



The use/non-use of FIs in the post-2020 CAP for Austria – Findings from a preparatory ex-ante assessment

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 #ficompass



# Content



- What has been done – why a „preliminary ex-ante assessment?“
- Supply side
- Demand side
- Conclusions - the issues with FIs in agriculture



# What has been done



- Preliminary assessment whether FIs shall be considered within the Austrian Pillar II post 2020.
- In principle Step I of the ex-ante assessment according to the „Methodological handbook for implementing an ex-ante assessment of agriculture financial instruments under the EAFRD” – i.e. supply side and demand side analysis
- Assessment whether a financing gap exists



# Methodology



- Analysis of CAP Strategic Plan SWOT → linking of needs and potential financing gaps
- Identification of three agricultural/ forestry sub-sectors in coordination with the MA
- Assessment of the potential financing gap
- Desk research, statistical analysis
- Interviews with multipliers and potential final recipients (tot. 15)



# Supply side



- In principle following suit the analysis of the ‘Study on financial needs in the agriculture and agri-food sectors in Austria’
- Supply of capital for agriculture/ forestry is sufficiently provided – capital market conditions are favourable for banking sector (some single exceptions)
- In EU comparison low average default rate for agricultural/ forestry sector (54.091 Euro/ per economic unit in 2018) → risk averse behaviour of farmers/ foresters



# Demand side I



## Some preliminary observations

- Demand side analysis will have to be aligned with needs as identified for Rural Development Programmes/ territorial needs of rural areas → wider set perspective than just agriculture
- In Austria starting point has been the SWOT of the Austrian CAP strategic plan
- Only three sub-sectors have been specified and identified with potential of lacking access to financing:
  - Farm succession outside the family – market entry of „new farmers/ foresters“
  - Atypical „agricultural“ producers on the verge to enterprises
  - Adjustment to working capital needs due to extreme weather events/ climate change adaptation



# Demand side II



Some findings:

- For farm succession: existing instruments sufficient, but wider target groups for non-family succession needed – alternative forms of support (e.g. farm fairs/ exchange platforms)
- Atypical agriculture: large potential, existing financing mechanisms deemed sufficient, but bridge towards other economic sectors needed → farmers become entrepreneurs and vice versa → classical “venture capital” instead of FIs
- Extreme weather event consequences → again existing risk mechanisms sufficient; Austrian agricultural structure calls for the existing system of shared risk via PPP



# Conclusions



- From the analysis of supply and demand side NO financing gap can be detected → NO programming of FIs in Austria recommended





# Conclusions II



Problems with the FI ex-ante assessment methodology:

- FIs are still a part of the EAFRD → a broader perspective on rural development is needed & „needs“ in rural areas are to be the guiding principles
- Agriculture and forestry are sectors „in transition“ → innovative behaviour from outside to be allowed, sectoral permeability to be fostered, rural areas are to be confronted with a mix of sectors and land uses (circular economy, energy, mobility, ...) → increased complexity of support, which FIs cannot serve



