



Overview of the use of EAFRD financial instruments in Italy

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Financial instruments in Italy between past, present and future

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Financial instruments in Italy between past, present and future

Programming periods 2007-2013 and 2014-2022: **past**

RDPs for 2007-2013



- 8 RDPs
- Total payments to guarantee funds: approximately **EUR 79 million**
- Total budget structural measures: approximately **EUR 6 billion**

Leverage effect: 0.85

- ISMEA Guarantee Fund
- Not activated
- Guarantee Fund for SMEs in Agriculture

RDPs for 2014-2022



- 10 RDPs
- Agri Italy Platform: Uncapped guarantees for loans - **EUR 195.5 million**
- Loan Fund for agriculture: Subsidised loans - **EUR 93.0 million**
Credit Fund: Investment loans combined with grants - **EUR 33.2 million + EUR 49.8 million**

- Not activated
- AGRI Italy Platform
- Loan Fund for agriculture
- Credit Fund

Financial instruments in Italy between past, present and future

Programming period 2023-2027: **present**

CAP 2023-2027 *for a future-proof policy*



EU Challenge

CAP Strategic Plans support the transition towards a **smart, sustainable, competitive, resilient and diversified agricultural sector**, ensuring long-term food security



Member States

The CAP Plans support a wide range of interventions, addressing the **specific needs of Member States** and their territories



Financial instruments

RD types of intervention:

- Investments
- Installation of Young Farmers
- Risk Management
- Cooperation
- Knowledge Exchange

Italy's CAP Strategic Plan 2023-2027



Interventions

SRD01 - Productive agricultural investments for the competitiveness of agricultural holdings

SRD02 - Productive agricultural investments for environment, climate and animal welfare

SRD13 - Investments in the processing of agricultural products



2023



Friuli V. G.
(SRD16-17)



Abruzzo
(SRD18-19)



2024



Marche
(SRD20-21)



Lombardy
(SRD22)



Sicily
(SRD23-24)



(at the end of) 2024



Umbria



Thank you!

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New generation financial instruments in support of Italian agriculture and rural development - Lombardy experience: "CREDIT AGROINDUSTRY II"

Rita Cristina De Ponti, Directorate General for Agriculture, Region of Lombardy

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Introduction

Targets

To promote **economic growth in rural areas** by strengthening **productivity, profitability and competitiveness** in the **agricultural, agri-food and agro-industrial** sectors.

To support **investment in the processing and marketing of agricultural products** activated by agro-industrial companies in the Lombardy region.

Product type

Medium/long-term **subsidised-rate** loan combined with a **grant**.

Strong continuity with the financial instrument “Credit Fund” under the 2014-2020 EAFRD RDP.

Available Funding

EUR 30 million in public resources (EAFRD, State, Region), of which:

- **EUR18 million** allocated to the **subsidised-rate loan** using CAP Strategic Plan (CSP) SRD22 funds;
- **EUR 12 million** allocated to the **grant** using CSP SRD13 funds;

Private-sector financing by **financial intermediaries** amounting to **EUR 30 million** is also expected.

Estimated leverage: **4.81 times**.

Context

3 consecutive crises: the pandemic; the war in Ukraine and geopolitical tension; inflation;

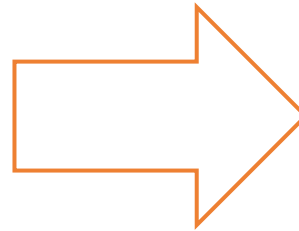
Tight monetary policy: high cost of money;

Shrinking supply of credit for businesses;

Tightening of the selection and assessment criteria by lenders (**higher interest rates**);

Insufficient awareness and limited use of financial instruments;

Insufficient modernization and innovative investment in the sector;



Objectives

Develop a "**flexible**" tool able to adapt to the changing market landscape;

Facilitate access to credit for agricultural, agri-food and forestry businesses;

Lessen the financial exposure of businesses to credit institutions and the total cost of credit for borrowers;

Support for capex and investment by businesses involved in the processing and marketing of agricultural products;

Promote the growth of the competitiveness and profitability **in the sector**

Consolidation of **local supply chains**;

How the combined financial instrument works

Medium/long-term subsidised-rate loan combined with a grant.

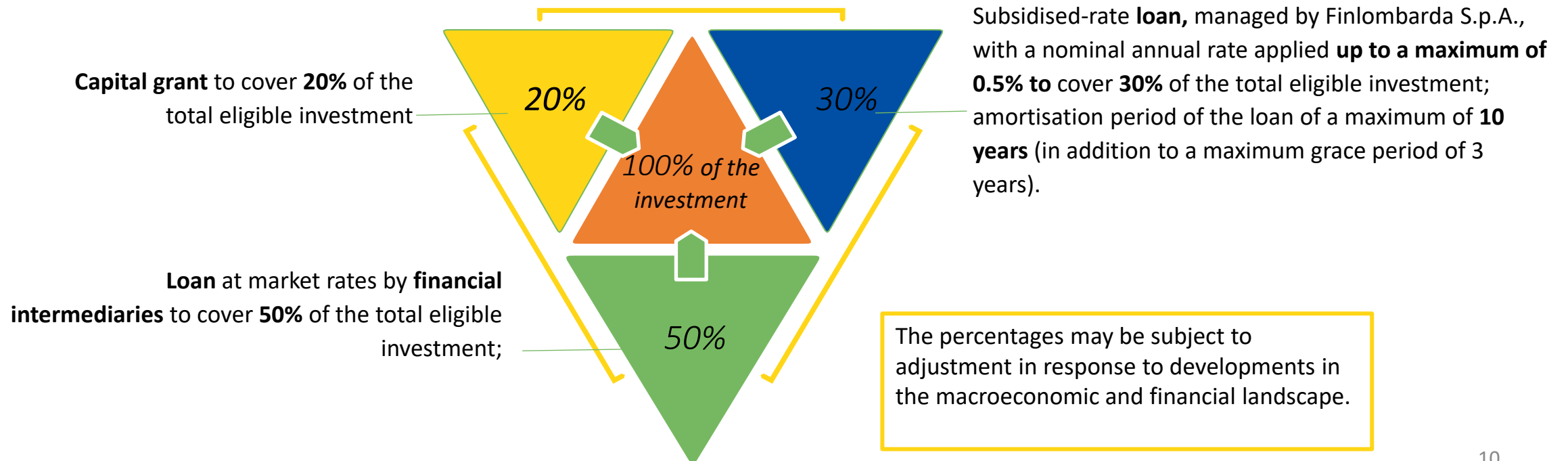
Dual loan agreement: the subsidy and the loan at market conditions together **cover 100% of the** total eligible investment.

“Contratto di filiera” are required with players in the primary sector other than the applicant that provide a minimum percentage of the raw material distributed and processed by the borrower.

Approval process for the subsidised loan based on **credit scoring** through the **Central Guarantee Fund**.

Eligible project size : Min. EUR1,000,000; Max. EUR5,000,000.

Maximum aid intensity of **35% GGE**.





Thank you!



EAFRD Financial Instruments of the Region of Umbria

Michele Michelini, Regional Director for Economic
Development, Region of Umbria

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Potential types of financial services to support agriculture

TYPES OF FINANCIAL SERVICES OFFERED

- ❖ CREDIT FUND FOR DIRECT LENDING PAIRED WITH GRANTS
- ❖ GUARANTEE FUND FOR BANK FINANCING

BENEFICIARIES

UMBRIAN SMEs IN THE PRIMARY SECTOR ACTIVE IN FARMING, PROCESSING AND MARKETING

ELIGIBLE USES

COVERING INVESTMENT IN PROJECTS ELIGIBLE FOR THE BENEFITS OF THE RURAL DEVELOPMENT SUPPLEMENT FOR UMBRIA 2023-2027



OTHER PROPOSED FINANCIAL SERVICES

- ❖ GRANTS FOR INTEREST ON OPERATING LOANS REQUESTED BY INDIVIDUAL OR ASSOCIATED UMBRIAN AGRICULTURAL ENTREPRENEURS, REGISTERED WITH INPS AS DIRECT PRODUCERS OR PRIMARY AGRICULTURAL HOLDERS
- ❖ GUARANTEE FUND FOR "TRANCHED COVER" BANK FINANCING

Credit Fund for direct lending paired with grants

Type of aid: subsidised-rate loan that covers up to 60% of the expenses envisaged by the investment project.

Conditions for approval: stipulation of a market-rate loan with a bank affiliated with the Credit Fund for up to 100% of the expenses envisaged by the investment project.

Fixed interest rate on the subsidised loan: 0.5% per year.

Duration: option a) 60 months, plus 24 months of grace period; option b) 120 months, plus 24 months of grace period.

Debt relief: up to 50% of the subsidised loan following reporting of the investments made and approval issued by the competent regional authority.

Total aid intensity: maximum allowed under the measure, equal to 40% GGE.

BENEFIT FOR THE BUSINESS:
POSSIBILITY OF FINANCING THE
INVESTMENT FOR UP TO 100%
OF THE EXPENSES TO BE
INCURRED



Credit fund and insolvency risk guarantee on bank borrowings

**POSSIBILITY OF COMBINING
THE DIRECT LOAN TO BE
DISBURSED FROM THE CREDIT
FUND WITH THE ISSUANCE OF
A RISK OF INSOLVENCY
GUARANTEE ON THE BANK
LOAN TO BE RECEIVED TO
COVER THE TOTAL
INVESTMENT**



Type of aid: insolvency risk guarantee on a loan issued by a bank affiliated with the Guarantee Fund.

Maximum guarantee: up to 80% of the loan.

Cost of the guarantee: 1.5% one time (i.e. the sum of the origination fee of 0.5% and the guarantee fee of 1%).

**IN THE EVENT OF COMBINED ACTIVATION OF
THE CREDIT FUND AND THE GUARANTEE,
THE TOTAL AMOUNT OF THE TWO STATE
AIDS MUST BE TAKEN INTO ACCOUNT**

Guarantee fund by way of "guarantee portfolio" (tranching cover) transactions

Type of aid: insolvency risk guarantee on a loan issued by a bank affiliated with the Guarantee Fund that operates by way of a "guarantee portfolio".

Characteristics of the Fund: provision by one or more banks of separate credit ceilings to cover the guarantees issued by the Fund.

Characteristics of the loan: newly granted loan with pricing anchored to parameters established with the lending bank.

Maximum guarantee: up to 80% of the loan.

Cost of the guarantee: none.

Aid intensity: the difference between the market price of the guarantee and the price actually paid by the Beneficiary; the equivalent of aid intensity is calculated in the form of the GGE.



But what is the state of health of agriculture in Italy?

FARMERS CONFIDENCE INDEX IN ITALY, AS MEASURED BY ISMEA IN THE SECOND QUARTER OF 2023, WAS INDEXED AT -1.6, WITHIN A RANGE OF -100 TO +100

DESPITE THE SUPPORT OF THE COMMON AGRICULTURAL POLICY AND THE FINANCIAL INSTRUMENTS MADE AVAILABLE BY THE REGIONAL MANAGEMENT AUTHORITIES, AGRICULTURE SHOWS DEFINITE CRITICAL ISSUES, UNDERSCORED BY THE TREND IN FARM CREDIT

BY SEGMENT, THE MOST PESSIMISTIC FARMERS ARE THOSE DEALING WITH ARABLE CROPS, OLIVE GROWING, AND VITICULTURE

Source: Italy's National Rural Network (RRN) 2014-2020 – Ministry of Agriculture
ISMEA

Trends in lending for agriculture

NATIONAL			
SECTOR	CREDIT GRANTED AS OF JUNE 2023 (€ MN)	% CHANGE IN LENDING (DEC 2022 VS. DEC 2021)	% CHANGE IN LENDING (JUN 2022 VS. JUN 2021)
Agriculture, forestry and fishing	39,956	- 0.7	- 2.3
Food, Beverage and Tobacco Industries	34,756	+ 3.5	+ 2.9

REGIONAL - UMBRIA			
SECTOR	CREDIT GRANTED AS OF JUNE 2023 (€ MN)	% CHANGE IN LENDING (DEC 2022 VS. DEC 2021)	% CHANGE IN LENDING (JUN 2022 VS. JUN 2021)
Agriculture, forestry and fishing	725	- 5.5	- 5.3
Food, Beverage and Tobacco Industries	637	+ 2.0	- 8.2

Source: ISMEA - RRN 2014-2020 based on Bank of Italy data

CONCLUSIONS

THE TIME HAS COME TO CONSIDER A DIFFERENT ALLOCATION OF RESOURCES WITHIN THE VALUE CHAIN OF AGRICULTURAL PRODUCTS THAT REWARDS THE PRODUCER IN TERMS OF INCOME REDISTRIBUTION

IMAGINE A NEW 'SOCIAL PACT' TO SUPPORT AGRICULTURAL BUSINESSES IN THEIR ACTIVITIES AS PRODUCERS OF GOODS AND SERVICES INTENDED TO ENTER THE FOOD CHAIN AND IN THEIR ACTIVITIES AS ENVIRONMENTAL STEWARDS OF THE TERRITORY





Thank you!



EAFRD financial instruments of the Region of Abruzzo

Elena Sico, Director of the Department of Agriculture,
Region of Abruzzo

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The need for credit access

Characteristics of Abruzzo farms

- Businesses that tend to remain **small**, with little inclination to invest in new technology or digitalization and a low degree of internationalization;
- Most farms are run by **older farmers** (out of 44,365 farms, just over three thousand are owned by a someone under the age of 40);
- 97% of Abruzzo farms are owned by a **single individual or a family**, resulting in greater financial risk for the owner and high levels of fragmentation;
- Good propensity to invest, through various funding channels, although at least 37% of all businesses **do not turn to the banking system**;
- As many as 80% of all businesses surveyed plan to make investments within the next 5 years.
- **Prices of farming equipment** have seen a steady increase in recent years.

The need for credit access

The lending market in agriculture in the Abruzzo region

- **Higher interest rates** due to perceived higher risk;
- **Lack of suitable guarantees** to cover a portion of the loan (*the guarantees offered by the counterparty consist mainly of the owner's personal assets*);
- **Inability/difficulty of lenders to assess** solidity, profitability and cash flows due to a *near total lack of financial reporting*.
- **Smaller businesses** (Gross Saleable Production of less than EUR25,000), often located in **disadvantaged, mountain areas**, and **younger** farms (owned by farmers under the age of 30) are denied loans to a greater extent.

Financial instruments for agriculture in Abruzzo in the 2023-2027 Farming Plan

The revolving fund established by way of SRD18 and SRD19

Purpose of the FI

- **Zero-interest loans** for capital expenditure and investment (not for working capital)
- In combination with grants for SRD01, SRD02 and SRD13

Eligible investments

- Investment in the processing and marketing of agricultural products (SRD13)
- Agriculture investments to improve the competitiveness of farms (SRD01) and for the environment, climate and animal welfare (SRD02)

Managing Authority

- In-house company of the Region of Abruzzo, Finanziaria Regionale Abruzzese (Fi.R.A.) S.p.A.

Beneficiaries

- Farms in the region and businesses involved in the processing and/or marketing of agricultural products from Abruzzo
- Priority for young farmers and farms located in disadvantaged areas



Thank you!

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The financial instruments activated by the Marche Region in the 2023-27 CAP National Strategic Plan

Sabrina Speciale, Directorate of Agriculture and Rural
Development, Region of Marche

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The needs for financial instruments in

Results of the VEXA study

Marche

2014-2020 bank loans for agriculture in Marche -28.8%

ITA -9.6% (2020–2023: Marche -4.1%; ITA +1.1%); **agrifood sector:**

+5% Marche; ITA +13%

only ¼ of bank loans to farms finance investment

Credit institutions: difficulty in assessing a farm's income capacity

(scarcity of financial reporting; lack of specialists); **longer returns on investment** (e.g. orchard farming) and need for loan grace period

Farms: difficulty in accessing financing; lack of own resources; limited financial literacy;

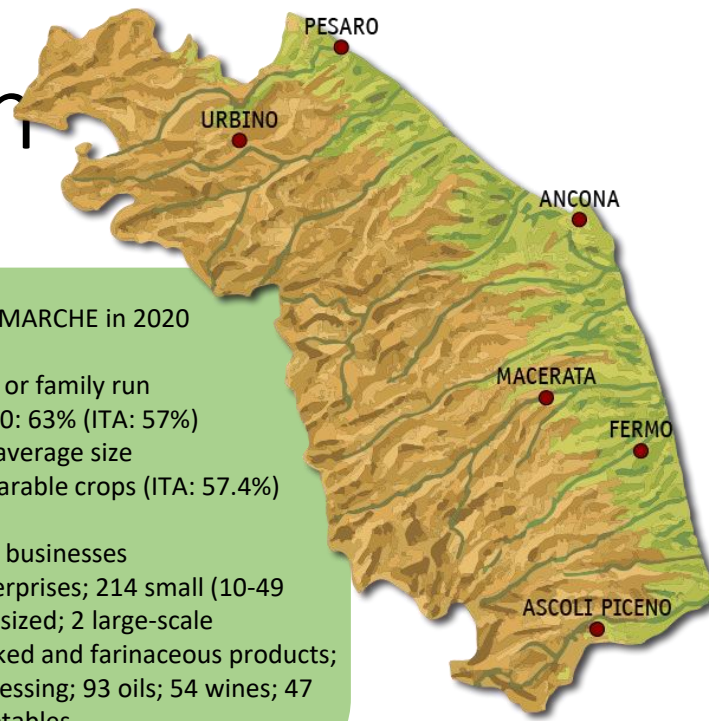
economic issues: rising interest rates and higher prices of raw materials + losses due to climate

Agrifood companies: cost of loans; inconsistency in the ability to access credit

MARCHE in 2020

33,800 farms;
92% individual or family run
farmers over 60: 63% (ITA: 57%)
13.5 hectares average size
80.6% UAA to arable crops (ITA: 57.4%)

1,742 agrifood businesses
80% microenterprises; 214 small (10-49 emp.); 22 mid-sized; 2 large-scale
Over 1000: baked and farinaceous products;
186 meat processing; 93 oils; 54 wines; 47 fruits and vegetables



Aid activated in Marche under Italy's 2023-27 CAP Strategic Plan (em 2 not. MASAF 15/03/2024)

SRD20 MARCHE financial instrument and agricultural investment to increase farm competitiveness €7,000,000.00

Objective: to facilitate access to credit for farms that invest

Beneficiary: RTI Credito Futuro Marche

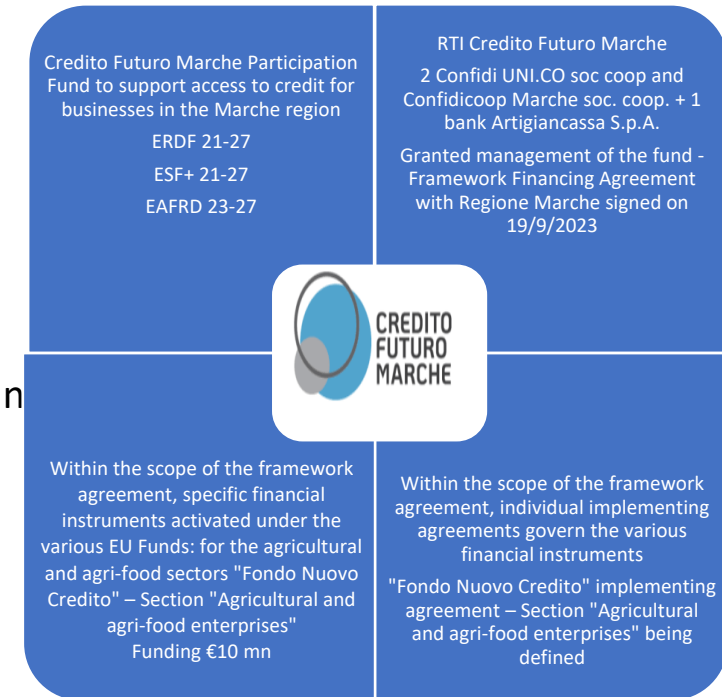
Final beneficiaries: agricultural businesses eligible for the capital grant

under SRD01 and SRD02 of the 2023-27 Marche Rural Development Supplement, united in single transaction in the form of:

- financial instrument: reinsurance of the guarantee of first instance;
- subsidy: reduction of interest costs and of guarantee expenses and fees.

can help to

- facilitate access to credit for businesses
- promote the most appropriate loan durations and grace periods



Aid activated in Marche under Italy's 2023-27 CAP Strategic Plan (em 2 not. MASAF 15/03/2024)

SRD21 MARCHE financial instrument for investment in the processing and marketing of agricultural products
€3,000,000.00

Objective: to facilitate access to credit for farms and agrifood businesses that invest

Beneficiary: RTI Credito Futuro Marche

Final beneficiaries: Farms and agrifood businesses involved in the processing and/or marketing of agricultural products eligible for the capital grant under SRD13 and the 2023-27 Marche Development Supplement

instrument: zero-interest loans to cover a part of the private capital needed for investment

allows for

- a greater reduction in costs: in addition to risk sharing benefits, no costs for the financial provision are necessary
- greater revolving effect allowing the reuse of resources, favoring the reuse of resources for the benefit of other businesses





Thank you!

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