



Main findings from *fi-compass* ‘Study on financial needs in the agriculture and agri-food sectors in Lithuania’

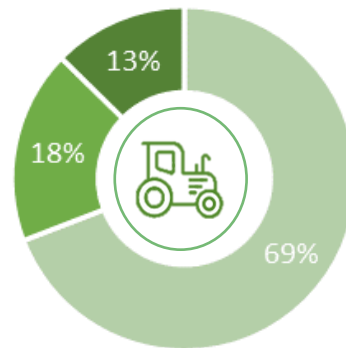
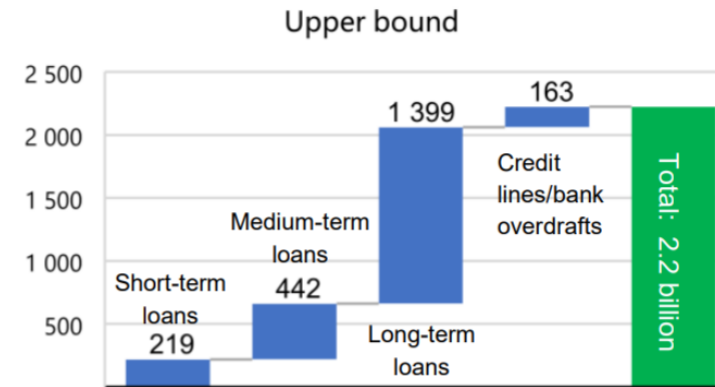
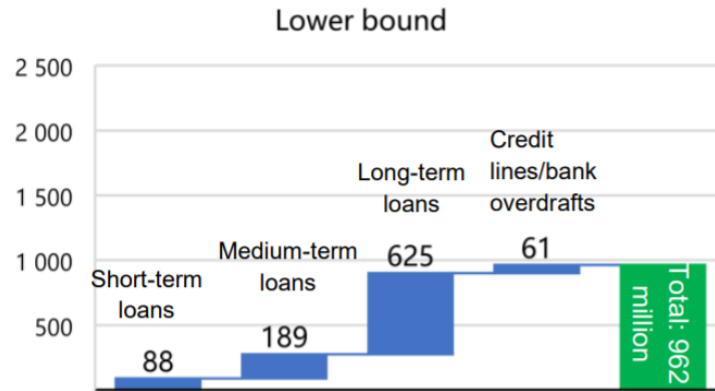
Guillaume Pierre, Research Expert, Ecorys



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Financing gap - Agriculture



- Small-sized Farms
- Medium-sized Farms
- Large-sized Farms

30% of the gap refers to young farmers (upper bound) .

General drivers of the gap include the **lack of financial skills, the lack of collateral, and limited access to long-term loans**, particularly for small-sized farms, young farmers, and new entrants.



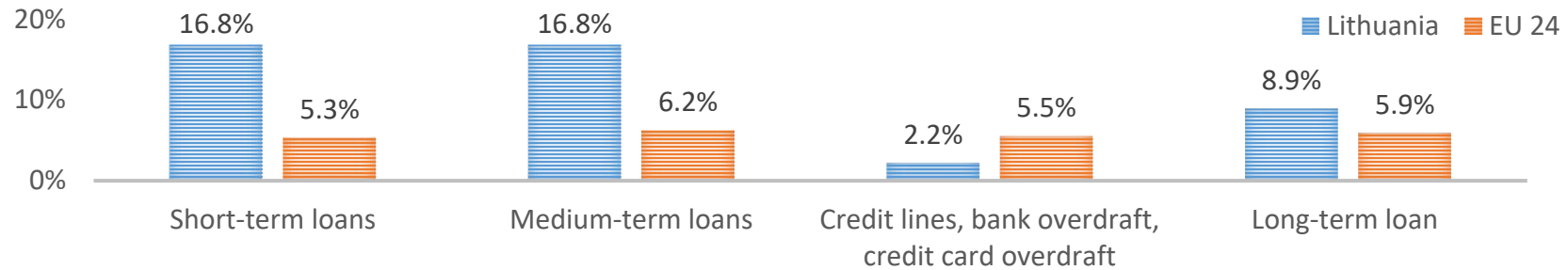
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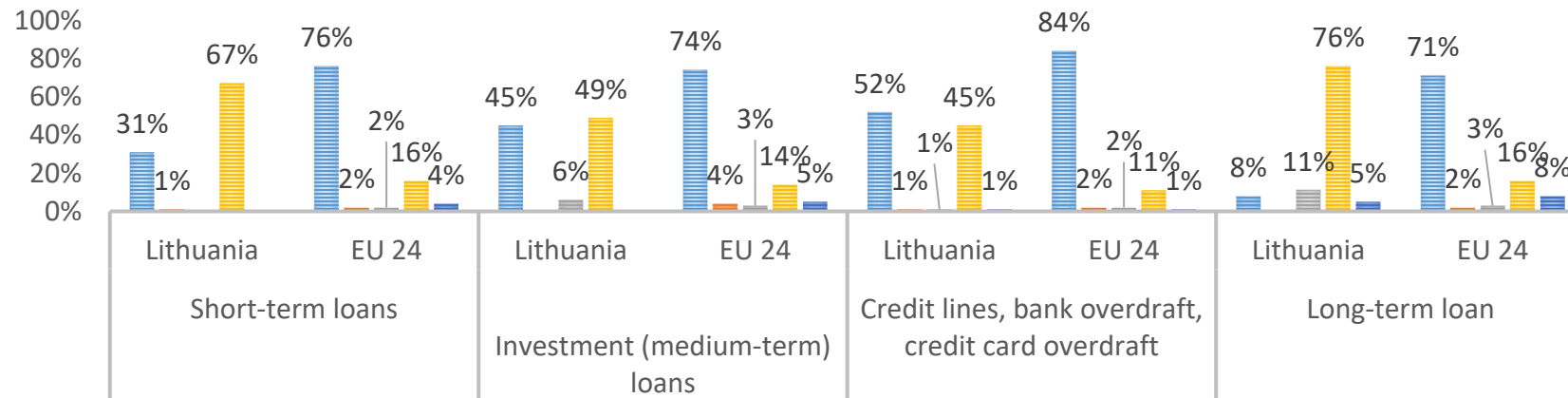
Demand and access to finance



✓ Financial products applied for in 2017



✓ Results of applications



■ Received
 ■ Partially received
 ■ Refused by farmer
 ■ Rejected by lender
 ■ Still pending

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Main gap drivers



Lack of collateral



- This pushed the market towards products with a smaller duration
- Small-sized farms, young farmers & new entrants

Farmers' lack of financial knowledge



- Both a problem of general financial knowledge and a lack of separate accounting

Limited supply of long-term loans



- High rejection rate
- Needed for YFs & new entrants in a transforming sector

Recommendations



1

Review existing instruments and assess possibilities for scaling up and simplification of the process.

2

Dedicate more resources to increase access to **long-term loans**.

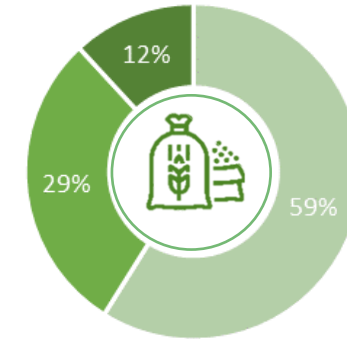
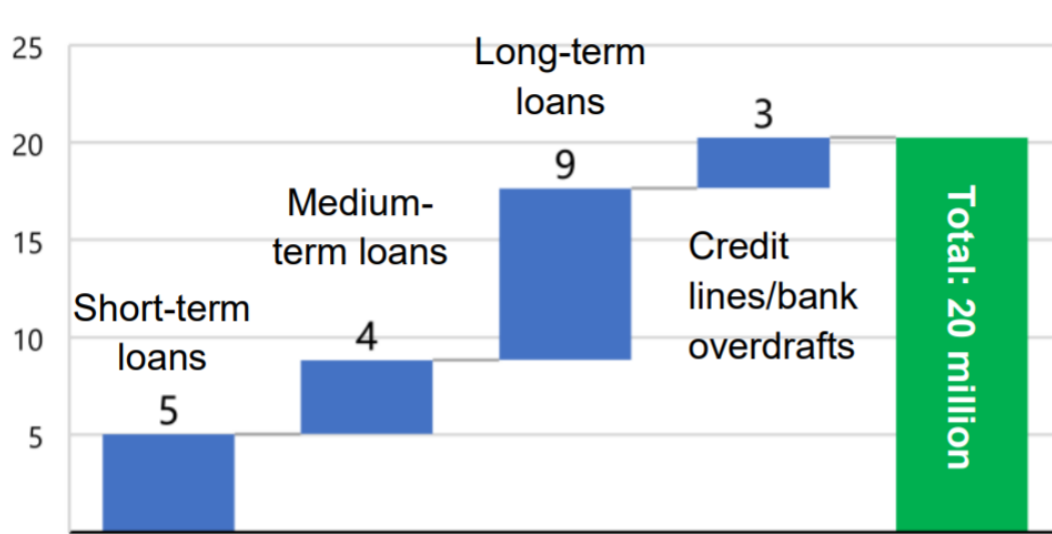
3

Technical support to develop business plans and improve financial management of farmers.

4

Target reduction of the cost of financing, particularly for small-sized farms. Either through an FI or grant combination.

Financing gap – Agri-food



- Small-sized enterprises
- Medium-sized enterprises
- Large-sized enterprises

Almost 59% of the gap refers to small-sized enterprises

General drivers of the gap include the **lack of co-financing & collateral, limited credit history and financial skills, and the cost of long-term financing**, in particular for small-sized firms.



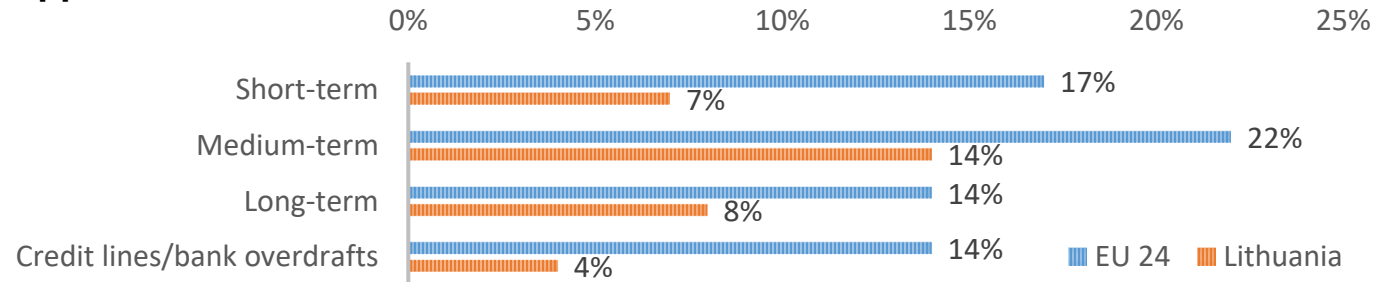
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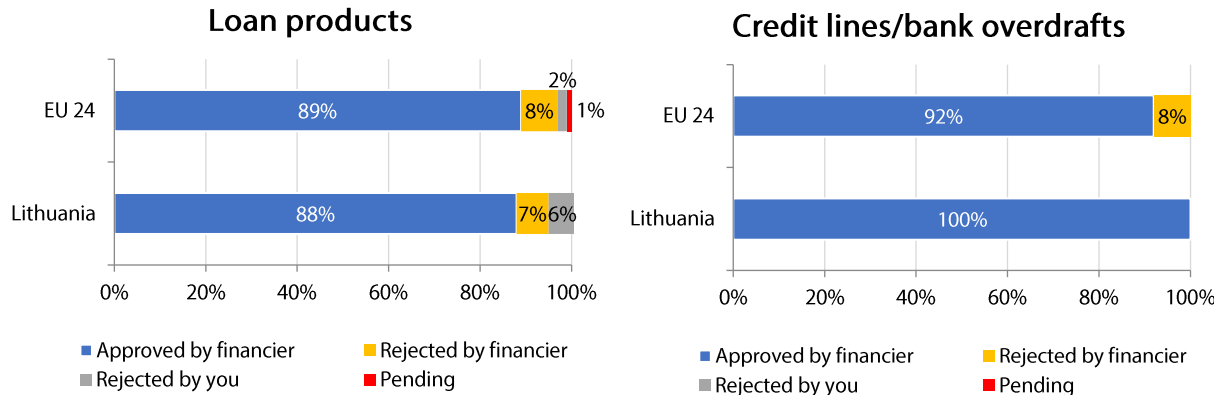
Demand and access to finance



✓ Financial products applied for in 2018



✓ Result of loan applications in 2018



Approximately 2% of agri-food enterprises did not apply because of possible rejection (discouraged)

✓ Interviews with stakeholders, the rejection rate is higher for small-sized companies



Main gap drivers



Lack of
co-financing & collateral



- Small-sized businesses
- Access to medium and long-term loans

Lack of credit history and
financial skills



- Small-sized and micro enterprises
- Application procedure
- Business plans

Supply side determinants



- **High costs** associated with loans hold companies back from using external financing.

Recommendations



1

Scale up the INVEGA portfolio, with a review and a potential simplification of procedures.

2

Focus micro and small firms, all type of financing products.

3

Technical support to develop business plans and improve financial management of small firms.

4

Disseminate more information about INVEGA support



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 case studies
Agriculture thematic objectives Targeted coaching
business plan equity
advisory services private investors
RDP guarantees life cycle combination of support
conferences banks revolving
fund of funds loans microfinance CAP
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