

Food and AgriBusiness

Report 2021



77%

optimistic as levels
rebound to a 4-year high

87%

taking positive climate
change action

7 in 10

report an increased
cost base

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Fast-paced change and disruption in a time of opportunity



JOHN DONOGHUE
CEO, ifac

Welcome to our 2021 Food and AgriBusiness Report. With investment in agtech and foodtech reaching an estimated \$22.3 billion in 2020, a number expected to be exceeded in 2021, there has never been a better time to start a business in the food or agribusiness sector.

The planet is more connected than ever before and there is no limit to what you can achieve with a great product. Today, a founder starting a business has access to a bigger, more developed, and well-funded market than ever before. The very best of Ireland's food and agribusinesses can expect to do well and achieve strong valuations.

Success starts with a clear and concise business plan based on three simple yet powerful questions:

Where are you now?
Where are you going?
How will you get there?

Your plan is an investment, and just like any other investment, it needs time and focus.

There will be events you can't predict. COVID-19 is an example of a "black swan," an unpredictable event with severe consequences.

For the most part, your business's future is predictable if you build and flex a cohesive plan.

Environmental, Social and Governance (ESG), once the preserve of 'big business', has arrived on the consumer agenda and is one of the main themes in our 2021 Food & AgriBusiness Report. Whatever your product or service, your consumer will want to know about your ESG credentials.

The recent UN Report on Climate Change predicts a 1.5°C rise in temperatures by 2040. My youngest daughter will be 26 in 2040. How will her world look? We all have a role in protecting the environment and ensuring our children have a safe place to live.

The food and agribusiness sector will need to be at the heart of positive change. Some of our clients are looking to this future and building companies that will help reduce carbon output in food production. Where there is a will, there is a way.

For the rest of us, let's do the simple things. Reduce, reuse, and recycle. Your customers want to know you are committed to sustainability. Your "how will we get there" will need to include sustainable climate-friendly practices.

There are many ways to make a positive social contribution. Some of the best initiatives are low cost and high impact. Time is often the best investment. Can you give a day or two every year to work on a community project or social enterprise? Your customers will value this work. Your social impact will build connections to your community and help your business grow.

Good governance is all about doing the right things well. Putting a structure on your business and ensuring decisions are based on reliable information, documented, and in line with regulation. Make good governance part of your plan. The bigger your business, the louder the governance questions will be. Start small and ensure your governance structure grows with your business.

Sun Tzu, the Chinese strategist, said, "Invincibility lies in the defence." Your future planning, including ESG, is part of your defence. You will also need good people and cash. We would love to help you build one of Ireland's success stories. Don't hesitate to contact us.

Many thanks to David Leydon and everyone who made contributions, large or small, to our 2021 Food and AgriBusiness Report.

We hope you enjoy it,
John Donoghue

ESG considerations take centre stage



DAVID LEYDON

Head of Food and AgriBusiness, *ifac*

Environmental, Social and Governance (ESG) is the thread running through this year's *ifac* Food & AgriBusiness Report. While ESG considerations have been part of the conversation with asset management companies for over a decade, the rate at which ESG is impacting the SME sector is accelerating.

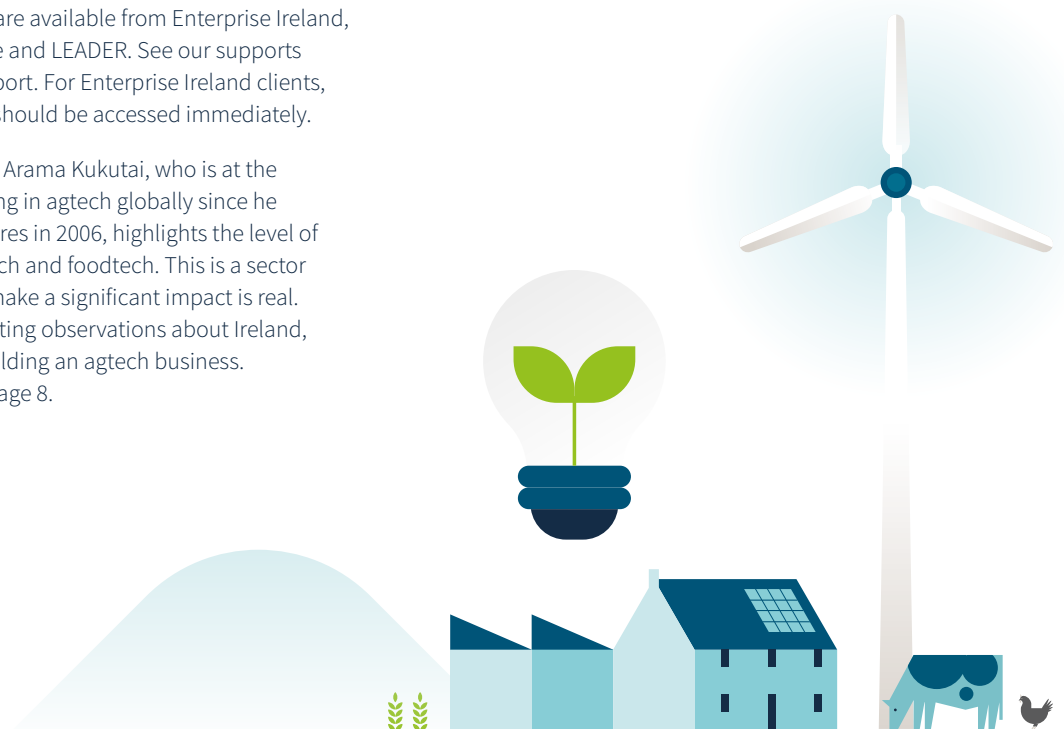
Our ESG chapter shows that a formal ESG approach is not currently a lens SME business leaders are using when making decisions. We expect this to change as supply chain, consumer and financing expectations align with ESG principles and start to impact commercially. However, it is good to see that the majority of businesses (87%) are taking climate-friendly actions ranging from managing waste, investing in sustainable packaging, choosing environmentally conscious suppliers and investing in energy efficiency.

While it is encouraging that optimism levels have bounced back strongly, trends to monitor include rising costs, recruitment challenges, negative impacts from Brexit, a lack of succession planning, lower than ideal R&D investment and digital transformation.

Some of these challenges can be partially tackled by accessing the range of supports that are available from Enterprise Ireland, your Local Enterprise Office and LEADER. See our supports guide on page 26 of this report. For Enterprise Ireland clients, the Digitalisation Voucher should be accessed immediately.

Our keynote interview with Arama Kukutai, who is at the forefront of venture investing in agtech globally since he co-founded Finistere Ventures in 2006, highlights the level of investment going into agtech and foodtech. This is a sector where the opportunity to make a significant impact is real. Arama makes some interesting observations about Ireland, alternative protein, and building an agtech business. Check out his insights on page 8.

We are privileged to support many companies in the food, agribusiness and agtech sectors. These businesses play a crucial role in society, producing great food and working to solve the climate crisis. Our report deals with the issues we encounter on a day-to-day basis as we advise and engage with these enterprises. We hope you find it an interesting and informative read.



STRATEGIC PLANNING: A MISSED OPPORTUNITY FOR SMES

We live in a very dynamic world. Consumer behaviour is changing. The impact of technology is accelerating. The ESG agenda is about to make a considerable impact on SMEs. In this environment, the value of standing back and assessing your business, where you are going and how you are going to get there, is critical.

It is missed opportunity for SME owners and directors that the strategic planning process is not embedded in organisations. Nearly of 80% of SMEs in our survey do not have a strategic plan which is documented and in use. Medium sized food businesses were the most likely to have a strategic plan in place.

Strategic planning does not have to be daunting. Businesses who engage find it enhances their understanding of their product or service mix, their team, their financial strength, the growth areas for the business and ultimately their vision for the future.



Get in touch

We would be delighted to hear about your experiences of the trends that are impacting your business and how ifac can support you as you grow and prosper. We are focussed on the food and agribusiness sector, understand the challenges and are committed to helping the sector grow over time.

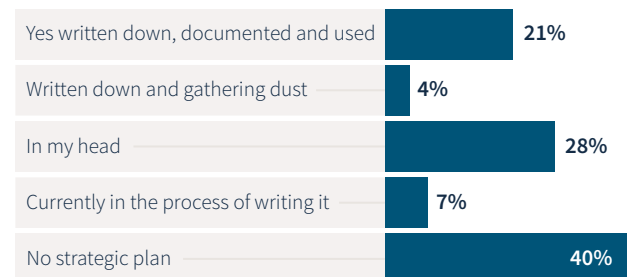
Our team of specialists along with our corporate finance, tax, accounting, financial planning, business advisory and audit teams work with SME businesses as a trusted partner. We understand your sector and will engage with you in an ongoing and meaningful way.

So, keep in touch or email davidleydon@ifac.ie to be included on our mailing list.

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A good strategic planning process brings clarity and helps develop a shared vision which all the team can buy into. We encourage all owners and directors of companies in the food and agribusiness sector to develop a clearly defined strategic growth plan.

DO YOU HAVE A CURRENT STRATEGIC PLAN IN PLACE?



THANK YOU...

I'd like to thank the wider ifac team, and particularly my own team for the work they put into this report. I also want to thank Arama Kukutai for his time and valuable insights. To all our other contributors a big thank you – Sean McHale, Niall Harty, Alan Taylor, Philip Dickson, Tim Roche, Deirdre Ryan, James Moloney and Lloyd Pearson.



Research Methodology

Amarách Research was commissioned by *ifac* to carry out independent research among SMEs in the food and agribusiness sector in the Republic of Ireland. This year's research builds on three previous years with the initial benchmarking taking place in 2018.

The 2021 *ifac* SME sentiment survey fieldwork took place during June and July 2021. This 2021 research is the fourth wave of this study, following initial benchmarking in 2018 and subsequent surveys in 2019 and 2020.

The original approach of conducting 15 to 20 minute telephone interviews with SME senior management/business owners presented new challenges during 2020, with many operating away from their offices and not available via a central telephone number.

A year on and many businesses are still working under COVID-19 public health restrictions. For the research in 2021, an adjustment was made to allow two options for survey completion, telephone or an invitation to take part in an online survey, if preferred.

A total sample of 213 was achieved (198 telephone interviews and 15 online). The final sample structure closely reflects the profile of previous surveys in terms of company types and sizes.

The sample provides an estimated margin of error of +/- 6.5% with a 95% confidence interval.

As this was a survey of food and agribusiness SMEs, the sample was divided into Micro, under 10 employees (39%), Small, 10-49 employees (40%) and Medium, 50-250 employees (21%) enterprises.

It is important to keep in mind that responses were provided with the backdrop of a global pandemic and the continued uncertainty of Brexit.

According to the latest CSO figures, the number of SMEs involved in Agricultural and Food exports is broken down as follows; Micro (335), Small (178), and Medium (110).

Our survey design set out to over-sample the small and medium enterprises so as to ensure a broad range of contributions. Although 39% of the sample is drawn from micro businesses and 40% from small businesses, influenced by availability and the nature of the sector, medium sized SME enterprises are included in proportions exceeding the sector profile.

A range of business size by turnover is included, with 61% generating revenues up to €3m and a range of larger turnovers, up to €20m+ for 11%. There was a good spread of SMEs from across the country. The majority were located outside of Dublin; Dublin (15%), Rest of Leinster (35%), Munster (31%) and Connaught/Ulster (19%). All respondents were either owners, managers or C-Suite level. Eight out of ten food and agribusinesses surveyed are family run. A sample size of 213 allows for a confident interpretation of the findings both at an overall level and for the most part looking at region, sector and size.



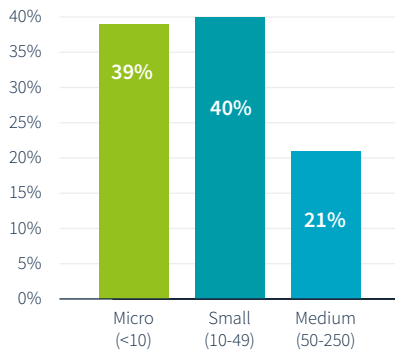
Amarách Research are Irish market research and data specialists who carry out social, behavioural and policy related research. Established since 1989, Amarách specialises in providing high-quality research, consulting and analysis.

Amarách was the first Irish research organisation to receive ISO accreditation, the international quality standard for market, opinion and social research ISO 20252. Our quality standards reflect those set out in the ISO 9001 and ISO 20252 protocols.

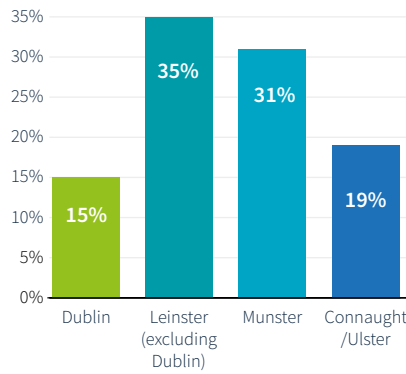
Amarách Research, 11 Kingswood Business Centre, Kingswood Road, Citywest Business Campus, Dublin 24, Ireland | **T** +353 1 410 5200 | **F** +353 1 410 5007 | **www.amarach.com**

Demographic Breakdown

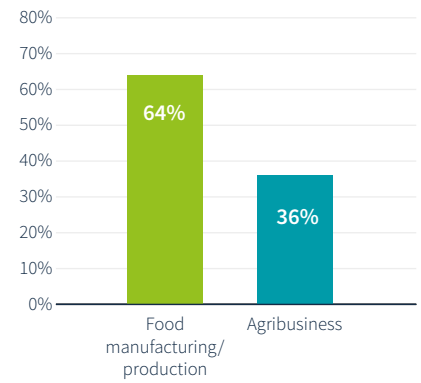
SCALE BY EMPLOYEE NUMBERS



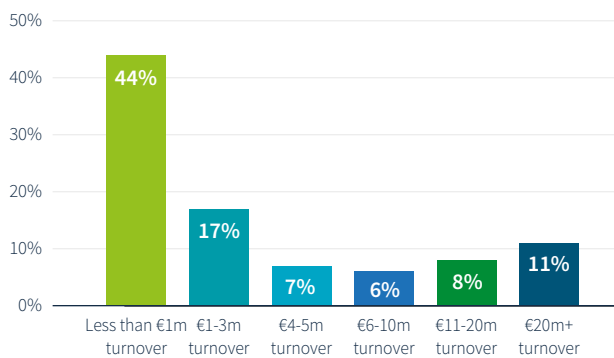
LOCATION



SECTOR

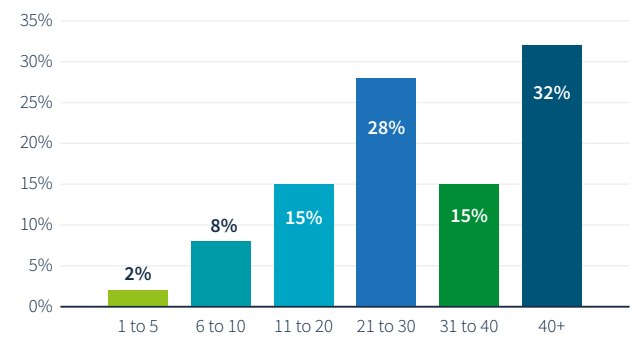


TURNOVER

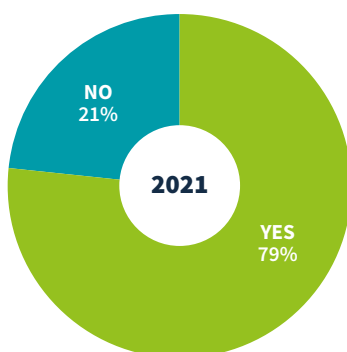


*7% opted out of this question

YEARS ESTABLISHED

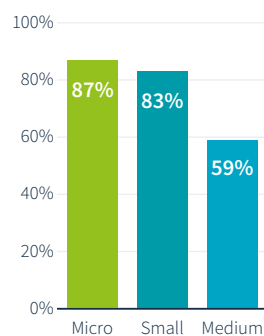


FAMILY RUN

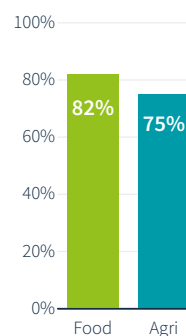


DEMOGRAPHICS FOR FAMILY RUN BUSINESSES

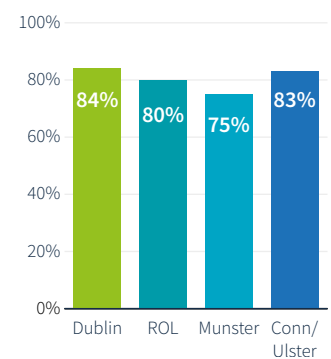
SCALE



SECTOR



LOCATION



Key Takeaways

OPTIMISM

77%
optimistic

as levels rebound to a 4-year high.



PAYTECH

While bank transfers, cheques and cash still dominate, paytech is starting to have an impact on the sector with emerging platforms like Stripe and Revolut gaining traction.



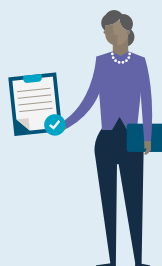
COSTS



71%

of respondents reported an increase in costs this year.

RECRUITMENT



98%

of businesses intend to maintain or grow employee numbers over the next year.

However, over **two-thirds** find it difficult to recruit the right people.



BREXIT

64%

of businesses have been negatively affected by Brexit.

1 in 2

businesses cite transport disruption as a major impact of Brexit.



EXPORT

The Republic of Ireland remains the primary market for food and agribusiness SMEs.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

39% of SMEs are putting ESG factors high on their agendas.

52% of SMEs have an advisory or board structure in place.

87% are taking positive climate change actions.

**COVID-19 IMPACT**

55%

of SMEs view changing consumer habits as the most significant long-term effect of COVID-19.

**STRATEGIC PLAN**

79%

of SMEs do not have a current strategic plan in place to guide their business.

DIGITAL TRANSFORMATION

Only

3 out of 10

businesses are trading online.

**SUCCESSION**

47%

of businesses have no succession plan in place.

RESEARCH AND DEVELOPMENT (R&D)

44%

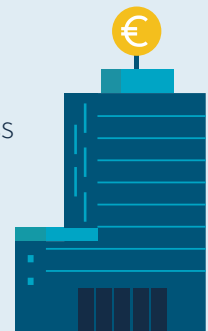
of businesses do not invest in formal R&D.

**BANK FINANCE**

1 in 4

businesses have tried to access bank finance in the past 12 months.

83%
were successful.



‘It’s hard to get fast growth if you aren’t solving a big problem’

Investment in agtech globally has grown dramatically in the past 15 years. There is an expanding agtech ecosystem in Ireland with agtech top of mind for many existing agribusinesses, farmers, politicians and state agencies. *ifac*’s **David Leydon**, spoke to a global leader in the space, **Arama Kukutai**, a former New Zealand dairy farmer, now living in San Francisco. Arama has been at the forefront of investing in agtech globally since he co-founded Finistere Ventures in 2006.

Arama is well known in the agtech and investing community in Ireland and around the globe. As co-founder of Finistere Ventures, which has investment from the Irish Strategic Investment Fund (ISIF) and has invested in businesses like ApisProtect, he has experience in the Irish agtech sector.

Arama has a global perspective and coming from an operations background he has focused on “using technology as a critical lever to improve the profitability and sustainability of farming”.

We started our conversation looking at the major trends in agtech investment followed by a deeper dive into advice for agtech entrepreneurs in Ireland as well as what agribusinesses need to be aware of and how Ireland can be an agtech European hub.

GROWTH OF VENTURE CAPITAL INTO AGRICULTURE

“When we started Finistere back in 2006, there really wasn’t an agri-food venture marketplace. There were tiny amounts of capital being deployed but it wasn’t the sort of space venture investors could drive venture returns. When we fast forward 15 years the landscape is now unrecognisable. Agtech is now a legitimate venture asset class.”

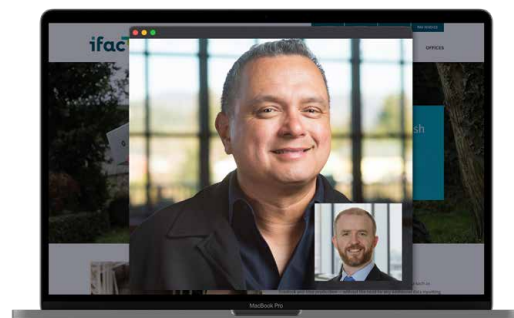
“In 2020, \$22 billion was invested representing 50% annual compounded growth over the 2010 to 2020 decade. It’s remarkable growth which has accelerated over the last five years. We’re very bullish about the very long-term future” and in terms of venture investing in agriculture, “we’ve arrived at square one.”

While capital is being invested across the entire chain of food and agriculture, a number of areas get significant investment, including indoor farming, crop protection, inputs management and alternative proteins. Additionally, “there are pockets of new growth in areas like supply chain management, supply chain resilience, as well as continued investment into digital from compliance type technologies to automated recommendations for spraying or for fertiliser based on satellite data”.

IMPACT ON IRISH AGRIBUSINESS

How this avalanche of capital and potential disruption into the sector will impact on existing Irish agribusinesses is still to be worked out. It is Arama’s view that “awareness is so critical for legacy agriculture businesses. The scale and speed of investment coming into the agri sector means having that awareness is tougher than it sounds. Last year there were 8,500 distinct investors in a particular study that we looked at.”

For Irish agribusinesses, having awareness of what is happening in their sector is important. Following on from this, one way to maintain relevance and grow their existing business is to acquire talent, technology or brands. There are many lessons for Irish agribusinesses as Arama explains. “When you think about the integration model, it often comes down to people dynamics. I’ve seen more bad jobs done with integration of start ups than good ones, including the classic one - *Gosh, California’s a really expensive place to do business. Why don’t we just move everybody to the Midwest?* It won’t happen.”



“The integration strategy comes back ultimately to the people. And how do you incentivise, attract and continue to keep the flywheel of creative talent turning? Because often as a large company, that’s what you’re buying. You’re buying talent and capability that doesn’t exist in your own company and looking to infuse it. And it’s very hard.”

Ireland really needs to speed up the cycle time of getting science and technology out of institutions to start-ups.

“I actually think our chances are better in the food space. For example, a site integrating an alternative protein business into a traditional dairy one, there’s a lot of manufacturing, logistics and other capabilities that once you’ve actually proved the product concept, a large business can do those things much better than small companies.”

We can learn a lot from the Pharmaceuticals sector. Biotech has really replaced the innovation engine of a lot of large pharma companies. Biotech has benefitted from pharma’s experience in taking products to clinical studies, taking them through regulatory, getting them into manufacturing, getting products distributed and dealing with government affairs compliance. And it’s proved a huge win for both sides. Agri and food companies have had much less exposure than pharmaceuticals so there’s a learning curve.

IRELAND AS AN AGTECH LEADER

Arama is positive about Ireland as an agtech hub. There already exists a vibrant startup ecosystem, an English-speaking talent pool, lots of high-quality corporate players and an ideal gateway to the wider EU.

He noted that Ireland has got both a domestic as well as an international opportunity. “One of our portfolio companies in robotics recently re-domiciled as an Irish company for exactly that reason and for access to the IT talent that exists in Ireland.”

However, his main observation on what Ireland can do better centred on the need for greater engagement between the investment private sector and the science industry. He noted that there is a lot of intellectual property and technology locked up at university and research institutions.

“There’s a marked difference from what I’ve observed personally in Ireland versus, say, Israel, where frankly, good ideas have really made it out of the lab quickly. I think that Ireland needs to do a better job of unlocking access to technology and aligning incentives”.

He continued, “you’ve got a pretty enviable brand and track record, you don’t have to persuade people outside of Ireland that Ireland’s great at agriculture. Everyone kind of knows that globally already. But I think you really need to speed up the cycle time of getting science and technology out of institutions to startups.”

“It’s an area where I’m convinced there’s a lot of value that can be built at very early stages through leveraging scientific endeavours that will have had, in some cases, years of work put into them before they’re ready for commercialisation. That’s an area where I think you can do a lot to build value in an early-stage business. And this is where government can play a role, too, as there needs to be clear incentives. That’s something that New Zealand has really woken up to and the Israelis already knew how to do it for twenty-five years. I think AgTech Ireland could be the logical place to provide feedback to Government from industry and help in the creation of the ecosystem”.

Conclusion

The growth of venture capital in agtech will bring significant and long term changes to the sector. Arama has made a few key points for the Irish agribusiness sector. Firstly, Irish agribusiness will need to stay alert to understand both the threats but also the opportunities that their current resources and expertise offer them. Secondly, speed to commercialisation from institutions is critical. We need to take the best of the Israeli and New Zealand model and bring it back to Ireland. Finally, Ireland has great opportunity to be a key EU agtech hub. Ensuring all players in the sector are aligned will help us make the most of this opportunity.



Scaling your agtech business

Building a successful agtech business is challenging so having a very good team is vital. Indeed, “great technology could get ruined by a bad team”. Arama’s view is that it’s not just about the management team but about “the syndicate of support around the company. We definitely subscribe to the view that there are disproportionate contributions from the founders and leadership, but equally also from the ecosystem around them. Who are the other investors, corporate partners, sponsors, people in their ecosystem to help build that company?”

Having a number of interested investors is great but due diligence is daunting. The basics are still critical whether it is a venture investor or a bank. “Not to sound too boring about it, but do the team really understand their product market fit? How penetrating are their questions or insights about the business model they’re promoting?”

Commenting on red flags in a due diligence process, Arama notes that “a pretty big turnoff from the first round of due diligence is a bunch of misassumptions or misstatements that subsequently change. It shows a lack of understanding”.

Every business has weaknesses and challenges. Arama advises agtech companies to be “candid about where the gaps are, where you need help. You know, some people interpret that as weakness or undermining your negotiating position. It’s the exact opposite. It shows that you understand where the issues are and where you need the help”.

Arama is clear that while his firm is very orientated around venture; “there are many ways you can build a successful business and not all of them necessarily suit a venture capital model for funding. For example, I see companies that want to grow organically and don’t want to carve out any significant control of their business. They are quite happy building a business over a 20-year timeframe.”

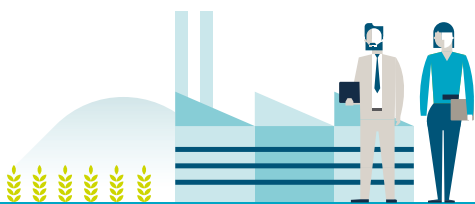
Venture has a different profile. “Finistere or any VC is looking for companies that can really drive very rapid growth in their business. Over a five-year period, is there potential to double or triple revenue every year?”

So, to make sense in a venture world Irish agtech entrepreneurs need to ask whether they have a disruptive concept or technology with potential in a very large market which truly solves a big problem?

It’s hard to get fast growth if you aren’t solving a big problem.

“VC dollars are very sought after. It’s not just the money, there’s all the capability networks that come with it. There is an enhanced expectation and a level of accountability. This is not suitable if you just want autonomy. We’re looking for founders who are open to being coached, who are like, hey, I don’t have all the answers. I’m going to need some help to grow this business.”

“The majority of our companies will be acquired through Merger and Acquisition (M&A), but we’ve seen in the last three years a wave of companies going for Initial Public Offerings (IPO) and in the last 18 months, the boom of SPAC (Special Purpose Acquisition Company) activity has impacted. Venture investors are looking for a medium three to five times return on invested capital in a five-to-seven year period. So, 20% plus Internal Rate of Return (IRR) number”.





Arama on...



The funding journey

“The next business that has a plan that executes perfectly will be the first. You’re going to have to endure ups and downs in the process. I would say typically on the journey from Series A to some type of exit, could be anything from three to five rounds of investing to get to that inflection point. So having that patience and capital and the ability to work through the partnership ups and downs is really important.”

Thinking about the next round, “what proof points are you going to have to attract significantly more capital.” Have financial and non-financial targets set before a round closes, “be conservative on those estimates, because rarely does the plan go perfectly, especially at the early stage. There’s often a lot of learnings.”



Value of Intellectual Property (IP)

“For a consumer or a software product, companies often rely more on execution, speed and brand. For companies that are really disrupting based on a technological breakthrough IP is critical and often proves to be a very important defensive moat.”



Peak cow

“I do believe we’re at peak cow. I think it’s hard to see how we continue increasing intensive dairying when we know all the externalities associated with it, whether it be in the public waterways or whether it just be the load associated with it. But there’s a huge opportunity to invest in technologies that improve the Environmental, Social and Governance (ESG) profile of dairying. So, no, I don’t believe the cow goes away but I do think that there are alternative technologies that will probably grow the total pie of consumption, but also pose a threat if dairying doesn’t invest in technology and improve management practices.”



Zero emission milk

“Decarbonisation is also a big trend we’re seeing so it was interesting to see last year Fonterra putting a lot of investment into data capture and record keeping electronically by their farmers. They are able to produce a life cycle analysis profile for every farm and just announced a zero-emissions milk product last year.”



Alternative dairy

“I think there’s been an enormous amount of buzz and hype around alternative dairy. Increasingly cultured products are starting to receive a lot of interest, both cultured meat and even cultured dairy. This is a hugely exciting area and is driven by a changing consumer.

I know New Zealand farmers are concerned about alternative dairy products and I expect this is equally true for Irish farmers and co-operatives. There is going to be a market for non-dairy based dairy alternatives.

Irish dairy has done a fantastic job of distribution, logistics and brand building. How can you leverage those things to essentially also get a piece of the pie in an industry that is very close to yours already and is not going away? How do you leverage the capabilities you already have to join the alternative dairy party? And you might say, well, gosh, that’s cannibalising milk sales. They’re going to get cannibalised anyway, so you ought to be part of it.”

ABOUT ARAMA

Arama grew up in the strong dairy province of Taranaki on the North Island of New Zealand. He served as Executive Chairman of PKW Farms, a successful diversified investment entity involved in dairy farming and aquaculture activities in New Zealand, Asia and Australia. He also led the New Zealand government’s Trade & Investment agency in North America, following which he emigrated to the USA.

Arama is a co-founder and partner at Finistere Ventures, one of the pioneering venture firms dedicated to agtech, founded in 2006. Arama has been an investor, company founder and entrepreneur in the agribusiness sector for over 20 years. He serves on the boards as a Director or Observer of current Finistere portfolio companies including AgGenetics, Biolumic, CropX, Growers Edge Financial, Plenty, Taranis and ZeaKal as well as the Fresh Start and Sprout accelerators.

1

ESG Impact on Food and Agribusiness SMEs

This is the first time we have a dedicated Environmental, Social and Governance (ESG) section in our annual Food and AgriBusiness Report.

Our consultancy engagements, daily mentions in media and from the investment community as well as a hyper-focus from large players in the food and agribusiness sector means it's time to engage with what ESG means for SMEs.



THE ESG AGENDA

Recent reports, including the IPCC Climate Change report and the Department of Agriculture Food Vision 2030 strategy, highlight that sustainability is core to the food and agribusiness sector. According to our research, ESG factors are on the senior leadership agenda of 37% of SMEs in the sector. This will increase as the emphasis on all facets of ESG develop in importance. 9 out of 10 businesses interviewed are taking environmental action so it's clear that a higher level of ESG activity is happening but is not being interpreted within an ESG framework.

Our report is focussed on timely advice for the Irish food and agribusiness SME community and we have considered the question - does ESG matter to your business? The answer is an overwhelming yes:

1. Your customer will judge you on your ESG credentials.
2. Your position in the supply chain can benefit or be disadvantaged by your ESG profile.
3. Your banking relationship will be impacted by your ESG commitments.
4. Investors will assess your ESG behaviours as part of their decision-making process.

Some benefits of ESG for food and agribusiness SMEs:

- Improved financial performance, both revenue growth and cost reduction, by taking ESG related actions, for example, reducing waste, investing in renewable energy, improving brand image with consumers or enhancing diversity for improved decision-making.
- Increased understanding of risks inherent in your business model over the long term.
- New supply chain opportunities as larger companies actively seek more sustainable suppliers.
- Improved employer branding, helping to attract diverse talent and retain existing talent.
- Great communication opportunities with all stakeholders – team, suppliers, customers and the wider community.

ESG and Greenwashing

Greenwashing, the act of making misleading claims about your environmental actions, has long been an issue. The Financial Times, recently commented that, ESG has long been “blighted by hype and woolliness”. From an SME perspective, we suggest that the focus is on tangible, impactful actions as opposed to rhetoric and 100-page glossy reports.

Risk management tool

ESG is often referred to as a risk management tool. This means that ESG is viewed as a measure of a company's resilience to long-term, industry significant environmental, social and governance risks.

ESG considerations for your business

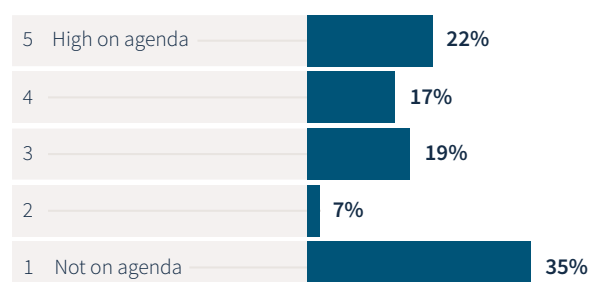
ESG requires taking a rounded view of your business to decide how it serves both its internal and external stakeholders. The pace of change will keep accelerating across all three metrics. For food companies, your retail partners will have an ESG agenda which you will need to meet. This is driven by consumer expectation. For agri companies, the sector is going to be judged intensely on our food production sustainability credentials and activity.

Review the below ESG considerations and reflect on how each of these initiatives are currently managed within your business. Consider how you could develop an ESG plan prioritising a number of initiatives as your first steps on your ESG journey.

 <h2>Environmental</h2> <ul style="list-style-type: none"> ▶ Climate change ▶ Renewable energy ▶ Energy efficiency ▶ Water management ▶ Greenhouse Gas Emissions (GHG) ▶ Biodiversity and habitat ▶ Land contamination ▶ Indoor environmental quality ▶ Transportation ▶ Materials and pollution ▶ Recycling processes ▶ Emergency preparedness ▶ Sustainable procurement 	 <h2>Social</h2> <ul style="list-style-type: none"> ▶ Health and safety ▶ Inclusion and diversity ▶ Employee benefits ▶ Employee turnover ▶ Human rights ▶ Working conditions ▶ Stakeholder relations ▶ Impact on local communities 	 <h2>Governance</h2> <ul style="list-style-type: none"> ▶ Ethical standards ▶ Board diversity and governance ▶ Sustainability oversight by Board ▶ Executive compensation ▶ Stakeholder engagement ▶ Shareholder rights ▶ Financial and accountancy transparency ▶ Anti-bribery and money laundering ▶ Cybersecurity ▶ Data protection and privacy
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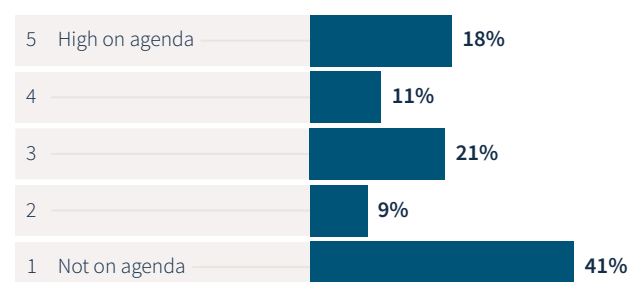
ARE ESG FACTORS ON THE SENIOR LEADERSHIP AGENDA?

ESG factors are high on the senior leadership agenda for 39% of SMEs. ESG is higher on the leadership agenda for medium sized businesses (61%) in comparison to small businesses (38%). Family businesses are less likely to have ESG on their agenda (35%) than non-family businesses (58%).



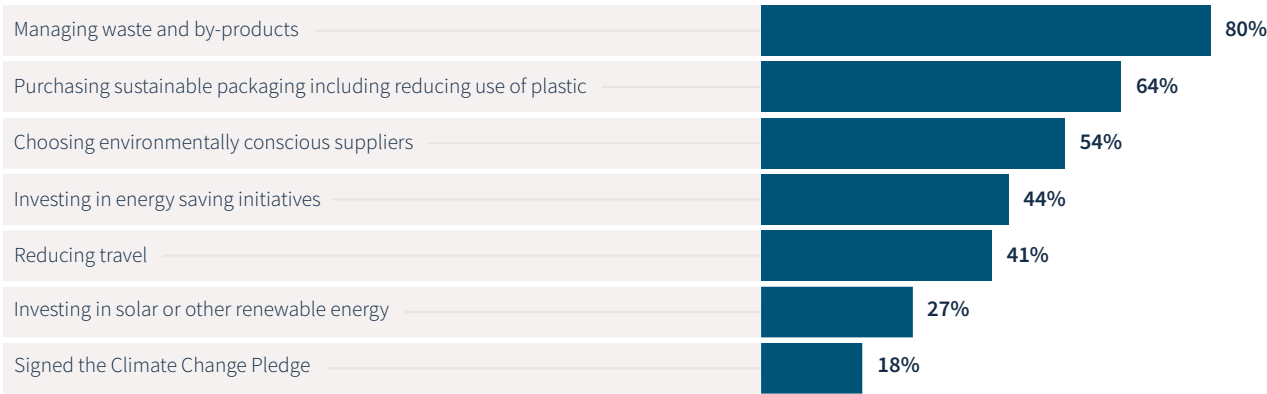
HOW IMPORTANT ARE ESG CONSIDERATIONS WHEN MAKING INVESTMENT DECISIONS?

ESG factors feature alongside financial factors when making investment decisions. Medium sized businesses are most likely to include ESG factors when making investment decisions (54%). 41% of non-family run businesses take ESG factors into account in comparison to 27% of family-run businesses.



ENVIRONMENT

Food businesses and agribusinesses continue investing in initiatives associated with climate change, with the majority managing waste and purchasing sustainable packaging. 87% of businesses are taking climate change action. This is seen across all types of businesses (small, medium, family owned, non-family owned).



GOVERNANCE

Board structure

Just over half of companies have some formal or informal board structure in place. Agribusinesses are less likely to have a board structure with medium sized food businesses the most likely.



Regular board meetings

Of those businesses with a board structure, 60% meet frequently. Having regular meetings of the board enhances oversight and engagement especially when structured correctly.



Familiarity with director responsibilities

Nearly 8 in 10 respondents indicated that they are familiar with their director responsibilities – this is higher for medium sized businesses and those which are not family-run.



STEPS TO IMPLEMENT ESG



1. Introducing ESG into your company

Many companies are on their ESG journey but are not describing it as ESG. A key example of this is 87% of companies are taking environmental actions while only 39% state that ESG is on their leadership agenda. When you start to consider ESG in your company context there are a number of questions to help frame your approach.

- ▶ Where are we now? **Benchmark**
- ▶ Where do we want to get to? **Vision**
- ▶ Why do we want to go there? **Motivation**
- ▶ What journey are other similar companies in the sector on? **Comparison**
- ▶ How will we get there? **Roadmap**
- ▶ What will it take to get there? **Resources**
- ▶ How will other people know where we are? **Communications**
- ▶ How do we know we're on the right path? **Key Performance Indicators (KPIs)**



2. Developing your ESG plan

Your ESG plan should be impactful, authentic and transparent with tangible impacts.

- a. Spend some time with your team and ask yourselves how you perform on each of the ESG elements listed on page 13. Given the impact food and agribusinesses have on the environment this will get a heavier weighting in your plan. However, don't ignore the Social and Governance considerations.
- b. Put an action plan in place for those areas which need improvement. Choose 5 to 10 impactful initiatives to focus on.
- c. Consider the ESG KPIs you want to collect data on. Who will be responsible, where will the data be stored, when will it be reviewed? Some sample KPIs include reduced water usage, level of energy efficiency, percentage of packaging which is compostable or recyclable, frequency of board meetings and diversity in management team.
- d. While some ESG actions will be cash positive or neutral in the short term, others will require investment. Ensure you explore applicable State supports including the GreenStart grant from Enterprise Ireland or the Green for Micro from the Local Enterprise Office.



3. Communicate and educate

- a. Communicate your strategy transparently both internally and to suppliers and customers. Document your ESG commitments publicly on your website and through your social channels.
- b. Educate your team, at all levels, on the company's ESG strategy. Work on building a culture which embraces ESG initiatives and looks for opportunities to improve your business performance from ESG thinking.



4. Keep your ESG plan alive

- a. While both time and resources are scarce in SMEs, plan to review your ESG strategy on a bi-annual basis.
- b. Most importantly, develop your ESG culture – this will yield the most benefit over the medium-term.

ESG impact on SMEs: some perspectives



SEAN MACHALE

Head of Institutional Strategy, Sustainability and Growth, Bank of Ireland

The banking perspective

“Environmental, Social and Governance (ESG) and in particular climate change are very important considerations for banks and financial institutions.

Climate change is a risk that is increasingly embedded into the core of bank decision-making processes. Under the proposed Green Asset ratio, banks are going to have to show what proportion of their assets (loans) are financing climate friendly or green activity versus their total assets. Therefore customers, including SMEs, will have to start providing this information over the coming months and years as part of banks’ credit and due diligence assessments.

Climate change is a risk that is increasingly being embedded into the core of bank decision-making processes.

ESG is also about doing ‘good’ business and supporting customers in the transition to a low carbon economy and enabling customers to seize the significant opportunities that this transition is bringing.

Banks will need to provide billions in credit in order to support this transition using green and sustainable loan products.

Larger companies, for example, are already linking the loan margin they pay to certain environmental measures such as energy and water usage, where positive performance on these measures is rewarded with a reduced loan rate from their bank.

Every business whether it’s a multinational or sole trader is part of a larger supply chain which connects the consumer with the finished product.

In the food and agribusiness sector, in particular, SMEs and farmers are a large and vital component of the supply chain.

We have seen one of the largest food companies globally, Nestlé, recently announce a \$3.58 billion investment to decarbonise and strengthen their supply chain over the next 5 years.

Regardless of size and whether you’re a supplier or buyer of products or services you need to start thinking about your environmental impact and what it means for your customers and suppliers. Most importantly reflect on what opportunities your environmental impact presents to reduce costs or enter new markets to meet the expanding and growing demand for sustainable products and services”.





ARAMA KUKUTAI
Finistere Ventures

The venture capital perspective

“ESG is a lens for us. It’s not the only one though when we’re considering investment. We’re also looking at technical performance. Is this truly a breakthrough technology? We are a technology investment firm at the end of the day. So that’s a critical lens.

One of the things we’ve been doing with our portfolio companies is encouraging ESG reporting

However, one of the things we’ve been doing with our portfolio companies is encouraging ESG reporting. Reporting for ESG is also the way of saying, look, if you decide at some point you want to go public, having some metrics around your ESG goals and performance is a good way to start to train the company to be cognisant of and aware of those metrics and measures in place in the business.”



DEIRDRE RYAN
Origin Green

ESG moving ahead with Origin Green

With customers and consumers more focussed than ever on the values of businesses and brands, Environmental, Social and Governance factors are weighing more and more on purchasing decisions. ESG takes a broader view of the purpose and culture of a business and considers how it interacts with a broad range of stakeholders, including the planet.

Beginning the process of addressing sustainability and environmental considerations can seem daunting for many businesses, regardless of their size and resources. The Origin Green programme, run by Bord Bia, is already helping over 55,000 Irish farms and businesses prove and improve their measurable commitment to sustainability.

Origin Green is the world’s only national food and drink sustainability programme. It enables businesses to set, achieve and demonstrate measurable sustainability targets that respect the environment and serve local communities more effectively. It is the very essence of an ESG focussed programme.

Origin Green’s food and drink manufacturing members commit to a mandatory mix of target areas specified by the Origin Green Charter. The mandatory areas, from which targets are set, form the basis of a business’s 3–5-year sustainability plan. The plan is independently verified to ensure that all targets are viable and robust. Each plan is reviewed annually and monitored for progress against the set targets.

Target areas include:

- ▶ Raw material sourcing
- ▶ Manufacturing processes
- ▶ Social sustainability

Origin Green members receive support, training and resources to help them on their sustainability journey. Each company is designated an experienced sustainability mentor to support the development of sustainability plans. Partnering with industry experts such as Repak, SEAI and Biodiversity Ireland to Origin Green provide guidance and training to members via training and detailed guidance documents.

We know that the Origin Green certification is valued and trusted by customers, both in Ireland and overseas. It is also a clear demonstration to other stakeholders, such as government, investors and regulators of your company’s commitment to best-in-class ESG practice. To find out more log onto origingreen.ie

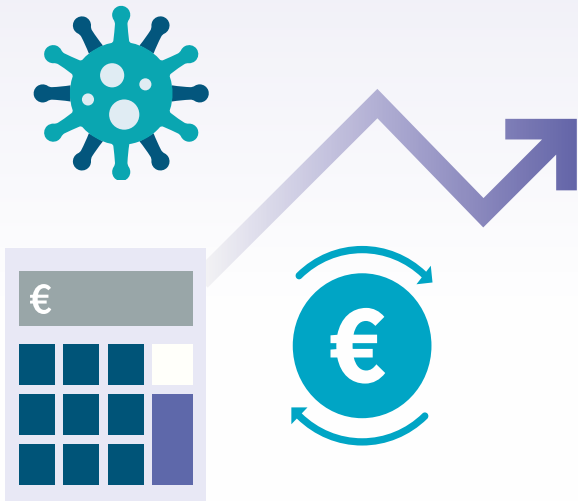
2

Business Performance and COVID-19

Following a year of considerable turbulence in 2020, food and agribusinesses across the country are significantly more optimistic this year. Over three-quarters (77%) of businesses are optimistic about the coming 12 months in comparison to 55% last year.

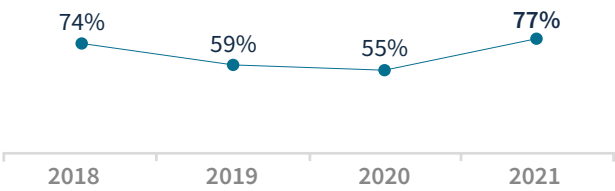
Turnover levels also have a positive story to tell with a rise in the number of businesses reporting an increase. However, there has been a 35 percentage point jump in the number of companies experiencing input cost price increases (from 36% to 71% in 2021).

Change in consumer habits and digital change are two main long-term effects of the pandemic according to those surveyed.



OPTIMISM

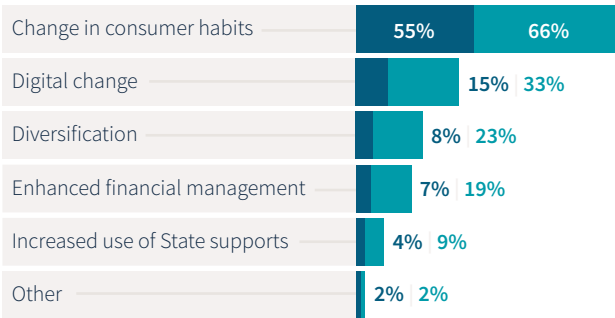
Optimism levels across the sector have increased year-on-year to a four year high, with 77% of businesses optimistic about the future compared to 55% last year. 16% are neutral on their outlook and only 8% are not optimistic at all. Optimism across all demographics is at its highest levels since we began the ifac sentiment survey in 2018.



77%
optimistic for the next 12 months

COVID-19

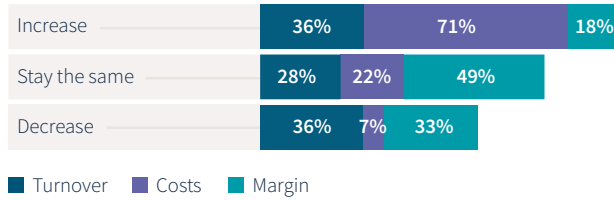
66% of businesses view changes in consumer habits as the biggest long-term effect of COVID-19. Digital change, business diversification and enhanced financial management also feature but changing consumer habits is by far the most significant change according to business owners.



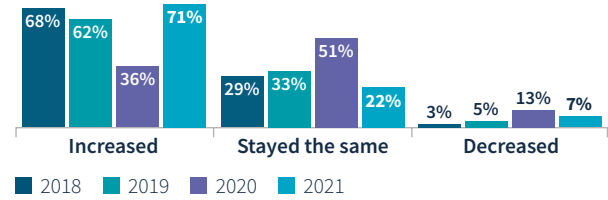
■ 1st mention % ■ Total mentions %

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE IN THE LAST 12 MONTHS



COST INCREASES ARE IMPACTING ON BUSINESSES



KEY POINTS

Turnover

- ▶ In 2021, 36% of companies reported an increase in turnover compared to 30% in 2020. Those experiencing an increase were more likely to be medium sized businesses rather than small businesses.
- ▶ Of those reporting an increase, 43% saw an increase of 6-10% while 16% saw an increase of 21% or more.
- ▶ The number of businesses reporting a decrease in turnover fell from 51% to 36%. COVID-19 led to a significant rise in businesses reporting a decrease in turnover last year. While this year's figures are an improvement, the number of businesses which experienced a decrease in turnover is still almost double pre-pandemic figures in 2019 (19%).

Costs

- ▶ 71% of businesses indicate an increase in costs this year, almost double last year's figure (36%). One third of these businesses have experienced an increase of between 6% and 10%.
- ▶ The number of businesses whose costs have remained the same or decreased has dropped from 64% to 29%.

71%

report an increase in costs this year



Margin

- ▶ For half of SMEs, net margin remains the same year-on-year. SMEs reporting a decrease in margin has dropped by 5 percentage points while those who experience an increase in margin lifted by 5 percentage points.



3

Funding your Business

The number of companies seeking bank finance has dropped from 35% in 2020 to 24% this year. A third of companies are concerned about Ulster Bank and KBC leaving the Irish market. Noreen Lacey, *ifac*, gives some timely advice on this topic.

Those in receipt of State support has dropped from 29% in 2020 to 14% this year. The Local Enterprise Office (LEO) remains the most popular source of State support. Patrick Black shares insights on how to manage the process with Enterprise Ireland and LEADER on page 24, while Conor Sweeney, Corporate Finance Director at *ifac*, examines key considerations when taking on private investment.

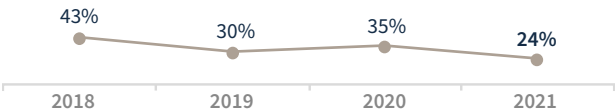
The funding received was put to use in a broad range of areas including working capital, sales and marketing, capex investment and investment on automation.



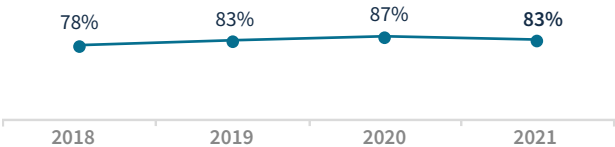
BANK FINANCE

Over the past year there was a significant 31% drop in the number of food and agribusinesses applying for bank finance. Of those who did apply, 83% were successful which is broadly similar to previous years.

TRIED TO ACCESS BANK FINANCE IN THE PAST 12 MONTHS



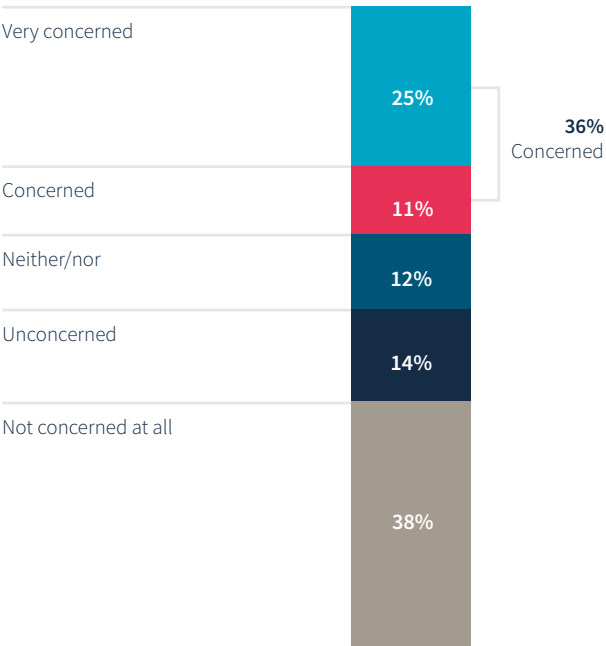
SUCCESSFUL IN ACCESSING FINANCE



ULSTER BANK AND KBC LEAVING IRISH MARKET

36% of businesses are concerned about Ulster Bank and KBC leaving the Irish market. The concern is higher for agribusinesses at 44% than for food businesses at 33%

CONCERN ABOUT ULSTER BANK AND KBC LEAVING THE IRISH MARKET





NOREEN LACEY
Head of Business Development
/Banking, ifac

Considerations for switching banks

If you are considering switching banks, these tips could help you make the right move.

With Ulster Bank and KBC intending to leave the Irish market many businesses are now looking at their banking options.

Margins

If you have a viable and profitable business, refinancing may enable you to negotiate a reduction in fees and interest rates. However, it is essential to look at the overall cost and not just the headline lending rate as cheaper offers sometimes end up costing more when extras are included.

Current Accounts and Overdrafts

Switcher packs are available in banks and the transfer of direct debits and standing orders is part of the switching service. If you want to open a new current account with overdraft facilities, you will need to specify the facility required, duration and purpose. Applications should include a cashflow forecast and budget.

Security

Where secured loan facilities are required, the relevant property folios and deeds need to be in order and, ideally, free of judgements or burdens. Some banks cover a fixed amount of the legal fees associated with the cost of switching.

Loan Repayments

The ability to service and repay loans is a deciding factor for most banks. Accounts need to be up to date, with good historical performance figures, a clear business plan and a documented path for succession.

Infrastructure and Support

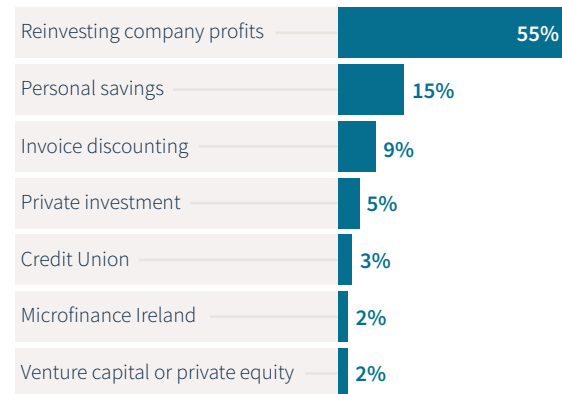
Online banking facilities, branch network and staff are other factors to consider. Who will you be dealing with? If your business handles cash, how does the bank manage the associated practicalities/costs?

Decision Time

Once you have initial meetings or discussions with several banks, it is up to them to come back to you with a proposal—if they are keen to win your business, there will be some flexibility and elements of negotiation. Take your time and keep in mind “service and quality will be remembered long after price is forgotten!”

NON-BANK FUNDING

Excluding bank finance, reinvesting company profits is the most prevalent source of financing for businesses in the sector.



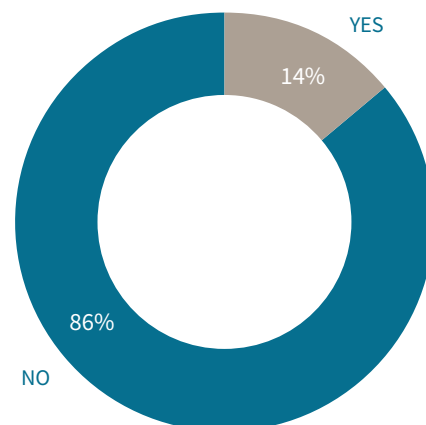
STATE SUPPORTS

14% of businesses have been in receipt of State support in the past 12 months. This is higher for SMEs in the food sector (16%) as opposed to the agri sector (9%).

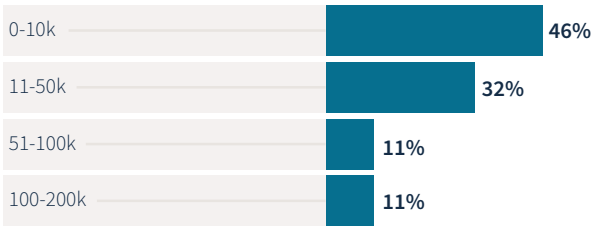
The majority of those who successfully availed of State support applied through their Local Enterprise Office (LEO), with most of these receiving up to €10,000.

We urge all SMEs in the sector to review our Supports Guide on page 26 for opportunities to access support. There is help available for digital transformation, capex investment and Lean or Green projects for Irish businesses with an export focus.

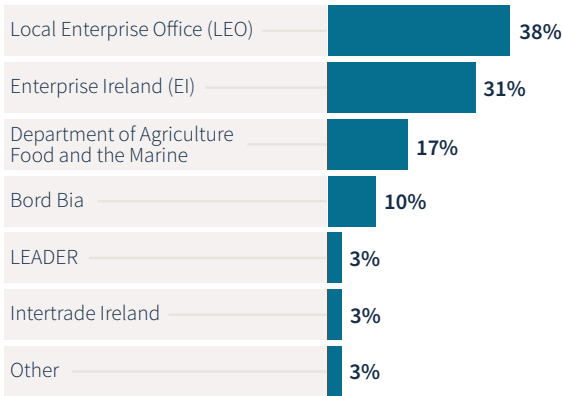
IN RECEIPT OF STATE SUPPORT IN THE PAST 12 MONTHS



VALUE OF SUPPORT (€)

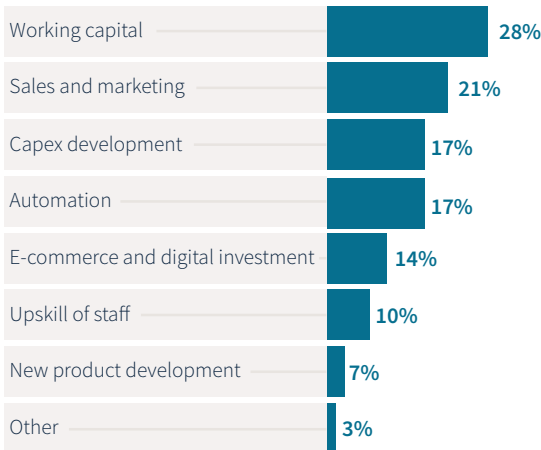


STATE BODY APPLIED TO



INVESTMENT OF FUNDING

With Brexit and COVID-19 still impacting companies, working capital was the most prevalent use of funds. This was followed by sales and marketing, capex development and investment in automation. 14% of funding was invested in e-commerce and digital activities, see more on digital transformation on page 43.



CONOR SWEENEY
Director - Corporate Finance, ifac

Where and how to find funding for your business

If you are considering raising finance to grow your business, then take the time first to understand the market and secondly to understand what an investor will look for in your business.

It is essential to get to know the market and what investors are looking for. Different types of funders look for different types of returns, and many of them will not be appropriate sources of finance for you. This graphic shows the types of capital available and who some of the players are in the market. It is not an exhaustive list of all the funders, but it shows who might be interested in funding your business depending on how much you need and what it will cost your business.

The two main banks will focus on your ability to generate cashflow and what your business can afford to repay. Assets give the bank some comfort as security but there is a limit to the leverage that your property will give you. Senior debt facilities will generally cost you less than 5% per annum over a 5-to-7-year timeline.

Slightly more expensive finance is available through a range of working capital facilities, leasing, asset financing, private debt facilities and some types of EIS investment. These funders will go where the two traditional banks will not go, and they will therefore charge a higher rate of interest rate to reflect this risk.

EIS is often misunderstood by many business owners. One important point that I find many people forget is that EIS is an equity investment and not a debt facility. When structured and managed correctly, it can serve the growth of your business and be redeemed down the line, just like debt. It can be a great source of funding when it is done right. However, if your business is a startup, you should think of EIS as a true equity investment instead of a debt substitute. This has positives and negatives for both you and your investor but if you encounter bumps in the road you may be glad that it doesn't behave like debt.

Probably the most significant change in the Irish funding landscape over the last seven years has been the emergence of Irish private equity funds. Once treated with scepticism by Irish SMEs, they are now

IRELAND'S FUNDING LANDSCAPE



being embraced by the Irish entrepreneur who sees the opportunity that private equity gives them to grow strongly over the coming years. These funds also give owners the opportunity to take some money off the table. There is a massive amount of money being channelled into private Irish companies and this is now filtering down to the smaller end of the market. Some funds are focused on specific sectors and they all have a sweet spot in terms of the size of investment they like to make.

Insights to consider if you are thinking about seeking private investment in your business

1. Courting investment is a sales process

This is a sales process, and you are selling an opportunity for an investor to make money with you. Make a 5-year plan. Put it into a presentation of no more than 20 slides. Make it interesting and don't bore the reader with too much detail. This is your sales document, and you need it to attract interest and engage the potential investor. The heavy detail can follow later.

2. Identify what you need

Critically assess how much money you need to raise and when you're going to need it. Also think about what kind of help you're going to need as you grow – that means knowing where your team needs to grow and also possibly how you need to grow too. The answers to this might help you identify what type of investor you need to bring on board.

3. What return will this investment give?

Be clear on what the investment is going to do for your business and what that will mean for your own

shareholding and personal position. This will also show how your investor will get a good return on their money. If you can triple their money in five years' time, then you are heading in the right direction. If you can't see this outcome, then a private investment may not be the right option for you.

4. Ask yourself are you ready for this?

It is inevitable that when you take a private investment in your business, you will relinquish some control or have to make yourself accountable to a Board of Directors. This will require you to grow and adapt as your business grows. Some investors get more actively involved than others and most will work with you to grow your management team around you in the way that you want. Embrace the challenge.

5. Be prepared for rejection and delays

It is often said that you need to kiss a lot of frogs before you find the right person to invest in your business. You will be rejected multiple times, and this is normal for any courting process. You can save time by focussing on investors that will clearly invest in your sector and at your stage of growth. Don't see the rejection as a judgement on you or your business – seek feedback and re-engage in the future with those funds who say that now is not the right time.

6. Get to know your investor as well as you possibly can

An investment in a private Irish company very often takes between 7 and 12 years to exit. Some investment funds are still looking after investments that are more than 20 years old. That means you might be dealing with your investor for a long time and there will surely be bumps along the road. Take the time, firstly, to get to know who you will be dealing with and, secondly, that you can build a trusting and constructive working relationship with them.

**PATRICK BLACK**Food and AgriBusiness
Consultant, *ifac*

Driving growth with State supports

Funding can be a major challenge for businesses that are looking to grow or diversify their offering. Our research indicates that only 14% of businesses accessed State supports in the last 12 months. Having worked with numerous food and agribusinesses to secure State funding, Patrick Black takes a deeper look at some of the funding available and how some *ifac* clients have maximised the opportunity.

Enterprise Ireland

Enterprise Ireland offers a range of supports for innovative startups and established businesses who are export-orientated. Two Enterprise Ireland supports which offer significant cash injection for startup companies are the Competitive Start Fund (CSF) and the High Potential Start-Up Fund (HPSU). CSF in particular is beneficial for early-stage startups as Enterprise Ireland will invest €50,000 for a 10% shareholding in the company.

Agtech is a growing sector in Ireland and a sector that has received significant backing from Enterprise Ireland in recent years. Dickson Agri Solutions and their innovation, The Third Arm, is one example. We worked closely with the founder, Philip Dickson, on the process to secure the Enterprise Ireland investment. From initial engagement with Enterprise Ireland, we guided Philip through the process to ensure that he secured the funding and was in a much better position to accelerate the growth of his business.

The Enterprise Ireland investment allowed Dickson Agri Solutions to accelerate product development, product trialling, market research, secure IP advice and marketing consultancy.



BUILDING A WINNING CSF APPLICATION

Invest time in the application form

- ▶ The online application form is the first step in the process, and you must spend time curating your story to allow you to progress to the next stage in the process.

Have a clear business model

- ▶ If your business model is ambiguous and there is no clear route to market strategy or value proposition, Enterprise Ireland, like any investor, will struggle to believe in the opportunity.

Set realistic milestones

- ▶ As part of the application process, you will need to set commercial and technical milestones that you will be responsible for. Ensure they are ambitious enough to show a hunger for growth while also being realistic.

Financial projections

- ▶ Work with an accountancy partner, like *ifac*, who has experience drafting the Enterprise Ireland Financial Data Sheets. This will strengthen your application and give you a chance to consider the potential revenues and costs involved in growing your business.

Pitching your idea

- ▶ If your application is accepted, you will be invited to present your idea to an Enterprise Ireland panel. Working with an advisor to develop a pitch deck that tells your story succinctly and communicates your proposition effectively is vital.

CSF WATCHOUTS

- ▶ You must be in a limited company (less than 3 years incorporated) or intend to form a limited company to secure CSF funding.
- ▶ All intellectual property must be housed within the company or legally assigned to the company prior to Enterprise Ireland investment.
- ▶ Enterprise Ireland will require quarterly management accounts and mid-term spend reports in order to draw down the second €25,000 tranche.
- ▶ If successful, a new cash investment of €5,000 must be secured separate to the Enterprise Ireland investment.
- ▶ Work closely with your accountant and solicitor to ensure all legal and financial documentation is completed and filed correctly for the investment.



Alan and Mark Taylor, Taylor's of Lusk.

LEADER

For rural businesses, significant support is available through the LEADER Transitional programme.

In *ifac*, we are working closely with a number of businesses utilising LEADER funding to grow their rural business. The types of companies vary from established food businesses looking to expand, to startup farm diversification projects. Eligible businesses have an annual turnover of up to €10 million and employ fewer than 50 people. In most counties LEADER funding is administered by a Local Community Development Committee (LCDC).

The LEADER application process can be lengthy but the benefits for a rural business are significant. The level of funding available varies depending on the project and county in which a business is based but generally funding of up to 75%, to a maximum of €200,000, is available for capital works, consultancy or machinery upgrades.

Taylor's of Lusk is an example of an *ifac* food business client whom we have worked closely with to assist in securing LEADER funding. From expression of interest through to drawdown, we worked with the directors to ensure a successful application. This has allowed them to move from growing commodity vegetables to higher value products like chilli, garlic and sweet pink onions. Capital expenditure in buildings, processing equipment, specialised storage areas and marketing consultancy have all been supported by LEADER.



BUILDING A WINNING LEADER APPLICATION

A strategic business plan

- ▶ Having a detailed business plan with a strategic focus, backed by strong financial projections will increase your chances of securing funding.

Engage with LEADER

- ▶ Identify and engage with your LCDC early in the process and take their advice on board throughout.

Manage the project closely

- ▶ Managing all aspects of the application process can be tricky. Create a filing system that works for you. Track every email, quote, invoice, payment etc. in relation to the project as you go. This will be vital at funding drawdown stage.

LEADER guidelines

- ▶ Do not commence any work until the LCDC has approved you as it could put the funding in jeopardy.

Put your best foot forward

- ▶ Invest time in completing your Expression of Interest (EOI) form. Putting your best foot forward initially is key.

THE LEADER APPLICATION PROCESS

1. Engage with your LCDC and build a relationship with your Rural Development Officer.
2. Submit your Expression of Interest (EOI) form to your LCDC providing an overview of your proposed project.
3. If your EOI is successful, you will receive a letter of invitation to complete a full application.
4. Complete the full application to include; a business plan, financial projections, application form and the required procurement documents (e.g. quotes, requests for quotes, supplier details etc).
5. The application pack will then be presented to the LCDC for approval.
6. Once approved, the business can commence with the project e.g. begin construction work, engage consultant etc.
7. Once the project has been completed by the selected suppliers, the business will need to pay the suppliers in full and keep a complete record of all payments and invoices.
8. LEADER will then evaluate the project and the business can reclaim up to 75% of the fees for the project.

If you are interested in accessing either of the supports above or anything listed in our *ifac* Supports Guide, please get in touch and we can assist you on your funding journey - patrickblack@ifac.ie.

ifac

Supports Guide*

Now, more than ever, with challenges such as ESG, digitalisation, sustainability, COVID-19 and Brexit impacting businesses, it is vital to ensure you are availing of relevant State supports.

Eligibility can vary depending on business size, sector and time in business. We have documented the range of supports available to provide an overview of State funding available to SMEs.

There are a number of new supports this year including the Digitalisation and Climate Action Vouchers from Enterprise Ireland. Similarly in the aquaculture sector several new supports are being administered by Bord Iascaigh Mhara (BIM).

These new supports combined with the staples like the Priming Grant from the Local Enterprise Office, LEADER funding and the Competitive Start Fund from Enterprise Ireland can help accelerate a company's growth, capacity to employ people and ability to maximise growth export opportunities.

We continue to work closely with businesses to access these supports and we urge business owners to review the *ifac* Supports Guide and connect with us to help you secure supports to help grow your business.

Thank you,

David Leydon

Head of Food & AgriBusiness, *ifac*

Which supports will work for you?

1. _____
2. _____
3. _____

LEO	Local Enterprise Office
EI	Enterprise Ireland
ITI	InterTradelreland
BB	Bord Bia
TG	Teagasc
ACC	Accelerators
IRC	Irish Research Council
RL	Rural LEADER
BIM	Bord Iascaigh Mhara
RDP	Retail Development Programme

- S** Start-Up **G** Growth
Es Established **Ex** Expansion

LOCAL ENTERPRISE OFFICE (LEO)

The Local Enterprise Office offers support to both startups and established businesses depending on size.

The Feasibility Study Grant is ideal if you have a business idea or product in mind that needs further testing or research to assess viability. Funding of up to €15,000 is available to work with external partners to get expert advice on developing your business idea.

The Technical Assistance for Micro Exporters (TAME) is a new grant that enables clients to explore and develop new market opportunities. The TAME grant part-funds the costs that can be incurred investigating and researching export markets.

ENTERPRISE IRELAND (EI)

EI provides a range of supports to encourage the growth of export-focused businesses and startups with a high potential for job creation.

The Competitive Start Fund (CSF) can act as a solid foundation with €50,000 available to emerging businesses. Businesses further down the road in terms of proven market viability can secure investment through the **High Potential Start-Up (HPSU)** fund.

The **GreenStart** assignment was launched to improve environmental performance through greater resource efficiency. **GreenPlus** is a more advanced training project coordinated by an external environmental expert.

The new **Digitalisation Voucher** from EI is designed to help companies prepare a plan for the adoption of digital tools and techniques across the business. Process Optimisation, Digital Customer Experience and Data Management will be essential in order to remain competitive post COVID-19. Funding of up to €9,000 is available to avail of either technical or advisory services to accelerate digitisation in your company.

ifac FUNDING FRIDAY

Every Friday, *ifac*'s Food and AgriBusiness team publishes details of new State supports relevant to food and agribusinesses. We provide details on the key criteria and sectoral eligibility for each support. Scan the QR code to keep up to date on the latest supports available to your business.



TAX

Start-Up Relief For Entrepreneurs (SURE)
Key Employee Engagement Programme (KEEP)
Knowledge Development Box (KDB)
R&D Tax Credits (see page 39)
Company Relief (CGT Exemption)
Specified Intangible Asset Allowance (SIA)
Entrepreneur Relief/Retirement Relief (see page 45)

FUNDING

Microfinance Ireland
Credit Unions
Business Angels e.g. HBAN
Bank Debt
Venture Capital
Overdraft
Strategic Banking Corporation of Ireland (SBCI)
Non-Bank Lenders e.g. Linked Finance
EIS
Private Equity
Retained Profits
Crowdfunding e.g. Spark Crowdfunding

Read more on page 22.

STATE FUNDING SUPPORTS

LEO	Technical Assistance for Micro Exporters	S	G	Es	Ex
LEO	Food Starter Programme	S			
LEO	Trading Online Voucher	S	G	Es	Ex
LEO	Feasibility Study Grant	S	G	Es	Ex
LEO	Priming Grant	S	G	Es	Ex
LEO	Business Expansion Grant	G	Es		
EI	Digitalisation Voucher	S	G	Es	Ex
EI	GreenPlus	S	G	Es	Ex
EI	Climate Action Voucher	S	G	Es	Ex
EI	Evolve Strategic Planning	G	Es	Ex	
EI	Business Process Improvement Grant	G	Es	Ex	
EI	New Frontiers Programme	S			
EI	Competitive Start-Up Fund (CSF)	S	G		
EI	Innovation Vouchers e.g. TSSG	S	G	Es	Ex
EI	Brexit Scorecard	S	G	Es	Ex
EI	Strategic Marketing Review Grant	S	G	Es	Ex
EI	HPSU Feasibility Grant	S	G	Es	
EI	Tailored Company Expansion Packages	S	G	Es	Ex
EI	Grad Start	G	Es	Ex	
EI	Horizon Europe	G	Es		
EI	High Potential Start-Up (HPSU)	G	Es	Ex	
EI	Online Customs Insights Course	G	Es	Ex	
EI	The Operational Excellence Offer	G	Es	Ex	

EI	Brexit: Act On Initiative		G	Es	Ex			
EI	Excel at Export Selling		G	Es	Ex			
EI	Market Discovery Fund		G	Es	Ex			
EI	Building Information Modelling (BIM)		G	Es	Ex			
EI	Agile Innovation Fund		G	Es	Ex			
EI	Capital Investment Incentive (CII)		G	Es	Ex			
EI	Innovation 4 Growth Programme		G	Es	Ex			
EI	Green Start		G	Es	Ex			
EI	Key Manager Grant		G	Es	Ex			
EI	Job Expansion Fund		G	Es	Ex			
EI	Lean Start		G	Es	Ex			
EI	The Research and Development (R&D) Fund		G	Es	Ex			
EI	Exploring Innovation Grant		G	Es	Ex			
EI	Leadership 4 Growth Programme		Es	Ex				
EI	Innovation Partnership Programme		Es	Ex				
EI	Intellectual Property Strategy Offer		Es	Ex				
EI	Lean Plus		Es	Ex				
EI	Lean Transform		Es	Ex				
EI	BB	TG	Food Works		S	G		
EI	Business Process Improvement Grant		G	Es	Ex			
ITI	Trade Accelerator Voucher		S	G	Es	Ex		
ITI	Brexit Planning Voucher		G	Es	Ex			
ITI	Elevate Programme		G	Es	Ex			
ITI	Fusion Programme		G	Es	Ex			
ITI	Acumen Programme		G	Es	Ex			
BB	Origin Green		S	G	Es	Ex		
BB	FoodService Academy		G	Es	Ex			
BB	Marketing Assistance Programme		G	Es	Ex			
TG	Options Programme		S					
ACC	Accelerators e.g. NDRC, The Yield Lab		S	G				
IRC	Enterprise Partnership Scheme		S	G	Es	Ex		
IRC	Employment-Based Postgraduate Programme		S	G	Es	Ex		
RL	LEADER		S	G	Es	Ex		
BIM	Brexit Business Planning Support Scheme		G	Es	Ex			
BIM	Knowledge Gateway Scheme		S	G	Es	Ex		
BIM	Sustainable Aquaculture Scheme		S	G	Es	Ex		
RDP	BB	Grow with Aldi	S	G				
RDP	BB	Kickstart - Lidl	S	G				
RDP	BB	Food Academy - SuperValu	S	G				

ACCESSING STATE FUNDING SUPPORTS

Read more on page 24.

Overview

ESG

Business Performance
and COVID-19

Funding your
Business

ifac Supports
Guide

The Startup
Journey

Exports
and Brexit

People
and Culture

Food and
Sustainability

Research and
Development

Digital
Transformation

Transitioning
your Business

Personal
Finance

5 The Startup Journey

Building a successful agtech or foodtech business can be like a game of “Snakes and Ladders”, writes Lorcan Bannon, Senior Consultant with *ifac*.



LORCAN BANNON

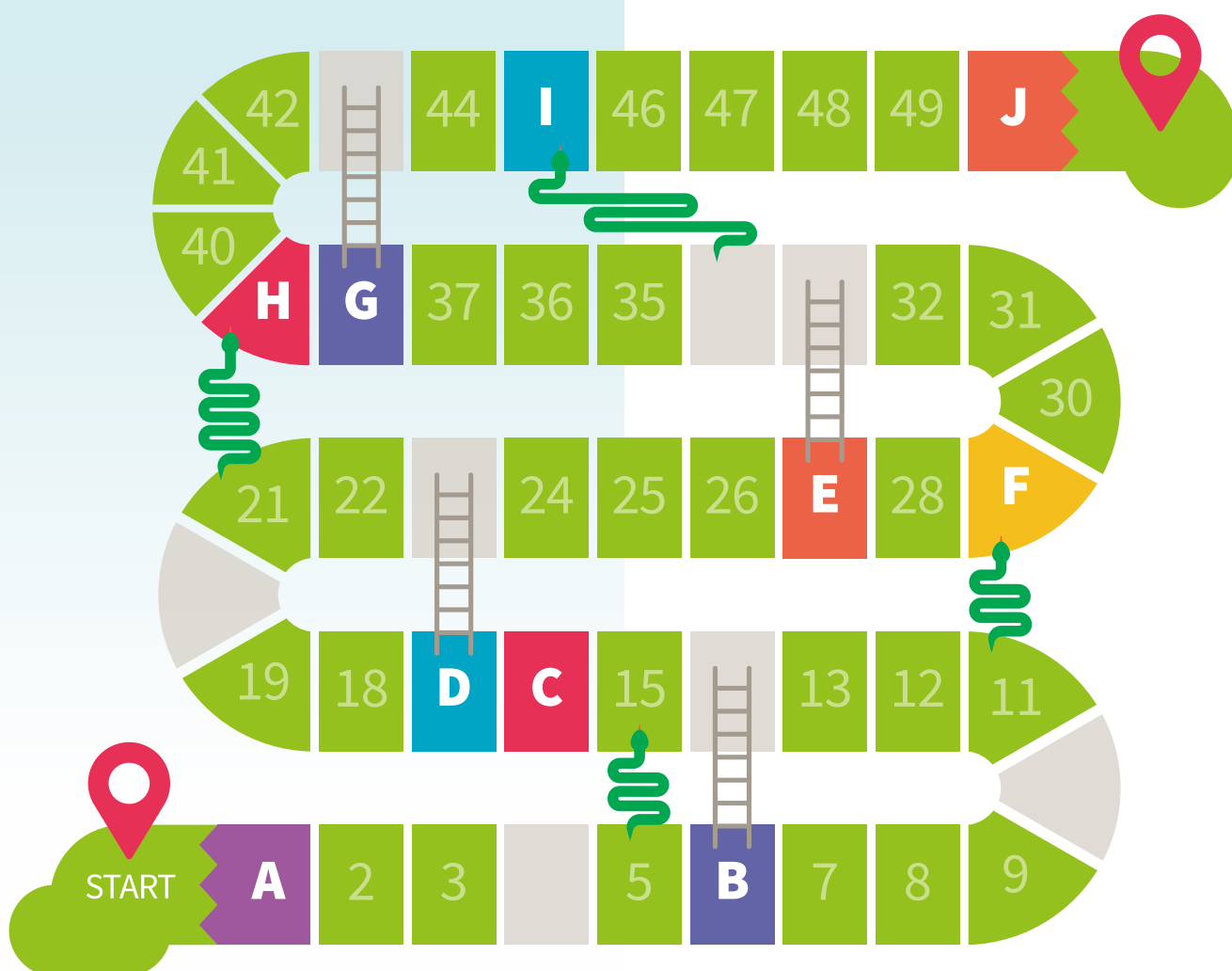
Food and AgriBusiness
Senior Consultant, *ifac*

There has never been a better time to launch an agtech or foodtech business in Ireland.

With technologies becoming increasingly accessible, government programmes of investment placing an increased emphasis on innovation and resilience within the agri sector and with human capital amongst the best in the world, aspiring entrepreneurs have all the right factors for success within reach.

Building a successful agtech or foodtech business is still not an easy thing to do. There are many ups and downs along the path to success. This article highlights the most common highs and lows that we have seen working with some of Ireland's top emerging entrepreneurs in the agrifood sector.

Spoiler alert: The best entrepreneurs that we work with recognise that the journey is not linear and they put a focus on enjoying the highs and shortening the lows to maximise the overall impact for their business.





GET YOUR IDEA RIGHT

Before launching into a new business, the top agtech or foodtech founders really do their research. I mean they really do it. They understand the market dynamics and the problem they are trying to fix. They speak with existing market players, speak with target consumers and really grasp their needs. Very often, they identify key trends or waves that are driving these opportunities forward and they focus on these. Armed with unique insights, they set out their version of the future and how their business will succeed in an emerging marketplace.



BUILD A STRONG TEAM

Speak with any potential investor and “the team” will always be a key area of focus. Strong founding teams very often, although not always, have a balance of experience and a shared passion for their mission. As a founder, understand your strengths and potential weaknesses. Look to fill those gaps and recruit your team as needed while building a strong ecosystem of supporters and trusted advisors around your core team.



GET CUSTOMER VALIDATION

Invest your time early on with your customers. Securing early market traction will give you and potential investors greater confidence in your ability to identify paying customers and to grow a scalable business. With a clear vision for the future, don't be afraid to tweak and evolve your ideas. Without this early customer validation, you are potentially wasting your time unless your project has deep and valuable IP.



UNDERSTAND YOUR FUNDING OPTIONS

With some market traction, look at your funding options and your growth strategies. Identify the most suitable source of funds for your business from friends or family, to Local Enterprise Offices (LEO) or LEADER and Enterprise Ireland or Angel Investors to secure the initial funding that your business needs to build out your plans.



BUILD A BRAND IDENTITY FOR YOUR BUSINESS

Create a strong, consistent brand identity for your business. In a competitive world, even B2B companies need to be able to differentiate and stand out from the crowd. Having a professional, consistent look and feel that will resonate with your target audience along with an ability to deliver thought leadership in your sector will help drive your business forward.



MANAGE YOUR GROWTH EFFECTIVELY

Stay on top of your key business metrics; especially cashflow. If you grow too quickly and don't plan correctly your business can die from a lack of financial liquidity.



IDENTIFY THE RIGHT STRATEGIC INVESTORS

As you scale and you get to a point where further investment is needed, identify the right strategic investors to help fund your growth. This could be a mixture of debt, equity, venture capital, grants or even crowdfunding. Ensure you have a deep understanding of your investors before bringing them on your journey; once onboard it can be very complex, costly and time consuming to remove them (for more on investment strategy see page 22).



STAY FOCUSED

Focus and motivation can be a challenge for some founders. Things will not always go as you planned. Having a team of trusted external advisors with regular meetings, will help you to prioritise and stay accountable to your business ambitions. They will also help you to realise the progress that you make as you grow your business.



COMPETITORS CAN EAT YOUR LUNCH

We operate in a sector that is changing fast. Incumbents are starting to react to disruptive technologies and new players are constantly emerging. By not focusing on your customer needs or getting the basics right like securing IP protection, executing quickly or having shareholder agreements in place, you can be left exposed to competitive threats.



ENJOY THE JOURNEY

In reality there is not one final destination or trophy moment. Building a sustainable agtech or foodtech business takes time and you will encounter lots of snakes and ladders along the way. The important thing is to keep moving.



If you want to see how we can help identify the right ladders and avoid some of the snakes, contact Lorcan at lorcanbannon@ifac.ie.

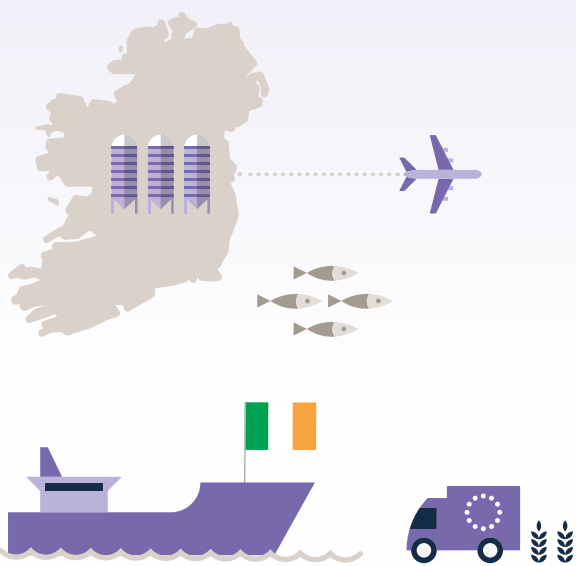
6

Exports and Brexit

With 86% of sales originating in the Republic of Ireland, exports play a limited role for Irish SMEs.

64% of businesses have been negatively affected by Brexit. Increased costs, transport disruption and access to raw materials have had the biggest impact on SMEs. The Brexit impact on the sector is far reaching and damaging.

The CSO reports a drop in the value of food and live animal exports to Great Britain of 7.5% for the first half of this year, down to €1.532 billion (Jan-Jun 2021) from €1.646 billion (Jan-Jun 2020).

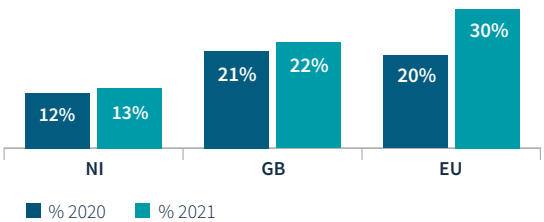


EXPORTING

The Republic of Ireland (ROI) remains the primary market for food and agribusinesses. In line with last year’s findings, 55% of businesses’ turnover includes some level of export.

While there has been a significant drop in the number of businesses exporting to Northern Ireland (NI), Great Britain (GB) and the European Union (EU), the level of export sales among those who are trading has increased. The most considerable increase in value was seen within the EU, up 50% year-on-year.

VALUE OF SALES TO NI, GB AND EU FROM ROI FOOD AND AGRIBUSINESSES



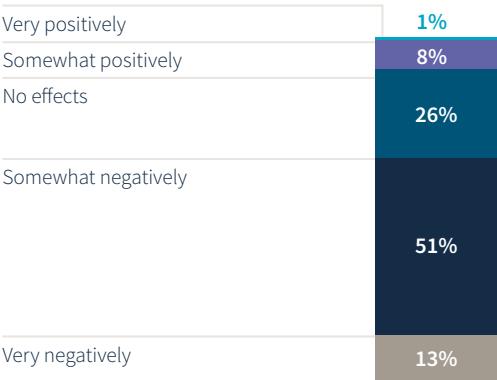
38% of Irish food and agribusinesses who are currently trading internationally plan to increase sales to NI and 43% intend to increase sales to GB. Nearly half hope to increase sales within the EU.

BREXIT

With the impacts of Brexit a little clearer than 12 months ago, nearly two thirds of business owners say their business has been partly affected. Food businesses (72%) are more likely to have experienced a negative impact than agribusinesses (50%). Over a quarter of businesses (26%) have felt no effects while a small cohort (9%) have been impacted positively.

64% of businesses have been negatively affected by Brexit

IMPACT OF BREXIT



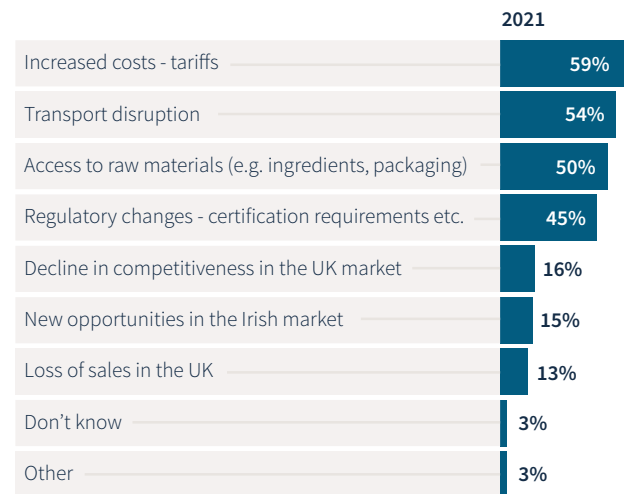
BREXIT ISSUES

Increased costs linked to tariffs remain the biggest impact of Brexit on businesses for the fourth year in a row. The impact of transport disruption has been realised this year with 54% of businesses flagging it as a major issue. Half of businesses see access to raw materials as a major problem. Similarly, regulatory changes for the sector as a result of Brexit have become a considerable issue for 45% of businesses.



ANDREW BROLLY
Customs Advisor, ifac

BIGGEST IMPACTS ON YOUR BUSINESS AS A RESULT OF BREXIT



Export and tariff considerations for your business

What Brexit export and tariff changes are coming this October?

On 1 October 2021, some key measures will be implemented in relation to food and agricultural goods with additional measures following in January and March 2022. Here are ifac's key considerations for exporting to Great Britain as the impact of Brexit begins to crystallise.

1. Ensure that you are registered on TRACES. This enables you to apply for export health certificates.
2. Get an Irish EORI number.
3. Be aware of the Sanitary and Phytosanitary controls. Certificates must travel with agricultural produce and used machinery. Remember that different goods require different certificates.
4. You will be required to notify the UK authorities of the import to the UK. In the case of live animals or plant produce, you will need a British import agent to pre-notify IPAFFA (Imports of Products, Animal, Food & Feed System) before the actual movement.
5. You will be required to submit an export declaration. This requires the use of specialised software and therefore an Irish customs agent may be required.

What checks will be carried out?

1. From October 2021

- A. Remote document checks.
- B. Physical inspection of high-risk goods (case by case basis).

2. From January 2022, physical and identity checks on:

- A. All products of animal origin.
- B. High risk plants and plant products.

3. From March 2022, physical and identity checks on:

- A. Live animals.
- B. Low-risk plants and plant products.

Are there still any unknowns?

In short; yes. The British Government has not yet confirmed:

1. If prepared meats, like mince or sausages, will be allowed into the UK from the EU.
2. If goods moving from Ireland to France, for example, via the UK, will require a health certificate or pre-notification to IPAFFA.



Get in touch if your company needs customs and tariff support and advice – oisingryson@ifac.ie.

7 People and Culture

Without the right people with the right attitudes and skillsets, Irish food and agribusinesses could never have survived the challenges of a global pandemic. It hasn't been easy and with two thirds of businesses experiencing ongoing difficulties in finding the right staff, more challenges lie ahead.

Despite that, employment plans for the next 12 months remain consistent with 2020 as 3 out of 10 businesses expect to employ more staff.

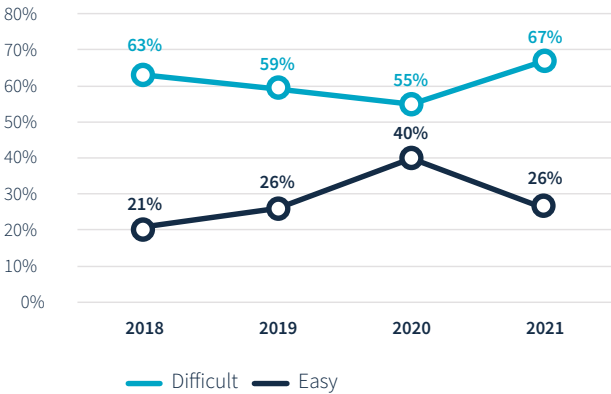
Understanding and addressing some of the key barriers to finding the right staff will be an important first step. Strong ESG values may be part of the solution as Mary McDonagh, ifac's Head of HR & Payroll Services highlights.



RECRUITMENT

Food and agribusinesses are finding it increasingly difficult to recruit the right people for their businesses, up by 22% since 2020. The concern is more evident amongst food businesses than agribusinesses.

HOW EASY OR DIFFICULT IS IT TO RECRUIT THE PEOPLE NEEDED TO RUN THE BUSINESS?



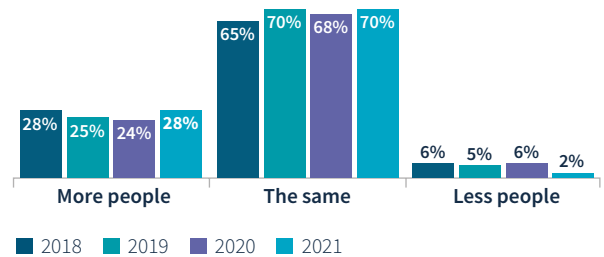
EMPLOYMENT PLANS FOR NEXT 12 MONTHS

28%
of businesses intend to employ more people over the next year



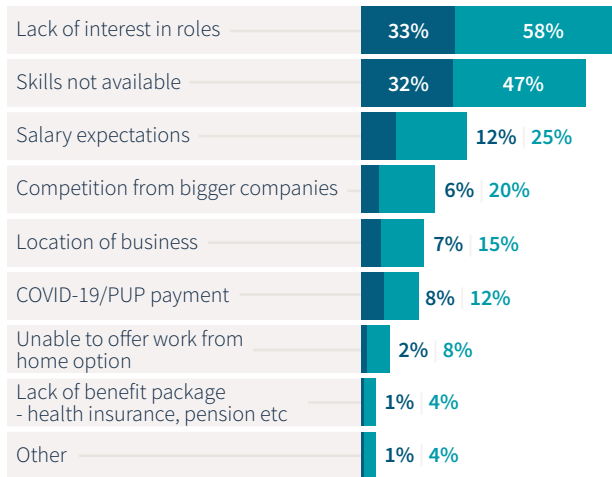
The resilience of food and agribusinesses, highlighted in our 2020 report, continues into 2021 with 98% of respondents intending to maintain or grow staff numbers in the coming 12 months. 3 in 10 intend to employ more people. Food companies account for most of this growth.

EMPLOYMENT PLANS FOR THE NEXT 12 MONTHS



DIFFICULTY IN RECRUITING

A lack of interest in roles has replaced a skills shortage as the most common driver of recruitment issues. This factor is consistent across all business sizes and regions.



■ 1st mention ■ Total mentions



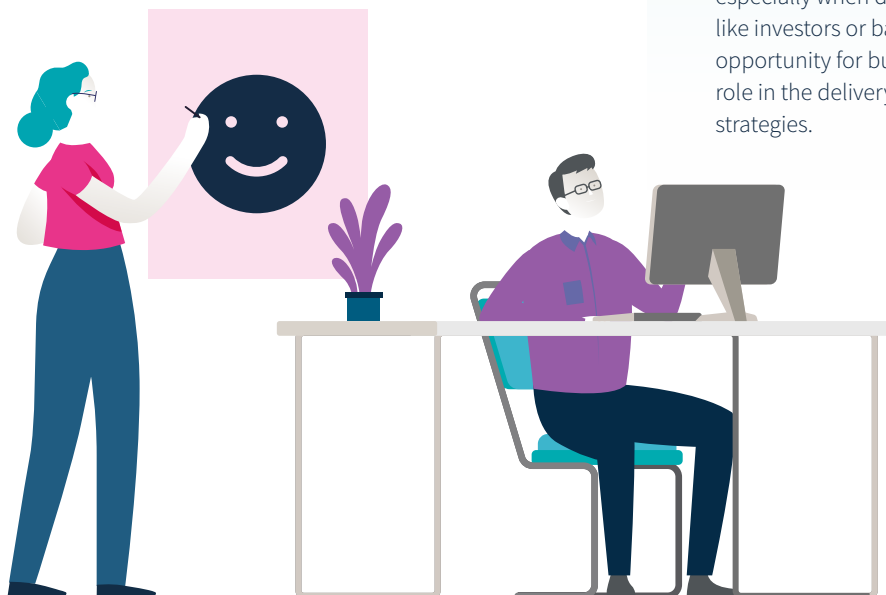
MARY MCDONAGH

Head of HR & Payroll Services,
ifac

ESG and your company culture

ESG principles certainly were not on the radar when Peter Drucker first coined his legendary “Culture eats strategy for breakfast” phrase but Mary McDonagh, Head of HR & Payroll Services at ifac, highlights four ways that ESG principles can really add to a company’s culture and drive additional value for Irish food and agribusiness SMEs.

1. Having an attractive ESG proposition helps companies attract and retain the right talent. Many employees are actively considering the ESG profile of a company when choosing where they want to work. They might not call it ESG but they are looking at sustainability, environmental focus, societal impact and employee welfare.
2. Proactively embracing ESG principles requires the support of a strong company culture. Having all your staff considering waste reduction or energy efficiency or how they interact with their colleagues will create greater buy-in and better results for stakeholders and the environment.
3. Aligning external ESG communications with internal company behaviour is critical. If ESG activity is not authentic, company culture will suffer.
4. Metrics are a vital component of ESG reporting especially when dealing with external stakeholders like investors or banks. This presents a great opportunity for business culture to play an integral role in the delivery of the company’s longer term strategies.



8

Food and Sustainability

Now more than ever, Irish food businesses are acknowledging that their operations and their sustainability credentials need to act as one. This focus on sustainability covers their commercial viability, their impact on the environment and even their roles within our wider society in line with ESG values.

For any food business, that is a lot to manage but through our research and case study, we can see how the sector is starting to respond.

For the second year running, sustainable packaging is highlighted as the top trend impacting Irish food businesses.



FOOD TRENDS

The food trends impacting the sector can fluctuate from year-to-year. Being eco-friendly is now considered to be the top-of-mind food trend for Irish food businesses. When it comes to total mentions, sustainable packaging, health benefits and shopping local are the three trends making the most impact in 2021. The range of trends referenced in our research indicates a need for agility in this dynamic sector.

Sustainable packaging continues to be the top trend impacting Irish food businesses

FOOD TRENDS WITH THE BIGGEST IMPACT

Sustainable packaging	7%	29%
Health benefits e.g. free from	12%	28%
Local provenance e.g. shop local	7%	25%
Food delivery services e.g. Deliveroo	12%	24%
Eco friendly e.g. zero waste	16%	23%
Organic	7%	20%
Veganism	9%	18%
Food intolerance e.g. gluten free	9%	17%
Plant based food	2%	9%
Scratch cooking	4%	8%

■ 1st mention ■ Total mentions

TRENDS ON THE RISE YEAR-ON-YEAR

Eco-friendly

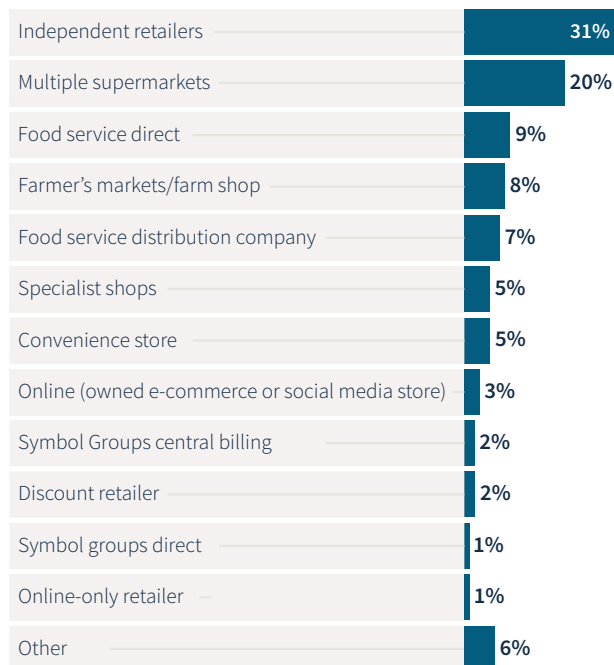
While sustainable packaging remains the number one trend impacting food businesses in 2021, eco-friendliness continues to experience significant growth year-on-year. This reflects an awareness amongst Irish food businesses that more needs to be done beyond their packaging credentials as they work towards more sustainable practices like Zero Waste. The opportunity is there to see this as an investment rather than a business cost as consumers shift towards eco friendly products in greater numbers.

Food delivery services

With the abrupt disruption to out-of-home dining in 2020, food service saw a bounce in demand for delivery services. Emerging Irish tech companies, like Buymie, experienced significant growth in the on-demand grocery delivery sector while the home delivery sector continues to grow in competitive intensity with the likes of Deliveroo, Just Eat and UberEats all vying for market share. Understanding margins and how to maximise these third-party services is critical for Irish food businesses, especially those in the food service sector.

ROUTES TO MARKET

WHICH OF THESE IS YOUR MAIN ROUTE TO MARKET?



While multiple supermarkets and independent retailers continue to be the primary route to market for the majority of SME food businesses (51% of respondents), alternative routes to market including Food Service direct (9%), Farmer's Markets (8%) and Food Service distribution companies (7%), reflect an openness to a more diversified route to market strategy.

For over half of food businesses surveyed (58%), the number of routes to market has remained the same over the last 12 months. However, 1 in 4 food businesses have increased their number of routes to market reflecting some of the forced changes instigated by COVID-19 in 2020 and an appetite to reduce their exposure to one channel. The number of businesses expanding into new channels was slightly higher for medium sized businesses reflecting a greater capacity to absorb the investment required.

Looking forward, retail (Multiples and Independents) is predicted to continue to deliver the most growth in the next 3 years. As food businesses start planning for 2022 and beyond, there is an opportunity to take a step back to understand the impact that the pandemic has had on their route to market strategy and try to identify which practices should be retained and which should be discarded.



Food Vision 2030

The Food Vision 2030 plan is a new ten-year strategy for the Irish agri-food sector. It was published by the Department of Agriculture, Food and the Marine in August 2021 and focuses on four core pillars:

- #1** A climate-smart environmentally sustainable agri-food sector
- #2** Viable and resilient primary producers with enhanced well-being
- #3** Food that is safe, nutritious, and appealing, trusted and valued at home and abroad
- #4** An innovative, competitive, and resilient agri-food sector, driven by technology and talent

So what?

Food Vision 2030 places the environment at the heart of policy direction for the agri-food sector, aligning with ESG principles. This will impact on farmers, food businesses and agribusinesses.

Some elements of the strategy make a lot of sense including an increased adoption of agtech but equally the strategy will bring a lot of change to how the sector currently operates. In particular there is debate about how the Food Vision strategy will affect different sections of the farming community. For SMEs in the sector, taking steps now to build sustainability and ESG muscle in the business is sensible and timely.

CASE STUDY

Sustainability and All Real

Lorcan Bannon, Food and AgriBusiness Senior Consultant at *ifac*, caught up with Niall Harty, All Real co-founder and *ifac* client, to find out what it is like to scale a challenger Irish food brand sustainably. A focus on shared core values, sustainable packaging, and an ambition to deliver a greater impact shine throughout the conversation.

ALL REAL CORE VALUES

All Real is a performance nutrition brand for everyday athletes. The core values behind the brand are **real food, real people, real impact**. Co-founder of All Real, Niall Harty starts our conversation by explaining each of these elements in a greater detail.

Real food

All Real ensures that the ingredients on the back of their protein bar can be understood by everyone. “You don’t need to know about science to understand them.” Most of the ingredients that All Real use can be found in your cupboard at home.

Real people

All Real are trying to get the idea of integrity across in their marketing by using real people. Rather than focusing on having an aspirational body, All Real promotes having an aspirational lifestyle. They are about ability not appearance, performance not posing.

Real impact

The impact of sustainability is a core business value for All Real. Everything that they do from packaging to promotions and partnerships needs to be consistent with this value.

SUSTAINABLE PACKAGING

Sustainable packaging has always been a priority focus for the team at All Real. The packaging All Real use is fully sustainable, accredited and plastic free. For example, the cardboard for the boxes they use, and their Shelf Ready Packaging (SRP) is all Forest Stewardship Council (FSC) approved which means that it comes from sustainable regenerative forests.

“In an ideal world, we want everyone to be using this type of packaging, because the way we’re going, it’s just not sustainable.”

All Real have also sourced branded compostable mail bags. They are more expensive, but “you can’t say you’re a plastic free company and then send out plastic to your customer”. Niall admits that covering the costs of having sustainable packaging can be difficult, and it’s not justified by sales yet. However, “it’s the way everyone is going to be doing things in 5-10 years so we just want to take the lead on it and show that, if the small guys can do it, so can the big guys. In an ideal world, we want everyone to be using this type of packaging, because the way we’re going, it’s just not sustainable.”



Ross McDowell and Niall Harty, co-founders of All Real.



A GREATER IMPACT

In addition to sustainable packaging, All Real focuses on other ways to have a greater impact on society.

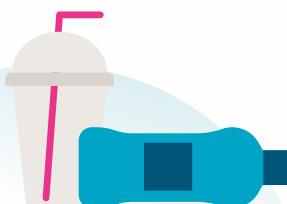
All Real are building a community on a sustainability mission and Niall feels that it is important to actually do something that has a sustainable impact. At a local level, the team coordinate regular beach clean-ups all around the country while their partnership with social enterprise, PlasticBank ensures that they are having a global impact too.

“What we’re trying to do with our packaging is that with every bar you buy, you’re preventing two plastic bottles from entering the ocean.”

A contribution from every All Real sale goes to PlasticBank whose initiatives prevent 3.5 million plastic bottles, or 75 metric tonnes of plastic, from entering the ocean every year. “What we’re trying to do with our packaging is that with every bar you buy, you’re preventing two plastic bottles from entering the ocean.”

LOOKING FORWARD

Niall sees a positive future for their business and how they can grow it sustainably achieving both commercial and environmental goals. “Would I recommend to another company to choose compostable packaging? Absolutely, if you can tick all the boxes.” It’s certainly not the cheapest way to build a business but as technologies improve and minimum quantity orders come down, more food businesses will join the likes of All Real. “But for now, when companies say on Instagram, ‘oh look this is plastic free!’ there’s a whole lot of work that has gone into that to make it actually viable.”



Research and Development

To drive international growth, create new products and services as well as deal with increased costs and sustainability targets, effective Research and Development (R&D) practices play an important role for Irish food and agribusinesses, especially medium sized companies.

The level of investment in R&D across the country remains limited with medium sized businesses and food companies more likely to engage in R&D.



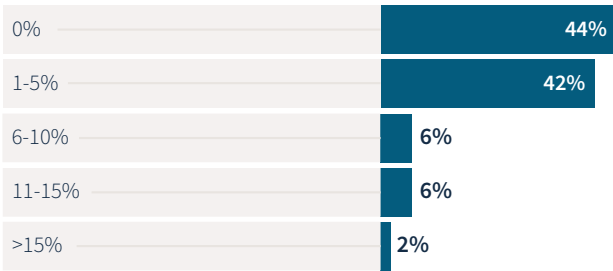
R&D INVESTMENT

The operational challenges of managing an SME in a pandemic can prevent business owners from exploring R&D opportunities as more short-term actions take priority.

Our latest research shows 44% of food and agribusinesses do not invest in research and development, compared to 34% last year. However, 56% of businesses surveyed do engage in R&D at some level with 42% investing between 1% and 5% of turnover in R&D.

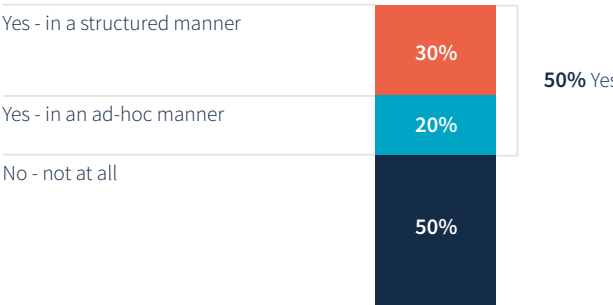
Similar to previous years, medium sized businesses are considerably more likely to invest in R&D, with 82% of those surveyed doing so. Food businesses are more inclined to engage in R&D with two thirds investing compared to only 38% of agribusinesses.

INVESTMENT IN R&D AS A PERCENTAGE OF TURNOVER



DOCUMENTING R&D ACTIVITIES

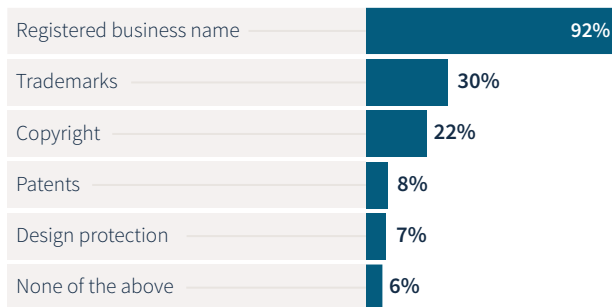
In ifac we see increasing numbers of food and agribusinesses accessing R&D Tax Reliefs especially the 25% R&D Tax Credit. You cannot claim your tax credit if you have not captured and documented your R&D activity in a structured manner. Ultimately more businesses will have to move from an ad-hoc (20%) to a structured (30%) manner of capturing the relevant information. Medium businesses and food companies are most likely to document their R&D activities.



INTELLECTUAL PROPERTY (IP) PROTECTION

9 out of 10 businesses have a registered businesses name as a means of protecting their intellectual property up from 74% last year. Patents and design protection remain below 10%.

INTELLECTUAL PROPERTY (IP) PROTECTION METHODS USED BY BUSINESSES



R&D TAX RELIEFS

ROBERT JOHNSON | Tax Director, ifac

Aside from the obvious benefits of engaging in R&D like developing new products or processes, there are some benefits to consider from a tax perspective:

- ▶ **R&D Tax Credit:** Claim up to 25% of your R&D expenditure in a tax credit.
- ▶ **Knowledge Development Box:** Reduce your tax liability on qualifying intellectual property to 6.25%.



We continue to work with clients to avail of these reliefs. If you feel any of your activities are eligible, get in touch so we can assess your potential claim.



TIM ROCHE*



Harvesting value from Intellectual Property

Intellectual Property (IP) is a key determinant of the value of businesses writes Tim Roche*. Intangible assets are also becoming a significant determinant of competitiveness in terms of production efficiency, cost reduction, differentiation in the marketplace and sustainability.

There are many types of intellectual property rights (IPR). The most well-known types are Patents, design rights and Trademarks. The important thing for anyone creating or acquiring IP is to realise that like any property, it is an asset and needs to be managed.

Also, like any asset, a piece of IP has a useful lifespan. Some IPR lifetimes are defined and finite e.g. a patent generally lasts 20 years. A trade secret lasts as long as it is kept secret e.g. the Coca Cola recipe is 130 years old and is still the basis of a multi-billion dollar business. Creating, protecting and managing such assets takes time, effort and money, but with an effective management and exploitation plan, should provide a return on this investment.

Licensing

Like any property, IPRs can be bought and sold (assigned). They can also be licensed and even sub-licensed to another party. Usually, licenses are provided in return for a fee arrangement referred to as a 'consideration'. Typically, the fee comprises an upfront payment followed by a royalty usually based on an agreed percentage of net sales. In looking at opportunities to license IPRs, it is important to realise that they can be licensed exclusively or non-exclusively. Determining which is most appropriate and taking into account the terms of any supporting license agreement should be informed by a carefully thought-out business plan and by any opportunities that may loom on the horizon.

The starting point in IP management for many organisations is to conduct an IP audit. This involves a systematic cataloguing of what the organisation generates and uses, in terms of IP, in the everyday conduct of its business. The inventory that results from this can then be used to identify the elements of IP that are unique and valuable to the organisation and decide how to protect and effectively exploit them.

Read the full article here, using this QR code:

**Tim Roche is an Intellectual Property Management Consultant with over 30 years' experience*



10

Digital Transformation

The adoption of social and online selling, which accelerated in 2020 due to COVID-19, has lost some momentum into 2021. Online selling is still important however, with almost one third of those surveyed trading online.

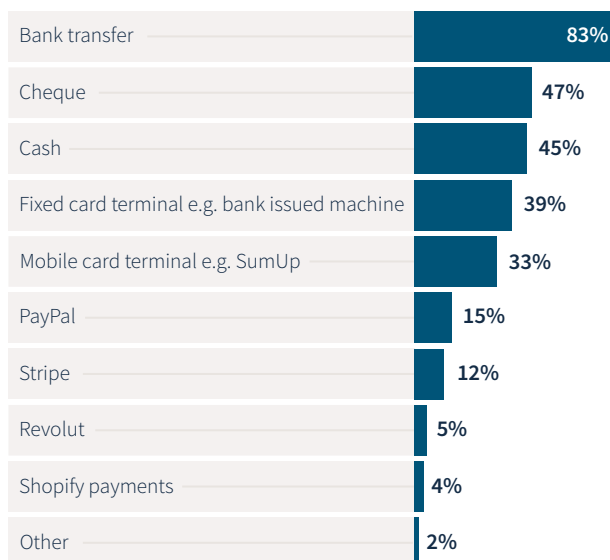
Social media remains an essential marketing tool for food and agribusinesses. While Facebook continues to be the dominant channel, *ifac* research highlights growing interest in Snapchat and TikTok.

The payments sector has experienced significant disruption in recent years. While bank transfers are still the primary payment method for food and agribusinesses, use of alternatives such as Revolut is growing.



PAYTECH: TRANSACTIONS REIMAGINED

MOST COMMON PAYMENT FORMATS



Irish food and agribusinesses accept a wide variety of payment formats with bank transfers proving the most popular featuring in 83% of responses.

Cheques continue to feature strongly as a payment format, driven by agribusinesses (72% of responses).

Cash at 45% also features quite highly but its overall prominence is in decline due to the rise of contactless payments. The recent EU announcement that plans to make cash payments over €10,000 illegal may have an additional impact if it fully comes into force over the next three years.

72%

of agribusinesses regularly use cheques but this is an expensive form of payment.

Associated costs include getting a cheque book, stamp duty, as well as lodgement and processing fees.

With slow processing times and increased security risks, businesses should be looking at digital alternatives.

Meanwhile, *ifac* research highlights how mobile card terminal payments (33%), Stripe (12%) and Revolut (5%) are becoming more prevalent in executing business payments. As food and agribusinesses grow more familiar with these payment methods and fears about security, functionality, accessibility and cost are addressed, it is likely that Paytech solutions will be the predominant payment method in years to come.

Did you know all Revolut accounts are registered in the Republic of Lithuania and therefore all Revolut IBANs start with LT?

Worth remembering next time you transfer money using the platform and you think you have made a mistake!

73 million

Contactless Payments

According to the Banking & Payments Federation Ireland, June 2021 saw the highest number of contactless payments ever recorded in a single month with Irish consumers spending €1.2 billion via contactless payments.



TRADING ONLINE



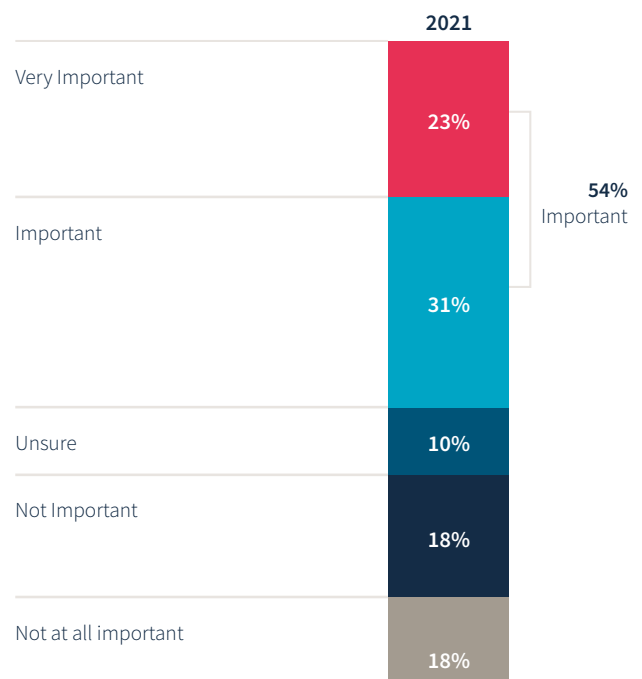
The number of food and agribusinesses who are trading online and doing a lot of business is consistent with our 2020 research at 9%.

However, 6 in 10 businesses do not currently have any plans to trade online, with agribusinesses least likely to have a plan in place. This represents an unrealised opportunity in the sector. Trading online can help both B2B and B2C businesses develop alternative routes to market. This proved invaluable for some businesses in their response to the impacts of COVID-19.

SOCIAL MEDIA

Social media remains an essential part of the marketing efforts for food and agribusinesses, with 1 in 2 considering it as important. It plays a more prominent role for food businesses than for agribusinesses (62% vs 39%).

ROLE OF SOCIAL MEDIA



Penetration and effectiveness

Facebook remains the most used social channel for businesses, consistent ifac’s research over the past four years. When compared with 2020 however, we see a downward trend in the overall use of social media channels which can be partly explained by the realities of sustaining a business in a pandemic with finite time and human resources. Usage and perceived effectiveness of Twitter continues to decline, a trend we first observed in our 2019 report.

Facebook also continues to be the most effective channel. However, the perceived effectiveness of Facebook has declined by 18% year-on-year. Since its peak in our 2018 research, the perceived effectiveness for Facebook in 2021 has dropped by 29%.

The perceived effectiveness of Instagram is up 167% when compared to 2018 while Snapchat and TikTok appear in our “most effective” social media ranking for the first time.

Food and agribusinesses should take time to consider how these platforms can enhance their communication strategies and improve their customer connections.

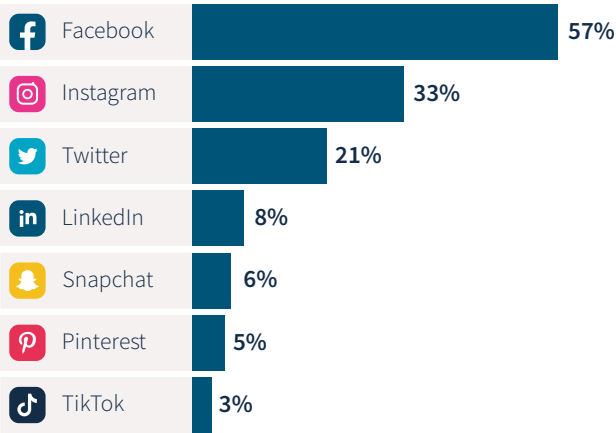
1.5 million

TikTok users per month in Ireland

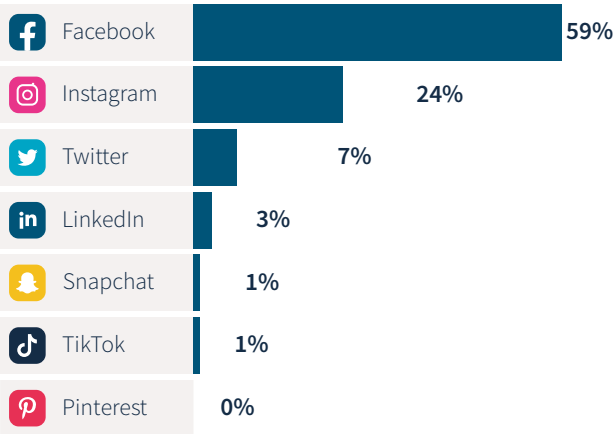
TikTok, a video-sharing app developed in China, is now the most downloaded app in the world. In Ireland there are over 1.5 million users of TikTok per month.* Your customers are there; it's time to give this platform some consideration for your business.



SOCIAL MEDIA USE 2021



MOST EFFECTIVE SOCIAL MEDIA 2021



TECHNOLOGY INVESTMENTS

Despite most food and agribusinesses remaining on-site and operational throughout the pandemic, some functions needed to work remotely. Our 2021 research reflects a continued investment in remote working technologies, office automation solutions like HubSpot and Xero were also flagged as an area of investment by 15% of respondents, highlighting the opportunity to adopt digital transformation in a staged approach.

High profile data breaches like the one experienced by the HSE earlier in 2021, have increased awareness of cyber threats. 12% of respondents mentioned an investment in cybersecurity.

*www.thinkbusiness.ie/articles/what-social-media-platforms-ireland-mulley-tiktok-facebook-instagram/

Digital transformation investment

Post COVID-19, process optimisation, digital customer experience and data management will be essential in order for businesses to remain competitive.

Digital transformation requires time and money. To begin you need to audit your current digital capabilities, including your internal strengths and gaps before reviewing potential external threats including cyber threats or competitor activities. Like sustainability measures, digital transformation should be viewed as an investment rather than as an unnecessary cost.

To help facilitate the greater integration of digital solutions into Irish businesses, Enterprise Ireland has introduced the Digitalisation Voucher. This has been developed to help businesses prepare a plan for the adoption of digital tools and techniques across the business.

This voucher can be used to access independent technical or advisory services related to the current and future operations of their businesses.



“Digital transformation is a key priority for food and agribusinesses. Digitalisation gives the opportunity to develop new value propositions and build for the future. We strongly encourage companies to look at our Digitalisation Voucher to strengthen their digital capabilities.”

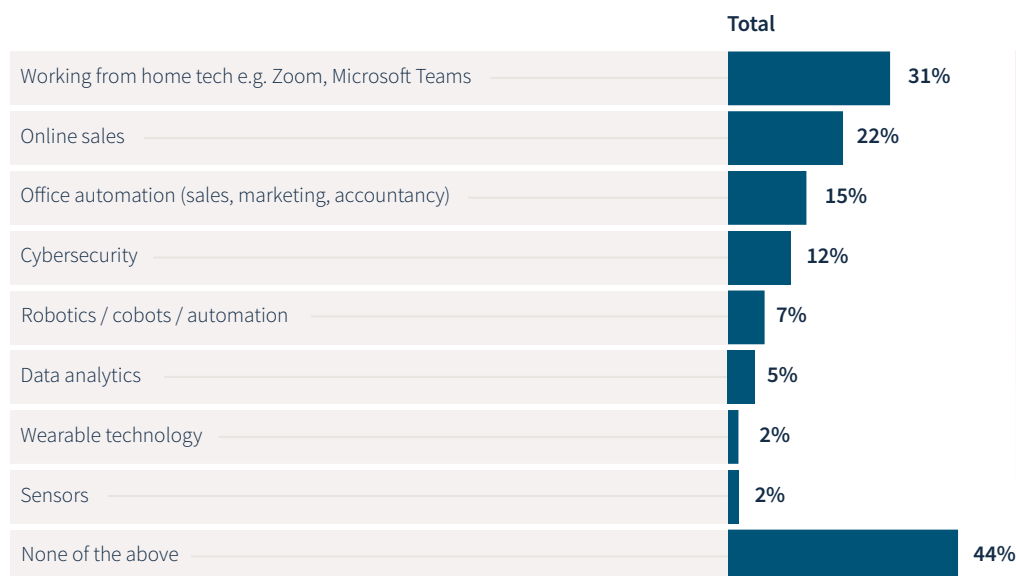


JAMES MALONEY

Senior Development
Executive, Enterprise Ireland



TECHNOLOGY INVESTMENT PRIORITIES



Interested to find out more about robotics, cobots or automation for your business?

Scan this QR code:



11

Transitioning your Business

In the family owned, SME world, succession is something that is in the background, sometimes discussed but more often than not just left unsaid. The questions succession brings to the surface are often difficult. Who will take over? Have we a saleable business? Have any of the children an interest? Do we want to burden them with the business?



SUCCESSION

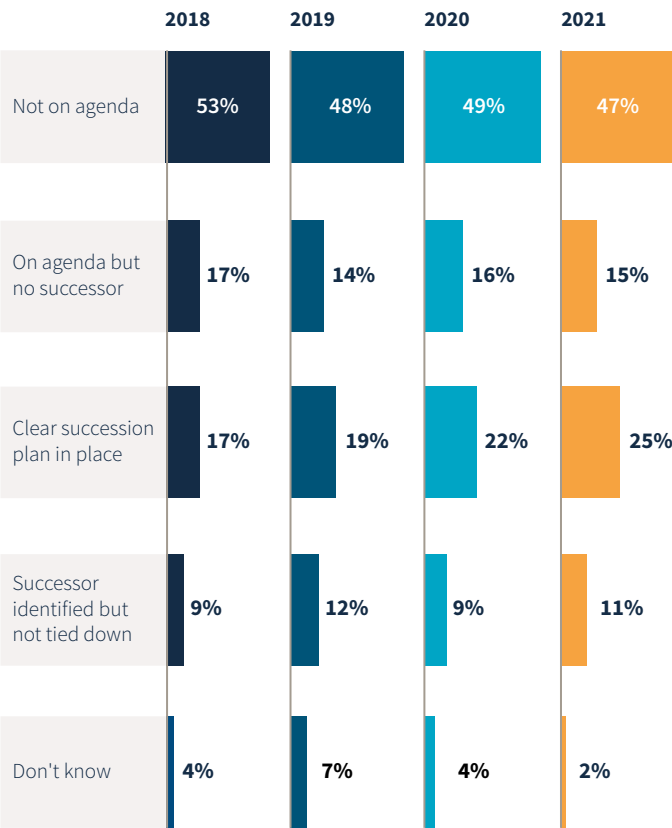
In this year’s survey, we see that succession is not currently on the agenda for half of businesses with only 25% of companies having a clear succession plan in place. This has gradually improved since this sentiment tracker began in 2018.

Succession planning challenges remain similar to previous years. In 2021, more SME owners and directors say they haven’t thought about succession planning or that there is no interest in the business from the next generation.

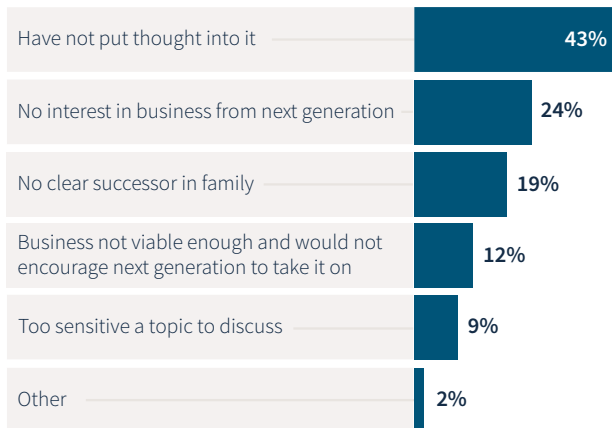
25% plan to sell their business in the next five years, down 6 percentage points from 2020. The biggest drops are seen for the food sector. This is expected. Last year when we commissioned a survey, vaccinations had yet to begin and the food service sector was still very challenged.

Reasons for considering selling their business ranged from retirement planning at 44% to operational challenges from tight margins to changing consumer behaviour.

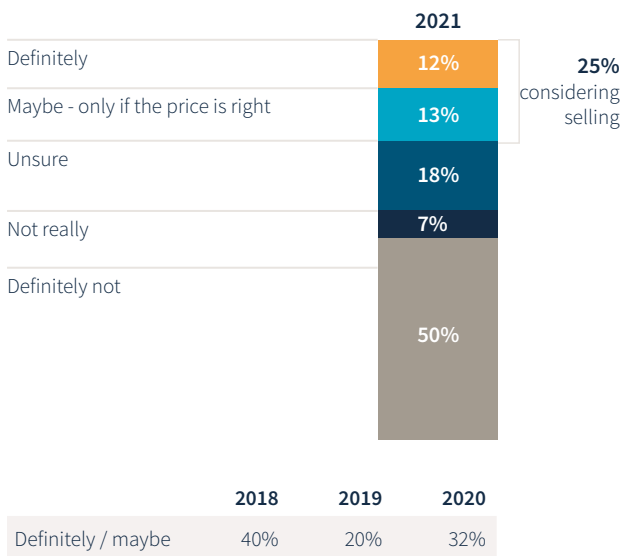
DOES YOUR BUSINESS HAVE A SUCCESSION PLAN IN PLACE?



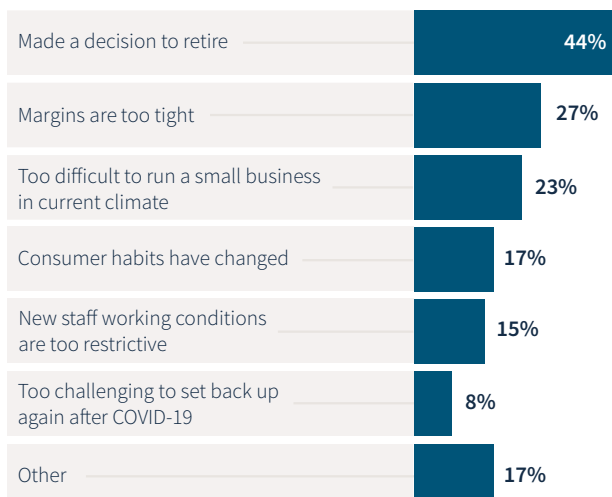
WHAT ARE THE MAIN CHALLENGES TO SUCCESSION PLANNING?



WOULD YOU LIKE TO SELL YOUR BUSINESS IN THE NEXT 5 YEARS?



WHY WOULD YOU LIKE TO SELL YOUR BUSINESS?



DECLAN MCEVOY
Head of Tax, ifac

Tax reliefs for transitioning your business and extracting value

To maximise the value of your business in the event of a sale, partial sale or transfer of your business' assets, it is key to have the right structure in place. Two reliefs which are particularly advantageous for business owners are:

Entrepreneurial relief

The Entrepreneurial relief is available to individual owners of a trade or business (owners/founders of private unquoted companies, sole traders and farmers) in respect of the disposal of all or part of that trade or business which they have owned for at least 3 years. The tax rate applying to gains arising on the disposal of qualifying assets has been reduced to 10% on gains up to €1 million. Gains greater than €1 million will still be chargeable at 33%.

Retirement relief

There are two types of "retirement" relief that apply if you are aged 55 or older and you dispose of a business (qualifying assets). Firstly, there is no limit on the value of business assets that may be passed to your child in this way if you are under 66. Secondly, if you dispose of your business to any person other than a child the gain can be relieved if the proceeds do not exceed €750,000. If the disposal proceeds exceed €750,000, marginal relief ensures the CGT may not exceed half the difference between the proceeds and €750,000. These limits change when you pass 66 years of age.

By having these two reliefs available it opens up the proposition of:

- ▶ Transfer to the family
- ▶ Transfer outside the family
- ▶ Management buy-out
- ▶ Sale of part of the business



We strongly suggest that you review your structure with these reliefs in mind. Contact us at any stage for a conversation.

12

Personal Finance

We meet many business owners who spend so much time on their business, that they neglect their own personal finances. They have all their wealth tied up in their business. Business owners need to protect themselves by having an emergency fund to cover short-term setbacks and income protection for the long-term implications of a serious illness or injury.

For business owners, taking care of great staff is as important as ever. Providing options for a pension scheme, death in service benefits, as well as health insurance are valued by staff and where a business is financially strong enough it is something to strongly consider.

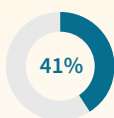
PERSONAL FINANCE PRIORITIES 2021



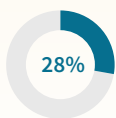
Life assurance



Personal pension



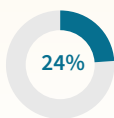
Pension scheme for employees



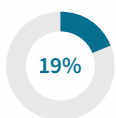
Income protection



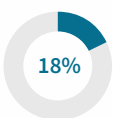
Key person insurance



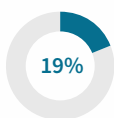
Property investments



Share portfolio



Health cover for employees



None of the above



MARTIN GLENNON

Head of Financial Planning, ifac

One of the harsh COVID-19 lessons for many business owners has been the sudden drop they experienced in their income levels.

Our income is the source for our lifestyle. When things are going well, we can take it for granted. An unexpected event, such as COVID-19, an accident or serious illness, can leave us stretched financially very quickly. The key question is, how well are you protected from an unexpected event?

There are two things we can do to protect ourselves.

1. Emergency fund

Make sure you have an emergency fund that can replace your monthly income. Ideally six months income is recommended, but at a minimum 3 months. This fund is needed to deal with short-term setbacks.

2. Protect your income

For unexpected events that have long term implications (a serious illness or long-term injury), you should protect your income with insurance, such as Income Protection or Specified Illness Cover.

We have seen an increase in the number of people that have Income Protection in place. These plans replace a portion of your income if you are unable to work due to an illness or injury. The income commences after an initial deferred period, which can range between 8 weeks and 26 weeks. The premiums for this benefit qualify for tax relief.

Employee benefits

A mandatory pension scheme for employees, known as Auto Enrolment, has been muted for over 10 years. Its introduction has been delayed yet again due to the impact of COVID-19 on businesses. However, not all businesses have been impacted equally by the pandemic and we have seen an increase in the number of employers that offer a pension scheme to staff.

Finding and retaining good staff is a challenge for all employers. An increasing number of companies are providing an employee pension scheme. This reflects an increased expectation from employees, and the desire from employers to look after their long-term staff.

Over the last year we have also seen an increase in the number of employers who are providing benefits such as a pension or death in service scheme, particularly for staff who have been with them for a number of years.

Providing these employee benefits is becoming more important when looking to hire and keep good staff.

5 personal finance considerations

1. Review your protection policy arrangements. Ask yourself how will you, your family and business cope in the event of a serious illness, injury or premature death? Check your existing policies. Who gets the benefit? Your family, the business, or the bank? Is there enough cover?
2. Spend time on succession planning, see page 44.
3. Plan your retirement. Consider when will you step back from the business? How will you spend your time? How will you fund your planned retirement lifestyle?
4. From an ESG perspective, think about how you can look after your staff with pension options, health insurance and death in service benefit.
5. Compile your Living File - see across.



Guide to a 'Living File'

- ✓ Wills
- ✓ Up to date Statement of Personal Assets/Possessions/ Debts/Liabilities
- ✓ Enduring Powers of Attorney
- ✓ Memorandum of Wishes
- ✓ Life assurance schedule and policies
- ✓ Funeral requirements
 - Director details
 - Prepaid funeral details
 - Preference – burial/cremation
 - Order of service
 - Burial plot
- ✓ Succession contracts including instructions regarding debts still owing
- ✓ Details of valuable possessions. Many take photographs of jewellery and antiques, etc.
- ✓ Family tree – parents to great grandchildren
- ✓ Passwords (if considered appropriate) for computer, security system, telephone
- ✓ Contact details of lawyer, accountant, doctor, investment advisor etc.
- ✓ Location and description of investments with contact details
- ✓ Bank account details, signatories and how to operate electronic bank accounts (hopefully a joint account exists)
- ✓ If you own multiple properties – property titles/certificates
- ✓ Vehicle ownership details
- ✓ List of people to notify on death – family, friends, relatives living overseas
- ✓ List of positions held – trusteeships, directorship, guardianship etc.
- ✓ Birth, death and marriage certificates if appropriate
- ✓ Separation or divorce papers
- ✓ Mortgage and other debit details including guarantees
- ✓ Partnership and shareholder agreements with contact details
- ✓ Photocopy of passport front page.

Sound advice, independent solutions

We specialise in a number of key areas which provide you with expert advice and services to help your business grow.



Strategic Management



Funding, State Supports and Corporate Finance



Digital Transformation



Financial Accounting and Tax Compliance



Tax Structuring, Succession and Advisory



Research and Development



Audit and Assurance



Financial Planning



Commercial Sales and Marketing Strategy

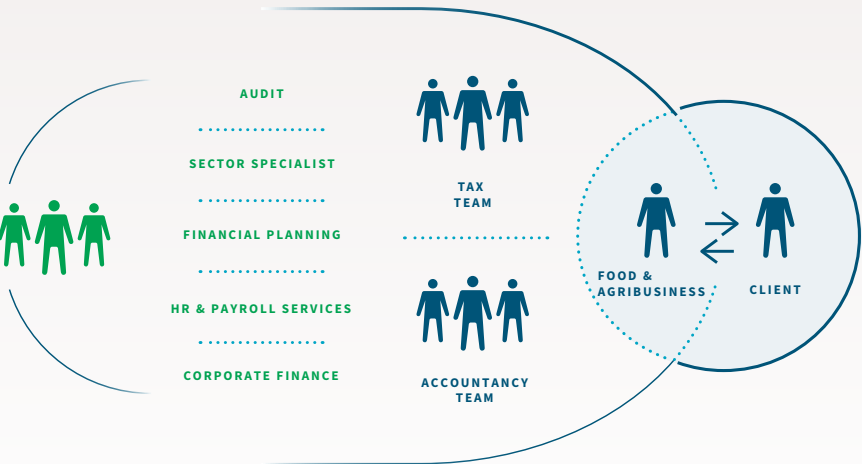


HR & Payroll Services

RECENT ADVISORY TEAM ASSIGNMENTS

In *ifac*, we have a wide range of expertise and skillsets. This allows us to deliver a range of services to clients using a holistic approach. Below are examples of some of the recent advisory projects we have undertaken.

- ✓ Assisted a number of food and agribusinesses in securing capital from the Enterprise Ireland Sustaining Enterprise Fund.
- ✓ Securing grant support and investment for clients including High Potential Start-Up (HPSU) and Competitive Start Fund (CSF) from Enterprise Ireland.
- ✓ Working with an innovative renewable energy company on a considerable international capital fundraise.
- ✓ Advised several businesses on their financial future through the Enterprise Ireland Business Financial Planning Grant.
- ✓ Creation and delivery of innovative marketing and digital strategies for high profile organisations in the sector.
- ✓ Facilitation of market research delivering deep insights for an emerging agtech business.
- ✓ Securing R&D Tax Credits for agtech businesses.
- ✓ Facilitating licencing agreement for an agtech innovation.
- ✓ Providing advisory VAT and customs solutions to companies who have been affected by changes post-Brexit.
- ✓ Development of detailed business plans and financial projections to help secure bank finance.



OUR APPROACH

ifac's Food & AgriBusiness team will be the first point of contact between you, the local team and our national team of experts. This approach ensures you have access to the right knowledge and specialist advice that best suit the needs of your business.

CLIENT VIEW

"We are a growing business and *ifac* have been able to help us in a number of important areas as we diversify our business.

Taylor's
OF LUSK

Initially we engaged *ifac* to conduct a Feasibility Study on a range of added-value products. Building on this, *ifac* have assisted us in securing funding, helping us along every step of the journey from application to drawdown.

They have also worked closely with us to develop our Taylor's of Lusk brand and we work with their accounting team on our financial and tax matters. This team approach ensures all our business needs are met by one trusted provider.

For any food business looking to grow, I would happily recommend *ifac* as a business advisory partner as they have invaluable expertise in key areas."

Alan Taylor, Taylor's of Lusk
Producers of award-winning Irish chillies & garlic

"*Ifac* are a really reassuring presence in the face of our expansion plans, and one of the things that impresses us most about them is that we have access to a very wide range of financial, business and marketing specialists, and our primary contact within *ifac* can introduce us to these as needed.

PEARSON
Milking Technology

We are working with *ifac* on a number of projects across the business from succession planning to financial advisory and marketing consultancy. We really like *ifac*'s service ethos and they're quick to respond to us when we need them.

Going forward, we believe we'll be in a very strong position to navigate the coming years with confidence and certainty, and we look forward to a relationship of mutual growth with *ifac*. We see *ifac* as a source of expert advice on the bigger challenges that face us as we grow."

Lloyd Pearson, MD,
Pearson Milking Technology

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Head of Audit Services



Declan McEvoy
Head of Tax



Noreen Lacey
Head of Business Development/Banking



Conor Sweeney
Director of Corporate Finance



Mary McDonagh
Head of HR & Payroll Services



Martin Glennon
Head of Financial Planning



A team of dedicated experts.

With over 30 offices across Ireland, our clients have access to a network of expertise across a broad range of sectors - from agribusiness and farming to renewable energy and food production. Our roots within each of our communities means we have deep local understanding and knowledge.

Speak with one of our Food and AgriBusiness team and see how we can help your business grow. Contact us on **1800 334422** or visit **www.ifac.ie**



OUR OFFICES

Leinster

Bluebell, Dublin 12
 Carlow, Co. Carlow
 Agri Practice, Danville, Co. Kilkenny
 SME, Danville, Co. Kilkenny
 Drogheda, Co. Louth
 Enniscorthy, Co. Wexford
 Mullingar, Co. Westmeath
 Portlaoise, Co. Laois
 Trim, Co. Meath
 Tullamore, Co. Offaly
 Wicklow, Co. Wicklow

Connacht

Athenry, Co. Galway
 Balla, Co. Mayo
 Collooney, Co. Sligo
 Roscommon, Co. Roscommon

Munster

Bandon, Co. Cork
 Blarney, Co. Cork
 Cahir, Co. Tipperary
 Dungarvan, Co. Waterford
 Ennis, Co. Clare
 Limerick City
 Mallow, Co. Cork
 Nenagh, Co. Tipperary
 Skibbereen, Co. Cork
 Templemore, Co. Tipperary
 Tralee, Co. Kerry

Ulster

Cavan, Co. Cavan
 Monaghan, Co. Monaghan
 Raphoe, Co. Donegal

Specialist Services

Audit
 Corporate Finance
 Farm Support
 Financial Planning
 Food & AgriBusiness Advisory
 HR and Payroll Services
 Tax Advisory