



Financial needs in the agriculture and agri-food sectors in Poland



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the RDP applications from agri-food companies for support were approved. This is a sign that a significant unmet demand for financing exists in the agri-food sector.

The overall trend of lending to enterprises is positive. While there are no figures available for the outstanding loan portfolio for the agri-food sector in particular, the sector follows the overall growing trend of the manufacturing sector. Commercial banks, cooperative banks and, increasingly, leasing companies are the main finance providers to the sector.

The guarantee scheme under the EAFRD was launched in late 2019 and aims at overcoming the collateral challenges for agri-food enterprises. As is the case for farmers, agri-food enterprises can in addition apply for general SME support under national and EU funded programmes, including COSME Loan Guarantee Facility and cohesion policy instruments like the Smart Growth Programme on a national level.

The report estimates a **financing gap for the agri-food sector in Poland of EUR 84 million**. The gap mainly concerns small enterprises (less than 50 employees). In terms of loan products, the financing gap is largest for long-term loans (maturity over 5 years), but this is less accentuated than for the agriculture sector.

The market gap is comprised of (i) the rejected loans, which made up 14% of applications for bank products and 12% for credit lines/bank overdrafts, and (ii) entrepreneurs that were discouraged from submitting a loan application. Although the survey recorded only 3% of enterprises that did not apply for a loan due to a fear of being rejected, this share is likely to be higher based on the information received in interviews.

Access to finance is constrained for enterprises due to a lack of adequate collateral, insufficient business management and planning skills, and the general risk-averse attitude among entrepreneurs towards external finance. On the supply side it was observed that loan conditions are not favourable due to the perception by banks that the sector is risky, which means that banks tend to control their exposure to the sector. In addition, banks consider loan appraisal for the agri-food sector more complex than for other enterprises.

As for the agriculture sector, the launch of the guarantee instrument under the RDP in December 2019 addresses one of the key challenges of agri-food enterprises to access finance, whereby the effects of this instrument should be evaluated before further similar interventions can be recommended for the supply side.

RECOMMENDATIONS

- As for the agriculture sector, it is recommended to ensure continuity of the EAFRD guarantee instrument also in the 2021-2027 programming period, subject to an assessment to measure the effectiveness of the instrument after a few years of operation. Also for the agri-food sector, it should be verified:
 - The adequacy of the guarantee capital and the expected leverage.
 - The concrete ability to address the constraints of small-sized enterprises.
- Combination between grants and financial instruments in a single operation could be an interesting implementation option for the new CAP Strategic Plans saving costs and resources.
- Consider the creation of a pilot risk-sharing credit fund as a solution to the risk-aversion of banks and their perception about the high risk associated with the sector, alongside the current high interest rates imposed on any agri-food company borrowing resources.
- While interviews conducted for this report showed that companies in Poland can already obtain information and advice related to access to finance, an additional effort, in terms of awareness raising and training on the financial management and investment opportunities for agri-food business, might be considered. Capacity building should therefore be an integral component of any intervention. It should cover the topics of business planning and management skills, especially with regard to accessing international markets and on technical topics such as energy and water efficiency.