



The Credit Fund in Mecklenburg-West Pomerania, Germany

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 #ficompass



Loan Fund for the market launch of innovative products in the food and agriculture sector

Mecklenburg-Vorpommern in the EU



1,6 million inhabitants rurally shaped

Main economic sectors: Agriculture and food industry, tourism

Maritime industry

Structure of the agriculture and food industry:

Agriculture: about 4500 farms with an average size of 256 ha, very productive, but little animal husbandry

Food industry

Some large affiliated companies whose headquarters are mostly not in the country and numerous small and medium-sized businesses

Motivation for the financial instrument (FI)

- After an unsuccessful attempt in the previous funding period, we tried to find a sector that is suitable for an EAFRD loan fund.
- In agriculture, due to the high willingness of banks to lend their money to land investments, there was no acceptance of FI.
- Queries from the Chambers of Commerce and Industry and existing funding agencies showed a market failure in the market launch of new products.
- Small and medium enterprises of the food industry and in individual cases also individual specialized farms have good ideas for new products and usually manage to develop these to marketable products, often with the help of the ERDF funds, but then do not have the financial force to launch them to the market.
- The consequence is that innovative approaches are not implemented or marketable products are sold to larger companies

Approach and framework conditions for the FI

- Our loan fund aims to overcome liquidity bottlenecks during the market launch phase.
- In order not to compete with the house banks of the companies, we only become active when the company presents us a certificate that the house bank is not prepared to provide a loan for this purpose
- Loans can be provided for working capital and investments related to the market launch.

The planned total volume of the fund is EUR 11.78 million, of which EUR 10 million from the EAFRD fund.

Size of the Loans under the FI is between EUR 80,000 and EUR 1.0 million per loan. Interest rates are set individually on the basis of the company's creditworthiness and the risk profile of the project. (Free aid)

Timetable of the preparation and introduction of the loan fund

Time period	Action taken
March 2015	Public procurement procedure launched to select ex-ante assessor
June to August 2015	Ex-ante assessment preparation
November 2015	Public procurement launched to select the fund manager
April 2016	Funding agreement signed with the financial intermediary
October 2016	Opening of applications for loans to final recipients
May 2017	First disbursement under the financial instrument

Where are we now?

- Since the launch of the financial instrument four loans have been provided to two companies for a total of EUR 684.80.
- This financing has created 10 new jobs and secured another 18.
- With another company, the financial manager is close to the conclusion of a contract.
- How we helped the first company, I want to show you in the following little video

- Even though the financial expectations have not yet been met, development from the first reflection up to the implementation can be seen as positive.
- The process of introducing a new financing instrument in a new market segment is time-consuming and requires a lot of publicity and personal contacts.
- We as fund management are glad to have a competent and very dedicated financial intermediary well known in the region.
- However, past experience shows that the assessment of the ex-ante evaluation of the need for such a financial instrument was correct.
- Our current "problem" is the situation that the banks are willing to finance higher risks because of the very cheap money, so that our loan is not so much in demand.
- Even though we will not be able to fully implement the financial approach, the experience gained so far in view of the decreasing provision of funds and co-financing rates is a good precondition for the implementation of further FI in the next programming period.



Thank you for your attention

