Financing Small Farms in Romania
Agriculture Specific Solutions

Liviu Dobre, Chief Executive Officer, Agricover Holding
Group snapshot

• With yearly revenues of 800 Million Euro and 21+ years of know how, Agricover has become the leader of the Romanian agribusiness industry;

• **Strategic player** providing farmers key resources to thrive - high-performance technological inputs (crop protection, crop nutrition, certified seeds and fuel), specialized financing, and digital agriculture solutions.

• **Entrepreneurial mindset** intertwined with best-practice corporate governance and transparency

• **Strategic investors**: 12,7% participation of EBRD in Agricover Holding and 10% participation of Adama Agriculture BV (Syngenta Group) in Agricover Distribution SA

• **Public interest entity** – Agricover Holding Corporate Bond listed on the Bucharest Stock Exchange and Agricover Credit regulated by the national Bank of Romania
Group’s focus: effective solutions to key farmer needs

The largest distributor of technological inputs (crop protection, crop nutrition and certified seeds) and fuel.

Facilitating farmers’ access to high-performance agricultural technologies expedited by Agri-financing solutions.

“One-stop-shop” digital platform providing access to digitally-enabled agriculture technologies.

Synergistic differentiation vs. competition
Integrated, solid risk management platform

Largest Non-bank Financial Institution specialized in financing farmers (working capital, investment loans, factoring).

Facilitating farmers’ access to tailored financing to accelerate technological progress in synergy with Agri-business operations.
Innovative business model translating knowledge into sustainable competitive advantage

Agricultural technologies bundled with financing solutions
Competitive advantage, versus other distributors, based on segregated funding that is faster and safer.

Financing products bundled with the sale of agricultural inputs
Competitive advantage, versus other lenders, based on financing tailored to the needs of the agricultural sector.

In 2021, Agricover IFN financed 33% of farmers’ purchases from Agricover Distribution

Digital technologies, big data, data driven business instruments
Competitive advantage by using data to enhance risk management and business development
NBFI specialised in farmer financing

- **Equity:** 80 Million Euro
- **Loan portfolio:** 400 Million Euro
- **NPL:** 2.66%

- Agriculture specialized financing products: working capital (overdrafts, factoring facilities) and CAPEX related (land and equipment acquisition)
- Historical top-down market approach resulting in high penetration rates for large and medium professional farmers segments.
- In the last 4 years the focus has shifted towards professional small farms (8% penetration rate and significant untapped growth potential)
- Business digitalization will create a route to market model for retail financing in agriculture
NBFI specialised in farmer financing

Lending products for small farmers:

• First **business credit card** for Romanian farmers: Credit limit covering significant part of the production costs, special deals for inputs acquisition

• **Fast credits**: Medium term working capital with scheduled repayments (correlated with harvest)

• **Investment loans**: Medium term investment loans for land and equipment acquisitions.

Mixed commercial coverage model:

• Specialized mobile commercial team doing business in farmers’ premises
• Digital distribution channels
Diversified structure of funding:

- **57%** Local banks
- **31%** IFIs
- **12%** Capital markets

**Funding programs with EIB and EIF:**
- 2016, **EIB and EIF** (EREM CBSI): 10 Million Euro;
- 2016 and 2017, **EIB** (EFSI): 20 Million Euro;
- 2020, **EIF** (EaSI), 7 Million Euro;
- 2020 and 2021, **EIB** (EFSI) 15 Million Euro.
Challenges for financing smaller farms in Romania:

**Access to finance** is one of the main hurdles for the development of smaller farms.

**Increasing prices of fertilizers and fuel** inducing additional stress on farmers’ cash-flows.

- Smaller farms performance (e.g., yields and financial) is already affected.
- A potential solution is to further increase the support given to specialised lenders enabling financial inclusion for small farms

The local banking sector has a limited appetite for this segment.

Main players are specialized NBFIs and microfinance entities with specific **funding needs**