



# EIB advisory support for the sector

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 #ficompass





# Survey on financial needs and access to finance of EU agri-enterprises

# About the study



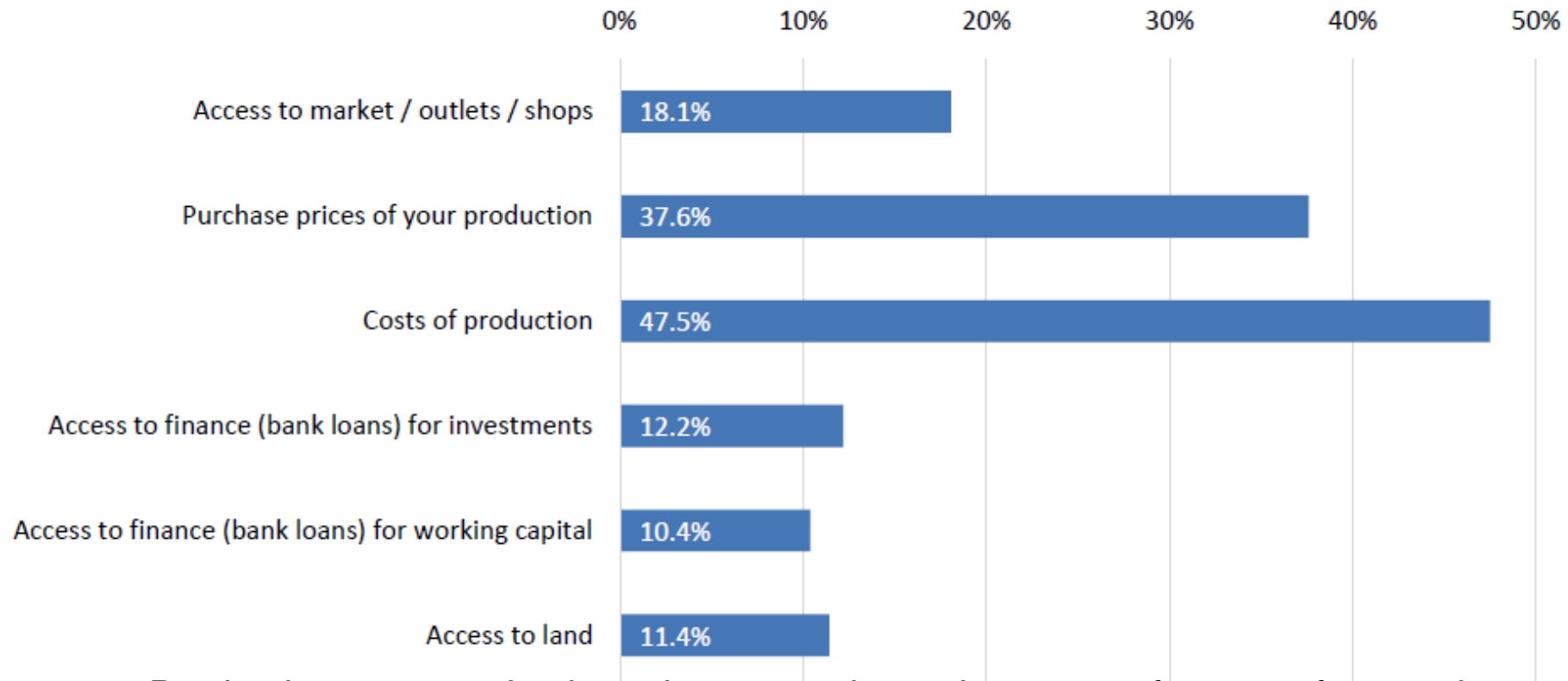
- Completes the series of *fi-compass* studies on the financial market for agricultural enterprises
- Computer-Assisted Telephone Interviewing survey (CATI) based on a questionnaire developed by the DG AGRI and the EIB
- Completed by 7,600 farmers across 24 EU Member States



# Market challenges



Share of farms experiencing difficulties in the previous year



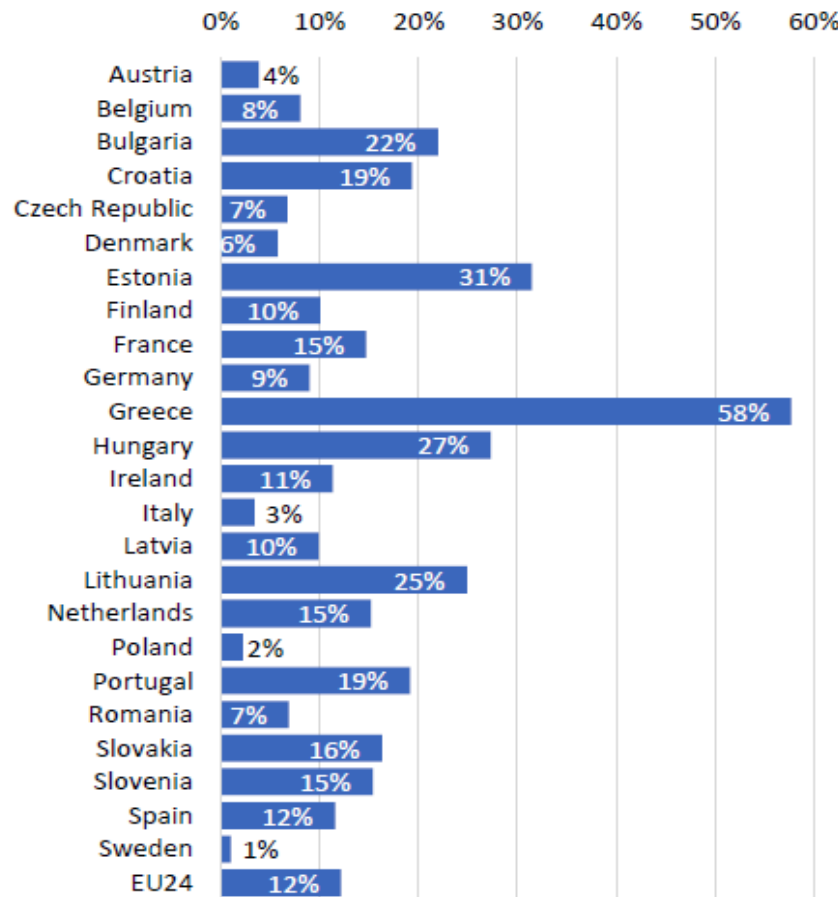
- Production costs and sales prices were the main concern for many farmers in the previous year
- **Farmers have more difficulties in accessing finance for investment than SMEs in other sectors: 12% against 7% (based on SAFE survey data)**



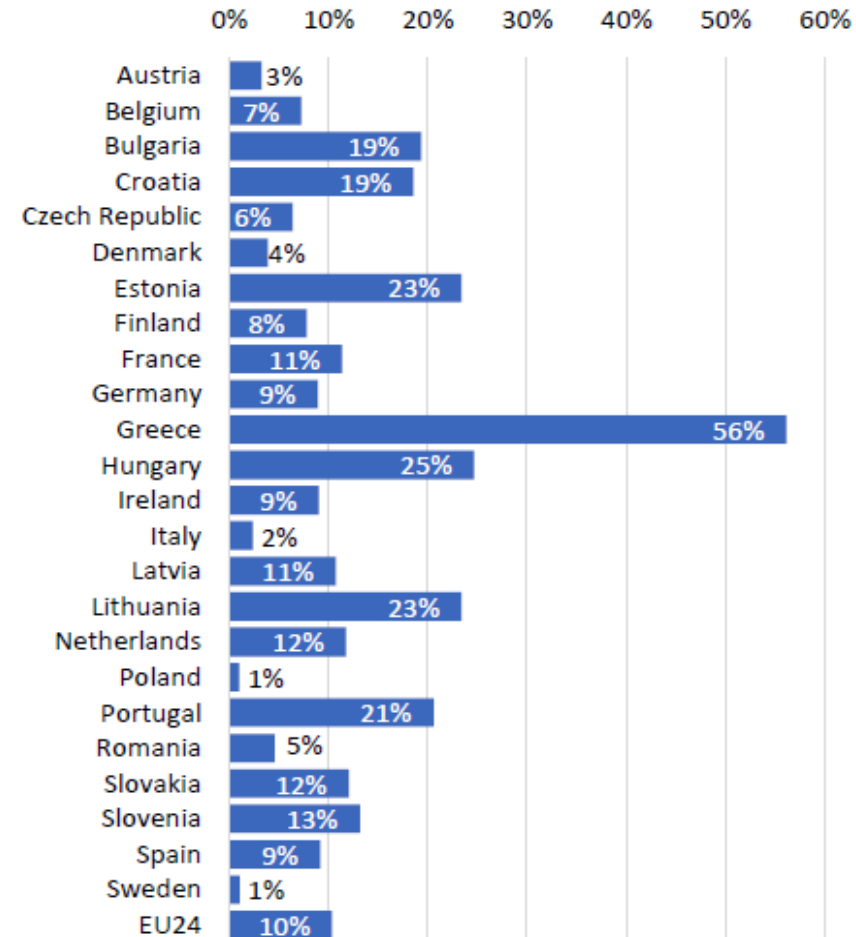
# Market challenges - geographic distribution



Access to finance (bank loans) for investments



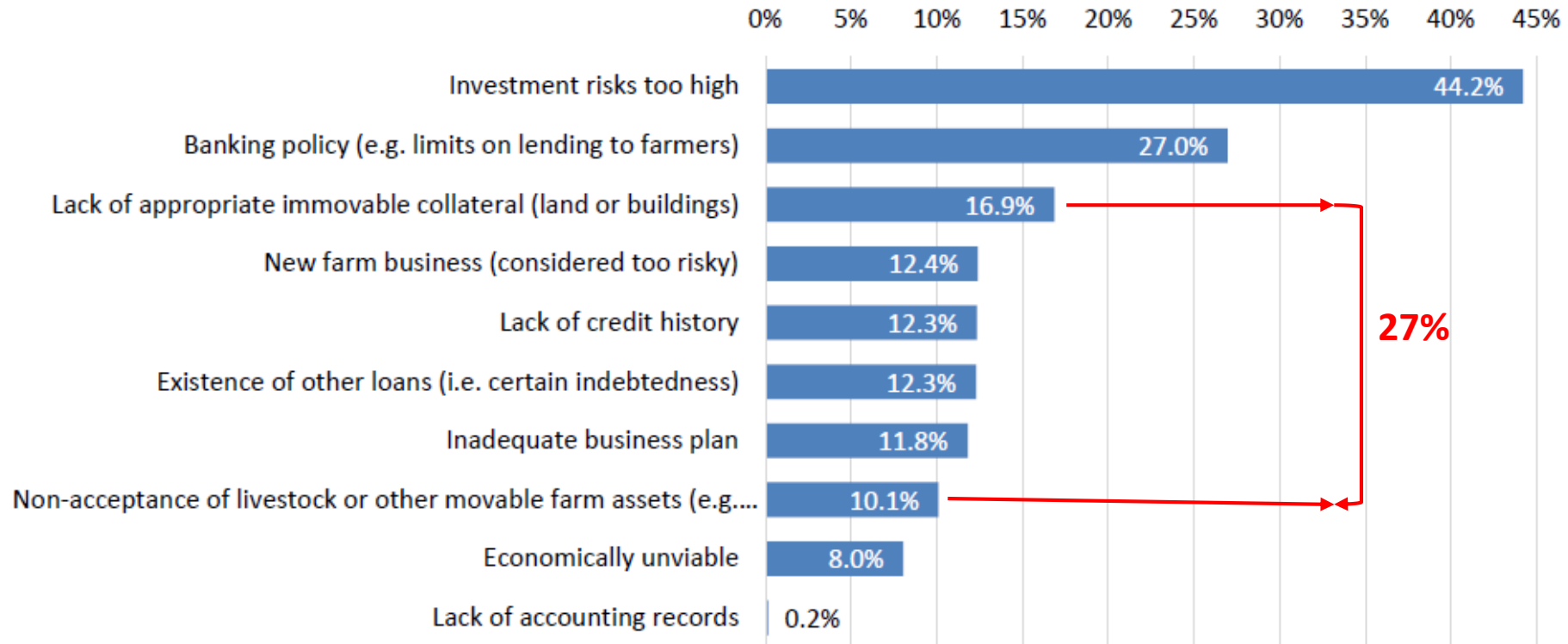
Access to finance (bank loans) for working capital



# Why are loan applications refused?



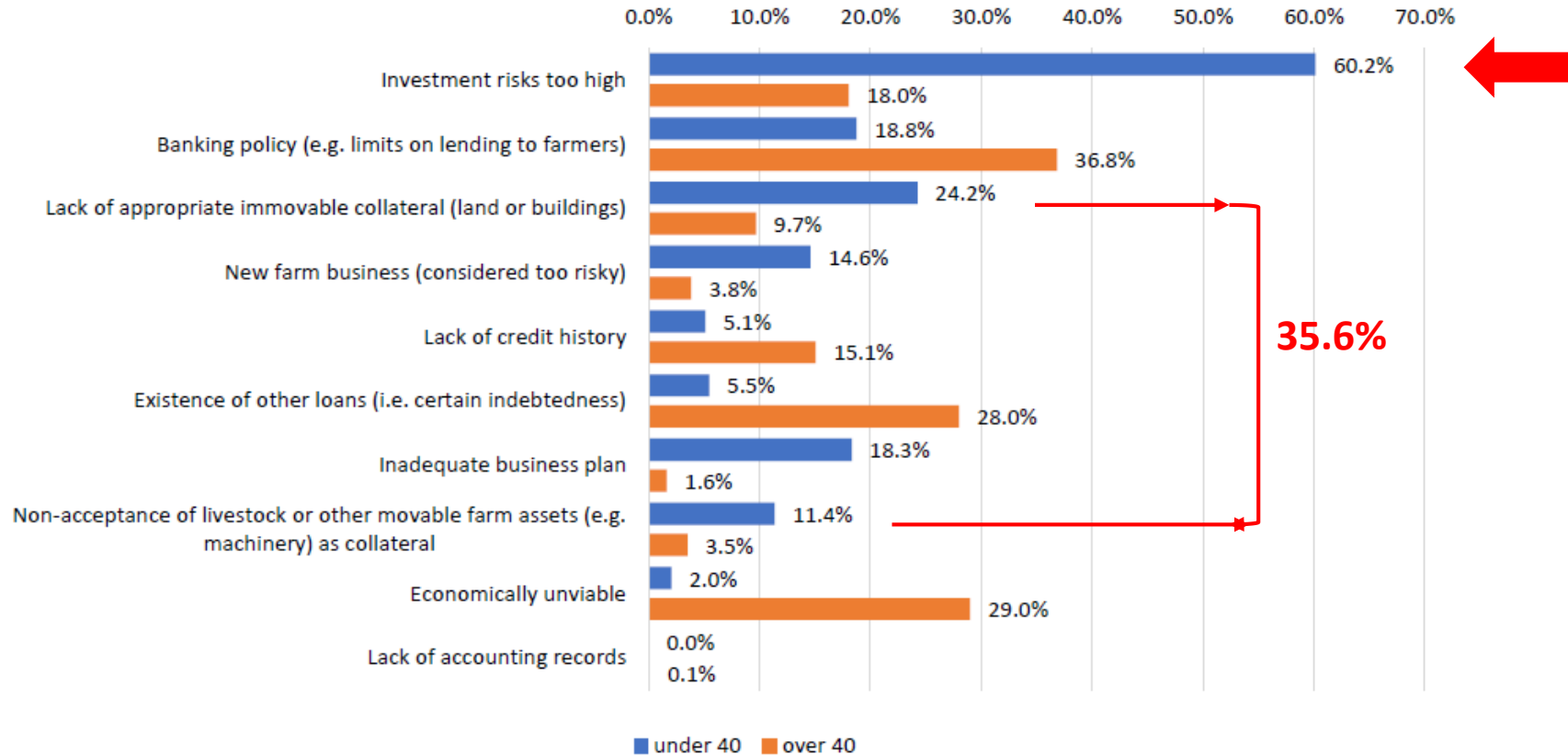
Key reasons given by banks for refusing applications (multiple answers allowed)



# What about Young Farmers?



Question - Key reasons given by the bank for refusing the application



**27% of applications from young farmers rejected vs 9% of older farmers**



# Summary of the key findings



- **Compared with SMEs in other sectors, agricultural enterprises experience greater difficulties in accessing finance, since they are:**
  - Less successful in their applications for finance, especially young farmers
  - More likely to refuse the loan offer because the cost is perceived to be too high
  - Applying for bank finance much less often
  - Seemingly more ‘discouraged’ to apply (based on the share of enterprises that did not apply due to fear of their application being rejected)
  - Relying more extensively on funding provided by private individuals (e.g. relatives and friends)





# Flexible financial products for the agricultural sector in the EU



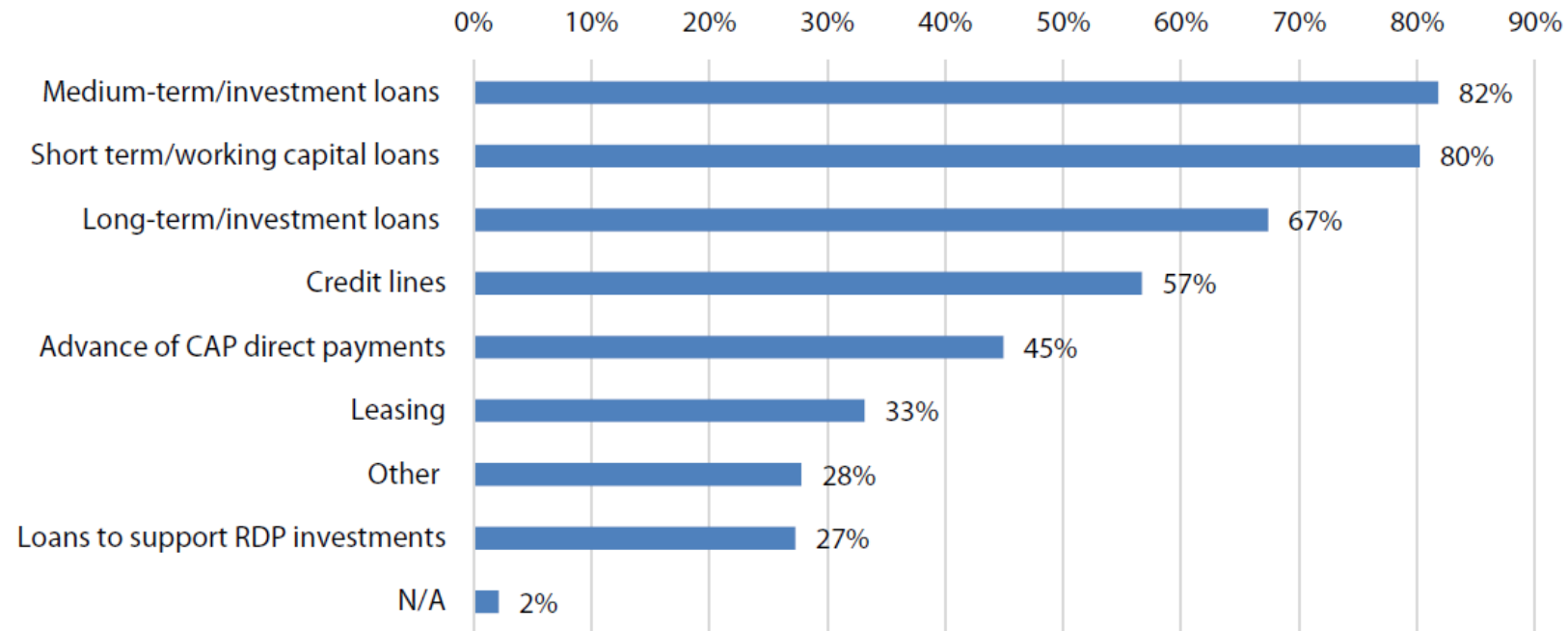
# About the study



- Assessment of ‘flexi’ products for agricultural sectors across the EU and reviews their key characteristics
- Investigation of the need for and interest in these products among financial intermediaries
- Evaluation of the potential for EAFRD financial instruments to support such products further
- Based on:
  - Screening of more than 200 financial intermediary web sites
  - Direct interviews with almost 50 selected intermediaries operating in the sector
  - 23 flexible financial products were identified
  - 11 analysed in detail



# Financial intermediaries with dedicated financial products for agriculture



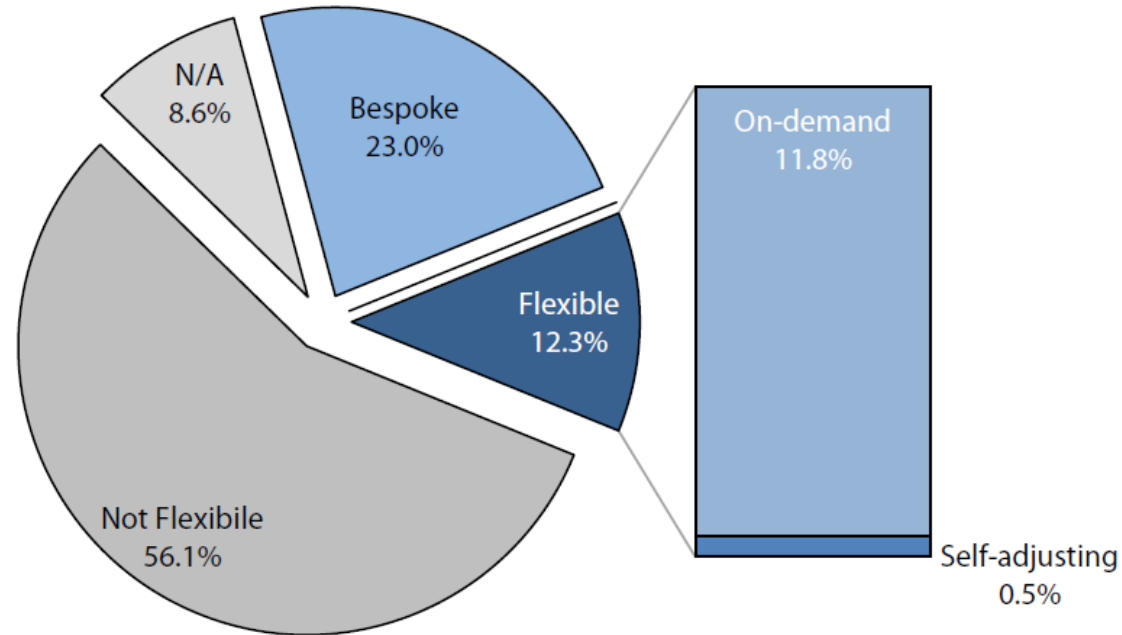
- 82% of financial intermediaries offered medium-term loans for investments followed by short-term loans for working capital (80%), and long-term loans for investments (67%)
- Leasing is less common at around 30% of those offering dedicated products to agriculture



# Flexible and bespoke financial products



*Financial products*



- More than 12% of financial intermediaries (with dedicated products for agriculture) offer loans with some element of flexibility
- ‘Flexible’ products offered are mostly ‘on-demand’. The only ‘self-adjusting’ flexible product is the MilkFlex product in Ireland
- Many financial intermediaries (23%) offer ‘bespoke’ products based on farmers’ needs or specificities



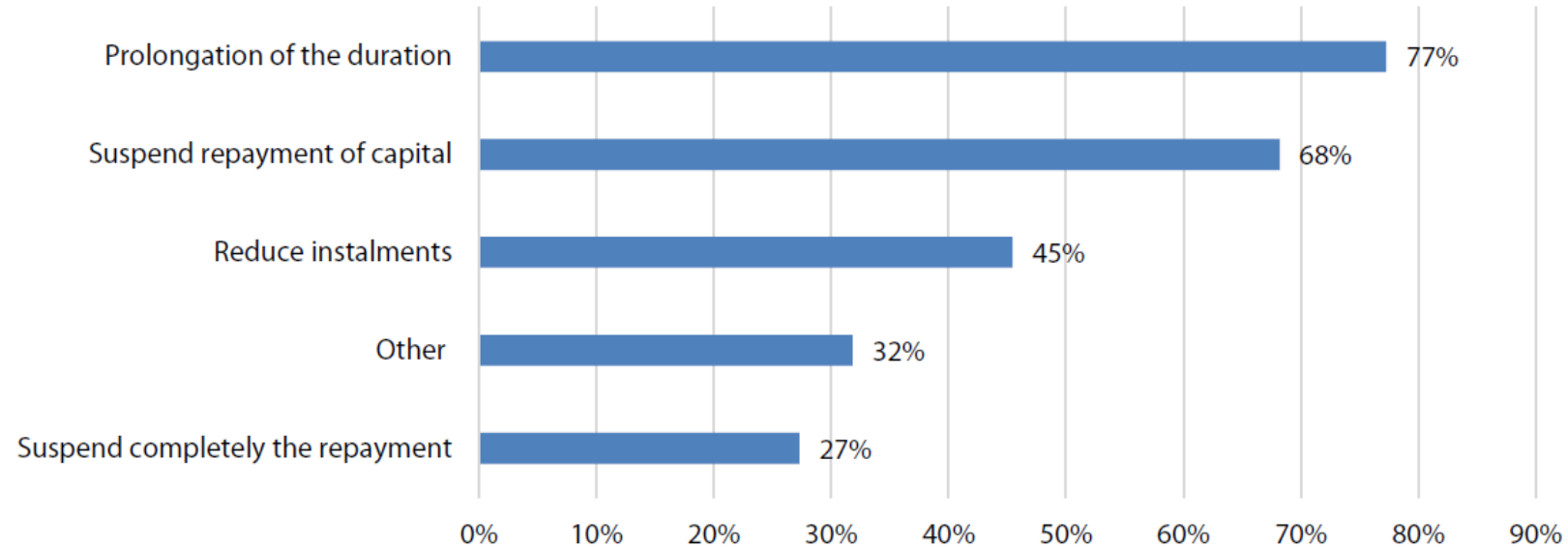
# Focus on flexible products



Country	Financial intermediary	Financial product
Estonia	Swedbank	Spring sowing loan
	Rural Development Foundation	Loan through credit institutions
Lithuania	Šiaulių bankas AB	Credit for purchase of agricultural land
Ireland	Ulster Bank	Dairy Farm Expansion Loan Scheme
	Allied Irish Bank	Dairygold Cooperative Loan Scheme
	Bank of Ireland	Dairyflex and Agriflex
France	Crédit Mutuel	Modul'agri
Belgium	KBC Bank	KBC Agrofex Credit
Poland	GBS Bank	Union Business Loan
Spain	Caixabank	Agroinversión
Italy	Credit Agricole	Finanziamento Scelgo lo Agricoltura



# Characteristics of flexible financial products



- Extending loan duration is the most common type of flexible arrangement, used by 77% of the financial intermediaries followed by suspension of capital repayment (68%) and reduced instalments (45%).
- Complete suspension of capital and interest repayments is offered by 27% of these financial intermediaries.



# Benefits of flexible financial products



Existing flexible financial schemes in agriculture are described as ‘very successful’ with three main benefits:

- 1 They enable a schedule that is more convenient for the farmer, and taking better account of agricultural activity specifics
- 2 They help adjust (re)payments when unexpected changes happen or when planned changes occur
- 3 The flexibility has a positive psychological effect and makes the borrower feel more confident about the investment being undertaken



# Conclusions



- ❖ Financial intermediaries see a need for ‘flexi’ products for agricultural enterprises
- ❖ Most financial intermediaries offer dedicated financial products of some form, but not that many offer ‘flexible’ or ‘bespoke’ products
- ❖ Financial intermediaries currently not offering ‘flexible’ products are interested in offering them – i.e. they see demand for this!
- ❖ Majority of financial intermediaries, however, see a need for public support in order to provide such flexible products







## Joint Initiative for improving access to funding for European Union Young Farmers

# Funding combination options



Managing Authority

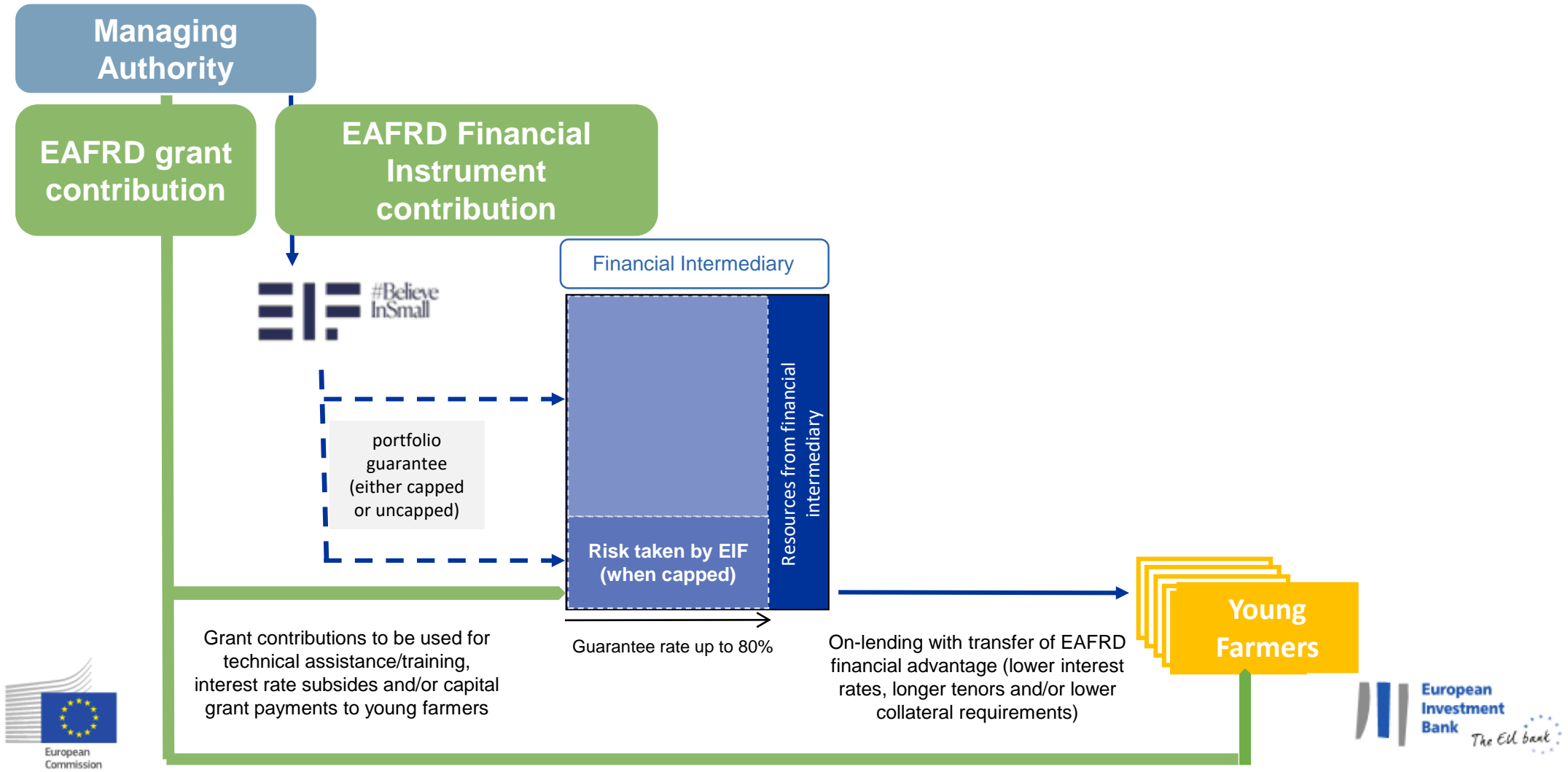
EAFRD grant contribution

Grant contributions to be used for technical assistance/training, interest rate subsidies and/or capital grant payments to young farmers

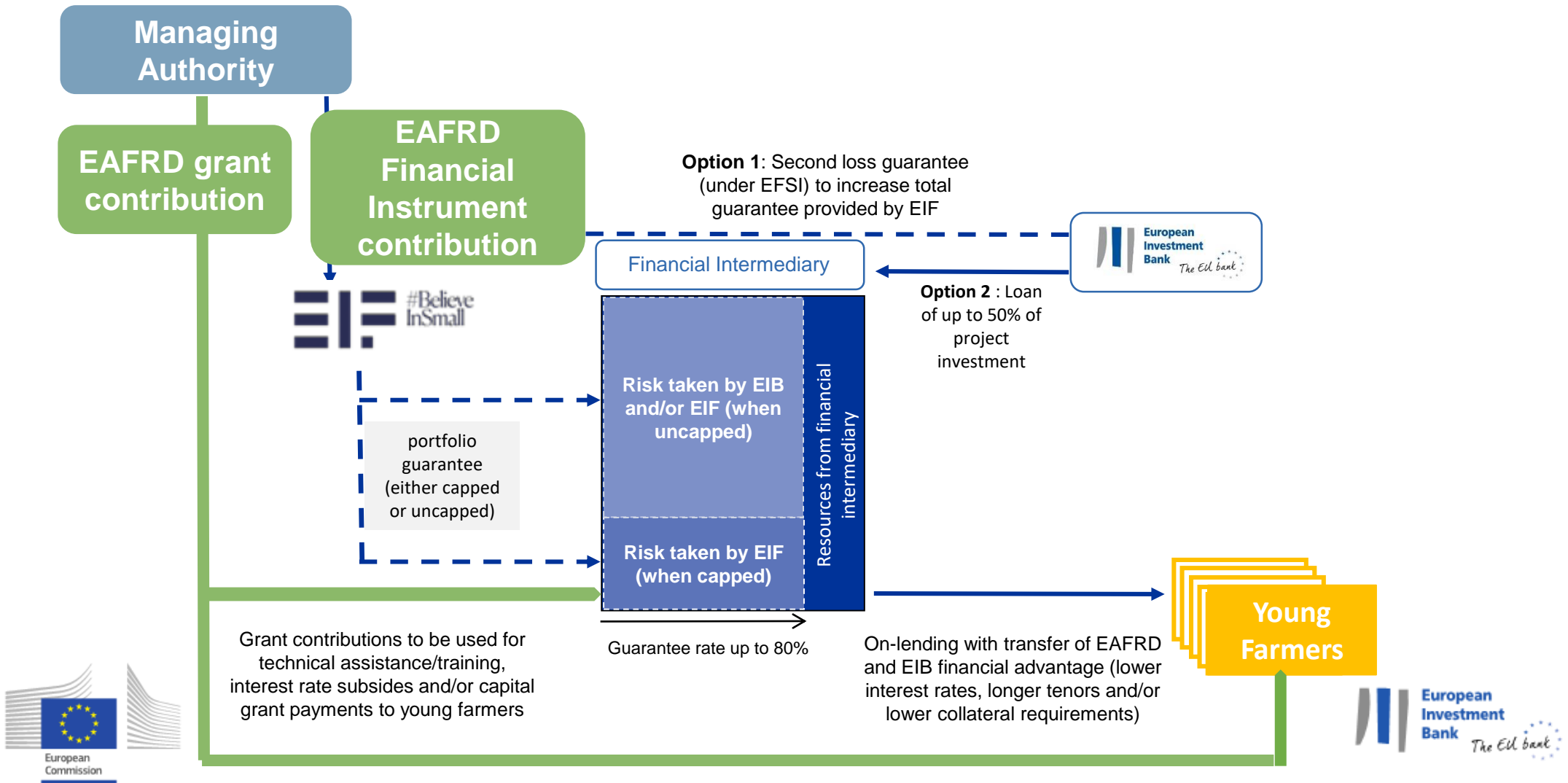
Young Farmers



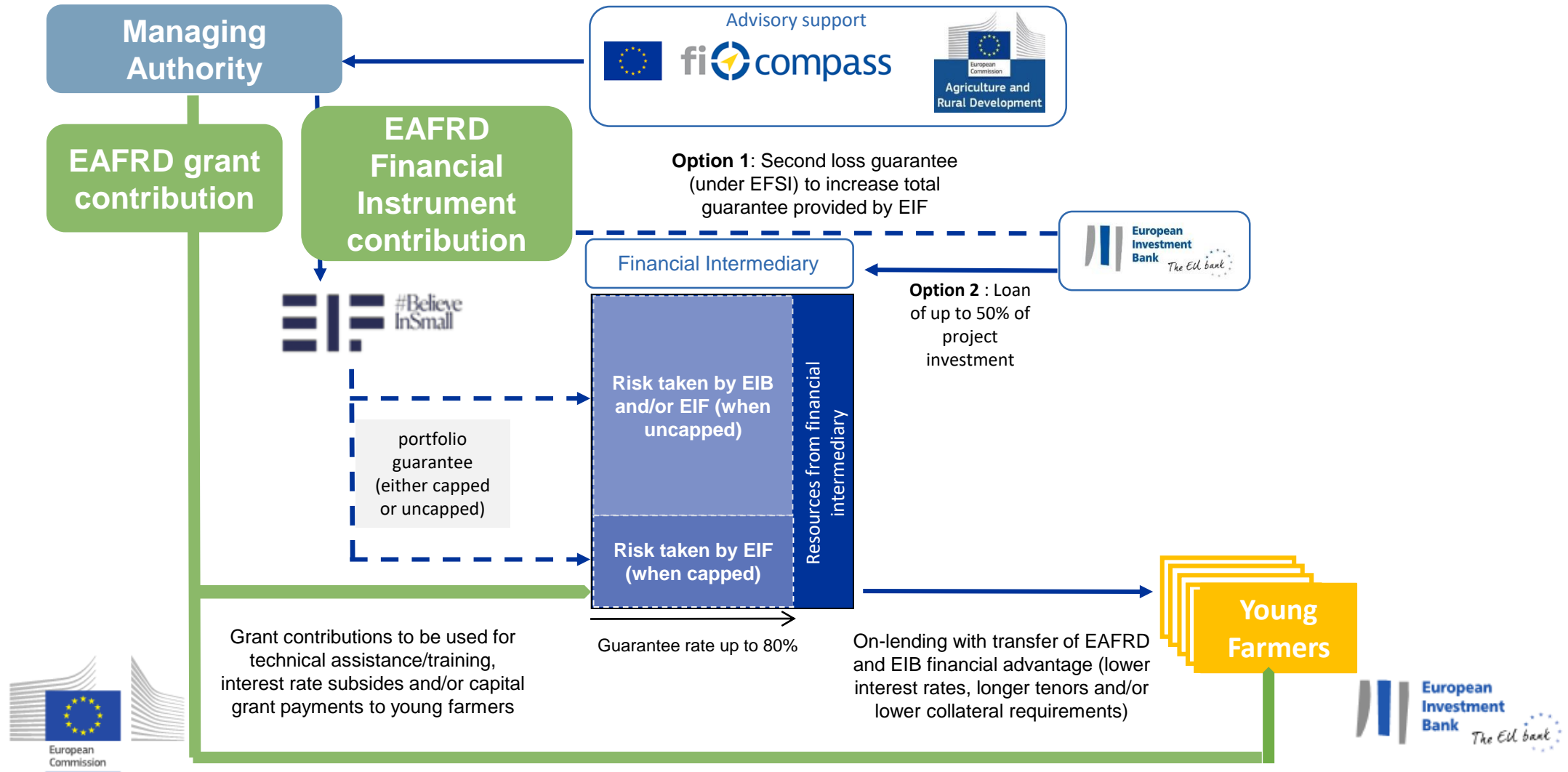
# Funding combination options



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# Funding combination options





financial instruments capacity building Farming  
 Rural development funding agreement EU guidance  
 added technical support co-financing ex-ante assessment final  
 value seminars governance intermediaries recipients  
 leverage EAFRD fi-compass investments  
 Agriculture thematic objectives Targeted coaching  
 business plan equity  
 advisory services RDP guarantees life cycle combination  
 conferences banks revolving of support  
 fund of funds loans microfinance CAP  
 manuals managing authorities factsheets  
 DG AGRI Agricultural products investment strategy EIB Group