



# Financial needs in the agriculture sector in the EU

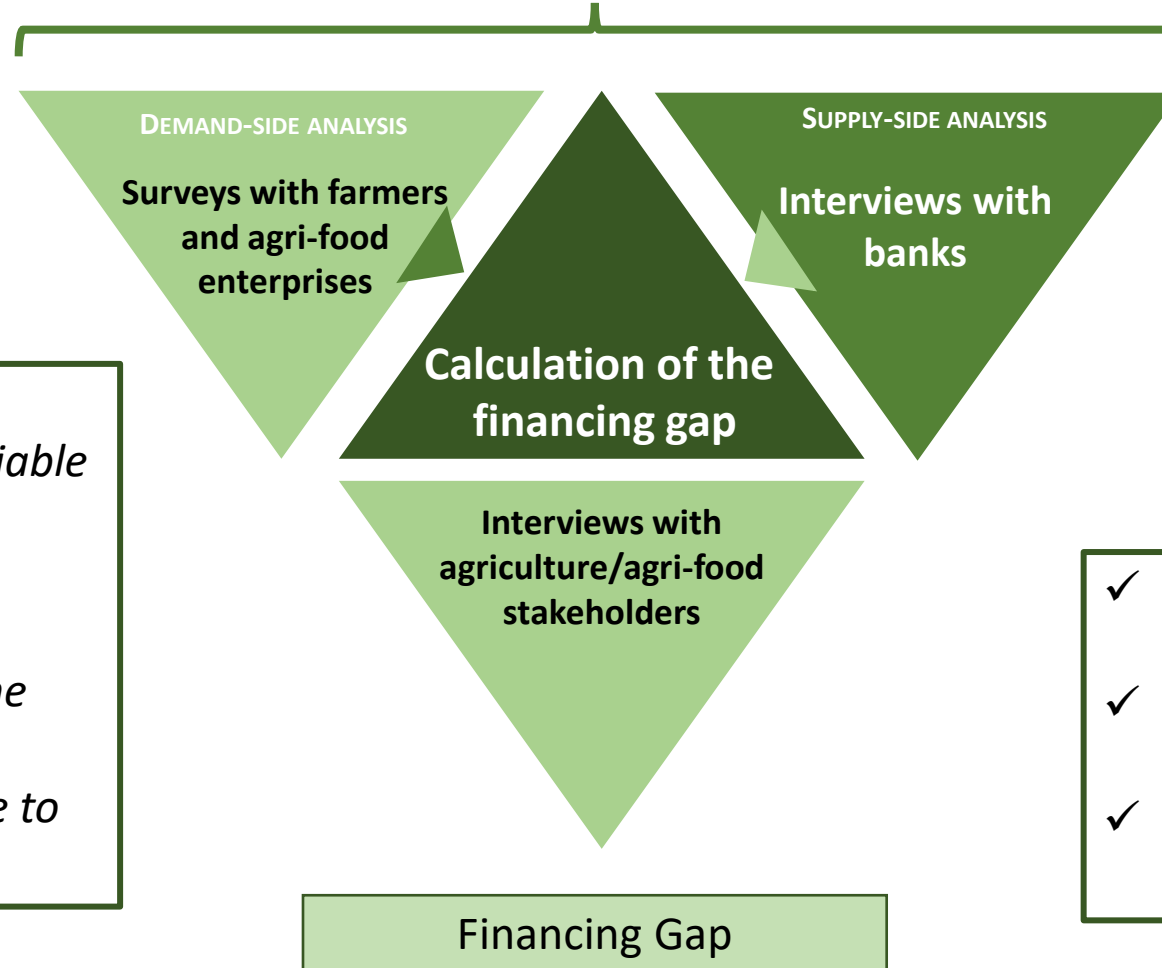
**Bruno Robino**, Head of *fi-compass*, European Investment Bank



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# Methodology

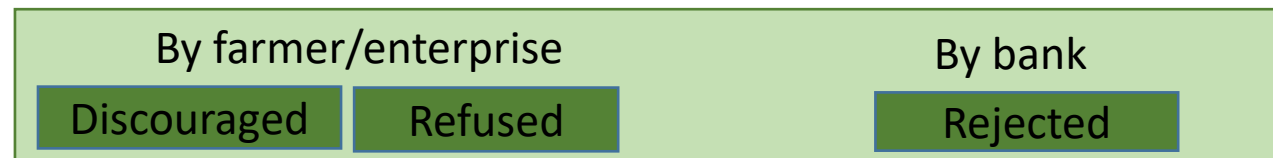


## Financing GAP

*Unmet financing demand, from viable enterprises:*

- ✓ (i) lending applied for but not obtained
- ✓ (ii) lending offers refused by the potential borrower
- ✓ (iii) lending not applied for due to expected rejection

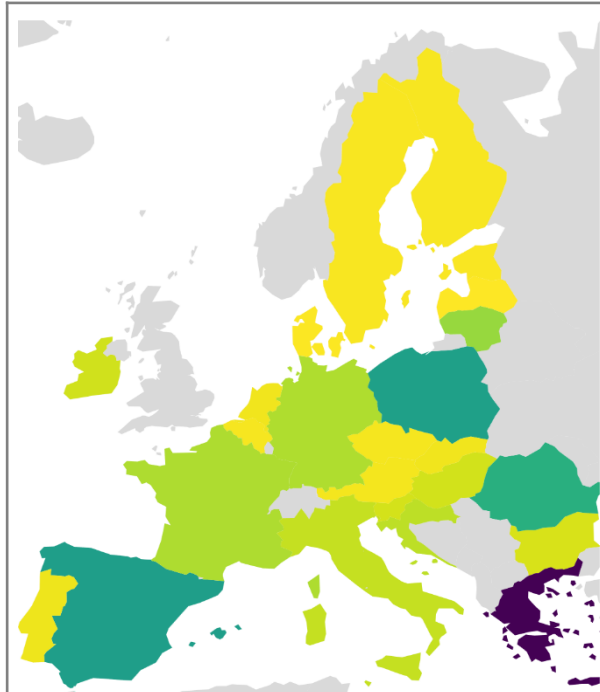
- ✓ Telephone (CATI) survey 7,600 farmers in 24 MSs
- ✓ Telephone (CATI) survey 2,150 agri-food enterprises in 24 MSs
- ✓ More than 400 stakeholders interviewed



# Financing GAP estimate



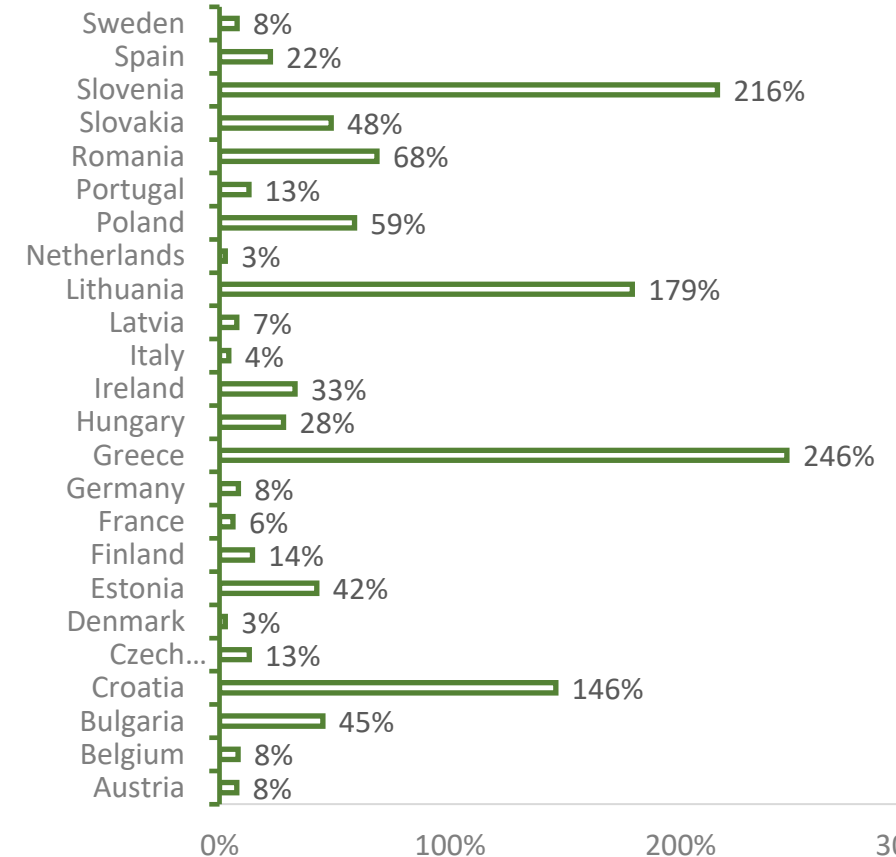
Financing Gap per MS (EUR million)



Financing Gap, EUR million  
5000 10000

|                | Lower Bound | Upper Bound |
|----------------|-------------|-------------|
| Austria        | 144.6       | 245.5       |
| Belgium        | 137.4       | 193.6       |
| Bulgaria       | 289.0       | 863.0       |
| Croatia        | 820.3       | 1 422.6     |
| Czech Republic | 95.4        | 216.9       |
| Denmark        | 75.6        | 79.5        |
| Estonia        | 28.2        | 117.2       |
| Finland        | 47.2        | 162.0       |
| France         | 1 326.4     | 1 746.5     |
| Germany        | 512.4       | 1 719.9     |
| Greece         | 4 490.2     | 14 298.6    |
| Hungary        | 247.9       | 992.2       |
| Ireland        | 822.5       | 1 039.1     |
| Italy          | 110.0       | 1 270.6     |
| Latvia         | 17.4        | 31.8        |
| Lithuania      | 962.4       | 2 223.5     |
| Netherlands    | 72.9        | 302.7       |
| Poland         | 2 999.8     | 6 230.0     |
| Portugal       | 95.2        | 382.5       |
| Romania        | 2 254.7     | 5 275.8     |
| Slovakia       | 139.8       | 315.9       |
| Slovenia       | 951.7       | 951.7       |
| Spain          | 3 027.1     | 6 356.7     |
| Sweden         | 118.5       | 148.1       |

Financing Gap (share of agriculture GVA)



**Total GAP – 24 EU MSs EUR 19.8 to EUR 46.6 billion**

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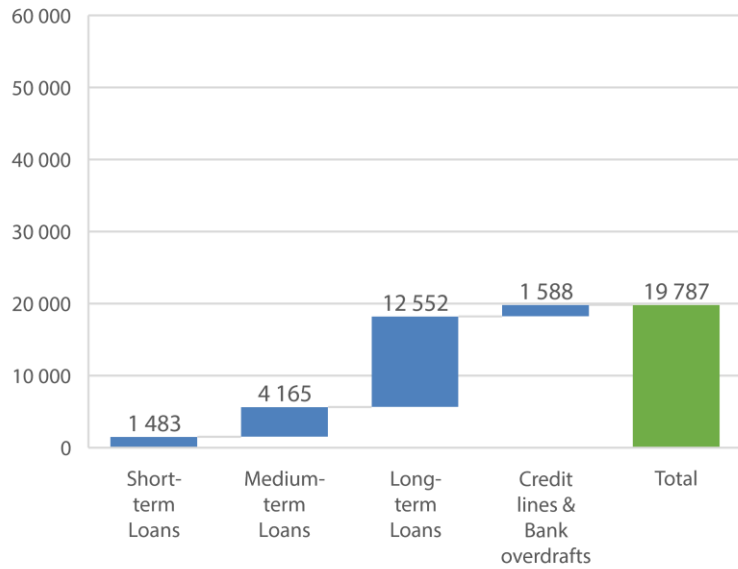
Source: fi-compass 2020



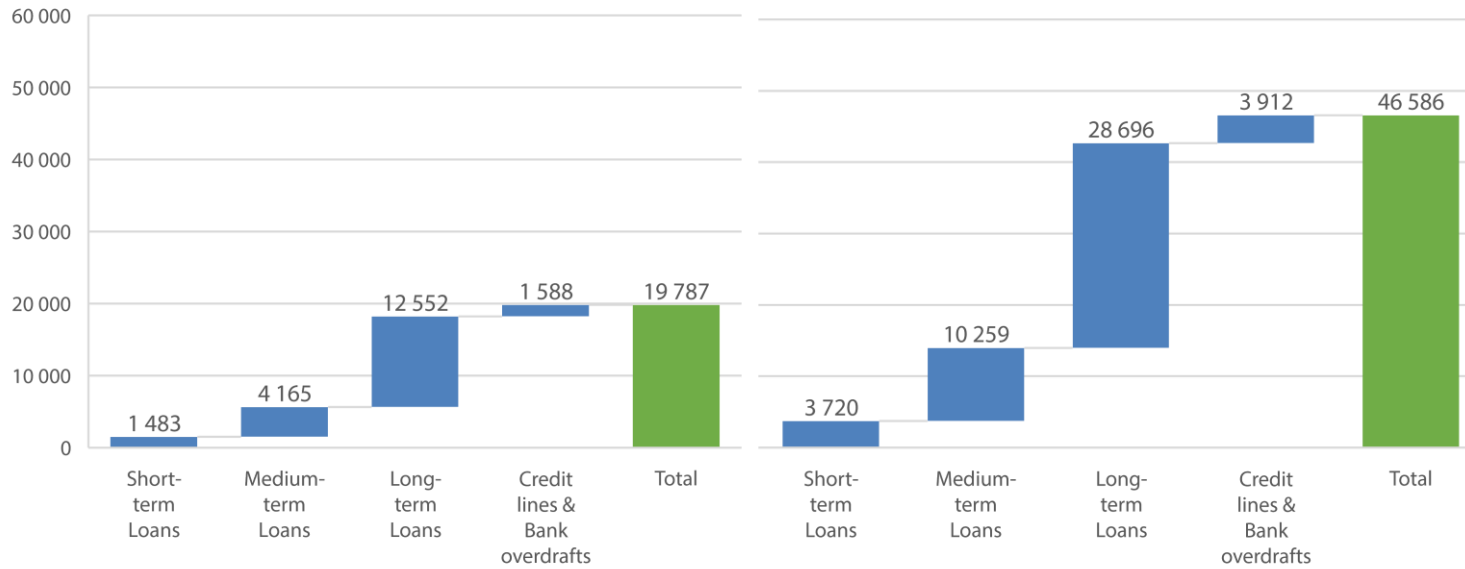
# Financing GAP by target group



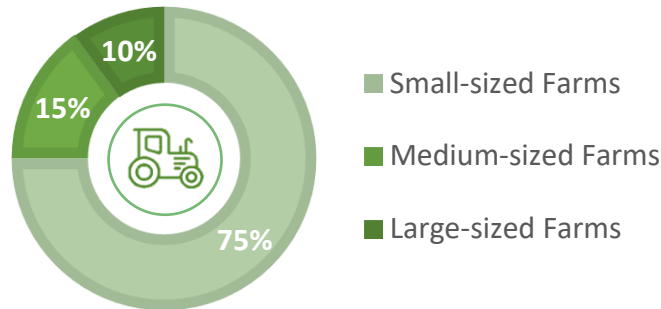
## Lower Bound



## Upper Bound



Source: fi-compass 2020



**Young Farmers** account for almost 30% of the total financing gap (between **EUR 6.9-12.7 billion**)



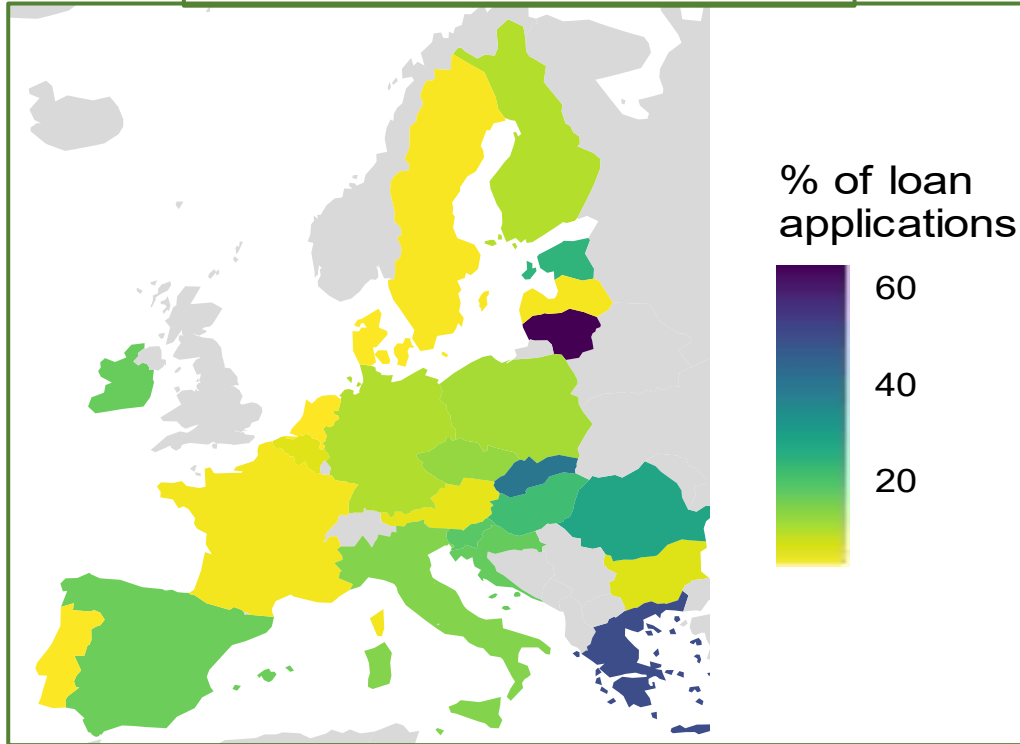
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# Application for bank finance

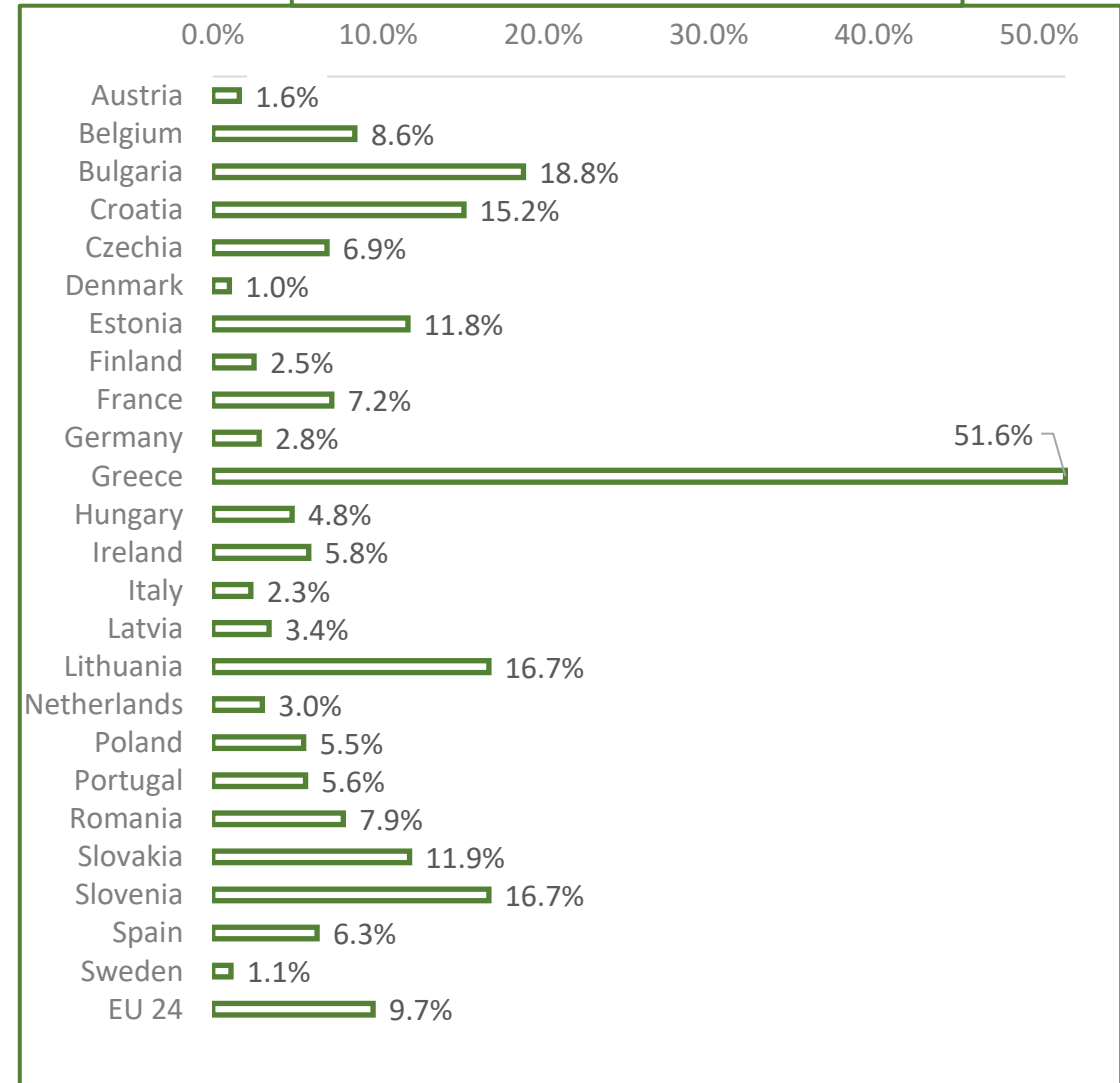


Unsuccessful applications per MS



✓ 14.8% of farmers relied on financial resources provided by family members or friends in 2017

Share of discouraged enterprises per MS



Source: fi-compass 2020

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# Main obstacles on the demand side



Low and fluctuating economic margins

Lack of access to collateral

Low level of financial literacy

Lack of confidence and trust in the banking system

Lack of credit history limits access to finance for young farmers and new entrants

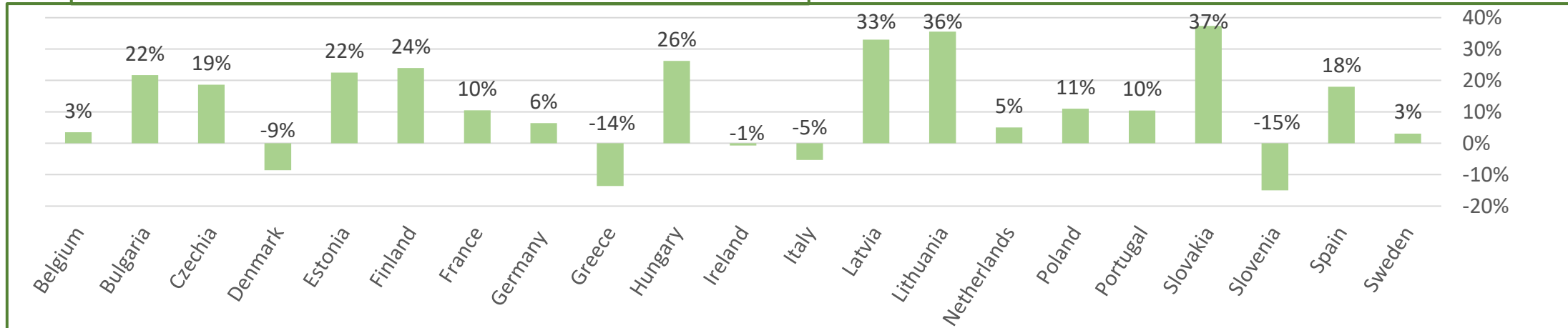
Small-sized farms sometimes lack business data and accountancy records



# Supply of finance to the sector



Change in outstanding loan volume by MS, 2015-2018



Source: fi-compass 2020

- ✓ Bankers in several MS have pointed out that they have a positive view of the agriculture sector
- ✓ In several MS, the agriculture sector is characterised by relatively low default risk
- ✓ In many MSs specialised intermediaries are available, often cooperative banks



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# Obstacles on the supply side



Market concentration

Level of knowledge in the banking sector

Higher interest rates compared to other sectors

High collateral request





# Main recommendations



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