customers on a case-by-case basis, supporting their financial needs as appropriate to their requirements. On behalf of AIB I want to again express my thanks to the committee for affording us the opportunity to address it. We will be happy to address any questions members may have for us.

Dr. Ailish Byrne: Good afternoon, I am Ulster Bank's head of agriculture and I am joined today by my colleague, Mr. Eddie Cullen, managing director of our commercial banking division. I thank the Chairman and the members of the committee for the opportunity to discuss Ulster Bank's ongoing support for the agriculture sector, particularly following a prolonged period of adverse weather conditions and the significant pressures on farming communities. As one of our key sectors, Ulster Bank takes a long-term view of agricultural lending and supporting farmers through volatile income cycles. We continue to build on our extensive knowledge and expertise in this sector with a risk appetite that supports lending to farmers, and we really want to grow this business.

The increased volatility evident in the agricultural sector over the past few years, either due to weather, price or unexpected individual on-farm challenges, is a reality the sector must learn to manage. In light of current difficulties, Ulster Bank launched a weather fund in July to support farmers seeking additional working capital funds to alleviate cashflow pressures on farms. We anticipate that this designated fund will ease some of the burden placed on farmers during these really challenging times.

Our agri team regularly updates our front-line colleagues on issues impacting on the agricultural sector to help support them in their ongoing contact with our farming customers. We proactively engage and interact with farmers and industry stakeholders, including a recent meeting with the Minister for Agriculture, Food and the Marine, Deputy Creed. I will attend the inter-agency fodder committee meeting next week.

At Ulster Bank, we welcome the initiatives to support the sector through this period, namely, the fodder import scheme, flexibilities to the GLAS scheme, securing advance payments of EU aid under pillars 1 and 2, the fodder incentive scheme for tillage farmers and the extension of the period for spreading chemical and organic fertilisers to allow farmers avail of late seasonal grass growth.

I would like to highlight a number of key issues regarding the pressures farmers are currently facing. The nature and extent of the current challenges are not uniform throughout the country but every sector of farming is affected. The significant variation in weather across the country in the past 12 months means that a winter fodder plan will need to be developed specifically for every farm. We work with farmers throughout the country every day and we have heard first-hand accounts of the cumulative effects of a long winter, a very short spring and an unprecedented dry spell. All livestock sub-sectors are experiencing fodder shortages, while

yields in the tillage sector are well below average. The completion of a fodder budget by farmers is an essential exercise to help minimise and manage any potential deficit. There is no single solution to filing the gap and it needs to be addressed from both the supply and demand side.

The shortfalls to which I refer are placing a financial and mental strain on many farmers and farm families. Working with and talking to farm consultants, advisers and other farmers, either through discussion groups or as an individual, will assist. We believe that due to the physical and mental strain on farmers over the past 12 months, they may not have yet reacted to the possible financial impact of the current situation. Farmers are working hard to feed their stock and secure feed for the months ahead.

Ulster Bank has experienced a modest increase in demand for working capital facilities to date. We believe that the factors that have contributed to this are: the fact that the sector entered 2018 with relatively strong cash balances; the support offered by some co-ops in respect of credit facilities for their members; current farm commodity prices; and the extent of the physical workload on farms. However, we recognise that farmers need to plan for the possibility of larger than normal tax bills in November and some may also need to reassess their infrastructure requirements on expanding farms.

Farmers use a variety of mechanisms to manage working capital, including bank funding and merchant credit. Depending on the nature of the enterprise and the working capital cycle, Ulster Bank has a number of options available, including business overdrafts, trading stock facility and seasonal input facility. A farmer may avail of one or all of these in combination to support his or her working capital requirements.

In recent weeks, we have engaged with our farming customers to ascertain if they are under cashflow pressure. Some farmers requested small temporary increases in their overdraft limits to pay for feed and fertiliser. We have also received requests from farmers to extend their stocking loans, while others indicated that they might need additional finance as the year progresses. No farmer advised to date that he or she could not get access to feed. Farmers will have significantly increased feed costs due to the fodder issues compared to what they budgeted for and they all advised that they had learned valuable lessons this year.

Ulster Bank offers support and solutions to all its customers during periods of pressure once the underlying core business is sustainable into the future. One thing I would like to emphasise is that farmers should talk to their banks if they are in any way concerned about their financial circumstances.

We are taking a proactive approach to supporting farmers, with our local managers attending industry farm walks and meetings that were organised to discuss fodder issues. This allowed them to interact with farmers and gain a full understanding of the extent of the fodder issues in their areas and subsequently provide support for farmers. In the past few weeks, Ulster Bank has partnered with Teagasc to support a dairy farm open day in Cork and supported local agricultural shows in Carlow, Kilkenny, Mullingar, Cavan and Donegal.

I reiterate that Ulster Bank is committed to the agrifood and farming sectors. Our aim is to partner with farming businesses to enable them to grow and to continue to support the agricultural sector through the difficulties that arise. We have developed flexible solutions to support our customers, including the weather fund, the dairy expansion loan, the dairy farmer toolkit and pasture loans, as well as participating in the SBCI agriculture cashflow support loan scheme. Ulster Bank looks forward to further engagement and collaboration with all stakehold-

ers in the industry to consider a range of options to address the fundamental difficulties facing the sector.

I thank the Chairman and members for affording Ulster Bank the opportunity to address the committee. Mr. Cullen and I will be happy to address questions members may have for us.

Mr. Nick Ashmore: I thank the Chairman and members for the opportunity to appear before the committee once again in order to discuss the work of the SBCI and its role in supporting farmers and agribusinesses throughout Ireland, many of whom are facing the challenge of dealing with fodder shortages and the consequences of the exceptional weather conditions we have witnessed this year.

I have previously briefed the committee on the two main channels the SBCI has used to support farmers and agribusinesses. To recap briefly, the first of these, the agriculture cashflow support loan scheme delivered €145 million in low□cost working capital loans with an interest rate of 2.95% to over 4,000 primary agriculture businesses throughout the country. This scheme reached capacity within weeks of its launch, with a strong mix of farm categories benefiting. Dairy farmers accounted for 45% of the total; beef farmers 40%; tillage 6%; and others - primarily pigs, sheep and horticulture - 9%. There was also a broad based geographical mix with a particularly strong uptake on the southern and western seaboards and in Border counties.

Our second major channel is our network of eight on-lending institutions, which have provided close to €860 million in low-cost, flexible loans, of which a quarter has been drawn down by farmers and agribusinesses. Taking these two channels together, the SBCI has deployed or supported the deployment of €1 billion, of which 36% has gone to the agricultural sector, since it first opened for business three years ago.

In addition, the SBCI recently launched the €300 million Brexit loan scheme, which is there to support businesses impacted by Brexit, especially food businesses which are often customers of the farming sector. This scheme is at an early stage but we expect that as further detail emerges on the precise nature and shape of the UK's future relationship with Ireland and the wider EU, many more agribusinesses will be able to make informed decisions about their strategy for managing Brexit-related challenges and how best to finance that strategy. We expect the Brexit loan scheme will be an important tool for agribusinesses and food processors as they innovate to prepare for and respond to a post-Brexit world over the next two years.

Looking ahead to future supports that might be available for farmers, it may be helpful for the committee if I share some elements of the market research we commissioned recently to better understand the requirements of the farming and agribusiness sector. We targeted this research towards farmers who benefited from the agriculture cashflow support loan scheme, with parallel work to get valuable feedback from farmers who did not access the scheme and identify any measures that would make it easier for these farmers to access SBCI-driven supports. The key things we learned were that four in five farmers received the loan for the length of time and of the scale they required. The loan scheme was mostly used for replacing high-cost merchant credit and other working capital needs. A large majority of the loans were under €30,000 indicating a wide spread across the spectrum of size of farmers. Three in four farmers who have accessed the loan scheme rate it highly, with little disparity between farm type, size, or region. Some 83% of scheme participants found it to be an effective support. This satisfaction was spread across farm types and sizes, and had good regional spread. Some 94% expressed interest in accessing a similar scheme in the future. Our research also indicates clear demand for long-term investment funding from farmers.

I have another comment I would like to add in light of some of the questions put to the Minister earlier. We also looked at the reason why the group that we asked who did not get the loans did not access them. Of these, 62% said they were not aware of the loans; 34% said there was no need for the loans; 3% said they did not qualify or meet the criteria; 2% said that when they went to apply, it was no longer available; and a further 2% had other reasons.

That concludes my opening remarks. I hope the committee found them helpful and I will be happy to take any questions members may wish to pose.

Deputy Charlie McConalogue: I thank the representatives from AIB, Bank of Ireland and the SBCI for taking the time to come in, present to us today and discuss fodder supports. The witnesses were in the Public Gallery for our earlier discussion with the Minister and they are well aware of the challenges facing the farming sector with regard to the weather and the shortage of fodder as we head into winter. A key point we put to the Minister was on the need for affordable and flexible credit to assist farmers as they meet that challenge over the coming months. A key aspect that came through the presentations of all three banks was the need to ensure applicants are viable, risk is low and affordability is manageable for those entering discussions with banks. From the banks' point of view, this is understandable. How will the banks deal with customers who look like risks when it comes to the depths of winter and towards spring? Are there other measures which could be put in place to support them? What is the experience of the witnesses in this regard? Things are straightforward in cases where somebody is able to repay but how will the banks deal with customers who may be in a financially precarious situation? What are the options facing them and how will the banks deal with them?

Bank of Ireland outlined that its fodder fund interest rate is likely to be at 3.8% or 4%. What rates are in place in the other two banks for those coming to them? I would like further detail on the differences between the regions of the country? Are particular counties, which the banks' agricultural advisers have indicated, having problems?

The Minister indicated he felt the previous cashflow loan scheme administered by the banks on behalf of the SBCI had contributed to lowering interest rates and that it was one of its objectives. What are the views of the witnesses on this? Do they feel the scheme contributed to lower interest rates? Did it increase competition? If so, why did it take such a scheme to accelerate any reduction in interest rates that followed?

The Brexit loan was announced in the budget almost a year ago. I would like to hear from the SBCI about the nature of the discussions that have taken place in this regard and in particular why we have not seen this loan put in place. Why has this not happened? What can the SBCI tell us about the types of lending that the loan will be able to cover?

Deputy Jackie Cahill: Any notion that there will not be a huge demand for working capital over the next 12 months can be dismissed. There will be significant demand. I would argue very strongly that in the majority of cases the farmers who received low-cost loans after the 2016 budget did not get the length of time for repayment they sought. A maximum of six years was allowed under the scheme but there was a concentrated effort to reduce the term of the loans. Nothing will convince me otherwise because I have met numerous farmers who have been put under pressure to reduce the length of time to repay the loan they received under the scheme.

The MilkFlex loan scheme introduced several months ago can be obtained for an eight to ten year period but it includes the condition that the recipient must have been in milk production

for more than one year. In the past two to three weeks, I have met two or three new entrants who are experiencing cashflow problems. They are debarred from the MilkFlex loan scheme because of the condition of being in milk production for more than one year. Can this be re-examined? I asked one of the farming organisations why this condition is in place and its view is that people should not get into trouble in the first year of a new venture. We are in uncharted waters with regard to the cost of milk production this year.

Significant investment has been made in dairy expansion. Have the banks revised the cost of production figures they use to calculate the repayment capacity of farmers? We can talk about weather-related issues but it looks as though the costs of fertiliser and concentrate will increase substantially. The cost of labour is also increasing. Has the base used for cost of production and repayment capacity been re-examined?

Low income farmers from all sectors are coming to meet all of us in our clinics because they have been refused access to credit by various financial institutions. Many of them are carrying significant merchant credit at high interest rates with co-operatives or private merchants. We need a scheme whereby farmers can get access to credit. The situation they are in at present cannot be allowed to continue. They are coming under severe financial pressure and there is the mental stress of not being able to pay bills. They have contractors coming in to do work and in some cases their overdrafts have been restricted. They are finding not being able to pay their bills very difficult. I am not stating the banks created this situation. In the vast majority of cases merchant credit has built up over a period of years. We are going to have to look at this. Perhaps it comes under the remit of the Department rather than that of the banks.

Earlier today I mentioned pig farmers. Do the banks have figures on the pressures faced by the various agricultural sectors? The dairy and pig sectors are those coming under the microscope the most. How does our debt level in these sectors, which are under the most financial pressure, compare per cow or per sow with our competitors? We have always been told we are significantly behind our competitors. Is the debt level of those who have invested heavily in either of these sectors in recent years now comparable with our competitors? A significant number of dairy farmers have not invested but what is the debt level per cow of those who have invested compared with farmers in New Zealand, the Netherlands or Denmark? The overall picture of the sector will not give us this information because a significant number of farmers have not invested heavily. Has analysis on this been done?

Chairman: I will return to our witnesses. Will Mr. Ashmore say where we are in regard to the new scheme or what discussion has taken place in respect of what Deputy McConalogue said.

Mr. Nick Ashmore: I am limited in what I can speak about in terms of a policy delivery mechanism, as I am not a policy setting individual like the Minister. The scheme is being worked on by a cross-departmental group which includes the Departments of Agriculture, Food and the Marine, Business, Enterprise and Innovation and Finance, and which works very closely with the European Investment Bank, EIB, and European Investment Fund, EIF. There have also been early discussions with the banks. We are limited in our ability to bring schemes to market by the market's inability to absorb more than one scheme at a time. We delivered the agricultural cashflow support loan scheme, then the Brexit support loan scheme and now we are in the early stages of working up and delivering the next scheme which, as the Minister said, is focused on long-term capital investment and finance. As with the Brexit scheme, the Strategic Banking Corporation of Ireland, SBCI, will move to a system whereby it takes preclearance or pre-eligibility applications.

Chairman: Does that mean that whatever new scheme is introduced will not be of a similar type to the previous one where €150 million was available?

Mr. Nick Ashmore: That is correct. It means we are structuring a bespoke transaction. We are working very closely with the EIB on that. We are also working through all the state aid rules in relation to it and the administrative and operational set up. We can learn lessons from one scheme to the next but we are targeting a specific focus. The preclearance facility means that in future, applicants for SBCI loans will come first to the SBCI for preclearance and eligibility confirmation which effectively gives them a certificate with which they can walk into a bank and say they have a guarantee for the loan. It means the discussion they have with the bank about what kind of loan they can get is a different discussion. The SBCI guarantee is as though one walks into a bank carrying assets on one's back, which can be used as security for the loan. We are looking to see how we can deliver and improve these products. It also helps us in the information we can gather. We have a much more direct contact with customers. We can work with the bank to iron out kinks in these things.

Chairman: Since it does not have a local presence, how can Joe Citizen, who is under whatever financial pressure, approach SBCI?

Mr. Nick Ashmore: There is a form on the website which they can download and email to us. We also have a full-time support line which actively walks customers through our current Brexit loan scheme. That facility is up and running and works very well. The turnaround time on the eligibility part is about one day. If there is a problem with the application, we get back to the customer and explain that something is wrong, they need to correct it and then we can fix it.

Chairman: Does AIB wish to address some of the matters raised by the two Deputies?

Mr. Tadhg Buckley: Deputy McConalogue referred to lending to high-risk customers. When we look at cases, we do not look at 2018 in isolation, as there is significant volatility, but we look at how an entity has performed, firstly over the last three years, in relation to profitability. We refer to repayment capacity. In the dry stock sector, for instance, the repayment capacity is based on what is available for the overall entity. In many cases, that would include off-farm income in dry stock farms which aids repayment capacity. Where possible, the primary objective is to support the farming operation. If it needs to acquire feed or fodder to continue to trade through winter, where at all possible, we will support that.

On numbers, the approval rate is running at more than 90%, so more than nine out of ten of our farmer credit line applications are approved.

On the interest rate for fodder related facilities, our farmer credit line is a variable rate and today the rate is 3.825%. That is the primary product that we encourage our farmers to use as the first port of call for the purpose of feed and fodder. We expect we may have to meet those customers again next spring. We are looking at giving a liquidity injection into the business. The first thing that they need is cash; they need liquidity. To give farmers an interest-only loan today gives them no liquidity. The primary objective is to get liquidity into the business, and in many cases we will have to sit down with that farmer again and possibly restructure some of the loans over a longer term, depending on how much of an impact this current issue will have.

I want to allay any fears Deputy Cahill might have. I think there will be a substantial level of casual requests which will come at us as we work through the winter. We have communicated that internally quite strongly to our front-line staff and have already started to see these

requests coming to us.

The pocket of Tipperary, Carlow, Laois and Offaly seems to be the worst affected region in our experience. The south and south east has also been heavily affected, as has much of Cork. I do not want to pick out counties, but as one goes towards the western seaboard, they were much more heavily affected during the spring. Every part of the country has been impacted, but at different times of the year. The pig sector is probably one of the worst affected sectors, even though it does not have a fodder requirement, but it has been indirectly impacted by the increase in feed prices.

Deputy Cahill referred to dairy new entrants. We do not have any restrictions on lending to new entrants to dairy, or relating to experience in the sector. However, I am aware that there maybe restrictions in the MilkFlex product.

Deputy Jackie Cahill: Who is administering the MilkFlex product?

Mr. Tadhg Buckley: Finance Ireland.

On whether we have examined the cost of production, we take a long-term view of prices. We take a milk price of 30 cent per litre, including VAT, at 3.6% fat and 3.6% protein. We regard that as a relatively conservative price but we also apply stresses on that. The stress tests we apply are to allow for increases in input prices or decreases on output prices. We feel that at that level of analysis, we are covered, even taking the current increase in feed prices into account. That is not to say that this year will not be heavily impacted, but it is one year within a cycle.

On the debt levels on dairy farms, one can look at averages but they often hide levels of debt on farms. About one third of dairy farms may have only very little working capital facilities. Our heaviest indebted dairy farms would still only be at what the average debt levels are in New Zealand and would still be below the levels in Denmark and Holland. While there are some farmers with a lot of debt, those farmers are mainly quite well structured in terms of long-term facilities, often 15 or 20 year facilities, to allow them to reduce the repayment burden on their business to allow them to trade. Farmers who have expanded are under a lot of pressure this year but we have seen that in many cases expansion has helped them improve their overall efficiency from where they were in 2014, for example, when they worked under quota restrictions.

I will finish on this point. Today there are 1.4 million dairy cows in Ireland; in 1983 there were 1.5 million dairy cows. Sometimes that message can get lost. There has been an increase in dairy cows but we are still only at the numbers where we were in 1988. Those dairy cows are producing 62% more than they were in 1988, which is also a point that can be lost.

Chairman: There are fewer dairy farmers, however.

Mr. Tadhg Buckley: Sorry, I am talking about cow numbers.

Chairman: Yes.

Mr. Tadhg Buckley: Exactly.

Chairman: But if we were talking about the number of dairy farmers-----

Mr. Tadhg Buckley: Yes.

Chairman: -----it would be more concentrated.

Mr. Tadhg Buckley: Absolutely.

Chairman: That is the point I am making.

Mr. Tadhg Buckley: The average would be substantially higher.

Chairman: Yes. I ask Mr. Farrell to respond on behalf of Bank of Ireland.

Mr. Sean Farrell: I will try to touch on some of the points. Some of my answers are similar to what we have heard from AIB. Deputy McConalogue asked how we assess customers who are on the edge of viability. To some extent, we need to take a step back and look at the overall sector. Most farmers are very lowly geared. They have fairly low levels of borrowing. Many of them have no debt levels at all. When we are looking at repayment capacity, we look not only at a year like this, which is obviously a difficult one from a payment capacity point of view, but also at a number of years. We do not get carried away with a particularly good year or overly concerned with a challenging year like 2018. We look at repayment capacity in that way. In general, farmers and agribusinesses have a higher approval rating than non-agribusinesses. Farmers have an approval rating of over 90% with Bank of Ireland.

I can respond to the query about where we are seeing the greatest impact by saying it is similar to what we have heard from AIB. I would like to add another angle to that. It is somewhat unusual that we are seeing commercial farmers being impacted to a greater extent. It is a change that we are seeing large-scale commercial farmers - typically dairy farmers but in some cases arable farmers who have been heavily affected by drought - being impacted in this way. As such farmers have invested, they will need significant support. They have been making strategic plans and, in many cases, recognising that they have problems coming down the tracks in addition to the problems they are facing right now. They are making plans to deal with those future problems.

Like AIB, we do not impose restrictions on new entrants to the dairy sector by saying that those applying for lending need to have been in dairy for six months or six years. We have no restrictions on new entrants because they comprise a key market for us.

I would like to speak about why we have particular interest rates and why we provide support in a particular way. The proposition we have launched today is our way of saying this is a very important sector for us. We have stressed that in the correspondence we have outlined. It is a sector that has stood by us and performs well for us. This is our way of being able to say we want to support the sector at a time when it is facing a particular challenge. Our way of doing that is to apply an interest rate which is supportive of cashflow.

Deputy Cahill had a query about revising costs of production, which is something we do on an annual basis. We do a budget for each year in the context of the money we lend not just for one year but for three or five years, or 15 or 20 years in the case of land purchases. We make our projections on that basis. It may be worth noting that while costs of production can increase, they have decreased in certain years. As the dairy farms that have been mentioned by the Deputy have scaled up, there have been efficiencies of scale that have reduced overall fixed costs in many scenarios, particularly from a fixed-cost perspective. A similar point can be made from a debt perspective. Our experience is that pig, dairy and other types of farms that have expanded have higher debt levels, as a percentage of overall units of output, than those that have not expanded. It might be measured as a cent per litre of increased overall output, for example. Over the past couple of years, debt levels per unit of increased milk output have

fallen in Ireland because of profitability, funding expansion from cashflow and the fact that we are lowly borrowed by comparison with the Netherlands, Denmark or New Zealand. The gap is not nearly as significant with our pig farmers because they typically operate on a larger scale. They are more commercial and there are fewer of them. That sector has gone through significant consolidation. The gap is not as big in the pig sector. In the dairy sector, where we are seeing the most growth, the average debt level is still significantly lower than in any of the areas outlined by the Deputy.

Chairman: I invite Dr. Byrne to respond on behalf of Ulster Bank.

Dr. Ailish Byrne: I will address some of the points raised by Deputies McConalogue and Cahill without going back over the points touched on by Mr. Farrell and Mr. Buckley. Ulster Bank takes a long-term view of agricultural lending because agriculture is one of our key sectors. We support farmers through volatile income cycles. We introduced our weather fund in July to provide flexible credit to our farmers. I suppose we have a record of doing this in the past. In 2009 and 2016, when the sector went through other income issues caused by commodity prices and weather issues, we introduced our dairy farmer toolkit and a previous weather fund.

We take a long-term view of repayment capacity when we are lending. We do not look at repayment capacity at any particular moment in time. We look at farmers over a ten-year period by reference to the price of commodities, the cost of production and the cost of producing the various commodities.

Ulster Bank is processing a larger number of small loan applications in 2018 than it did in 2017. This indicates that there is an increasing demand for working capital solutions. The rates on these Ulster Bank loans are starting at approximately 4% at the moment.

A question was asked about the areas of the country in which we are seeing the most challenges. We are seeing a lot of challenges in the south and south east, in particular. There continues to be a real situation regarding soil moisture deficits in those parts of the country and in the midlands. Some of the most rapid expansion in dairy farming in recent years took place in some of these areas. The demand for feed has been much higher in such areas. Trying to meet that demand has been an issue. We recognise that every area has been challenged over the past 12 months. There was too much rain in the north west this time last year. Every area has been challenged, but some areas are not as challenged as others.

The pig sector has also been mentioned. Ulster Bank's geographical footprint means it has a large number of pig farmers on its books. This year's prices in the pig sector are very poor by comparison with this time last year. There has been a 43% drop in pig farmers' financial margin in the last 12 months. They are currently experiencing one of the lowest margins in the last 15 years. Over the years, we have worked with and supported pig farmers to develop and build resilient businesses. We will continue to support them through this trough as well.

We have had a number of new entrants to dairy farming over the past 24 or 36 months. We will continue to support such farmers. I often find it is over the first 24 to 36 months that issues arise for people who are involved in startup businesses or are changing enterprises. We seek to support people and get them through that period of time. It is the most important time to provide support. I think I have covered off the main issues relating to Ulster Bank.

Chairman: I note that none of the three witnesses answered Deputy McConalogue's ques-

tion about whether the banks have become more competitive as a result of last year's SBCI loan scheme. Would they like to comment now on whether they have become more competitive as a result of the loan scheme that was introduced by the SBCI last year?

Mr. Sean Farrell: It is certainly a competitive environment. Obviously, there is a degree of competition between all banks. Agriculture is an attractive sector for us. For that reason, we have chosen to offer the interest rates we are offering. It is a way of contributing to a sector that has supported Bank of Ireland strongly. I cannot say we are doing this as a direct response to any particular history or loan scheme. We have taken this position at this point in time in response to a market that comprises the biggest stand-alone sector within Bank of Ireland. That is why we have done what we have done.

Mr. Tadhg Buckley: The interest rate of 3.825% that I quoted for the farmer credit line would have been available for the last number of years. Obviously, it is a variable rate, but the margin was similar for the last number of years. The SBCI fund was very attractive, given the interest rate that was applied. We provide funding, just as my colleague from Bank of Ireland has said his bank does. The farmer credit line facility, at 3.825%, is available when loan requests of all sizes are made. We do not have any lower limit on it. We see it as a key product we can provide to our largest SME sector to support its working capital facilities. We see it as the primary support tool that we will be able to give them during income crises such as now.

Mr. Eddie Cullen: Ulster Bank has supported all the SBCI schemes so far. We were an early adapter and will continue to do that. Mr. Ashmore mentioned that the schemes come with guarantees. I think he used the phrase "effectively providing additional security" to the bank. From a bank's capital position, security is probably the most critical thing when it comes to pricing a loan. Therefore, we have been able to provide low-cost financing through the SBCI in those schemes. Dr. Byrne mentioned that we price based on a risk model and pricing starts at around 4%. That depends on the nature of the enterprise and the nature of the security. That is exactly how we price debt across all sectors, including in agriculture. We would be very open to engaging with the SBCI to look at what further schemes it will bring out.

Chairman: Deputy Penrose is bouncing to get in with the next lot of questions.

Deputy Willie Penrose: I am not. Although I welcome the witnesses, I know it is the same old drivel I will get, not from them personally but from their institutions. They represent their institutions well but it is the same drivel. They have some neck to come and say the SBCI did not trigger the competition in the market and the low interest rates. They would have wended on their merry way, happily ripping off everyone in the place as they have done and continue to do in the absence of that. Always being truthful is very important. The response via a special pack of schemes arose directly out of that. Where were they before then?

I will ask every representative from the banks one question. How much is their institution charging in overdraft interest to persons, business and farmers? I would like them to answer now.

Mr. Pierce Butler: I do not have the exact rate to hand.

Deputy Willie Penrose: Of course not.

Mr. Pierce Butler: I am informed that 8.05% is our standard rate.

Deputy Willie Penrose: Correct.

Mr. Pierce Butler: The point I would make in addition to that is that each bank has spoken about the various types of funding it has available to customers. What we are keen to do when we are talking to any customer around a funding application is to consider what is the appropriate facility.

Deputy Willie Penrose: I just asked-----

Chairman: I will let the Deputy back in shortly.

Deputy Willie Penrose: No, I asked one question about the interest rate on an overdraft and he answered that it was 8.05%. I want to hear from AIB and Ulster Bank now.

Mr. Tadhg Buckley: AIB's standard business overdraft rate is 7.85% and that represented 12% of our agricultural lending last year.

Mr. Eddie Cullen: Ulster Bank's rate is 8.45%.

Chairman: Thank you. Carry on, Deputy Penrose.

Deputy Willie Penrose: The rates are between 7.9% and 8.5%. They are getting money for nothing from people. They are giving nothing to people in interest rates. They got billions of euro belonging to the Irish people and that is what they are charging. Farmers, small business and individuals depend on overdraft. They cannot always be running in for a term loan. I will tell the witnesses why. They are withdrawing from rural Ireland. There are very few buildings. There are buildings one cannot meet anybody in. Even Bank of Ireland had to reverse a decision in recent days. Nobody could touch anybody. I ring up looking for Bank of Ireland and I get on to an answering machine in Dublin. Do not tell me I am telling lies, this is from personal experience in the last ten days. Lo and behold, if someone has a personal overdraft - the Chairman should listen to this for the gall - and actually has a bit of business that I would have mixed into it, if he wanted to increase the overdraft from, say, €10,000 to €15,000, the 8.05% would shoot up to 13%. Legalised robbery - that is what they are involved in. They come in here and expect us to listen to this type of stuff. I am sick listening to it. I have spent the last 26 years in here listening to this type of stuff. People are paying the price.

They have some neck. It is only about six or seven years ago that we all suffered because of them. If they had any bit of decency they might come in here with interest rates of 2% or 2.5%. That is what they should be doing to help out the farmers and every other sector. The farmers are only one sector. They should take the small shopkeeper and all of those across rural Ireland. The banks have withdrawn for the most part. The best contact they have if they have someone dealing with them for 35 or 40 years is to face that person face to face. The bank manager would know their people, know their family and everybody. That is not in the game now. How do they handle farmers coming in? They have their deeds and 150 acres worth a substantial bit of money. How do the farmers make contact with the banks now? It is the same for farmers as it is for a small business. They talk into this machine and make their application across the machine and somebody will contact them in seven or ten days whenever they get time.

That is some interest rate. Most farmers are on interest rates of that nature. As Deputy Cahill will tell us, they have to have an overdraft to tide them over when there are unanticipated events. That is what the banks are charging. Would they not start to be decent and reduce the rate to 4% or 5%? That would be a good start. They come in here with a few structured schemes. Fair play to Bank of Ireland; it has a good PR system. It took out its hundreds of millions a day in the farming section of the *Independent* when it knew it was coming in to face us.

Well done. Bank of Ireland is excellent; it knew what was coming.

I am sure a lot of my colleagues who worked in the bank whom I started off with many years ago are now retired. Nearly everyone I started off with has retired; I must be the only rascal left to this thing. Farming is a volatile business in respect of supply, production and price - price takers for the most part. Therefore there will always be a crisis. There was the milk crisis a few years ago. Deputy Cahill and Dr. Byrne are right that pig farming is in a very difficult state. I would like to know what the banks are doing to reduce the cost of credit for farming. Very often the schemes are grand. Bank of Ireland is now extending them to three years, which is very welcome. I will welcome anything that is positive. We have a rate of 3.85% or whatever it is - at least it is competitive.

I read a few weeks ago in one of the business papers that the banks do not want money from SBCI now as they can borrow cheaper on the market. Is that right? I read that and thought to myself that Mr. Ashmore would be becoming redundant. That was my first thought. Maybe I am not right. We were promised a scheme by the Minister nine or ten months ago in the last budget. Surely that scheme could have been accelerated, particularly in the context of the ongoing dramatic events since last November, the snow in February and March and the drought in May, June and early July.

I ask Bank of Ireland if there is a withdrawal from dealing with customers face to face. How does the bank get to actually speak to a person and relate how a loan is structured? How does it relate to somebody who has been with the bank for 35 or 40 years, or five or ten years or whatever? I welcome Bank of Ireland's indication in its presentation that it is refinancing farmers' debts to other financial institutions, especially those that are exiting the market. Does that extend to refinancing those who are in the grip of vulture funds and who might be in a position to get substantial write-offs once an agreed sum is payable? Through no fault of their own, people may be down for €300,000 or whatever it is. The vulture funds have bought it for damn all, perhaps €40,000 or €50,000, and may be selling it off at €100,000. If it could secured for €300,000 five, seven or eight years ago and now can be bought for €90,000 or €100,000, it surely is good value. Surely, it would be in the bank's interest to look at that in a critical but positive way and ensure that farmers and others can remain in their holdings and try to look after their families in that regard.

I thank the witnesses for telling me about the banks' interest rates because after almost 40 years of dealing with the bank, I did not know it. After taking 24 hours to say to myself that I am some fool, what I worried about then is there must be many fools across the country. That is absolutely scandalous. One could have €100,000 in the bank but would not get 1%. Will the bank look at its overdraft interest, as well as the various schemes and packages brought forward to deal with the various problems that have arisen? Surely it did not take a fodder crisis to trigger within the banks' departments the impetus to set out particular packages for the farming sector, particularly with its volatility and now the traumatic events. Somebody who is present handles small and medium enterprises, SMEs. What way do the banks treat SMEs and small rural shops in particular, which the witnesses probably have written off at this stage like everybody else, post offices or small garages?

Senator Paul Daly: That is a hard act to follow and I will not attempt to but I agree with much of what Deputy Penrose and my other colleagues said. I have a couple of questions but probably will not get the answers. Banks, and any business which is run in a similar fashion to a bank, have their finger on the pulse at all times, with flowcharts or predictions. The witnesses can touch a few buttons on a computer in any one of their respective offices and be able

to answer all my questions. There is no doubt but that they have the information but the question is whether they will give it to me. We are here specifically to discuss the fodder crisis or the drought this year. What extent of restructuring of existing loans have the banks done? The witnesses have told us what they will do, what is available and what they will give to people who find themselves coming into crisis now. They probably have the figures in front of them. How much restructuring has happened already where people who had loans prior to last winter have defaulted or are potential defaulters or will not be able to meet the conditions set out? What amount of restructuring has to go on? What are the witnesses predicting for the back end of the year? Where there is cashflow in the dairy sector, loans might be paid numerous times over a year. If one is a suckler herder or a beef man, one probably has whatever loans one has structured for payments twice or perhaps even once a year. This is most likely to be in October or November when a single farm payment comes in or when one is selling one's beef or weanlings. What predictions will the banks make about what difficulties might arise this October, when the single farm payment comes in but which will go out every bit as quickly in paying debts that have built up since the end of the fodder crisis and before the drought crisis?

At this stage, the witnesses probably will be able to predict or know the demand for stocking loans. It has been mooted here today and is in the public domain that, as part of the current crisis, many fatteners will not fatten this winter and possibly will sell their feed to dairy men. They might see a little more profit in that, rather than feeding cattle. The witnesses know at this stage what the demand is compared with previous years for stocking loans from those individual fatteners who deal with the bank once a year to buy their cattle. They fatten them, pay the bank back and move on to the following year. The witnesses have all painted a picture of a positive long-term outlook but I would like to hear what they are thinking in the short term. What is in it for banks to give money to many people who, while they would take it with open arms in the morning, would realistically tell one once they got out the door that they do not know how they will ever pay it back? It cannot all be rosy and positive. Will the witnesses give a few facts and figures? They know better than we do. That is all on their computers but will they share it with us?

Mr. Sean Farrell: I will try to address all the queries and Mr. Butler might take some about the branch structures. I would love to say that, in the week or thereabouts we had after being invited to come before this committee, we put a scheme together as we have done. It takes a bit longer, however, than that for Bank of Ireland to put a scheme together.

Deputy Willie Penrose: I did not say the bank put it together. It advertised it nicely. It knew where it was coming from. It is good work. I admire it.

Mr. Sean Farrell: We have been planning that particular proposition for quite some time as a response to the current challenge that has been there through the course of the year. Linked, in a way, to Senator Paul Daly's question about the outlook for the remainder of this year and next year, we think there will be some costs in the system this year that a farmer will not be able to repay in the current year, which is why we are encouraging farmers to look at putting that out over a period of up to three years to support their cashflow. That does not mean that they are not viable but that in the current year, they have challenges in meeting all their commitments, and that is our way to try to help support their cashflow in that period.

On the questions about stocking loans, it is typically only at this time of year that we start to see significant numbers of winter finishers coming to us to buy those animals that they will go to feed or of farmers going to buy weanlings that they will keep for the back end of the year. It is too early for us to tell as yet what impact that will have on our annual stocking loans but

from now on, we certainly will start to see those applications coming to us. To date, we have not seen any significant change in application levels.

With regard to the queries about default, it is linked to my earlier point. It relates to helping and supporting customers so they do not go into default as a result of this year, and that we support them over a number of years if we need to deal with the additional cost.

Deputy Penrose made a point about overdraft rates. The overall average amount of overdraft as a percentage of a farmer's overall debt level in the Bank of Ireland is very low. While it is more expensive, it is also more flexible, and it attaches a premium with regard to pricing from that perspective. The other point I will address, while Mr. Butler might address the overall branch structure and our staffing, is refinancing of debt from other institutions, whether vulture funds or anyone else. While we will need all customers to be able to show they can afford the loans they are seeking, be they new loans, restructuring of existing loans or taking over loans from another institution, we certainly are in the business of doing that as long as we can prove repayment capacity and that the risk is acceptable at whatever amount of borrowing is proposed. Hopefully that addresses the queries and Mr. Butler might address the overall structure and our staffing levels.

Chairman: Before we move on to Mr. Butler, Deputy Penrose asked a question regarding the increase in the percentage of overdraft. If one goes from a €10,000 overdraft to a €15,000 overdraft, does the interest rate go up?

Mr. Sean Farrell: Certainly not. From a business perspective, while I know that Deputy Penrose seems to indicate a mix between personal and business, standard overdraft rates in Bank of Ireland are 8.05% and there should be no change to that.

Mr. Pierce Butler: With regard to the branch structure, Deputy Penrose mentioned the lack of face-to-face contact within the branch structure. We made a number of changes in recent years. We have been having ongoing conversations with our customers. We have listened to the feedback that we have got from them. As a result of that feedback and to try to serve them better, we have brought additional staff into customer-facing roles within our branches. There was a recent announcement of 100 people going in. We are also enhancing the service that we offer within our branch structure in order that there will be full-day counter service in an extra 100 branches. We have the largest branch network across the country, with a presence in over 250 local communities with a branch.

We want to be able to provide an excellent service to customers in whatever way they choose to bank with us, whether that is face to face through the branch network or via our online banking. We are here to speak specifically about the farming sector. Many farmers have been able to contact us and have loans for up to €120,000 approved over the phone and without the need to call into a branch. They have found that to be an excellent service. There is a place for both the face-to-face local contact, which we are enhancing, as well as the digital and online services we offer to customers.

Mr. Tadhg Buckley: I refer to some of Deputy Penrose's queries. I will make two points on overdrafts. The first is that approximately 12% of overall lending to the agri-sector last year was overdraft lending. Our current utilisation rate is 34%, part of the reason for which is that the overdraft is designed as a flexible facility which should come in and out of credit. While it is expensive - a point I would not contradict for a second - we do not see it as a form of medium-term finance for farmers. It should be used for current expenditure on a seasonal basis. At the

risk of repeating myself, I refer to the facilities provided side by side with overdrafts, including the stocking facility, the farmer credit line, which is substantially cheaper. We encourage farmers to have the two facilities running side by side in order to ensure that they are not paying interest at 7.85% for longer than a month or three in the year. That is a lot of what we are doing to try to reduce the cost of credit to farmers, namely, encouraging them to use the farmer credit line.

We have participated in all SBCI schemes to date and will engage with the corporation again on its new investment loan scheme. Based on previous engagements, we expect to be in a position to participate in the next one. There is no refinancing from funds or other banks. Like Bank of Ireland, we welcome the opportunity to refinance loans once we are happy with repayment capacity and the interest rate.

In the context of Senator Paul Daly's comments, we have seen no restructuring as yet, but the first thing farmers will look for is liquidity for working capital. Restructuring does not necessarily provide immediate liquidity. I expect it to be later in the year before we start to see that. The Senator made a valid point, particularly as it relates to tillage and dry-stock farmers, many of whom have annual loan repayments falling in October or December. In a large number of those cases, interest-only arrangements may be a suitable tool to reduce the outgoings for the year and to give farmers some space to breathe.

I was asked about the short-term outlook. We have not seen any farmers who have not sought approval for their stocking loans again this year. While farmers may look for approval, that does not necessarily mean they will draw the funds down. I live on a dairy farm in rural Ireland. I am a dairy farmer as well as a banker. We try to listen to farmers. I meet farmers every day of the week and try to listen to their issues. I try to use that experience to help AIB respond in the best way to those issues. We are fully aware of the issues because we meet guys every day of the week. There is a great deal of stress out there, including from a psychological perspective, because there has been no downtime. When the weather cleared in April and May, the first thing guys had to do was try to catch up. We were straight into the silage season, which is a big thing, but the first cut was not made when we had a drought. It has been a very difficult 18 months, which the bank knows. That is why it is important from our perspective to ensure our front-line staff are fully aware of the pressure farmers are feeling. I will ask Ms Brennan to discuss the wider SME sector.

Ms Margaret Brennan: Deputy Brennan asked about the wider SME aspect. We also have a business credit line to support our SMEs at the same 3.825% rate. It may be that we are just not as good at messaging in that context, but we have had both those facilities in place for ten or 11 years. Perhaps we need to ensure we tell our customers more about them because they are there to support both SMEs or farmers when they really need it from a cashflow perspective. We are seeing some stress in the SME sector, particularly in the Border counties with the exchange rate issues that have hit. That includes the hospitality sector and the retail sector. We are supporting our customers and expect to see more issues as Brexit unfolds over the next nine to ten months or so. We have seen SMEs in manufacturing and other sectors hold off on investment because they are concerned about what will actually happen. We are concerned for them and we are trying to support them to enter new markets. We are working with multiple agencies on that and put 26 Brexit advisers on the pitch two years ago to provide support whose job it is have the knowledge to engage with our customers, whether they are in the farming sector or the SME sector, on what Brexit is going to mean for their businesses.

To sum up, we support working capital for SMEs and farmers at quite a low price and have

done so historically. We may need to message it better, but we are seeing other stresses in the SME sector outside of what is happening in agriculture. There is a great deal going on in Ireland Inc. at present and there is a great deal that needs to play out this year. The weather is one of the factors impacting the agri-sector, as is Brexit. The latter is also impacting on SMEs.

Dr. Ailish Byrne: Deputy Penrose referred to a withdrawal from rural Ireland. We have seen a huge change over the last few years in the way our customers choose to do their banking. More and more customers use online and mobile applications for day-to-day banking as opposed to the more traditional branch-based transactions. All of these behaviours are driven by the desire for quick and convenient access when and where customers want it. Importantly, we expect this type of change to continue. For farmers and business customers, a team of business development managers is available to meet farmers on their farms in rural areas. We will continue to invest to make Ulster Bank an easier bank for our customers to do business with.

Senator Paul Daly asked about stocking loans and changes in that context. As I said in my opening statement, we have received requests from farmers over the past couple of months to extend for three to six months stocking loans that were due to be repaid in the early months of the summer in circumstances in which animals did not thrive as expected due to adverse weather conditions in the period. We have supported farmers with an extension to those stocking loans. As to what we are seeing with beef finishers in particular, they are coming to us seeking approval, which they are getting. However, there is a lot more discussion with us this year compared to other years. They are looking at a viable market for their feed this year compared to other years. We all know the margins for beef finishers are very tight and that there is a market out there for their feed, in particular from dairy farmers. As such, they are asking themselves whether they will finish animals this year.

The single farm payment is a typical time when many farm bills fall due for payment, including bank term debt. If farmers look to go on interest only for 12 months, we can look at that. Merchant, contractor and other main bills usually come in around that period of time as everyone knows it is a good time for freeing flows of cash into the farm business. We will look to put working capital solutions in place for farmers to get to that period as we recognise their costs are a lot higher this year than in other years. I will hand over to Mr. Cullen who can look at the SME and overdraft matters.

Mr. Eddie Cullen: I am sure everyone wants to come back to the overdraft point one last time. Let us look at the reality. As with AIB, the overdraft utilisation rate in Ulster Bank in the agri-sector was at approximately 33% in July this year which is exactly the same as it was last summer. Importantly, overdrafts as a percentage of our total agribook are 7%, so it is not anywhere near core to what our farmer customers do with us. It is important to recognise overdrafts are a specific product and they are not meant to be hardcore. They are meant to provide inter-month and inter-period flexible financing when people need it and, by the way, that is farmers and SMEs. When we see overdraft limits go hardcore and become long term we work with our customers, be they farmers or SMEs, to take them off that product and put them onto a term-debt product that is more appropriate to their needs. I know there has been much talk about 8%-type margins around overdrafts but that is not where customers, be they SMEs or agricustomers, borrow from the banking sector. It is a specific product which provides a specific function, and our rates are significantly lower for term financing.

Chairman: I thank Mr. Cullen. Mr. Ashmore can conclude on the points Deputy Penrose referenced in regard to the schemes, which is a valid area.

Mr. Nick Ashmore: On the point about bringing the next scheme to market, I appreciate it seemed like more than a year since the agrischeme came to market, but in that time we have sought to build on that and learn the lessons from that scheme, but also bring forward the Brexit support loan scheme, which is a valuable support, especially for food companies and food processing companies. Given the potential impact of Brexit on their businesses, we felt in conjunction with the Departments that we work with that there was a real sense of urgency to get that into the market. That was launched at the end of March, and it still took a few months for one of the banks to be actively in the market after that. It has really only just settled in and is in there now. That frees up the capacity for us to start talking to the institutions and start delivering the next scheme. It is a serial process that means we cannot always bring a number of things or something to market quite as quickly as we would like. It is also important we take the time to get as much resource out of Europe as part of these schemes. We have been quite successful in that. The European Commission contributed to the agrischeme in two different ways. It contributed strongly to the Brexit support loan scheme, and we expect there will be a strong European contribution to the next scheme also.

With regard to the recent article about the use of lower-cost SBCI liquidity by the banks, when the SBCI was first set up it addressed the market failure where banks could not access low-cost long-term liquidity support to support their SME-lending. The market has evolved and, due to the massive amount of quantitative easing that has taken place, it is a much more liquid market now for bank credit. At the point where it became cheaper for the banks to borrow in the market than it was to borrow from the SBCI, which is using a degree of Government resource to make that available, certainly in terms of the Government's balance sheet, it made no sense to continue that activity. We continue to use that sort of liquidity to support non-bank institutions, at least two of which support farmers through low-cost access to leasing, hire purchase and finance to purchase equipment. We continue to use that source of support and we use it instead of supporting the banks' delivery of loans to support non-banks which can then compete with the banks. It is on a different scale and it is a different type of institution but we continue to look for non-banks to be able to use that funding.

In response to that change in circumstances, the SBCI has sought to evolve as rapidly and as quickly as it can. We have been moving into the risk-sharing area for a number of years and, as has been seen, we have already brought forward two major schemes. We also took over the administration and operation of the original credit guarantee scheme, which was brought forward by the Minister for Business, Enterprise and Innovation, and it is also delivered through the banks. It is there as a backstop for businesses that are turned down for credit, where they can then look to the credit guarantee scheme to bolster their credit application.

Chairman: I thank Mr. Ashmore.

As there are no further questions, I thank Mr. Farrell and Mr. Butler from Bank of Ireland, Mr. Buckley and Ms Brennan from Allied Irish Bank, Dr. Byrne and Mr. Cullen from Ulster Bank and Mr. Ashmore from the Strategic Banking Corporation of Ireland for appearing before us today.

The joint committee adjourned at 6.35 p.m. until 3.30 p.m. on Tuesday, 25 September 2018.