



European
Commission

Facilitating youth access to finance:

Opportunities provided by financial instruments

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EC / DG AGRI F.3

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Agriculture
and Rural
Development

DG AGRI analytical base on FIs: *fi-compass* EAFRD studies

Taking stock and exploring new opportunities for EAFRD FIs

Financial gap in agri-sector

- ▶ Estimate of EU agricultural sector financial gap, based on SMEi methodology
- ▶ S/t loans EUR 1.5bn - EUR 4bn;
- ▶ Medium and l/t loans EUR 5.5bn - EUR 14.5bn.
- ▶ Total financial gap: EUR 7bn - EUR 18.6bn.



Published

Programming of FIs in EAFRD RDPs

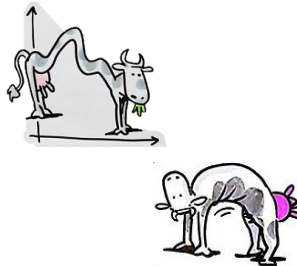
- ▶ Provides information about the implementation of the EAFRD through financial instruments and is based on experience in MSs during the current programming period



Published

Price volatility flexible loans for farmers

- ▶ **Phase I:** First analysis of potential FI embedding 'flexible' repayment schedule
- ▶ **Phase II:** Mapping of existing 'flexible' financial products with analysis of possible public support to promote such instruments



To be Published

Guarantee & counter-guarantees

- ▶ Analysis of the potential for EU funded guarantee and counter-guarantee products for agriculture



Finalised

FIs for agri & rural infrastructure

- ▶ Assessing how financial instruments might help increase the EAFRD impact on infrastructure investment



Almost finalised

Key Financial Characteristics of EU Young Farmers

- ❑ Low capital stock
- ❑ Below-average income
- ❑ High-net investment
- ❑ High-returns on assets
- ❑ Below-average liabilities
- ❑ Average debt-to-asset ratio



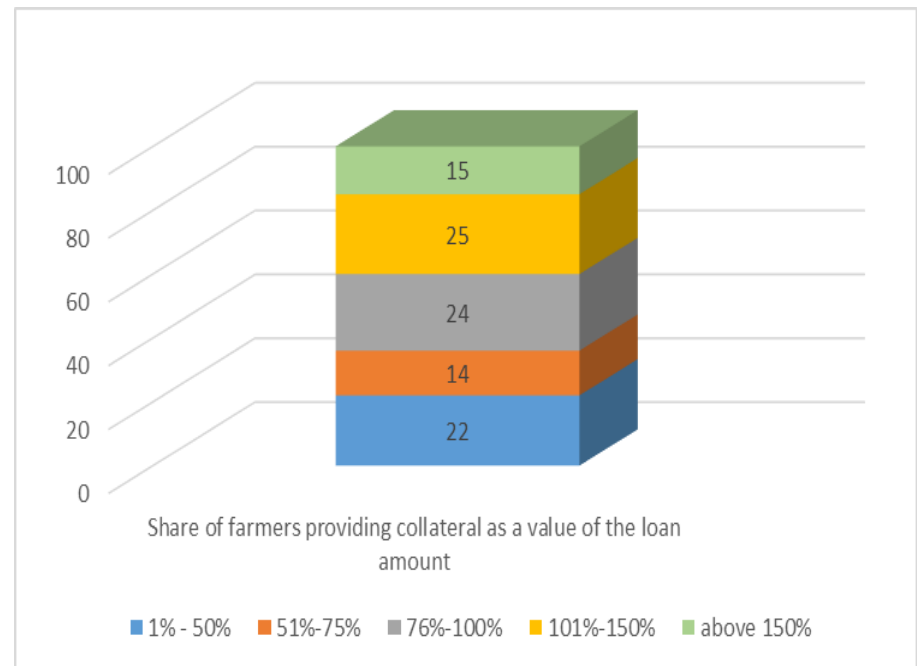
Investment behaviour of young farmers in the EU

- ❑ 62% of young farmers invest in machinery
- ❑ 40% of young farmers apply for working capital loans
- ❑ Young farmers prefer loans with flexible arrangements
 - Payment modalities
 - Price fluctuations
 - Grace periods
- ❑ Young farmers clearly prefer medium to long-term loans

Investment preferences of YF are similar to the ones by Other farmers !

Lending characteristics of young farmers in the EU

- ❑ 23% of young farmers are afraid to apply for a loan
- ❑ 35% of young farmers do not have movable or immovable assets to provide as collateral
- ❑ YF use more financing from private sources



Young farmers are with 10% less successful in obtaining the full amount requested from banks

Financial Instruments for Young Farmers

Simplified rules

- For programming & implementation

Revolving resources

- Remain for the MS after first roll-out

No investments' eligibility rules

- Except irrigation

Loans

Guarantees

Financial Instruments for Young Farmers

- ❑ Support possible under the setting up sub-measure (6.1)
 - Based on Omnibus changes

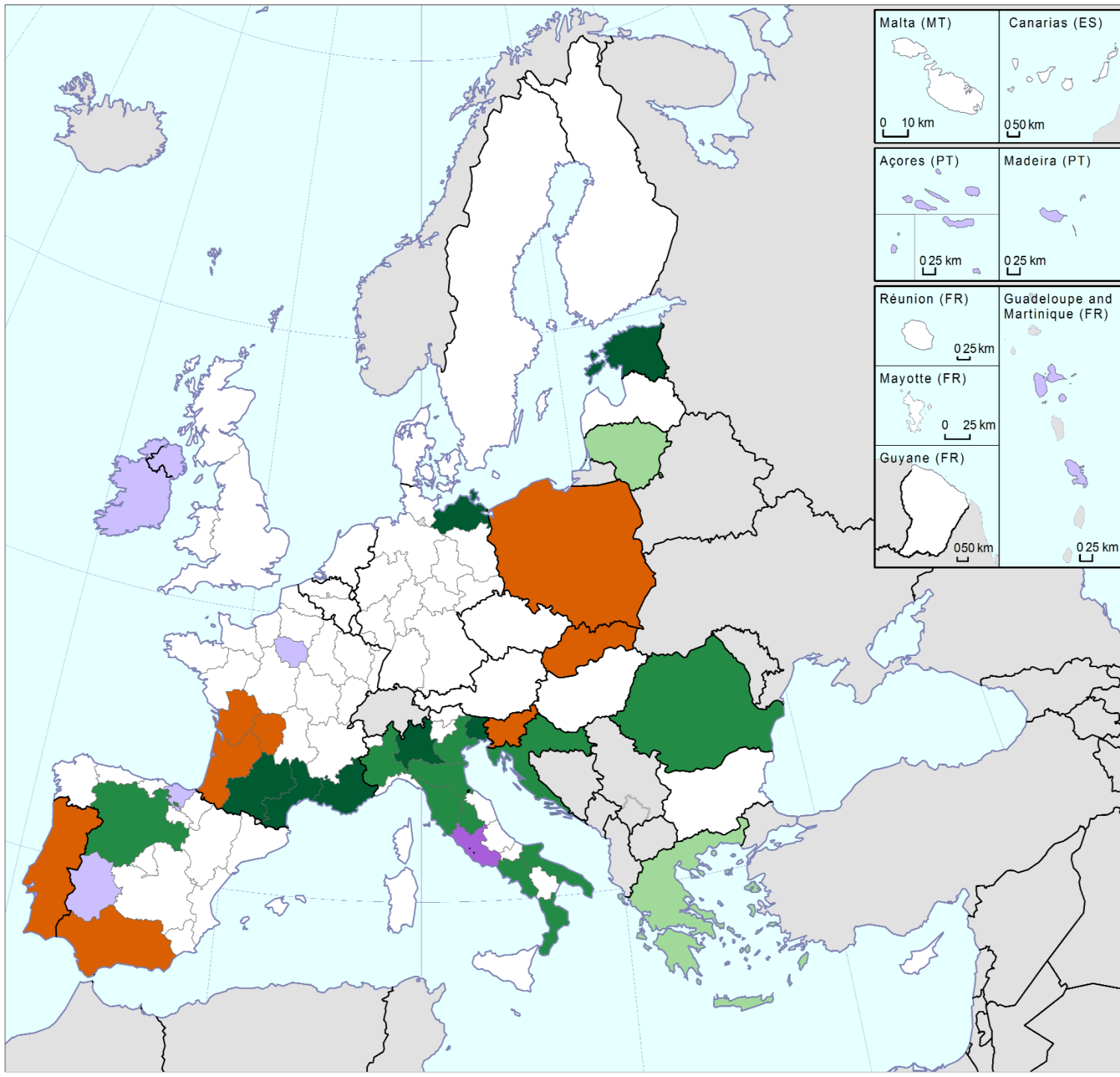
- ❑ All elements in the business plan could be financed
 - No eligibility restrictions
 - Only the Bank's evaluation matter

- ❑ Support for working capital
 - No application of Article 45(5) of R 1305/2013 under sub-measure 6.1

- ❑ Support for purchase of land
 - Current discussions with DG REGIO; No limit for YF under CAP post-2020

The total amount of aid shall be below € 70,000 [GGE for FIs]

Status of EAFRD Financial Instruments 2014-2020 (by October 2018)



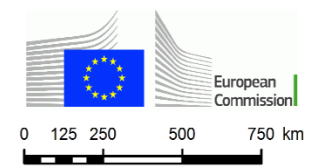
- Operational FIs
- Non-operational FIs with signed funding agreements
- FIs in a process of setting up (after ex-ante)
- EAFRD - EFSI Initiative
- FIs after ex-ante (no decision yet)
- FIs in preparation (ex-ante)
- Not considered

Source:
DG AGRI based on information by Member States

Year:
2018

Cartography:
DG AGRI GIS TEAM 10/2018

© EuroGeographics for the administrative boundaries



The Estonian FI and Young farmers

	Growth loan of micro- and small enterprises	Long-term investment loan
4 year target	EUR 14.2 million	EUR 16.1 million
Target group	micro- and small enterprises	SMEs
Amount of loan	5 000 – 100 000 direct loan or co-lending	250 000 – 1 000 000 (250 000 – 3 000 000 for producer groups) co-lending at least 50%
Duration	up to 5 years (+ up to 3 years' grace period)	1 to 15 years (+ up to 5 years' grace period)
Collateral	at least 50%	at least 80% (30% for producer groups)
Interest	6%+ECB refinancing rate (lower than the market)	market conditions (bank interest)
Other conditions	lower interest for start-ups and microenterprises, disabled people, women (4%+ECB); young farmers and producer groups (2%+ECB)	lower interest for start-ups and microenterprises, handicapped people, women (2% + ECB); young farmers and producer groups (1%+ECB)



The supply side

Not fully functioning financial market

□ *fi-compass* survey of 43 banks in the EU:

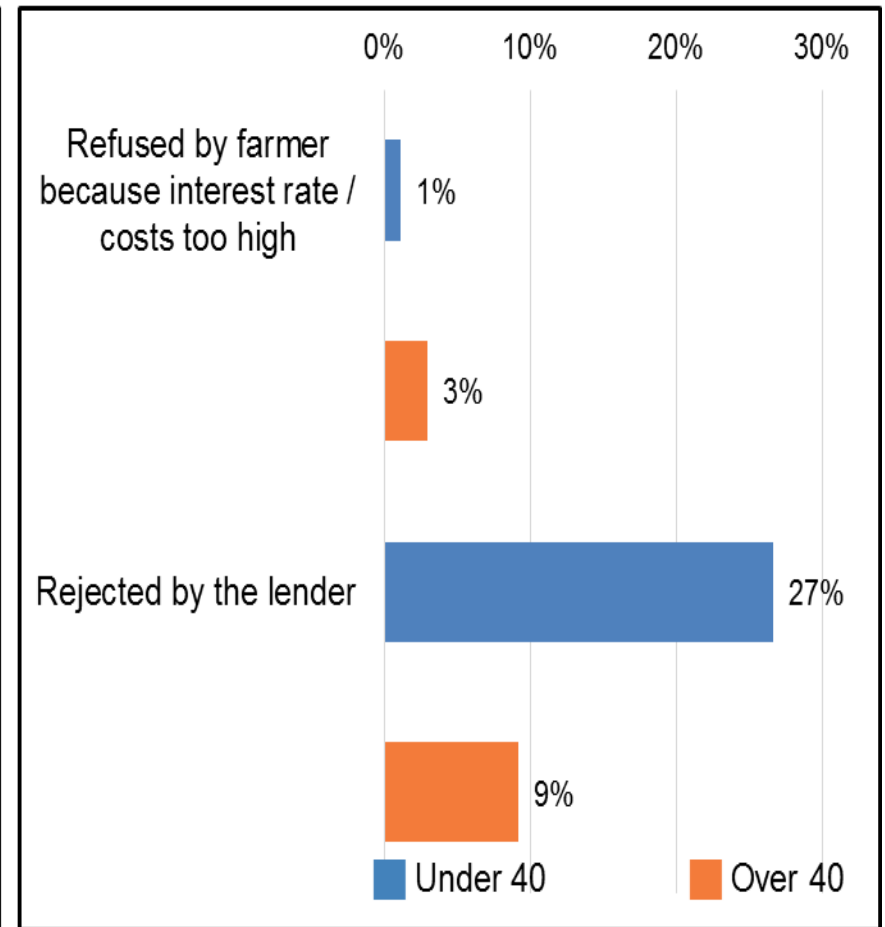
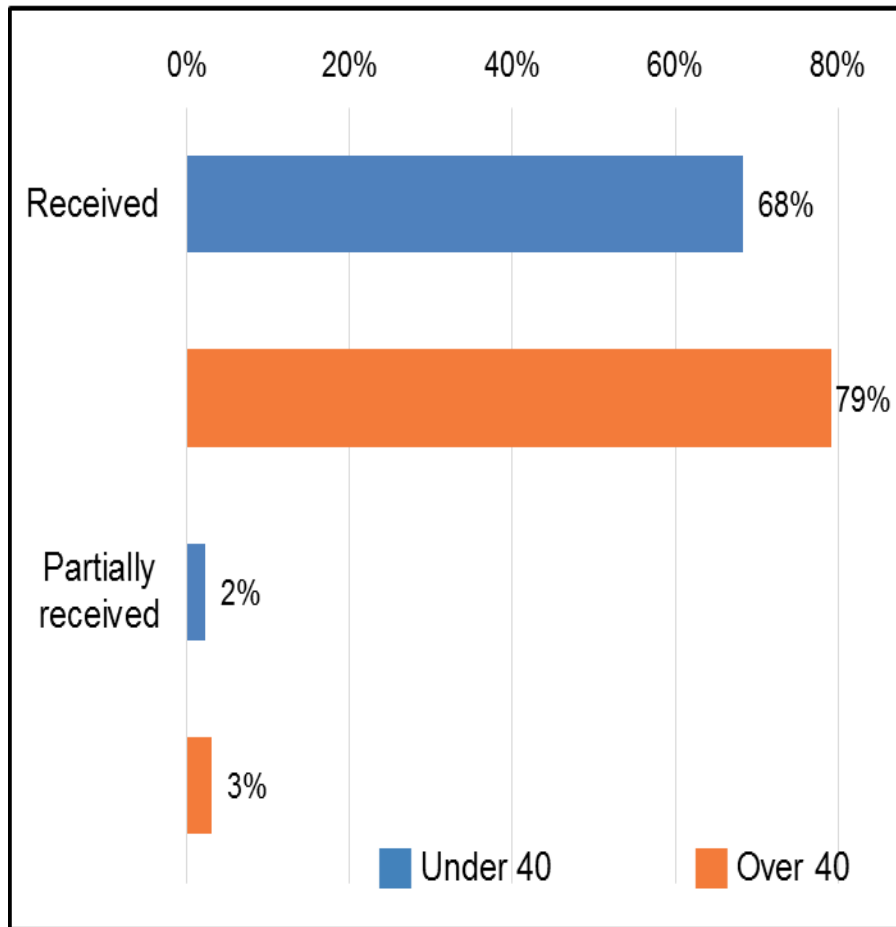
- Available credit history - one of the most important elements in the banks' evaluation of farmers' loan applications
- Higher level of collateral from farmers that lack credit history (e.g. start-ups / young farmers) – asked by 60% of banks

□ *fi-compass* survey of farmers' access to finance:

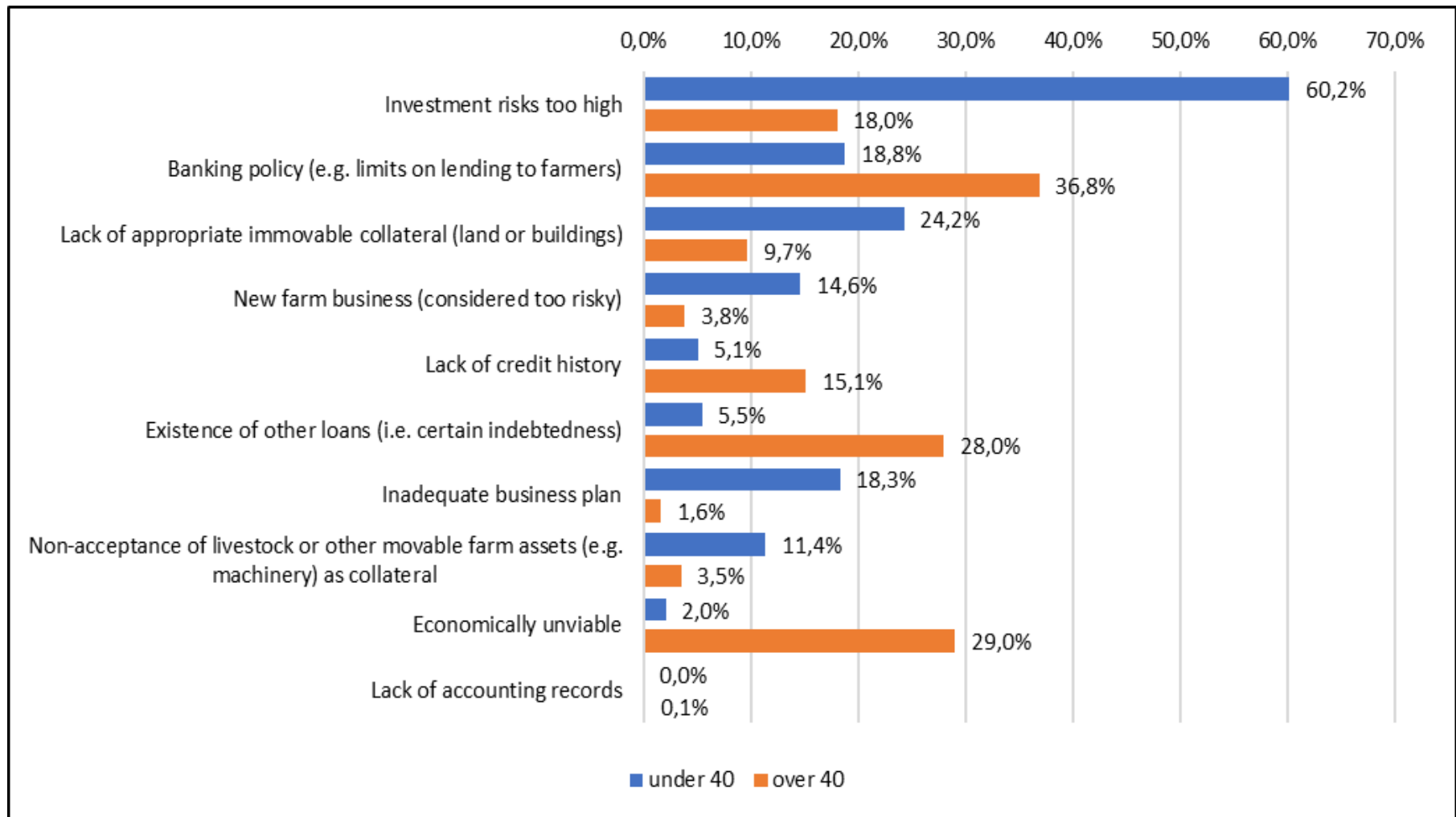
- Farmers apply less for bank finance than SMEs in other sectors (17% vs 26%)
- Higher rate of “discouraged” farm enterprises (9% vs 5%)
- Many farmers rely on resources provided by other private individuals (friends/relatives) for their financial needs (15%)

Access to finance: Young farmers vs Other farmers

Result of applications for bank finance based on farmer's age



Key reasons for banks to refuse loan applications by farmers



Possibilities for Managing Authorities

- ❑ Set up new FIs or specific schemes targeting young farmers under existing generic FIs 2014-2020
 - Make proposals for flexible lending schemes and embed them into (future) FIs

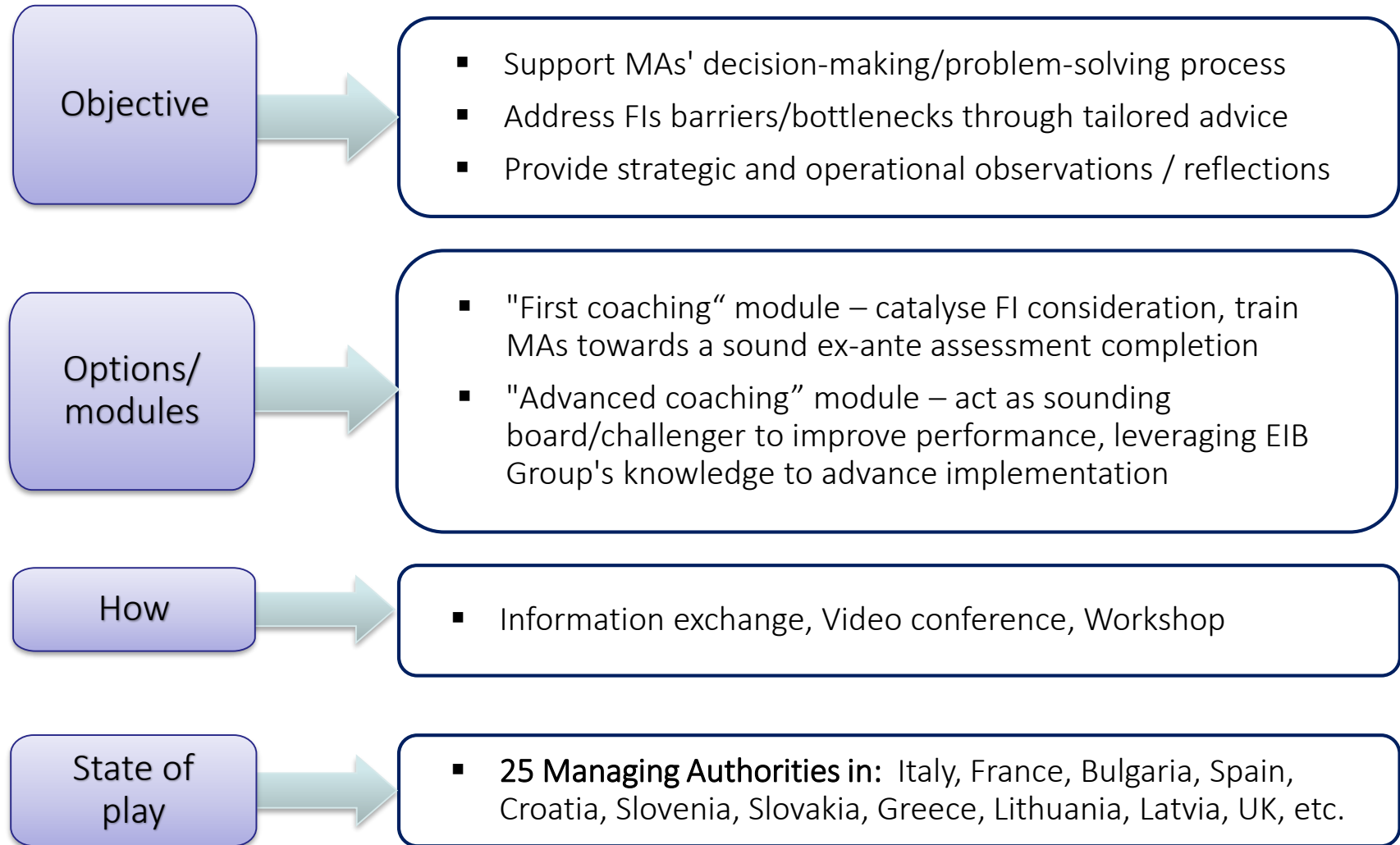
- ❑ Analyse financial market conditions / gaps in ex-ante evaluations of 2021-2027 CAP Strategic Plans
 - Discuss FIs and access to finance with associations of young farmers and within specific working groups
 - Programme FIs from the offset

- ❑ Use of fi-compass EAFRD material
 - Available on fi-compass.eu
 - Managing authorities can request from DG AGRI / F3 targeted coaching

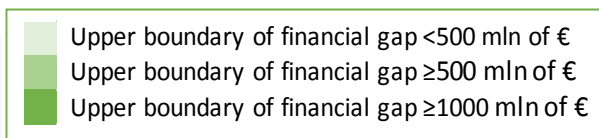


THANK YOU

fi-compass targeted coaching for EAFRD MAs



Financial gap for agriculture – Total by MS



The estimated EU agricultural sector's financial gap is:

- for short-term loans

EUR 1.56 bn - EUR 4.12 bn

- for medium/long-term loans

EUR 5.50 bn - EUR 14.48 bn

The total financial gap, therefore, is between

EUR 7.06 bn - EUR 18.60 bn

